

MEDIA RELEASE

Melbourne IT Announces First Half Results and Management Restructure

Theo Hnarakis signals intention to step down as CEO & Managing Director of Melbourne IT once suitable replacement found

Melbourne IT Group Consolidated Results – Half ending 30 June 2013:

		H1 2013	H1 2012 [^]
Revenue*	-9%	\$51.3m	\$56.6m
EBITDA*	-3%	\$3.7m	\$3.8m
EBIT*	4%	\$2.5m	\$2.4m
NPAT*	18%	\$3.9m	\$3.3m
Net Gain on Sale of Businesses	N/A	\$66.4m	\$2.5m
Statutory NPAT	1,109%	\$70.3m	\$5.8m
Operating Cash*	-49%	\$5.9m	\$11.6m
Special Dividend (Paid 22 August)	N/A	25¢	-
Net Cash at Bank [#]	-	\$112.0m	-\$20.8m

* Continuing operations

Includes \$15.25m DBS escrow amount and \$1.5m FTR cash position at 30 June 2013

[^] Restated continuing operations only H1 2012

Figures may not total exactly due to rounding

MELBOURNE, Australia – 27 August 2013 – Melbourne IT (ASX: MLB) today announced its half year results for the six months ending 30 June 2013, with its continuing operations reporting an 9% year-on-year decrease in revenue to \$51.3 million and earnings before interest and tax (EBIT) of \$2.5 million, up 4% year-on-year. The company also announced Management changes to reflect the next stage of Melbourne IT's evolution, with CEO & Managing Director, Theo Hnarakis, intending to step down later in 2013 once a suitable replacement is found and an effective handover has been completed.

The three stated objectives of the Strategic Review which the company has been undertaking over the past nine months have been to unlock the intrinsic value of the business, deliver benefits to shareholders and create a simpler, more focused company which would be well positioned for future success. The Board believes the Review is now well on the way to achieving these objectives.

The sales of the Digital Brand Services and ForTheRecord divisions for a total \$158.8 million resulted in a net gain on sales of \$66.4 million in the first half, contributing to a statutory net profit after tax (NPAT) result of \$70.3 million during the reported period. In meeting our goal of unlocking shareholder value, Melbourne IT paid a special 75% franked dividend of 25 cents on the 22nd of August, and is in the process of reviewing a range of measures to provide a further capital return to shareholders.

"We believe SMB Solutions and Enterprise Services have the ingredients for success and significant opportunities for growth with continued strong demand for web services. The SMB and ES businesses

are a natural fit together, and the reduced complexity and simplified structure of the business now that DBS and FTR have been sold provides better focus and clearer capital allocation options,” Mr Hnarakis said.

“Melbourne IT will continue to invest in systems, people, products, marketing and potentially non-organic growth initiatives around the remaining core businesses to drive ongoing shareholder value creation,” he said.

Melbourne IT Chairman, Simon Jones, said the Board remained committed to the SMB and ES businesses and that the restructuring process to provide the basis for this continued investment has begun.

“The return to a more focussed, nimble and principally domestic business will require the central overhead of the company to be brought into line with Melbourne IT’s new size and structure. The Board and Theo Hnarakis have discussed this process and mutually decided that, after 11 years as CEO & Managing Director, Theo will step down from his role at a date to be determined later in 2013,” Mr Jones said.

“Additional members of the senior leadership team will also step down before the end of this year as part of this process given the reduction in support requirements and the need to remove stranded overheads coming after the sale of DBS and FTR. These individuals have all made a meaningful contribution to Melbourne IT’s success over the period of their time with the company. In addition, Andrew Walsh has advised that he will step down from the Board at the end of the month following his decision not to seek re-election at the AGM,” he said.

“The Board will be conducting a review of suitable candidates to replace Theo as CEO and expects to be in a position to make an announcement in the near future. Melbourne IT will continue to be in safe hands given the talented group of key executives such as Chief Financial Officer, Peter Findlay, the Chief Technology Officer, Bruce Tonkin, and the executives in charge of the SMB and ES Divisions, Doug Schneider and Peter Wright. This quality management team will not only ensure continuity of many of the initiatives already commenced but also be able to help chart the future growth of the company.”

H1 2013 Results Review

SMB Solutions recorded first half revenue of \$38.2 million, down 10% year-on-year, and contributed EBIT of \$5.1 million, down 14% year-on-year. The decline in revenue and EBIT was primarily driven by lower domain name registrations from both direct sales and partners early in the year, with decreased domain registration volumes having a knock-on effect of lowering hosting sales.

By the end of the half this decline had bottomed out, however, with the SMB Division’s monthly revenue trend now consistently holding within the \$6.3 million - \$6.5 million range. Investments in new products and improving the customer experience began having a positive impact late in the first half and should deliver further benefits in H2 2013 and beyond.

Enterprise Services’ first half revenue and EBIT results were negatively impacted by a decline in one-off government project revenue and legacy product churn. ES revenue in H1 2013 was \$12 million, down 13% year-on-year from \$13.8 million, while EBIT contribution was \$0.4 million, down 69% year-on-year from \$1.3 million.

Non-government total contract value for the period was \$8.2 million, up 71% year-on-year, with significant new customer wins as a result of key partnerships with technology leaders. One hundred and forty-seven new contracts were signed and 21 new customers acquired in H1 2013, compared to 82 contracts and six new customers in H1 2012. Further evidence of the growing success of the Division’s new managed cloud strategy is expected in the second half.

Whilst SMB and ES EBIT contribution was down on H1 2012 these divisions are expected to show improvement in the second half.

The sale of DBS and FTR has significantly changed and narrowed the scope of the Transformation project and as a result, the Board has elected to write down the carrying value of the project and a non-cash impairment charge of \$12 million is included in the calculation of the net gain on sales. The expected carrying value of the asset for depreciation purposes from 2014 is \$9.8 million.

The remainder of the Transformation project is on budget and expected to be completed by the end of 2013 with existing customers migrated to the new systems in 2014. Group EBIT for continuing operations was \$2.5m, including -\$0.5m in operational costs for the Transformation project.

Outlook

A restructure of operations in line with Melbourne IT's reduced scale aims to lower operating costs by \$6.5 million in FY 2014. The savings will primarily come from reductions in labour costs (\$4.5 million), most of which is related to streamlining the senior executive team and the conclusion of the Transformation project. A project to migrate 90% of Melbourne IT's existing technology infrastructure to cloud-based systems, beginning 2014, is also expected to save the company \$3-4 million per annum from 2016.

The company will continue to invest in new products and services, with marketing to support these products to double in 2014. In addition, the new systems delivered by the Transformation program – including cost savings and improved efficiencies – will begin to provide positive benefits from 2014.

"As outlined at the AGM, we look to 2014 as the first year where we believe the real fruits of our work on systems, product and new marketing initiatives will bear fruit. We will provide clearer guidance as 2014 approaches," Mr Jones said.

"In addition, the Board continues to evaluate the company's future capital requirements and is exploring Melbourne IT's scope to return further cash – which the Board considers excess to the group's ongoing business needs – to shareholders. Melbourne IT has commenced the process of seeking a Class Ruling from the Australian Taxation Office confirming the tax consequences for shareholders of returning further cash by way of a return of capital.

"Details on the proposed return of capital will be provided once discussions with the Australian Taxation Office have progressed further. The Board and management are working towards a potential EGM to approve a return of capital during November 2013, however timing will be subject to final receipt of an ATO Class Ruling. We will update shareholders once we receive that ruling."

Following the special dividend of 25¢ paid to shareholders on August 22, the Company will not be declaring a first half dividend.

CEO & Managing Director Stepping Down

Mr Hnarakis joined Melbourne IT in 2000, and was appointed CEO in November 2002. He was subsequently invited to take a seat on the Board as Managing Director in September 2003.

"Theo has been a significant leader for this business for more than a decade and during that time took Melbourne IT from being an up-and-coming Australian domains company to become a global, diversified internet services leader. In particular, the development of DBS into a global thought leader on digital brands stands out as one of his most significant achievements," Mr Jones said.

“When Theo took charge of the business in late 2002, Melbourne IT was facing uncertainty following the loss of the company’s position as the sole licensee for the .au domain, and it posted a \$5 million loss. After 12 months in the role, Theo delivered his first of ten straight years of profits. During his tenure as CEO, shareholders have enjoyed an annualised total shareholder return of 40% per year,” he said.

“His achievements have been considerable, and he will leave our company with a number of meaningful growth opportunities, having established a very capable team which will help our company navigate the next era of growth for our shareholders and staff. The Board of Melbourne IT would like to thank Theo for his exceptional contribution, huge energy and passion for the business.”

ENDS.

About Melbourne IT

Melbourne IT (ASX: MLB) helps organizations of all sizes to successfully conduct business online. Our complete portfolio of Internet-based technology services drives business effectiveness and profitability for more than 400,000 customers.

The breadth of Melbourne IT’s offering extends from helping small businesses build an online presence through to designing and managing the complex web environments of large enterprises and governments.

Melbourne IT’s culture of integrity, innovation, collaboration and customer centricity has been built by more than 400 employees across Australia and New Zealand. For more information, visit www.melbourneit.info.

Media contacts:

Tony Smith
Melbourne IT
+61 7 3230 7525
tony.smith@melbourneit.com.au

**Appendix 4D
Half Yearly Report**

Name of entity

Melbourne IT Limited

ABN or equivalent company reference
21 073 716 793

Reporting Period
30 June 2013
(Comparative period – 30 June 2012)

2.0 Results for announcement to the market

\$A'000

2.1 Total revenues from continuing operations	Down	-9.2%	to	51,320
2.2 Profit from continuing operations after tax attributable to members	Up	18.3%	to	3,909
2.3 Net profit for the period from continuing operations	Up	18.3%	to	3,909
2.4 Profit from discontinued operations after tax attributable to members	Up	2545.6%	to	66,353
2.5 Net profit for the period attributable to members	Up	1108.7%	to	70,262
2.6 Dividends (distributions)	Amount per security		Franked amount per security	
Current period				
Final dividend	N/A		N/A	
Special dividend *	25.0 cents		75%	
Interim dividend	N/A		N/A	
	25.0 cents			
* On 21 May 2013 Melbourne IT announced a special dividend of 25 cents per share, franked at 75%, with a record date of 31 July 2013 and a payment date of 22 August 2013.				
Previous corresponding period				
Final dividend	7.0 cents		100%	
Interim dividend	7.0 cents		100%	
	14.0 cents			
2.7 Record date for determining entitlements to the dividend.	N/A			

It is recommended the Appendix 4D be read in conjunction with the annual report for the year ended 31 December 2012 and considered together with any public announcements made by Melbourne IT Ltd and its controlled entities during the half year ended 30 June 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

2.8 Brief explanation of any of the figures reported above necessary to enable the figures to be understood.

Review and Results of Operations

Melbourne IT Ltd - Consolidated Group

- Total consolidated Revenue from continuing operations for the half year ended 30 June 2013 was \$51.320 million (2012: \$56.560 million), a decrease of 9.2%.
- Profit after Tax from continuing operations for the half year ended 30 June 2013 was \$3.909 million (2012: \$3.305 million), an increase of 18.3%.
- Profit after tax from discontinuing operations for the half year ended 30 June 2013 was \$66.353 million (2012: \$2.508 million). Included in the profit after tax from discontinuing operations is the gain on sale of the Digital Brand Services (DBS) business (including transaction costs) of \$86.705 million, an adjustment to write down the For The Record (FTR) business to its fair value less costs to sell of \$1.200 million, and an impairment charge in respect of the Transformation asset of \$12.080 million.
- Earnings per share from continuing operations for the half year ended 30 June 2013 was 4.72 cents (2012: 4.05 cents), an increase of 16.5%.
- Earnings per share from discontinued operations for the half year ended 30 June 2013 was 80.04 cents (2012: 3.07 cents).
- Cash and cash equivalents was \$96.751 million (including cash and cash equivalents of the FTR business) at 30 June 2013 (31 December 2012: \$17.857 million). At 30 June 2013 the group had no bank debt following the repayment of the NAB facility of USD 35 million in March 2013.
- Operating Cashflow for the half year ended 30 June 2013 was \$5.870 million (2012: \$11.575 million) a decrease of 49.3%. Included within Investing cashflow is an inflow of \$116.288 million in relation to the proceeds from sale of the DBS business, net of cash and cash equivalents of the disposed DBS business.
- Deferred Gross Margin (i.e. income received in advance net of prepaid costs) was \$18.237 million at 30 June 2013 (unaudited) (31 December 2012: \$19.032 million, restated to exclude DBS and FTR), a decrease of 4.2%.

3.0 NTA Backing	Current period 30 June 2013	Previous Period 31 December 2012
Net tangible asset backing per ordinary security	97.15 cents	(43.10 cents)

Net Assets at 30 June 2013 were \$147.369 million including \$3.135 million of net deferred tax balances and \$63.975 million of intangible assets associated with the acquisition of Domainz Limited (September 2003) and WebCentral Group Pty Ltd (September 2006), including capitalised costs of \$4.568 million in relation to the transformational project Integrated Web Services (IWS) and common financial reporting system (Oracle Financials).

4.0 Control gained or lost over entities having material effect

4.1 Name of entity (or group of entities) of which control was gained during the period	Melbourne IT Employee Share Trust was established in June 2013.
4.2 Consolidated profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was obtained.	Not applicable The Employee Share Trust did not incur any material expenses prior to 30 June 2013.
4.3 Date from which such profit has been calculated	Not applicable
4.4 Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) disposed during the period, for the whole of the previous corresponding period.	The DBS business was sold on 11 March 2013. Profit after tax for the DBS business for the whole of the previous corresponding period was \$2.767 million.

5.0 Dividends

Amount per security

Dividends (distributions)	Amount per security	Franked amount per security	Amount per security of foreign sourced dividend
Current Year			
Final	N/A	N/A	N/A
Special	25.0 cents	75%	N/A
Interim	N/A	N/A	N/A
	25.0 cents		
Previous Year			
Final	7.0 cents	100%	N/A
Interim	7.0 cents	100%	N/A
	14.0 cents		

Total Dividends (distributions) per security (interim + final)	Current Year	Previous Year
Final	N/A	7.0 cents
Special	25.0 cents	N/A
Interim	N/A	7.0 cents
Total	25.0 cents	14.0 cents

Additional information on current year dividends

Date the dividend (distribution) is payable

N/A

Details of individual and total dividends or distributions and dividend or distribution payments.

N/A

The dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans.

N/A

6.0 Material interests in entities which are not controlled entities

Not applicable, as Melbourne IT Ltd does not have a material interest in any entity other than its subsidiaries, which are controlled entities and consolidated in this financial report.

7.0 Compliance Statement

The report has been prepared based on a 30 June 2013 Half Year Financial Report which has been reviewed by an independent Audit Firm in accordance with the requirements of S302 of the Corporations Act.

Signed here:  Date: 27 August 2013

Ms. A Jegathesan
Company Secretary

MELBOURNE IT LTD
(ABN: 21 073 716 793)

FINANCIAL REPORT

FOR THE HALF YEAR ENDED
30 June 2013

MELBOURNE IT LTD

ABN: 21 073 716 793

DIRECTORS

Mr. S.D. Jones	(Chairman)
Mr. T.J. Hnarakis	(Managing Director & Chief Executive Officer)
Mr. T. Kiing	
Mr. R.J. Stewart AM	
Mr. A. Walsh	
Ms. N. Sparks	

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Mr. T.J. Hnarakis

CHIEF FINANCIAL OFFICER

Mr. P. Findlay

COMPANY SECRETARY

Ms. A. Jegathesan

REGISTERED OFFICE

Level Two
120 King Street
Melbourne, Victoria, 3000
Tel: +61 3 8624 2400

SHARE REGISTER

Link Market Services Limited
Level One
333 Collins Street
Melbourne, Victoria, 3000
Tel: +61 3 9615 9800
Fax: +61 3 9615 9900

AUDITORS

Ernst & Young

INTERNET ADDRESS

<http://www.melbourneit.com.au>

MELBOURNE IT LTD

ABN: 21 073 716 793

CONTENTS	PAGE
Directors' Information	7
Directors' Declaration	10
Statement of Financial Position	14
Statement of Comprehensive Income	15
Statement of Changes in Equity	16
Statement of Cash Flows	17
Notes to the Financial Statements	18

DIRECTORS' INFORMATION

The names of the company's directors in office during the half year ended 30 June 2013 and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Mr. S.D. Jones	(Chairman)
Mr. T.J. Hnarakis	(Managing Director & Chief Executive Officer)
Mr. T. Kiing	
Mr. R.J. Stewart AM	
Mr. A. Walsh	
Ms. N. Sparks	

COMPANY SECRETARY

Ms. A. Jegathesan

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half year by operating segment are described as follows:

SMB eBusiness Solutions ("SMB Solutions")

SMB Solutions has a focus on the Australian and New Zealand markets developing integrated online solutions for the fast-growing SME (Small to Medium Enterprise) and SOHO (Small Office and Home Office) sectors. These solutions include domain forwarding, web hosting, search engine optimisation and web site development.

SMB Solutions also supplies a technical and support solution for domain name registration, shared hosting and other online business services to a global network of reseller clients. Resellers are given access to Melbourne IT's domain name registration, shared hosting and maintenance systems. Benefits to Reseller clients include application of a real time automated system that can be integrated into the Reseller website, together with access to specialist support and account management services.

Enterprise Services ("ES")

The Enterprise Services Division provides business grade web application hosting services, as well as mission control hosting services to corporate and government clients throughout Australasia.

Discontinued Operations

During the six month period ended 30 June 2013, the Group also conducted two other principal activities, both of which were discontinued in the period. The DBS business unit's core business was online brand protection including the management of corporate domain name portfolios. As noted below under the heading "Significant Changes in State of Affairs", the DBS business was sold on 12 March 2013. The FTR business, which is a supplier of rich media content management systems primarily to court rooms, was also discontinued in the period as steps were taken to prepare the business for sale, which was announced on 1 August 2013.

EARNINGS PER SHARE - CONTINUING OPERATIONS	2013 Cents	2012 Cents
Basic earnings per share	4.72 cents	4.05 cents
Diluted earnings per share	4.62 cents	4.00 cents
EARNINGS PER SHARE - DISCONTINUED OPERATIONS	2013 Cents	2012 Cents
Basic earnings per share	80.04 cents	3.07 cents
Diluted earnings per share	78.47 cents	3.04 cents

MELBOURNE IT LTD**DIRECTORS' INFORMATION / continued****RESULTS**

The consolidated net profit after tax of the Melbourne IT Ltd Group for the half year ended 30 June 2013 was \$70.262 million (2012: \$5.813 million).

DIVIDENDS

	Cents	\$'000
Dividend declared and not yet recognised as a liability		
• On ordinary shares	0.0	0
Special dividend declared and recognised as a liability		
• On ordinary shares	25.0	20,666
Dividends paid during the half year on ordinary shares		
Final Dividend – 2012		
• On ordinary shares	7.0	5,772

REVIEW AND RESULTS OF OPERATIONS

Summarised operating results are as follows:

Continuing Operations	Half year 30-Jun-13 \$'000	Half year 30-Jun-12 Restated* \$'000
Revenue		
Registration Revenue	22,177	25,287
Hosting & Value-Added Product Sales	27,838	30,927
Other Revenue	149	212
	<u>50,164</u>	<u>56,426</u>
Interest Revenue	1,148	105
Other Revenue	8	29
	<u>1,156</u>	<u>134</u>
Total Revenue	51,320	56,560
Total Earnings Before Interest, Tax, Depreciation and Amortisation	3,747	3,797
Depreciation Expense	1,038	1,332
Amortisation Expense	210	72
	<u>1,248</u>	<u>1,404</u>
Total Earnings Before Interest and Tax	2,499	2,393
Costs recovered from discontinued operations	278	1,505
Net Interest Revenue/(Expense)	1,004	(43)
	<u>1,282</u>	<u>1,462</u>
Profit before tax from continuing operations	3,781	3,855
Income Tax Benefit/(Expense)	128	(550)
	<u>128</u>	<u>(550)</u>
Profit for the half year from continuing operations	3,909	3,305
Discontinued Operations		
Profit after tax for the half year from discontinued operations	66,353	2,508
	<u>66,353</u>	<u>2,508</u>
Profit for the half year	70,262	5,813
Cashflow from Operations	5,870	11,575

The financial measures of EBIT and EBITDA used in the Directors Report are non-IFRS measures and unaudited. The company believes this non-IFRS information is relevant to the user's understanding of its results, given its use in determining financial performance.

* 2012 results have been restated to present the DBS and FTR businesses as discontinued operations.

** Represents recovery of costs from the DBS and FTR businesses by the parent entity with a corresponding expense included in the discontinued operations

MELBOURNE IT LTD**DIRECTORS' INFORMATION / continued****SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

On 12 March 2013 Melbourne IT sold the Digital Brand Services (DBS) business to the Corporation Services Company for a consideration of \$152.2 million, of which 10% is to be held in escrow for a period of 15 months.

The Group's US\$ 35 million bank facility was repaid at that time.

Except for the sale of the DBS business, there have been no other significant changes in the state of affairs during the half year ended 30 June 2013.

SUBSEQUENT EVENTS

On 1 August 2013 Melbourne IT announced that it has divested the For The Record ("FTR") business to Record Holdings Pty Ltd for a cash consideration of \$6.3 million. The execution of the sale agreement occurred on 1 August 2013 and the completion of the transaction will occur on 31 August 2013.

Due to the new configuration of Melbourne IT the current CEO and some Executives will step down from their roles at some point to be determined by the Board in 2013.

There has not been any other matter or circumstance in the interval between the end of the half year and the date of this report that has materially affected or may materially affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

ROUNDING

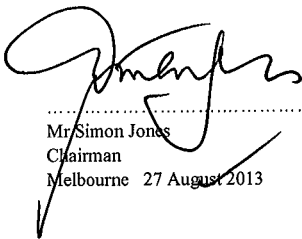
The amounts contained in the accompanying year financial information have been rounded to the nearest \$1,000 (where applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Melbourne IT Ltd support and have adhered to the principles of corporate governance.

The company's corporate governance statement is available on the company's website www.melbourneit.com.au, and also contained in the additional ASX information section of the 2012 annual report.

Signed in accordance with a resolution of the directors.



.....
Mr Simon Jones
Chairman
Melbourne 27 August 2013

MELBOURNE IT LTD

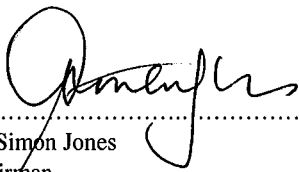
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Melbourne IT Ltd;

(1) I state that in the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity for the half year ended 30 June 2013 are in accordance with the Corporations Act 2001, including:
 - (i) give a true and fair view of the financial position as at 30 June 2013 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



.....
Mr Simon Jones
Chairman

Melbourne 27 August 2013

To the members of Melbourne IT Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Melbourne IT Limited, which comprises the consolidated statement of financial position as at 30 June 2013, and the statement of 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 and other selected explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation 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 internal controls as the directors determine are 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 half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements 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 30 June 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 Melbourne IT Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

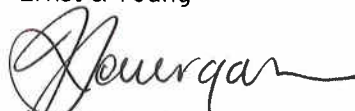
Conclusion

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 Melbourne IT Limited is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst + Young

Ernst & Young



Joanne Lonergan

Partner

Melbourne

27 August 2013

Auditor's Independence Declaration to the Directors of Melbourne IT Limited

In relation to our review of the financial report of Melbourne IT Limited for the half-year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young



Joanne Lonergan
Partner
Melbourne
27 August 2013

MELBOURNE IT LTD
**STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2013**

		CONSOLIDATED	
	Notes	30-Jun-13 \$'000s	31-Dec-12 \$'000s
ASSETS			
Current Assets			
Cash and cash equivalents		95,239	17,857
Trade and other receivables	5	28,945	22,966
Inventories		-	539
Prepayment of domain name registry charges		7,245	9,573
Current tax asset		2,254	-
Other assets	6	1,935	2,755
		<u>135,618</u>	<u>53,690</u>
Assets of FTR business classified as held for sale	9 (B)	9,015	-
Total Current Assets		<u>144,633</u>	<u>53,690</u>
Non-current Assets			
Property, plant and equipment		2,804	3,692
Intangible assets	7	63,975	130,703
Deferred income tax asset		3,184	6,412
Prepayment of domain name registry charges		4,935	6,255
Other assets		85	43
Total Non-current Assets		<u>74,983</u>	<u>147,105</u>
TOTAL ASSETS		<u>219,616</u>	<u>200,795</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	12	15,583	15,639
Interest-bearing loans and borrowings	13	-	5,784
Dividend liability		20,666	-
Provisions		3,859	4,325
Current tax liabilities		-	682
Derivative financial instruments		94	-
Income received in advance		18,967	29,144
		<u>59,169</u>	<u>55,574</u>
Liabilities directly associated with the assets of FTR business classified as held for sale	9 (B)	988	-
Total Current Liabilities		<u>60,157</u>	<u>55,574</u>
Non-current Liabilities			
Interest-bearing loans and borrowings	13	-	28,034
Deferred income tax liability		49	6,287
Provisions		591	793
Derivative financial instruments		-	448
Income received in advance		11,450	14,365
Total Non-current Liabilities		<u>12,090</u>	<u>49,927</u>
TOTAL LIABILITIES		<u>72,247</u>	<u>105,501</u>
NET ASSETS		<u>147,369</u>	<u>95,294</u>
EQUITY			
Contributed equity	8	69,256	68,794
Foreign currency translation reserve		(2,312)	(9,901)
Options reserve		4,639	4,237
Hedging reserve		(57)	(214)
Treasury shares	10	(359)	-
Retained earnings		76,202	32,378
TOTAL EQUITY		<u>147,369</u>	<u>95,294</u>

MELBOURNE IT LTD
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2013**

	Notes	CONSOLIDATED	
		30-Jun-13	30-Jun-12 Restated*
		\$'000s	\$'000s
<u>Continuing operations</u>			
Revenue	2	51,312	56,531
Other income	2 (b)	8	29
Registry, hosting and sundry products costs		(20,200)	(23,014)
Gross profit		31,120	33,546
Salaries and employee benefit expenses		(19,289)	(20,518)
Depreciation expenses	3 (a)	(1,038)	(1,332)
Amortisation of intangible assets	3 (b)	(210)	(72)
Other expenses from ordinary activities	3 (c)	(6,802)	(7,769)
Profit before tax from continuing operations		3,781	3,855
Income tax benefit/(expense)		128	(550)
Profit for the half year from continuing operations		3,909	3,305
<u>Discontinued operations</u>			
Profit after tax for the half year from discontinued operations	9	66,353	2,508
Profit for the half year		70,262	5,813
<u>Other comprehensive income</u>			
<u>Items that are reclassified to the profit or loss:</u>			
Currency translation differences		7,589	(582)
<u>Items that may be reclassified to the profit or loss:</u>			
Net gains/(losses) on cashflow hedges (net of tax)		157	44
Other comprehensive income for the period, net of tax		7,746	(538)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		78,008	5,275
Profit attributable to members of the parent		70,262	5,813
Total comprehensive income attributable to members of the parent		78,008	5,275
Earnings per share			
		2013	2012
- Basic earnings per share from continuing operations		4.72 cents	4.05 cents
- Diluted earnings per share from continuing operations		4.62 cents	4.00 cents
- Basic earnings per share from discontinued operations		80.04 cents	3.07 cents
- Diluted earnings per share from discontinued operations		78.47 cents	3.04 cents

* 2012 results have been restated to present the DBS & FTR businesses as discontinued operations.

MELBOURNE IT LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2013

	FOREIGN CURRENCY RESERVE	OPTIONS RESERVE	HEDGING RESERVE	CONSOLIDATED TREASURY SHARES	CONTRIBUTED EQUITY	RETAINED EARNINGS	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 January 2013	(9,901)	4,237	(214)	-	68,794	32,378	95,294
Profit for the period	-	-	-	-	-	70,262	70,262
Other comprehensive income	7,589	-	157	-	-	-	7,746
Total comprehensive income for the period	7,589	-	157	-	-	70,262	78,008
Transactions:							
Share based payment	-	402	-	-	-	-	402
Employee Share Trust	-	-	-	-	462	-	462
Treasury shares	-	-	-	(359)	-	-	(359)
Equity Dividends	-	-	-	-	-	(26,438)	(26,438)
As at 30 June 2013	(2,312)	4,639	(57)	(359)	69,256	76,202	147,369
As at 1 January 2012	(9,892)	4,166	(127)	-	66,900	33,183	94,230
Profit for the period	-	-	-	-	-	5,813	5,813
Other comprehensive income	(582)	-	44	-	-	-	(538)
Total comprehensive income for the period	(582)	-	44	-	-	5,813	5,275
Transactions:							
Share based payment	-	20	-	-	-	-	20
Dividend Reinvestment Plan	-	-	-	-	1,043	(1,043)	-
Equity Dividends	-	-	-	-	-	(5,465)	(5,465)
As at 30 June 2012	(10,474)	4,186	(83)	-	67,943	32,488	94,060

MELBOURNE IT LTD

**STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2013**

FOR THE HALF YEAR ENDED 30 JUNE 2013

		CONSOLIDATED	
		30-Jun-13	30-Jun-12
Notes		\$'000s	\$'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of service revenue and recoveries		71,420	101,692
Payments to suppliers and employees		(64,007)	(87,421)
Interest received	2	559	106
Interest paid		(253)	(744)
Bank charges and credit card merchant fees		(475)	(536)
Income tax paid		(1,374)	(1,522)
NET CASH FLOWS FROM OPERATING ACTIVITIES		5,870	11,575
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of DBS business, net of cash disposed	9 (A)	116,288	-
Purchase of plant and equipment and intangible assets		(962)	(1,550)
Purchase of Transformation plant and equipment and intangible assets		(2,099)	(2,354)
Net payment of ICANN Deposits held on account		-	(1,631)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		113,227	(5,535)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of interest bearing liabilities	9 (A), 13	(34,617)	(2,896)
Proceeds from issue of ordinary shares - ESOP	8	-	-
Payment of dividend on ordinary shares		(5,772)	(5,465)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(40,389)	(8,361)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		78,708	(2,321)
Net foreign exchange differences		186	(92)
Cash and cash equivalents at beginning of period		17,857	19,047
CASH & CASH EQUIVALENTS AT END OF THE PERIOD*		96,751	16,634

* Cash and cash equivalents at 30 June 2013 includes FTR business cash balance of \$1.512 million

MELBOURNE IT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2013

CORPORATE INFORMATION

The financial information in this report for Melbourne IT Ltd for the half year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 26 August 2013.

Melbourne IT Ltd is a for-profit company limited by shares and incorporated in Australia whose shares are publicly listed on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described within this note at 1(b) Segment Reporting and at note 11.

1. BASIS OF PREPARATION

This general purpose condensed financial report for the half year ended 30 June 2013 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended the half year financial report be read in conjunction with the annual report for the year ended 31 December 2012 and considered together with any public announcements made by Melbourne IT Ltd and its controlled entities during the half year ended 30 June 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual report.

(a) Changes in accounting policy

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Group's annual report for the year ended 31 December 2012, except for the adoption of new standards and interpretations as of 1 January 2013, as noted below:

AASB 10 Consolidated Financial Statements

AASB 10 Consolidated Financial Statements establishes a new control model that applies to all entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the control model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 Disclosure of Interests in Other Entities includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

AASB 13 Fair Value Measurement

AASB 13 Fair Value Measurement establishes a single source of guidance for determining the fair value of assets and liabilities. 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.

AASB 119 Employee Benefits

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 the above standards had no effect on the financial position or performance of the Group.

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

MELBOURNE IT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2013

1. BASIS OF PREPARATION (continued)

(b) Operating Segment

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers.

SMB eBusiness Solutions ("SMB Solutions")

SMB Solutions has a focus on the Australian and New Zealand markets developing integrated online solutions for the fast-growing SME (Small to Medium Enterprise) and SOHO (Small Office and Home Office) sectors. These solutions include domain forwarding, web hosting, search engine optimisation and web site development.

SMB Solutions also supplies a technical and support solution for domain name registration, shared hosting and other online business services to a global network of reseller clients. Resellers are given access to Melbourne IT's domain name registration, shared hosting and maintenance systems. Benefits to Reseller clients include application of a real time automated system that can be integrated into the Reseller website, together with access to specialist support and account management services.

Enterprise Services ("ES")

The Enterprise Services Division provides business grade web application hosting services, as well as mission control hosting services to corporate and government clients throughout Australasia.

MELBOURNE IT LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2013**

CONSOLIDATED	
30-Jun-13	30-Jun-12
	Restated*
\$'000s	\$'000s

2. REVENUE

Profit before income tax expense from continuing operations includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

(a) Revenue

Registration revenue	22,177	25,287
Hosting & value-added product sales	27,838	30,927
Other revenue	149	212
	<u>50,164</u>	<u>56,426</u>
Interest revenue	1,148	105
Total revenue	<u>51,312</u>	<u>56,531</u>
(b) Other income		
Other	8	29

3. EXPENSES

(a) Depreciation of non-current assets

Fit out	40	63
Plant and equipment	993	1,261
Furniture	5	8
Total depreciation of non-current assets	<u>1,038</u>	<u>1,332</u>

(b) Amortisation of intangible assets

Other intangibles	-	72
Transformation asset	210	-
Total amortisation of intangible assets	<u>210</u>	<u>72</u>

(c) Other expenses

Training and recruitment	302	261
Premises	1,120	1,170
Travel and accommodation	465	580
Communications	639	645
Marketing	721	732
Equipment	2,078	1,737
Finance and legal	1,244	1,271
Foreign exchange	(202)	444
Bad debts and doubtful debts	143	326
Interest expense	145	149
Other expenses	147	454
Total other expenses	<u>6,802</u>	<u>7,769</u>

(d) Expensing of share based payments

Equity & cash settled share based payments	<u>373</u>	<u>29</u>
--	------------	-----------

* 2012 results have been restated to present the DBS and FTR businesses as a discontinued operation.

MELBOURNE IT LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2013**

CONSOLIDATED	
30-Jun-13	30-Jun-12
\$'000s	\$'000s

4. DIVIDENDS PAID AND PROPOSED

Equity dividends on ordinary shares:

(a) Dividends declared and paid during the half year on ordinary shares

Final franked dividend for the financial year ended 31 December 2012:

7.0 cents (2011: 8.0 cents per share)

5,772	6,508
-------	-------

(b) Dividends proposed and not recognised as a liability

Interim franked dividend for the half year ended 30 June 2013:

\$nil (2012: 7.0 cents per share)

-	5,738
---	-------

(c) Dividends proposed and recognised as a liability

Special franked dividend for the half year ended 30 June 2013:

25.0 cents per share, franked at 75% (2012: nil)

20,666	-
--------	---

* On 21 May 2013 Melbourne IT announced a special dividend of 25 cents per share, franked at 75%, with a record date of 31 July 2013 and a payment date of 22 August 2013.

(d) Franking of dividends

The final dividend in respect of the year ended 31 December 2012 was 40% franked. The special dividend declared on 21 May 2013, to be paid on 22 August 2013, will be 75% franked. The dividends paid in respect of the 2011 year were 100% franked at the company's tax rate of 30% per share.

CONSOLIDATED	
30-Jun-13	31-Dec-12
\$'000s	\$'000s

5. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade and sundry debtors

14,249

24,225

Allowance for impairment loss

(602)

(1,259)

13,647

22,966

Escrow funds receivable (including accrued interest)*

15,298

-

Total trade and other receivables (current)

28,945

22,966

* This amount is held in escrow pursuant to the terms of the agreement for the sale of the DBS business, for a period of 15 months from the date of sale, being 12 March 2013. The amount is held in escrow as security for the performance of Melbourne IT's indemnification obligations under the Agreement. This amount will be released to Melbourne IT at the end of the period, providing no claims against the amount are successfully made by the buyer.

6. OTHER ASSETS (CURRENT)

Other prepayments

1,619

2,677

GST receivable

316

78

Total other assets (current)

1,935

2,755

MELBOURNE IT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2013

7. INTANGIBLE ASSETS

(a) Carrying amount of intangible assets

	CONSOLIDATED	
	30-Jun-13	31-Dec-12
	\$'000s	\$'000s
Goodwill	52,279	100,265
Marketing related intangibles	7,128	9,982
Accumulated amortisation	-	-
	<u>7,128</u>	<u>9,982</u>
Customer contracts	663	10,446
Accumulated amortisation	(663)	(4,847)
	<u>-</u>	<u>5,599</u>
Capitalised software	-	952
Accumulated amortisation	-	(854)
	<u>-</u>	<u>98</u>
Assets under construction - Transformation projects (b), (c)	4,568	14,759
Total capitalised software	<u>4,568</u>	<u>14,857</u>
Other intangibles	315	315
Accumulated amortisation	(315)	(315)
	<u>-</u>	<u>-</u>
Total intangible assets	<u>63,975</u>	<u>130,703</u>

(b) Capitalised software: Assets under construction - Transformation projects

Melbourne IT Ltd is currently undertaking a significant investment in infrastructure, innovation, and transformational projects which will provide the platform for the Group's next phase of growth.

The most significant transformation project is Integrated Web Services (IWS), which will enable Melbourne IT to fully leverage the value of the Group's customer base by allowing the business to sell customers the full suite of services across business units and geographies. It is a significant investment over three years that will transform the systems that are used to sell to and support the Group's customers, in addition to the implementation of a common financial reporting system (Oracle Financials) across all entities.

In line with AASB 138 Intangible Assets, costs relating to the research phase of the project are expensed while costs relating to the development phase are capitalised as Capitalised Software: Assets Under Construction - Transformation Projects. For those parts of the project which are operational, hardware is being amortised over a 4 year period and software/intellectual property is being amortised over a 5 year period. During the half year ended 30 June 2013 the amortisation charge in relation to these projects was \$210,000 (half year ended 30 June 2012: \$nil).

(c) Impairment of Transformation project asset

Following the sale of the DBS business unit, a review of the carrying value of the transformation asset was undertaken. An impairment of \$12.080 million has been booked against the carrying value of the asset, reducing the value of the asset to \$4.568m at 30 June 2013. This is included in the discontinued operations section of the Statement of Comprehensive Income.

8. CONTRIBUTED EQUITY

	30-Jun-13	30-Jun-12		
	\$'000s	\$'000s		
Ordinary shares				
Issued and fully paid	69,256	68,794		
Movements in ordinary shares on issue	30-Jun-13		31-Dec-12	
	No. of		No. of	
	Shares	\$'000s	Shares	\$'000s
Beginning of the financial period	82,451,363	68,794	81,352,178	66,900
Issued during the period	-	-	1,099,185	1,894
- Dividend reinvestment plan	-	-	-	-
- Employee share trust	212,675	462	-	-
End of the financial period	<u>82,664,038</u>	<u>69,256</u>	<u>82,451,363</u>	<u>68,794</u>

MELBOURNE IT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2013

9. DISCONTINUED OPERATIONS

(A) SALE OF DIGITAL BRAND SERVICES (DBS) BUSINESS

On 12 March 2013 Melbourne IT sold the DBS business to the Corporation Service Company Ltd ("CSC") for an initial cash consideration of \$152.2 million, of which 10% is to be held in escrow for a period of 15 months. The results of the DBS business for the half year are presented below:

	30-Jun-13 \$'000s	30-Jun-12 \$'000s
Revenue	8,885	29,609
Expenses	(9,710)	(26,451)
Gain on sale of DBS business*	74,625	-
Profit before tax from a discontinued operation	73,800	3,158
Tax expense	(6,377)	(391)
Profit for the half year from a discontinued operation	67,423	2,767

* Includes professional fees, costs to close out interest rate and cross currency swaps, corporate costs incurred in negotiating the sale insurance costs, the impairment of the Transformation asset, income tax on the gain on sale of DBS business and Foreign Currency Translation Reserve recycled to the Statement of Comprehensive Income.

The DBS business was not classified as a disposal group held for sale at 31 December 2012, since at that time the sale of the business was not considered to be highly probable in accordance with the requirements of AASB 5 Non-current Assets Held for Sale and Discontinued Operations.

The net cashflows incurred by the DBS business unit in the ordinary course of business until 12 March 2013 are as follows:

	30-Jun-13 \$'000s	30-Jun-12 \$'000s
Operating	1,777	5,778
Investing	-	(2,039)
Financing *	6,716	(4,972)
Net cash inflow/(outflow)	8,493	(1,233)

* Financing cashflow includes movements on inter-company accounts with other entities in the Melbourne IT group.

The net cashflows on disposal of the DBS business unit by Melbourne IT Ltd are as follows:

	30-Jun-13 \$'000s
Announced sale price for DBS business unit	152,500
Plus: payment for cash balances in subsidiaries sold	7,500
Less: amounts held in escrow for 15 months (recorded as a receivable - see note 5 for details)	(15,250)
Less: cash at bank of DBS business unit on 12 March 2013	(15,549)
Less: costs associated with the disposal	(3,230)
Less: tax paid associated with the disposal	(9,683)
Proceeds from sale of DBS business, net of cash disposed	116,288
Less: amounts paid directly by the purchasers to extinguish bank debt	(34,617)
	81,671

An additional payment from CSC on finalisation of completion accounts of \$3.671 million was received in cash in July 2013.

MELBOURNE IT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2013

9. DISCONTINUED OPERATIONS (continued)

(B) SALE OF FOR THE RECORD (FTR) BUSINESS

On 1 August 2013 Melbourne IT announced that it has divested the FTR business to Record Holdings Pty Ltd for a cash consideration of \$6.3 million. The execution of the sale agreement occurred on 1 August 2013 and the completion of the transaction will occur on 31 August 2013.

The FTR business is classified as a disposal group held for sale at 30 June 2013, since at that time the sale of the business was considered to be highly probable in accordance with the requirements of AASB 5 Non-current Assets Held for Sale and Discontinued Operations.

The results of the FTR business for the half year are presented below:

	30-Jun-13 \$'000s	30-Jun-12 \$'000s
Revenue	4,109	3,617
Expenses	(3,762)	(3,852)
Segment result	347	(235)
Adjustment to the fair value less costs to sell of the FTR business	(1,200)	-
Loss before tax from a discontinued operation	(853)	(235)
Tax expense	(217)	(25)
Loss for the half year from a discontinued operation	(1,070)	(260)

The major assets and liabilities of the FTR business were:

	30-Jun-13 \$'000s
Assets	
Cash and cash equivalents	1,512
Trade and other receivables	962
Inventories	599
Other assets	51
Intangibles	5,717
Property, plant and equipment	85
Deferred income tax asset	89
Total Assets	9,015
Liabilities	
Trade and other payables	434
Provisions	264
Current and deferred tax liabilities	21
Income received in advance	269
Total Liabilities	988

The net cashflows incurred by the FTR business unit in the ordinary course of business until 30 June 2013 are as follows:

	30-Jun-13 \$'000s	30-Jun-12 \$'000s
Operating	775	(435)
Investing	(59)	(34)
Financing	-	-
Net cash inflow/(outflow)	716	(469)

10. TREASURY SHARES

Treasury shares represent shares purchased by Melbourne IT held in the Employee Share Trust to satisfy Performance Rights vesting on 1 July 2013. The Employee Share Trust was established in June 2013 and has been consolidated in this financial report as it is controlled by Melbourne IT.

MELBOURNE IT LTD
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 June 2013**
11. SEGMENT REPORTING

The following tables present the revenue and profit information regarding segments for the half years ended 30 June 2013 and 30 June 2012.

	SMB Solutions*	ES	Total
Half Year ended 30 June 2013	\$'000	\$'000	\$'000
Segment revenue			
Revenue from operating activities			
Registration Revenue	22,177	-	22,177
Hosting & Value-Added Product Sales	15,830	12,008	27,838
For The Record Revenue	-	-	-
Other Revenue	149	-	149
Total segment revenue	38,156	12,008	50,164
Other income			8
Total segment revenue			50,172
Result			
Segment results	5,085	418	5,503
Unallocated expenses:			
- Corporate			(2,499)
- Transformation Projects			(505)
Earnings before interest and tax			2,499
Net Interest			
Interest revenue			1,148
Interest expense			(144)
Total Net Interest			1,004
Income tax benefit			128
Costs recovered from discontinued operations **			278
Profit after tax for the half year from continuing operations			3,909
Profit after tax for the half year from discontinued operations (DBS and FTR segments)			66,353
Profit after tax for the half year			70,262

* The segments previously referred to as SMB and GPS have been combined into the SMB Solutions segment, in order to reflect how the business reports on performance to the Chief Operating Decision Maker.

** Represents recovery of costs from the DBS and FTR businesses by the parent entity with a corresponding expense included in the discontinued operations

MELBOURNE IT LTD
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 June 2013**
11. SEGMENT REPORTING (continued)

	SMB Solutions*	ES	Total
Half Year ended 30 June 2012	\$'000	\$'000	\$'000
Segment revenue			
Revenue from operating activities			
Registration Revenue	25,287	-	25,287
Hosting & Value-Added Product Sales	17,093	13,834	30,927
For The Record Revenue	-	-	-
Other Revenue	212	-	212
Total segment revenue	42,592	13,834	56,426
Other income			29
Total segment revenue			56,455
Result			
Segment results	5,904	1,292	7,196
Unallocated expenses:			
- Corporate			(3,452)
- Transformation Projects			(1,351)
Earnings before interest and tax			2,393
Net Interest			
Interest revenue			105
Interest expense			(148)
Total Net Interest			(43)
Income tax expense			(550)
Costs recovered from discontinued operations **			1,505
Profit after tax for the half year from continuing operations			3,305
Profit after tax for the half year from discontinued operations (DBS and FTR segments)			2,508
Profit after tax for the half year			5,813

* The segments previously referred to as SMB and GPS have been combined into the SMB Solutions segment, in order to reflect how the business reports on performance to the Chief Operating Decision Maker.

** Represents recovery of costs from the DBS and FTR businesses by the parent entity with a corresponding expense included in the discontinued operations

	CONSOLIDATED	
	30-Jun-13	30-Jun-12
	\$'000s	\$'000s
Reconciliation of revenue		
Segment revenue	50,172	56,455
Interest revenue	1,148	105
Total revenue	51,320	56,560

MELBOURNE IT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2013

CONSOLIDATED	
30-Jun-13	31-Dec-12
\$'000s	\$'000s

12. TRADE AND OTHER PAYABLES (CURRENT)

Trade creditors	1,277	1,567
Sundry creditors	7,293	8,324
Deposits received in advance	3,935	1,903
Accrued expenses	3,078	3,845
Total payables	15,583	15,639

(a) Terms and conditions relating to trade creditors:

- (i) Trade creditors are non-interest bearing and are normally settled within agreed trading terms.
- (ii) Sundry creditors are non-interest bearing and are normally settled within agreed trading terms.

13. BORROWINGS

At 31 December 2012, Melbourne IT Limited had bank debt of \$33.818 million (equivalent to USD 35 million). This bank debt was repaid in full on 12 March 2013 using part of the proceeds received from the sale of the DBS business unit. All associated interest rate swaps and cross currency swaps were also closed out at this time. The Group no longer has any bank borrowings.

14. EVENTS AFTER BALANCE DATE

On 1 August 2013 Melbourne IT announced that it has divested the FTR business to Record Holdings Pty Ltd for a cash consideration of \$6.3 million. The execution of the sale agreement occurred on 1 August 2013 and the completion of the transaction will occur on 31 August 2013. Included in the 30 June 2013 results is an adjustment to the fair value less costs to sell of the FTR business, an expense of \$1.2 million.

Due to the new configuration of Melbourne IT the current CEO and some Executives will step down from their roles at some point to be determined by the Board in 2013.

There has not been any other matter or circumstance in the interval between the end of the half year and the date of this report that has materially affected or may materially affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.