

**Appendix 4D**  
**Half Yearly Report**

Name of entity

**Melbourne IT Ltd**

ABN or equivalent company reference  
**21 073 716 793**

Reporting Period  
**30 June 2015**  
(Comparative period – 30 June 2014)

**2.0 Results for announcement to the market**

*\$A'000*

2.1 Total revenues	Up	16.1%	to	69,176
2.2 Profit after tax	Up	130.7%	to	1,408
2.3 Net profit attributable to members of the parent	Up	125.7%	to	1,187
2.4 Dividends (distributions)	Amount per security		Franked amount per security	
<b>Current period</b>				
Final dividend	4.0 cents		80%	
Interim dividend	1.0 cent		80%	
<b>Previous corresponding period</b>				
Final dividend	N/A		N/A	
Interim dividend	1.0 cent		80%	
	1.0 cent			
2.5 Record date for determining entitlements to the dividend.	15 September 2015			

It is recommended the Appendix 4D be read in conjunction with the annual report for the year ended 31 December 2014 and considered together with any public announcements made by Melbourne IT Ltd and its controlled entities during the half year ended 30 June 2015 in accordance with the continuous disclosure obligations of the ASX listing rules.

2.6 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 (unaudited results)

- Total consolidated revenue for the half year ended 30 June 2015 was \$69.176 million (2014: \$59.591 million), an increase of 16.1%.
- Profit after tax attributable to members of the parent for the half year ended 30 June 2015 was \$1.187 million (2014: loss after tax of \$4.613 million), an increase of 125.73%. Included in the current year profit after tax are the transaction costs relating to the acquisition of Uber Global Pty Ltd and its controlled entities ('Uber') and Outware Systems Pty Ltd ('Outware') of \$1.700 million. Included in the prior year loss after tax is the impairment charge in respect of the Transformation asset of \$8.587 million (tax effected was \$6.014 million) and the transaction costs relating to the acquisition of Netregistry Group Pty Ltd and its controlled entities ('Netregistry') of \$1.340 million.
- The following table shows a reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA\*), included in the discussion below, to the reported profit after tax for the half year.

	30-Jun-15	30-Jun-14
<b>Earnings before Interest, Tax, Depreciation and Amortisation and Transaction Costs*</b>	6,854	4,966
Transaction Costs	(1,700)	(1,340)
<b>Earnings before Interest, Tax, Depreciation and Amortisation*</b>	5,154	3,626
Depreciation and Amortisation	(2,446)	(2,001)
Impairment of Intangible Asset	-	(8,587)
Earnings/(Loss) before Interest and Tax*	2,708	(6,962)
Net Interest Revenue	8	325
Tax (Expense)/Benefit	(1,308)	2,056
<b>Profit/(Loss) after Tax</b>	<b>1,408</b>	<b>(4,581)</b>
Profit/(Loss) after Tax attributable to:		
Non-Controlling Interest	221	32
<b>Members of the Parent</b>	<b>1,187</b>	<b>(4,613)</b>
	<b>1,408</b>	<b>(4,581)</b>

- EBITDA\* for the half year ended 30 June 2015 was \$5.154 million (2014: \$3.626 million), an increase of 42.14%. Included in the current year EBITDA\* are the transaction costs relating to the acquisition of Uber and Outware of \$1.700 million (2014: \$1.340 million of transaction costs relating to the acquisition of Netregistry). EBITDA\* before transaction costs\* for the half year ended 30 June 2015 was \$6.854 million (2014: \$4.966 million), an increase of 38.02%.
- Despite the EBITDA\* increase of 42.14%, profit after tax before tax effected impairment and transaction costs\* attributable to members of the parent for the half year ended 30 June 2015 was \$2.721 million (2014: \$2.741 million), which was consistent with the prior corresponding period. This was due to (1) higher depreciation and amortisation expense, (2) lower net interest revenue, (3) higher profit after tax attributable to non-controlling interests and (4) higher income tax expense due to absence of tax credits from overprovision of tax expense from prior years and deductions from shares purchased via Employee Share Trust.
- Following the acquisition completed on 30 April 2015, Uber has contributed revenue of \$2.441 million, net profit after tax of \$0.086 million and EBITDA\* of \$0.275 million during the period.
- Following the acquisition completed on 16 June 2015, Outware has contributed revenue of \$0.838 million, net profit after tax of \$0.124 million and EBITDA\* of \$0.340 million during the period.
- Earnings per share for the half year ended 30 June 2015 was 1.28 cents (2014: loss per share of 5.25 cents), an increase of 124.38%.
- Operating cashflow for the half year ended 30 June 2015 was \$9.881 million (2014: \$3.872 million), an increase of 155.19%.
- Included in cash flows from investing activities are outflows from acquisitions including transaction costs of \$37.020 million (2014: \$39.356 million).

\* The company believes this unaudited non-IFRS information is relevant to the user's understanding of the Group's underlying performance.

2.6 Brief explanation of any of the figures reported above necessary to enable the figures to be understood (Continued)

**Review and Results of Operations (Continued)**

- Cash and cash equivalents were \$15.404 million at 30 June 2015 (31 December 2014: \$18.086 million).
- Deferred Gross Margin (i.e. income received in advance net of prepaid costs) was \$27.545 million at 30 June 2015 (31 December 2014: \$24.479 million), an increase of 12.53%.

<b>3.0 NTA Backing</b>	<b>Current period 30 June 2015</b>	<b>Previous Period 31 December 2014</b>
Net tangible asset backing per ordinary security	-99.16 cents	-8.54 cents

Net Assets at 30 June 2015 were \$114.349 million including \$1.084 million of net deferred tax balances and \$205.425 million of intangible assets associated with the acquisition of Domainz Limited (September 2003), WebCentral Group Pty Ltd (September 2006), Netregistry Group Limited (March 2014), Uber Global Pty Ltd (April 2015) and Outware Systems Pty Ltd (June 2015).

**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	<p>100% of interest in Uber was acquired on 30 April 2015.</p> <p>50.2% of interest in Outware was acquired on 16 June 2015.</p>
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.	<p>Profit after tax attributable to members of the parent of Uber from 30 April to 30 June 2015 was \$0.086 million.</p> <p>Profit after tax attributable to members of the parent of Outware from 16 June to 30 June 2015 was \$0.124 million.</p>
4.3	Date from which such profit has been calculated	<p>30 April 2015 (Uber)</p> <p>16 June 2015 (Outware)</p>
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.	<p>Not applicable</p>

**5.0 Dividends**

Amount per security

Dividends (distributions)	Amount per security	Franked amount per security	Amount per security of foreign sourced dividend
<b>Current Year</b>			
Final	4.0 cents	80%	N/A
Interim	1.0 cent	80%	N/A
	5.0 cents		
<b>Previous Year</b>			
Final	N/A	N/A	N/A
Interim	1.0 cent	80%	N/A
	1.0 cent		

Total Dividends (distributions) per security (interim + final)	Current Year	Previous Year
Final	4.0 cents	N/A
Interim	1.0 cent	1.0 cent
<b>Total</b>	<b>5.0 cents</b>	<b>1.0 cent</b>

**Additional information on current year dividends**

Date the dividend (distribution) is payable

30 September 2015

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

1.0 cent per share  
Totalling approximately \$0.9 million

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.

Not applicable


**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 2015 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: 25 August 2015

  
 Ms. E. Rigato  
 Company Secretary

**MELBOURNE IT LTD**  
**(ABN: 21 073 716 793)**

**FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED**  
**30 JUNE 2015**

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**MELBOURNE IT LTD**

**ABN: 21 073 716 793**

**CORPORATE INFORMATION**

**DIRECTORS**

Mr. S.D. Jones (Chairman)  
Mr. M. Mercer (Managing Director & Chief Executive Officer)  
Mr. T. Kiing  
Mr. R.J. Stewart AM  
Ms. N. Sparks  
Mr. L. Bloch

**MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**

Mr. M. Mercer

**CHIEF FINANCIAL OFFICER**

Mr. P. Findlay

**COMPANY SECRETARY**

Ms. E. Rigato

**REGISTERED OFFICE**

Level 3  
469 La Trobe Street  
Melbourne, Victoria, 3000  
Tel: +61 3 8624 2400

**SHARE REGISTER**

Link Market Services Limited  
Level 1  
333 Collins Street  
Melbourne, Victoria, 3000  
Tel: +61 3 9615 9800  
Fax: +61 3 9615 9900

**AUDITORS**

Ernst & Young

**INTERNET ADDRESSES**

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

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**MELBOURNE IT LTD**

**ABN: 21 073 716 793**

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## MELBOURNE IT LTD

### DIRECTORS' INFORMATION

The names of the company's directors in office during the half year ended 30 June 2015 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. M. Mercer (Managing Director & Chief Executive Officer)  
Mr. T. Kiing  
Mr. R.J. Stewart AM  
Ms. N. Sparks  
Mr. L. Bloch

### COMPANY SECRETARY

Ms. E. Rigato

### PRINCIPAL ACTIVITIES

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

#### SMB Solutions Division

SMB Solutions operates in the web services business in Australia and New Zealand, offering customers everything they need to run an online business. These services include domain name registrations and renewals, website and email hosting, website development, search engine optimisation and analysis. Customers are primarily in the Small to Medium Enterprise (SME) sector.

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")

Enterprise Services is Australia's leading cloud and mobile solutions provider for Australian enterprise and government organisations.

	2015	2014
<b>EARNINGS PER SHARE - CONTINUING OPERATIONS</b>		
Basic (loss)/earnings per share	1.28 cents	-5.25 cents
Diluted (loss)/earnings per share	1.26 cents	-5.25 cents

### DIVIDENDS

During the half year, a final dividend of 4.0 cents per share amounting to \$3.718 million was paid on 23 April 2015.

After 30 June 2015, an interim dividend of 1.0 cent per share amounting to \$0.929 million was declared by the directors. The interim dividend has not been recognised as a liability as at 30 June 2015.



## MELBOURNE IT LTD

### DIRECTORS' INFORMATION (continued)

#### REVIEW AND RESULTS OF OPERATIONS

The Group recorded a 16.1% increase in consolidated revenue from continuing operations during the half year ended 30 June 2015, from \$59.591 million to \$69.176 million. This was primarily due to the full six-months contribution from Netregistry given that it joined the group from 1 April 2014 in the previous corresponding period.

The Group achieved earnings before interest, tax, depreciation and amortisation (EBITDA) of \$5.154 million (2014: \$3.626 million), an increase of 42.14% from the previous corresponding period. Consolidated net profit after tax from continuing operations was \$1.408 million (2014: consolidated net loss after tax from continuing operations of \$4.581 million), up 130.7% from the previous corresponding half year. This was primarily due to the impairment charge of \$8.587 million on the Transformation asset included in the previous corresponding half year.

Summarised operating results are as follows:

	<b>Half year 30-Jun-15 \$'000</b>	<b>Half year 30-Jun-14 \$'000</b>
<b>Revenue</b>		
Registration Revenue	30,348	26,498
Solutions, Hosting & Services	38,406	32,453
Other Revenue	244	278
	<u>68,998</u>	<u>59,229</u>
Interest Revenue	178	362
	<u>69,176</u>	<u>59,591</u>
<b>Earnings Before Interest, Tax, Depreciation and Amortisation</b>	<b>5,154</b>	<b>3,626</b>
Depreciation Expense	1,464	1,106
Amortisation Expense	982	895
Impairment of Intangible Asset	-	8,587
	<u>2,708</u>	<u>(6,962)</u>
<b>Earnings/(Loss) Before Interest and Tax</b>	<b>2,708</b>	<b>(6,962)</b>
Net Interest Revenue/(Expense)	8	325
	<u>2,716</u>	<u>(6,637)</u>
<b>Profit/(Loss) before tax</b>	<b>2,716</b>	<b>(6,637)</b>
Income Tax (Expense)/Benefit	(1,308)	2,056
	<u>1,408</u>	<u>(4,581)</u>
<b>Profit/(Loss) for the half year</b>	<b>1,408</b>	<b>(4,581)</b>
Profit/(Loss) for the half year attributable to:		
<b>Members of the parent</b>	<b>1,187</b>	<b>(4,613)</b>
Non-controlling interests	221	32
	<u>1,408</u>	<u>(4,581)</u>
<b>Cashflow from Operations</b>	<b>9,881</b>	<b>3,872</b>

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.

## MELBOURNE IT LTD

### DIRECTORS' INFORMATION (continued)

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 30 April 2015, Melbourne IT completed the acquisition of Uber Global Pty Ltd ('Uber'), a major domains and hosting service provider. The purchase consideration paid was \$15.3 million (including working capital adjustment) and an earn out based on EBITDA performance to 30 June 2015. There will be no consideration to be paid on the earn out based on EBITDA performance to 30 June 2015. The acquisition was funded by cash. The provisional accounting for the acquisition in accordance with AASB 3 '*Business Combinations*' is as disclosed in Note 13(a) in the notes to the financial statements.

On 16 June 2015, Melbourne IT acquired 50.2% shareholding of Outware Systems Pty Ltd ('Outware') for \$22.7 million (including working capital adjustment) with put and call options in place to acquire up to 100% of Outware over the next two years. Outware is a leader in the design and development of mobile applications for enterprise and government customers. To facilitate the acquisition, Melbourne IT entered into a cash advance facility with Australia and New Zealand Banking Group Limited ('ANZ') in June 2015. The bank facility was drawn down by \$30.0 million at 30 June 2015. The provisional accounting for the acquisition in accordance with AASB 3 '*Business Combinations*' is as disclosed in Note 13(b) in the notes to the financial statements.

Other than as stated above, there have been no other significant changes in the state of affairs during the half year ended 30 June 2015.

#### EVENTS AFTER BALANCE DATE

On 25 August 2015, the directors declared an interim dividend of 1.0 cent per ordinary share, franked at 80%, amounting to \$0.929 million. The expected payment date of the dividend is 30 September 2015.

Other than the above, 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

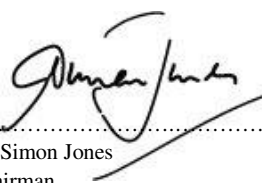
The amounts contained in the accompanying financial information have been rounded to the nearest \$1,000 (where applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

#### 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.info](http://www.melbourneit.info).

Signed in accordance with a resolution of the directors.

  
.....  
Mr Simon Jones  
Chairman  
Melbourne  
25 August 2015

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**MELBOURNE IT LTD**

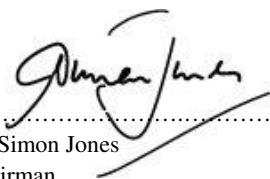
**DIRECTORS' DECLARATION**

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 2015 are in accordance with the *Corporations Act 2001*, including:
  - (i) give a true and fair view of the financial position as at 30 June 2015 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  
25 August 2015

## 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 statement of financial position as at 30 June 2015, 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 explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end.

### 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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2015 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.

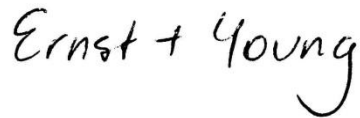
### Independence

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.

## 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:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



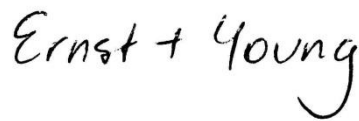
Ernst & Young



Joanne Lonergan  
Partner  
Melbourne  
25 August 2015

## 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 2015, 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



Joanne Lonergan  
Partner  
25 August 2015

MELBOURNE IT LTD

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2015

	Notes	CONSOLIDATED	
		30-Jun-15 \$'000s	31-Dec-14 \$'000s
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		15,404	18,086
Trade and other receivables	6	12,314	8,650
Prepayment of domain name registry charges		9,485	10,045
Current tax asset		-	61
Derivative financial instruments		-	31
Other assets	7	2,703	2,521
<b>Total Current Assets</b>		<b>39,906</b>	<b>39,394</b>
<b>Non-current Assets</b>			
Plant and equipment		7,241	4,909
Intangible assets	8	205,425	118,884
Deferred tax assets		4,629	4,524
Prepayment of domain name registry charges		5,583	5,095
Non-current financial assets		1,250	1,250
Other assets		217	47
<b>Total Non-current Assets</b>		<b>224,345</b>	<b>134,709</b>
<b>TOTAL ASSETS</b>		<b>264,251</b>	<b>174,103</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	21,620	13,752
Interest-bearing loans and borrowings	10	479	513
Current tax liabilities		600	-
Provisions		4,260	4,120
Derivative financial instruments		6	-
Income received in advance		29,094	26,150
<b>Total Current Liabilities</b>		<b>56,059</b>	<b>44,535</b>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		3,545	703
Interest-bearing loans and borrowings	10	30,000	-
Provisions		567	628
Non-current financial liabilities	12	46,212	-
Income received in advance		13,519	13,469
<b>Total Non-current Liabilities</b>		<b>93,843</b>	<b>14,800</b>
<b>TOTAL LIABILITIES</b>		<b>149,902</b>	<b>59,335</b>
<b>NET ASSETS</b>		<b>114,349</b>	<b>114,768</b>
<b>EQUITY</b>			
Contributed equity	11	35,629	35,629
Foreign currency translation reserve		(549)	(658)
Options reserve		527	5,321
Hedging reserve		(6)	31
Other reserve		1,676	-
Retained earnings		76,885	74,357
<b>Equity attributable to members of the parent</b>		<b>114,162</b>	<b>114,680</b>
Non-controlling interest		187	88
<b>TOTAL EQUITY</b>		<b>114,349</b>	<b>114,768</b>

MELBOURNE IT LTD

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 30 JUNE 2015

	Notes	CONSOLIDATED	
		30-Jun-15	30-Jun-14
		\$'000s	\$'000s
Revenue	2	69,176	59,591
Registry, hosting and sundry products costs		(30,320)	(25,646)
<b>Gross profit</b>		<b>38,856</b>	<b>33,945</b>
Salaries and employee benefit expenses		(24,455)	(21,570)
Depreciation expenses	3 (a)	(1,464)	(1,106)
Amortisation of intangible assets	3 (b)	(982)	(895)
Impairment of intangible assets		-	(8,587)
Transaction costs relating to acquisitions		(1,700)	(1,340)
Finance costs	3 (d)	(898)	(566)
Other expenses from ordinary activities	3 (c)	(6,641)	(6,518)
<b>Profit/(Loss) before tax</b>		<b>2,716</b>	<b>(6,637)</b>
Income tax benefit/(expense)	4	(1,308)	2,056
<b>Profit/(Loss) for the half year</b>		<b>1,408</b>	<b>(4,581)</b>
<b><u>Other comprehensive income</u></b>			
<u>Other comprehensive income to be reclassified to the profit or loss in subsequent periods:</u>			
Currency translation differences		109	(54)
<u>Other comprehensive income that may be reclassified to the profit or loss in subsequent periods</u>			
Net gains/(losses) on cashflow hedges (net of tax)		(37)	-
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>72</b>	<b>(54)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>1,480</b>	<b>(4,635)</b>
Profit/(Loss) for the half year attributable to:			
Members of the parent		1,187	(4,613)
Non-controlling interests		221	32
		<b>1,408</b>	<b>(4,581)</b>
Total comprehensive income/(loss) attributable to:			
Members of the parent		1,259	(4,667)
Non-controlling interests		221	32
		<b>1,480</b>	<b>(4,635)</b>
<b>Earnings per share</b>		<b>2015</b>	<b>2014</b>
- Basic earnings/(loss) per share from continuing operations		1.28 cents	(5.25) cents
- Diluted earnings/(loss) per share from continuing operations		1.26 cents	(5.25) cents



MELBOURNE IT LTD

STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 30 JUNE 2015

	CONSOLIDATED								
	FOREIGN CURRENCY RESERVE	OPTIONS RESERVE	HEDGING RESERVE	OTHER RESERVE	CONTRIBUTED EQUITY	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 January 2015</b>	(658)	5,321	31	-	35,629	74,357	114,680	88	114,768
Profit for the period	-	-	-	-	-	1,187	1,187	221	1,408
Other comprehensive income	109	-	(37)	-	-	-	72	-	72
<b>Total comprehensive income for the period</b>	109	-	(37)	-	-	1,187	1,259	221	1,480
<b>Transactions:</b>									
Share based payment	-	265	-	-	-	-	265	-	265
Equity dividends	-	-	-	-	-	(3,718)	(3,718)	-	(3,718)
Acquisition of a subsidiary (Note 13(b))	-	-	-	-	-	-	-	45,266	45,266
Transfer to other reserve	-	-	-	1,676	-	-	1,676	(1,676)	-
Transfer to financial liabilities (Note 12)	-	-	-	-	-	-	-	(43,712)	(43,712)
Transfer to/(from) options reserve	-	(5,059)	-	-	-	5,059	-	-	-
<b>As at 30 June 2015</b>	<b>(549)</b>	<b>527</b>	<b>(6)</b>	<b>1,676</b>	<b>35,629</b>	<b>76,885</b>	<b>114,162</b>	<b>187</b>	<b>114,349</b>
<b>As at 1 January 2014</b>	<b>(566)</b>	<b>5,017</b>	<b>-</b>	<b>-</b>	<b>68,809</b>	<b>74,807</b>	<b>148,067</b>	<b>-</b>	<b>148,067</b>
Profit for the period	-	-	-	-	-	(4,613)	(4,613)	32	(4,581)
Other comprehensive income	(54)	-	-	-	-	-	(54)	-	(54)
<b>Total comprehensive income for the period</b>	<b>(54)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,613)</b>	<b>(4,667)</b>	<b>32</b>	<b>(4,635)</b>
<b>Transactions:</b>									
Share based payment	-	204	-	-	-	-	204	-	204
Employee share trust	-	-	-	-	(45,176)	-	(45,176)	-	(45,176)
Acquisition of a subsidiary (Note 13(c))	-	-	-	-	12,070	-	12,070	94	12,164
Capital return transaction costs	-	-	-	-	(74)	-	(74)	-	(74)
<b>As at 30 June 2014</b>	<b>(620)</b>	<b>5,221</b>	<b>-</b>	<b>-</b>	<b>35,629</b>	<b>70,194</b>	<b>110,424</b>	<b>126</b>	<b>110,550</b>

MELBOURNE IT LTD

STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED 30 JUNE 2015

		<b>CONSOLIDATED</b>	
		<b>30-Jun-15</b>	<b>30-Jun-14</b>
<b>Notes</b>		<b>\$'000s</b>	<b>\$'000s</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	Receipt of service revenue and recoveries	76,341	62,429
	Payments to suppliers and employees	(65,723)	(57,991)
2	Interest received	178	362
	Interest paid	(170)	(37)
	Bank charges and credit card merchant fees	(728)	(529)
	Income tax refund	74	-
	Income tax paid	(91)	(362)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>9,881</b>	<b>3,872</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	Sale of DBS business, net of cash disposed	-	15,250
	Purchase of plant and equipment and intangible assets	(1,731)	(4,959)
13(c)	Acquisition of Netregistry	-	(38,366)
13(a)	Acquisition of Uber	(15,269)	-
13(b)	Acquisition of Outware, net of cash acquired	(21,119)	-
13	Transaction costs relating to acquisitions	(632)	(990)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(38,751)</b>	<b>(29,065)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
10	Proceeds from borrowings	33,500	20,000
10	Repayment of borrowings	(3,500)	(20,000)
	Payment of finance lease liabilities	(123)	-
11	Return of capital	-	(45,250)
5(a)	Payment of dividend on ordinary shares	(3,718)	-
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>26,159</b>	<b>(45,250)</b>
<b>NET DECREASE IN CASH &amp; CASH EQUIVALENTS</b>		<b>(2,711)</b>	<b>(70,443)</b>
	Net foreign exchange differences	29	(6)
	Cash and cash equivalents at beginning of period	18,086	80,520
<b>CASH &amp; CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>15,404</b>	<b>10,071</b>

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2015

#### CORPORATE INFORMATION

The financial information in this report for Melbourne IT Ltd for the half year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on 25 August 2015.

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 Note 1(b) Operating Segments and Note 15.

#### 1. BASIS OF PREPARATION

This general purpose condensed financial report (hereafter known as 'half year financial report') for the half year ended 30 June 2015 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 2014 and considered together with any public announcements made by Melbourne IT Ltd and its controlled entities during the half year ended 30 June 2015 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 2014 except for the following:

##### **Basis of consolidation: Partial recognition of non-controlling interests**

Acquisition of subsidiaries which includes put options to acquire non-controlling interest in the future is accounted for in accordance with AASB 10 *Consolidated Financial Statements* (AASB 10). During the period the non-controlling interest put options remain unexercised, the non-controlling interest is calculated and immediately derecognised as though it was acquired at that date. Financial liability with respect to the put options is recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. The difference between derecognition of the non-controlling interest and recognition of the financial liabilities is accounted for as an equity transaction, and disclosed as a separate reserve within equity (refer to 'Other Reserve' disclosed in the Statement of Changes in Equity).

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2015**

**1. BASIS OF PREPARATION (continued)**

**(b) Operating Segments**

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 Solutions Division**

SMB Solutions operates in the web services business in Australia and New Zealand, offering customers everything they need to run an online business. These services include domain name registrations and renewals, website and email hosting, website development, search engine optimisation and analysis. Customers are primarily in the Small to Medium Enterprise (SME) sector.

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")**

Enterprise Services is Australia's leading cloud and mobile solutions provider for Australian enterprise and government organisations.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2015**

**CONSOLIDATED**  
**30-Jun-15      30-Jun-14**  
**\$'000s          \$'000s**

**2. REVENUE**

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

**(a) Revenue**

Registration revenue	30,348	26,498
Solutions, hosting & services	38,406	32,453
Other revenue	244	278
	<u>68,998</u>	<u>59,229</u>
Interest revenue	178	362
Total revenue	<u><u>69,176</u></u>	<u><u>59,591</u></u>

**3. EXPENSES****(a) Depreciation expense**

Fit out	59	95
Plant and equipment	1,388	1,000
Furniture	17	11
Total depreciation expense	<u><u>1,464</u></u>	<u><u>1,106</u></u>

**(b) Amortisation of intangible assets**

Transformation asset	-	406
Capitalised software	790	489
Customer Contracts	192	-
Total amortisation of intangible assets	<u><u>982</u></u>	<u><u>895</u></u>

**(c) Other expenses**

Included in other expenses:

Premises	1,635	1,392
Marketing	1,788	1,064
Equipment	1,263	1,644
Finance and legal	1,265	1,186
Foreign exchange	80	(3)
Bad debts and doubtful debts	99	124

**(d) Finance costs**

Bank charges and credit card merchant fees	728	529
Interest expense	170	37
	<u><u>898</u></u>	<u><u>566</u></u>

**(e) Salaries and employee benefits expense**

Expensing of share based payments	265	237
Superannuation expense	1,533	1,276

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2015

**CONSOLIDATED**  
**30-Jun-15**      **30-Jun-14**  
**\$'000s**          **\$'000s**

**4. INCOME TAX**

The major components of income tax expense are:

**(a) Statement of comprehensive income***Current income tax*

Current income tax charge	409	(506)
Adjustments in respect of current income tax of previous periods	21	(295)

*Deferred income tax*

Relating to origination and reversal of temporary differences	878	(1,255)
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Income tax expense/(benefit) reported in the statement of comprehensive income

<b>1,308</b>	<b>(2,056)</b>
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**(b) Statement of changes in equity**

*Deferred income tax related to items charged or credited directly to equity*  
Net gain/(loss) on revaluation of cash flow hedges

-                      -

Income tax expense reported in equity

-                      -

**(c) A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:**

Accounting profit/(loss) before income tax	2,716	(6,637)
--	-------	---------

At the Group's statutory income tax rate of 30% (2014: 30%)	815	(1,991)
---	-----	---------

Adjustments in respect of current income tax of previous periods	21	(295)
Options cost	80	63
Deductions from shares issued via Employee Share Trust	-	(283)
Impairment of intangibles	-	2,576
Differences between accounting and tax depreciation	-	(2,444)
Non-deductible transaction costs on acquisitions	343	366
Non-deductible amortisation	58	29
Other	(9)	(77)

Income tax expense/(benefit) at the effective income tax rate

**1,308**                      **(2,056)**

Income tax expense/(benefit) reported in the statement of comprehensive income

1,308                      (2,056)

**1,308**                      **(2,056)**



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2015

**CONSOLIDATED**  
**30-Jun-15**      **31-Dec-14**  
**\$'000s**            **\$'000s**

**8. INTANGIBLE ASSETS****Carrying amount of intangible assets**

Goodwill (a)	187,179	99,976
Marketing related intangibles	9,052	9,052
Customer contracts	2,583	2,583
Accumulated amortisation	(1,143)	(951)
	<u>1,440</u>	<u>1,632</u>
Capitalised software	9,720	9,400
Accumulated amortisation	(1,966)	(1,176)
	<u>7,754</u>	<u>8,224</u>
Other intangibles	315	315
Accumulated amortisation	(315)	(315)
	<u>-</u>	<u>-</u>
Total intangible assets	<u><u>205,425</u></u>	<u><u>118,884</u></u>

**(a) Goodwill**

This balance includes goodwill and intangible assets arising from the acquisitions of Uber and Outware. As at 30 June 2015, management has yet to complete the fair value accounting process including identifying and valuing any intangible assets separately from goodwill. Therefore, this balance remains provisional as at 30 June 2015 (also refer to Note 13 (a) and (b)).

**(b) Capitalised software**

As at 31 December 2013 Melbourne IT had recorded a capitalised software intangible asset in relation to the Integrated Web Services (IWS) platform, which was developed during the Transformation project. The carrying value of the IWS asset was \$9.904 million, which included Oracle Financials, the common financial reporting system across all entities in the Group.

In the previous period, following the acquisition of Netregistry, Melbourne IT completed an assessment of both the IWS asset and the existing platform used by Netregistry, to determine which is the most suitable platform to support the operations of the enlarged group. The conclusion of this assessment was that the existing Netregistry platform, referred to as the "console", was the preferred platform.

As a result of this decision, the IWS platform has been decommissioned. However, Oracle Financials continued to be used as a common financial reporting system for the enlarged group. An impairment charge of \$8.587 million was recorded to reduce the carrying value of the IWS asset to \$1.0 million (being the carrying value of Oracle Financials) as at 31 March 2014.

Simultaneously, a valuation exercise was performed to identify and recognise intangible assets arising from the acquisition of Netregistry. A total of \$12.244 million of intangible assets were identified which comprised of software (\$8.4 million), customer contracts (\$1.92 million) and brandnames (\$1.924 million) at 31 March 2014.

The Netregistry software and Oracle Financials system are currently being used and amortised over the useful life of 6 years. The customer contracts are amortised over the period of 5 years based on the historical attrition rate.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2015

	CONSOLIDATED	
	30-Jun-15 \$'000s	31-Dec-14 \$'000s
<b>9. TRADE AND OTHER PAYABLES (CURRENT)</b>		
Trade creditors	3,736	1,146
Sundry creditors	4,649	3,077
Deposits received in advance	5,139	3,138
Accrued expenses	8,096	6,391
Total payables	<u>21,620</u>	<u>13,752</u>

Terms and conditions relating to trade and sundry 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.

The carrying amount of trade and other payables is a reasonable approximation of fair value.

**10. INTEREST BEARING LOANS AND BORROWINGS**

**Current**

Finance lease liabilities	<u>479</u>	<u>513</u>
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**Non-current**

Bank loan	<u>30,000</u>	<u>-</u>
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The Group has entered into finance leases for some items of equipment whereby the present value of the minimum lease payments approximate \$479,000 (2014: \$513,000).

In the current period, the Group entered into a \$83.6 million cash advance facility with ANZ. The \$20.0 million revolving credit facility with National Australia Bank (NAB) entered in the previous period to partly fund the acquisition of Netregistry Group Limited was extinguished in June 2015. Prior to the extinguishment of the NAB bank facility, the Group had drawn down \$3.5 million. At 30 June 2015, \$30.0 million was drawn down from the ANZ banking facility to fund the acquisition of 50.2% interest in Outware Systems Pty Ltd of which \$3.5 million was used to repay NAB. The ANZ bank facility has a maturity date of 1 January 2019. Interest rate is based on the relevant period BBSY rate. The cash advance facility balance is approximate to fair value given that it is a interest bearing loan at floating interest rate.

11. CONTRIBUTED EQUITY	CONSOLIDATED	
	30-Jun-15 \$'000s	31-Dec-14 \$'000s
<b>Ordinary shares</b>		
Issued and fully paid	<u>35,629</u>	<u>35,629</u>

**Movements in ordinary shares on issue**

	30-Jun-15		31-Dec-14	
	No. of Shares	\$'000s	No. of Shares	\$'000s
Beginning of the financial period	92,944,392	35,629	83,164,371	68,809
Issued during the period				
- Acquisition of Netregistry Group Limited (Netregistry)	-	-	9,285,144	12,070
- Return of capital	-	-	-	(45,176)
- Performance rights plans (a)	-	-	494,877	-
- Decrease due to transaction costs for capital return	-	-	-	(74)
End of the financial period	<u>92,944,392</u>	<u>35,629</u>	<u>92,944,392</u>	<u>35,629</u>

(a) Represents shares issued to satisfy the vesting held of the Performance Rights Plans issued on 1 July 2011 and 1 July 2012 pursuant to the resolution approved by shareholders in a General Meeting on 28 January 2014.

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2015

#### 12. NON CURRENT FINANCIAL LIABILITIES

The non current financial liabilities represent the fair value of the put options to acquire the remaining 49.8% interest in Outware Systems Pty Ltd and estimated dividend liability due to non-controlling interests over the next two years (refer to Note 13(b) for more details). The fair value of the put options liability has been determined based on the expected EBITDA multiple that will be paid.

#### 13. BUSINESS COMBINATIONS

##### (a) Uber Global Pty Ltd

On 30 April 2015, Melbourne IT acquired 100% of Uber Global Pty Ltd and its controlled entities (Uber), a major domains and hosting services provider, for purchase consideration of \$15.3 million (including working capital adjustment) and an earn out based on EBITDA performance to 30 June 2015. There will be no consideration to be paid on the earn out based on EBITDA performance to 30 June 2015. The acquisition was funded through cash. The combined enlarged group will be able to offer best in class domain names and hosting products and to compete more effectively against strong, price driven, foreign competition.

##### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Uber as at the date of acquisition were:

	<b>Provisional accounting Fair value recognised on acquisition \$'000s</b>
<b>Assets</b>	
Trade and other receivables	1,153
Property, plant and equipment	2,253
Deferred tax assets	603
Other assets	21
	<u>4,030</u>
<b>Liabilities</b>	
Trade and other payables	2,029
Income received in advance	3,136
Deferred tax liabilities	2,493
	<u>7,658</u>
Total identifiable net liabilities at fair value	(3,628)
Goodwill and other intangibles arising on acquisition	18,897
<b>Purchase consideration transferred (cash paid)</b>	<u><u>15,269</u></u>

As at 30 June 2015, management has yet to complete the fair value accounting process including identifying and valuing any intangible assets separately from goodwill. Therefore, the acquisition accounting remains provisional as at 30 June 2015. It is possible these assets, liabilities and related goodwill included in the Group's consolidated financial statements for the half year ended 30 June 2015 may change during the 12-month period after acquisition during which fair value adjustments are permitted.

From the date of acquisition, Uber has contributed \$2,441,000 to the revenue and \$86,000 to the profit after tax attributable to members of the parent. If the combination had taken place at the beginning of the year, revenue would have been \$74,058,000 and profit after tax attributable to members of the parent would have been \$1,359,000.

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2015

#### 13. BUSINESS COMBINATIONS (continued)

##### (b) Outware Systems Pty Ltd

On 16 June 2015, Melbourne IT acquired 50.2% shareholding of Outware Systems Pty Ltd ('Outware') for \$22.7 million (including provisional working capital adjustment) with put and call options in place to acquire up to 100% of Outware over the next two years. Outware is a leader in the design and development of mobile applications for enterprise and government customers. To facilitate the acquisition, Melbourne IT entered into a cash advance facility with Australia and New Zealand Banking Group Limited ('ANZ') in June 2015. The Outware acquisition is firmly in line with the Group's strategy of building its Enterprise Services into the leading software enabled cloud solutions provider in Australia.

##### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Outware as at the date of acquisition were:

	<b>Provisional accounting Fair value recognised on acquisition \$'000s</b>
<b>Assets</b>	
Cash	1,421
Trade and other receivables	3,331
Property, plant and equipment	167
Deferred tax assets	95
Other assets	507
	<u>5,521</u>
<b>Liabilities</b>	
Trade and other payables	2,073
Current tax liability	328
	<u>2,401</u>
<b>Total identifiable net assets at fair value</b>	<u>3,120</u>
Non-controlling interest measured at fair value	45,266
Dividend liability to non-controlling interest	3,400
Purchase consideration (including provisional working capital adjustment)	22,722
	<u>71,388</u>
<b>Goodwill and other intangibles arising on acquisition</b>	<u>68,268</u>

As at 30 June 2015, management has yet to complete the fair value accounting process including identifying and valuing any intangible assets separately from goodwill. Therefore, the acquisition accounting remains provisional as at 30 June 2015. It is possible these assets, liabilities and related goodwill included in the Group's consolidated financial statements for the half year ended 30 June 2015 may change during the 12-month period after acquisition during which fair value adjustments are permitted.

From the date of acquisition, Outware has contributed \$838,000 to the revenue and \$124,000 to the profit after tax attributable to members of the parent. If the combination had taken place at the beginning of the year, revenue would have been \$76,976,000 and profit after tax attributable to members of the parent would have been \$1,966,000.

The fair value of put/call options which entitle Melbourne IT to acquire (and the non-controlling interest to sell) the remaining 49.8% shareholding over the next two years are based on financial performance for the periods ending 30 June 2016 and 30 June 2017 respectively.

The dividend liability represents the estimated amount to be paid out to non-controlling interests for the financial periods ending 30 June 2016 and 30 June 2017 as stipulated in the Shareholders Agreement entered between Melbourne IT and non-controlling interests shareholders.

**MELBOURNE IT LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2015**

**13. BUSINESS COMBINATIONS (continued)**

**(b) Outware Systems Pty Ltd (continued)**

Analysis of cash flow on acquisition of Outware, net of cash acquired as at 30 June 2015:

	<b>\$'000s</b>
Cash paid	22,540
Net cash acquired with Outware	(1,421)
	<u>21,119</u>

The balance of the purchase consideration, \$182,000 will be paid after 30 June 2015 subject to completion of working capital adjustment.

**Transaction costs on acquisition of Uber and Outware**

Transaction costs of \$1,700,000 have been expensed and are included in other operating expenses. As at 30 June 2015, \$632,000 has been paid and this is included in the cash flows from investing activities.

**(c) Netregistry Group Limited**

On 31 March 2014, Melbourne IT acquired 100% of Netregistry Group Limited and its controlled entities (Netregistry), a leading online services provider based in Australia, for an enterprise value of \$50.4 million. The acquisition was funded through a mix of cash and scrip consideration.

**Assets acquired and liabilities assumed**

The fair values of the identifiable assets and liabilities of Netregistry as at the date of acquisition were:

	<b>Fair value recognised on acquisition \$'000s</b>
<b>Assets</b>	
Trade and other receivables	655
Prepayment of domain name registry charges	4,709
Other assets	436
Property, plant and equipment	1,843
Intangibles	12,244
Deferred tax assets	1,063
	<u>20,950</u>
<b>Liabilities</b>	
Trade and other payables	1,825
Provisions	2,412
Income received in advance	13,298
Deferred tax liabilities	581
	<u>18,116</u>
Total identifiable net assets at fair value	2,834
Non-controlling interest at proportionate share of net identifiable assets	(94)
Goodwill arising on acquisition	47,696
Purchase consideration transferred	<u>50,436</u>

The fair value of the trade and other receivables amounted to \$655,000. The gross amount of trade and other receivables was \$851,000.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2015

13. BUSINESS COMBINATIONS (continued)

(c) Netregistry Group Limited (continued)

The intangibles of \$12,244,000 comprise software, brand names and customer relationships. The fair values of these intangibles were determined using the following valuation approaches:

- Replacement cost approach was utilised to value the software;
- Income approach that is relief from royalty method was utilised to value the brand names; and
- Income approach that is multi period excess earnings method to value the customer relationships.

From the date of acquisition to 30 June 2014, Netregistry contributed \$8,367,000 to the revenue and \$408,000 to the profit after tax attributable to members of the parent. If the combination had taken place at the beginning of the 2014 period, revenue would have been \$67,848,000 and loss after tax attributable to members of the parent would have been \$4,788,000.

	<b>\$'000s</b>
<b>Purchase consideration</b>	
Shares issued, at fair value	12,070
Cash paid	38,366
Total consideration	50,436
Analysis of cash flows on acquisition:	
Cash transaction costs of the acquisition (included in cash flows from investing activities)	990

The Group issued 9,285,144 ordinary shares as scrip consideration for Netregistry. The fair value of the shares was calculated with reference to the average daily volume weighted average price (VWAP) of the quoted price over the period of 4 February 2014 to 24 February 2014 as stipulated in the Share Purchase Agreement dated 27 February 2014, which was \$1.30 each. The total value of scrip consideration given was therefore \$12,070,000. The balance of the consideration was settled via cash.

Transaction costs of \$1,340,000 have been expensed and are included in other operating expenses in prior period.

14. EVENTS AFTER BALANCE DATE

On 25 August 2015, the directors declared an interim dividend of 1.0 cent per ordinary share, franked at 80%, amounting to \$0.929 million. The expected payment date of the dividend is 30 September 2015.

Other than the matter above, 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.

**MELBOURNE IT LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2014****15. OPERATING SEGMENTS**

The following tables present the revenue and profit information regarding segments for the half years ended 30 June 2015 and 30 June 2014.

	<b>SMB Solutions</b>	<b>ES</b>	<b>Total</b>
<b>Half Year ended 30 June 2015</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Revenue from operating activities			
Registration revenue	30,348	-	<b>30,348</b>
Solutions, hosting & services	22,734	15,672	<b>38,406</b>
Other revenue	244	-	<b>244</b>
	<u>53,326</u>	<u>15,672</u>	<u><b>68,998</b></u>
Other income			-
<b>Total revenue</b>			<u><b>68,998</b></u>
<b>Result</b>			
Segment results	7,348	1,806	<b>9,154</b>
Unallocated expenses:			
- Corporate (including transaction costs relating to Uber and Outware acquisitions)			(4,000)
<b>Earnings before interest, tax, depreciation &amp; amortisation</b>			<u><b>5,154</b></u>
<b>Net Interest</b>			
Interest revenue			178
Interest expense			(170)
Total Net Interest			<u><b>8</b></u>
Income tax expense			(1,308)
Depreciation & amortisation			(2,446)
<b>Profit after tax for the half year</b>			<u><u><b>1,408</b></u></u>

MELBOURNE IT LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 JUNE 2014

15. OPERATING SEGMENTS (continued)

Half Year ended 30 June 2014	SMB Solutions	ES	Total
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Revenue from operating activities			
Registration revenue	26,498	-	26,498
Solutions, hosting & services	19,366	13,087	32,453
Other revenue	278	-	278
	<u>46,142</u>	<u>13,087</u>	<u>59,229</u>
Other income			-
<b>Total revenue</b>			<u><u>59,229</u></u>
<b>Result</b>			
Segment results	5,421	1,377	6,798
Unallocated expenses:			
- Corporate (including transaction costs relating to Netregistry acquisition)			(3,172)
<b>Earnings before interest, tax, depreciation &amp; amortisation</b>			<u><u>3,626</u></u>
<b>Net Interest</b>			
Interest revenue			362
Interest expense			(37)
Total Net Interest			<u>325</u>
Income tax benefit			2,056
Depreciation & amortisation			(2,001)
Impairment of intangible asset			(8,587)
<b>Loss after tax for the half year</b>			<u><u>(4,581)</u></u>

	CONSOLIDATED	
	30-Jun-15	30-Jun-14
	\$'000s	\$'000s
<b>Reconciliation of revenue</b>		
Segment revenue	68,998	59,229
Interest revenue	178	362
<b>Total revenue</b>	<u><u>69,176</u></u>	<u><u>59,591</u></u>