



MELBOURNE IT

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# Notice of Annual General Meeting

Notice is hereby given that the sixteenth Annual General Meeting of Melbourne IT Ltd will be held at the Level 2, Spring Street Conference Centre, No. 1 Spring Street, Melbourne, Victoria on Tuesday, 22 May 2012 at 11:00 am (Melbourne time).

## Business

### Item 1: Financial Statements and Report

To receive and consider the Annual Financial Report and the Reports of the Directors and Auditor for the financial year ended 31 December 2011.

Shareholders will be asked to consider and, if thought fit, to pass the resolutions below. Items 2 to 4(b) will be proposed as ordinary resolutions.

### Item 2: Re-election and Election of Directors

- (a) To re-elect Mr Tom Kiing as a Director, who retires by rotation in accordance with rule 9.3 of the Company's Constitution and, being eligible, offers himself for re-election.
- (b) To re-elect Mr Rob Stewart as a Director, who retires by rotation in accordance with rule 9.3 of the Company's Constitution and, being eligible, offers himself for re-election.
- (c) To elect Ms Naseema Sparks as a Director, who was appointed by the Board as a Director of the Company in accordance with rule 9.9 of the Company's Constitution to hold office until the next shareholder meeting. Ms Naseema Sparks, being eligible, now offers herself for election.

### Item 3: Adoption of the Remuneration Report for the Year Ended 31 December 2011

To adopt the Remuneration Report for the year ended 31 December 2011.

### Item 4(a): Approval of Potential Termination Benefits Provided to Members of the Executive Team

To approve, for the purpose of Part 2D.2 Division 2 of the Corporations Act, the giving of potential benefits to any present or future members

of the Executive Team, in connection with such person ceasing to hold a managerial or executive office or position of employment in the Company or a related body corporate, as described in the Explanatory Notes accompanying the Notice of Meeting.

### Item 4(b): Approval of Potential Termination Benefits Provided to the Managing Director & CEO

To approve, for the purpose of Part 2D.2 Division 2 of the Corporations Act, the giving of potential benefits to the Managing Director & CEO, Mr Theo Hnarakis, in connection with him ceasing to hold a managerial or executive office or position of employment in the Company or a related body corporate, as described in the Explanatory Notes accompanying the Notice of Meeting.

The proposed items of business should be read in conjunction with the Explanatory Notes to this Notice of Meeting.

### Other Business

In accordance with the Corporations Act, a reasonable opportunity will be given to Shareholders, as a whole, to ask questions or make comments at the meeting on the management of the Company, including asking questions of the auditor of the Company.

By order of the Board.

**Ashe-lee Jegathesan**

Company Secretary  
20 April 2012

# Explanatory Notes

The information below is an explanation of the business to be considered at the AGM.

## Item 1: Financial Statements and Report

The Annual Financial Report and the reports of the Directors and the Auditor for the financial year ended 31 December 2011 will be presented for consideration. The Annual Report is available on the Company’s corporate website (<http://melbourneit.info/>) (and will be mailed to shareholders who have elected to receive a hard copy).

## Item 2: Re-election and Election of Directors

In accordance with rule 9.3 of the Company’s Constitution:

- (a) Mr Tom Kiing retires by rotation and, being eligible, offers himself for re-election.
- (b) Mr Rob Stewart retires by rotation and, being eligible, offers himself for re-election.

In accordance with rule 9.9 of the Company’s Constitution:

- (c) Ms Naseema Sparks was appointed by the Board as a Director of the Company hold office until the next shareholder meeting. Ms Naseema Sparks, being eligible, now offers herself for election.

Personal particulars for Mr Kiing, Mr Stewart and Ms Sparks are set out below.

### Item 2(a): Mr Tom Kiing

#### **Tom Kiing – Non-Executive Director**

Mr Kiing is a director of Bridge Capital Pty Ltd, an Australian technology investment firm that manages a portfolio of investments in the IT sector. He currently sits on the Board of: Jumbuck Ltd an ASX listed mobile applications company; and Atomic Group (Australia) Pty Ltd, an integrated sports and entertainment company in Australia. Mr Kiing is also co-founder of Tarazz.com, an Asian based ecommerce portal.

Mr Kiing has extensive experience in mergers and acquisitions, capital markets and corporate finance. He travels extensively through the ASEAN region to promote a wide range of Australian investment opportunities to Asian institutions and private investors.

Mr Kiing was appointed to the Board on 19 December 2002.

### Item 2(b): Mr Rob Stewart

#### **Rob Stewart – Non-Executive Director**

Mr Stewart is a company director and management consultant. He was National Managing Partner of Minter Ellison, one of Australia’s leading law firms, for eleven years, retiring in June 1999. He was also a non-executive director of Memtec Ltd, a high technology filtration company, from 1988 until 1997. Memtec listed on NASDAQ and then the New York Stock Exchange prior to being taken over by a US company in 1997.

Mr Stewart spent five years with Pacific Dunlop from 1976 to 1981 in a variety of general management positions within the Footwear Group, and was previously a non-executive director of Mitchell Communication Group Limited [(now part of Aegis Group plc)], Australia’s largest independent media buying and communications planning group. He is currently also Chairman of C E Bartlett Pty Ltd, one of the leading manufacturers in Australia of quality products in the fabrication of synthetic and canvas fabrics; a director of QSR International Pty Ltd, which produces the world’s leading qualitative research software; and President of the Baker IDI Heart and Diabetes Research Institute, Australia’s premier health and research institute tackling the problems of obesity, diabetes and cardiovascular disease.

Mr Stewart was appointed to the Board on 14 September 1999 and held the position of Chairman until 31 October 2009.

### Item 2(c): Ms Naseema Sparks

#### **Naseema Sparks – Non-Executive Director**

Ms Sparks is a professional non-executive director and sits on a number of listed company and not for profit boards, including those of Blackmores Ltd, PMP Ltd, DealsDirect.com.au and Chartis Australia Insurance Ltd. She is also Deputy Chairman of the Sydney Dance Company and Racing NSW Boards. Ms Sparks is the immediate past President of Chief Executive Women.

Ms Sparks’ expertise as a non-executive director is in corporate strategy and business management, media and marketing in the traditional and digital space, digital technology and relevant applications, brand reputation and risk management.

Ms Sparks was appointed to the Melbourne IT Board in April 2012.

Note: Professor Iain Morrison retires from the Board with effect from the close of the AGM.

## Board Recommendation

The Board (other than Mr Kiing, Mr Stewart and Ms Sparks, in relation to their own re-election) recommends that you vote in favour of all three of these resolutions.

### Item 3: Adoption of Remuneration Report

The Remuneration Report is presented within the Directors’ Report of the Company’s 31 December 2011 Annual Report. It is also available on the Company’s corporate website (<http://melbourneit.info/>).

Shareholders will be asked to vote on a resolution to adopt the Remuneration Report at the Annual General Meeting (AGM).

The vote on the resolution will be advisory only and will not bind the Directors or the Company. However, as a result of recent changes to the Corporations Act, if 25 per cent or more of the votes cast on the resolution at the AGM are against adoption of the Remuneration Report, then:

- if comments are made on the Remuneration Report at the AGM, the Company’s 2012 Remuneration Report will be required to include an explanation of the Board’s proposed action in response or, if no action is proposed, the Board’s reasons for this, and
- if, at next year’s AGM, at least 25 per cent of the votes cast on the resolution for adoption of the 2012 Remuneration Report are against it, the Company will be required to put to shareholders a resolution proposing that an extraordinary general meeting (EGM) be called to consider the election of Directors (spill resolution). If a spill resolution is passed (i.e., more than 50 per cent of the votes cast are in favour of it), all of the Directors (other than the Managing Director & CEO) who were Directors when the resolution for adoption of the 2012 Remuneration Report was voted on will cease to hold office at the subsequent EGM, unless re-elected at that meeting.

The Board will take the outcome of the vote into consideration when reviewing the remuneration policy for Directors and executives in the future.

A reasonable opportunity will be provided for shareholders to ask questions about or to make comments on the Remuneration Report at the AGM.

## Board Recommendation

The Board recommends that shareholders vote in favour of this resolution. If you intend to appoint a proxy to vote on your behalf on the resolution for adoption of the Remuneration Report, please read the information below under the heading ‘IMPORTANT: Appointment of a Proxy for Item 3’.

### Voting Exclusions on Item 3:

In accordance with the Corporations Act, no vote may be cast (in any capacity) on this proposed resolution by or on behalf of:

- any member of the Key Management Personnel (KMP) details of whose remuneration are included in the Remuneration Report for the year ended 31 December 2011, or
- a Closely Related Party of any such member of the KMP.

However, this will not apply to a vote cast by any such person as proxy for a person who is entitled to vote on the resolution, in accordance with directions on the proxy form specifying how the proxy is to vote.

For the definition of ‘Key Management Personnel’ (KMP) and ‘Closely Related Party’, please refer to General Information on page 10.

### IMPORTANT: Appointment of a Proxy for Item 3

If you appoint the Chairman of the Meeting as your proxy (or the Chairman of the Meeting becomes your proxy by default) and you do not mark any of the boxes opposite Item 3 on the proxy appointment, you will automatically be directing the Chairman of the Meeting to vote in favour of the resolution to adopt the Remuneration Report, and the Chairman will vote accordingly. If you do not want the Chairman to cast your votes in favour of the Remuneration Report, you should complete the appropriate box on the proxy appointment, directing your proxy to vote against or abstain from voting on the proposed resolution in Item 3.

If you appoint a Director (other than the Chairman of the Meeting) or another member of the KMP (or a Closely Related Party of any such Director or member) as your proxy and do not direct them how to vote on Item 3 by marking the appropriate box, your proxy will not be able to vote on your behalf on the resolution.

### Item 4(a): Termination Benefits for Members of the Executive Team

### Item 4(b): Termination Benefits for Managing Director & CEO

#### 4.1 Background

Shareholders will be asked to approve the potential benefits which may be payable to members of the Executive Team and to the Managing Director & CEO, upon cessation of their employment with the Group, so that the Group is able to meet its existing contractual obligations to these persons, and to ensure that the Company continues to remunerate fairly and responsibly.

The following information sets out:

- who these resolutions apply to and background as to why approval is being sought (section 4.2);
- the Company’s remuneration framework (section 4.3);
- information on the potential termination benefits that may be given to members of the Executive Team and the Managing Director & CEO in the event they cease employment with the Group (section 4.4) ; and
- the matters, events and circumstances that may affect the calculation of the value of the termination benefits (section 4.4).

## 4.2 Who These Resolutions Affect

Approval is sought for the termination benefits that may be given to:

- persons who either now or in the future are employed as members of the Executive Team (Item 4(a)); and
- the Managing Director & CEO (Item 4(b)),

in connection with their retirement from the Group.

The “Executive Team” means current or future employees who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, as named in the remuneration report from year to year; but for the purposes of Item 4(a) **excluding** the Managing Director & CEO.

Separate approval is being sought for termination benefits that may be given to the Managing Director & CEO, as described below (Item 4(b)).

## 4.3 Remuneration Framework

This section describes the key features of the Company’s annual remuneration framework to provide background for the termination benefits which may be given to members of the Executive Team and the Managing Director & CEO. The relevant remuneration framework consists of:

- a fixed component (base pay and benefits, including superannuation);
- a short-term incentive (STI). STI payments are based on satisfaction of key performance indicators (KPI’s) based on the performance of the Company and specific operational targets; and
- a long-term incentive (LTI) by way of participation in the Company’s Long Term Incentive Plan (LTIP).

Depending on the seniority of an individual Executive Team member and/or the Managing Director & CEO, a combination of the above components is used to form their total annual remuneration. The current target proportion of each component (i.e. remuneration mix) is described in the 2011 Remuneration Report.

The Board may change the proportion of the components from time to time to ensure that the Company’s remuneration framework involves an appropriate “at risk” component, is aligned with corporate objectives and reflects market standards in accordance with advice given from remuneration consultants who are appointed by and report to the Board.

**Shareholders are not being asked to approve any increase in the remuneration or benefits for the Executive Team or Managing Director & CEO, nor any variations to the existing discretions of the Board. No change to the underlying employment arrangements or individual entitlements is being proposed.** The approval being sought is in relation to the Group’s existing obligations to Executive Team members and to the Managing Director & CEO, to enable the Company to operate its remuneration programs and to support the Company’s strategy, as described in the 2011 Remuneration Report.

Further details of the Company’s remuneration framework including the LTIP and STIs are provided in the 2011 Remuneration Report.

## 4.4 Termination Benefit Approval – Part 2D.2 Division 2 of the Corporations Act

Under Part 2D.2 Division 2 of the Corporations Act, the Company, its associates and any prescribed superannuation fund in connection with the Company are prohibited from giving a person who holds a “managerial or executive office” a benefit in connection with their ceasing to hold

an office or position of employment with the Group unless shareholders approve the giving of the benefit or an exemption applies.

*4.4.1 Benefits that require shareholder approval and benefits that are exempt*

“Benefit” is defined broadly in the Corporations Act to include most forms of valuable consideration. Termination benefits under the Corporations Act include a range of payments or benefits given in connection with a person ceasing to hold an office or position of employment including termination payments or other benefits such as an accelerated or automatic vesting of share-based payments due to a person ceasing to hold an office or position of employment.

There is an exception to the prohibition on the provision of benefits where the value of the benefits does not exceed the statutory cap of one year’s average base salary (as calculated in accordance with the Corporations Act).

*4.4.2 Reasons why shareholder approval is being sought*

Shareholder approval is sought for the following benefits which an individual Executive Team member or the Managing Director & CEO may potentially receive under their contracts of employment with the Group and the policies and incentive plans of the Company:

- payments under the relevant individual executive contractual agreement;
- payments or benefits in connection with the STI; and
- payments or benefits in connection with the LTIP, including the automatic or accelerated vesting of performance rights issued under the LTIP,

In addition to any payments or amounts that may be provided to that person which are excluded from the operation of the statutory cap (such as statutory entitlements to accrued annual and long service

leave, amounts required to be paid by law and genuine redundancy payments). Further information on potential termination benefits is set out in section 4.4.3 of these Explanatory Notes.

Payments in lieu of notice made to Executive Team members under their executive contractual agreements and benefits in respect of STI payments are not expected to exceed the statutory cap. However, when aggregated with other benefits which an individual Executive Team member may receive under or in connection with the LTIP, their total termination benefits may then exceed the statutory cap. The possible total termination benefits that may be given to the Managing Director & CEO may, depending on the circumstances, exceed the statutory cap.

*4.4.3 Details of termination benefits*

**Table 4.1: Possible Termination Benefits to Executive Team members**

Table 4.1 below describes the potential termination benefits that may be given to Executive Team members in addition to those excluded by the statutory cap outlined above, the manner in which the amount or value of the potential termination benefits to Executive Team members are to be calculated and any matter, event or circumstance that will, or is likely to, affect the calculation of that benefit, as detailed for each benefit below.

**Table 4.2: Possible Termination Benefits to the Managing Director & CEO**

Table 4.2 below describes the potential termination benefits that may be given to the Managing Director & CEO in addition to those excluded by the statutory cap outlined above, the manner in which the amount or value of the potential termination benefits to the Managing Director & CEO are to be calculated and any matter, event or circumstance that will, or is likely to, affect the calculation of that benefit, as detailed for each benefit below.

**Table 4.1: Summary of Potential Termination Benefits for the Executive Team**

Source of benefit	Description	Potential benefit / treatment on cessation	What will affect value / amount of benefits
<i>Termination payments under individual executive contractual agreements (payments in lieu of notice)</i>	Executive Team members are entitled to notice of termination under their executive contractual agreements.  In all cases, the Group has the ability to terminate the employment of an individual Executive Team member without cause with immediate effect and, where acceptable by local law, by making a contractual termination payment.	The following termination payments are the maximum that may be payable under an individual Executive Team member’s executive contractual agreement depending on the circumstances of the termination and their specific contractual agreement: <ul style="list-style-type: none"> <li>• where an individual Executive Team member provides three months’ notice of termination, the Group may make a payment in lieu of all or part of this notice period (calculated on the individual Executive Team member’s total fixed remuneration); and</li> <li>• where the Group terminates the employment of an individual Executive Team member (other than for cause), the individual Executive Team member may be entitled to receive a termination payment equal to three months total fixed remuneration.</li> </ul> <p>An individual Executive Team member’s total fixed remuneration consists of the following components:</p> <ul style="list-style-type: none"> <li>• cash salary;</li> <li>• superannuation contributions; and</li> <li>• other non-cash benefits agreed between the individual Executive Team member and the Group from time to time.</li> </ul> <p>The total fixed remuneration for members of the key management personnel of the Company (including the current members of the Executive Team) for the year to 31 December 2011 is disclosed in the Remuneration Report.</p>	The amount of any payment can only be determined once notice of termination is given. Accordingly, the amount of any termination payment cannot be ascertained as at the date of the Notice of Meeting. However, in all cases the termination payments will not exceed the payments described in this table.  Key matters, events or circumstances which will, or are likely to affect the calculation of the termination payment include: <ul style="list-style-type: none"> <li>• the individual Executive Team member’s total fixed annual remuneration at the time of their termination which will be set on an annual basis following their remuneration review; and</li> <li>• where notice of termination is given by an individual Executive Team member, the length of any period of notice they are required to work by the relevant group entity for which payment is being made.</li> </ul>

Source of benefit	Description	Potential benefit / treatment on cessation	What will affect value / amount of benefits
Short-term incentive	Individual Executive Team members are eligible to be considered for an annual STI payment.  The STI payment is conditional on satisfaction of two performance hurdles being met, firstly the Earning before Interest and Tax (“EBIT”) target set by the Company and secondly (where the first target is achieved), the extent to which specific operational targets are achieved.  Based upon an annual performance review and success in meeting or exceeding targets, the cash component of the STI is payable on or before April 30 each year in respect of the prior financial year.  The MD/CEO is responsible for assessing the performance of the Executive Team members (with review and approval required by the Human Resources, Remuneration and Nomination Committee).  Each individual Executive Team member has a target STI opportunity. For individual Executive Team members, currently the maximum entitlement varies between AU \$20,000 – \$100,000. The maximum STI target of an individual Executive Team member may be amended from time to time by the Board in order to ensure that the Company’s remuneration framework involves an appropriate “at risk” component, is aligned with corporate objectives and reflects market standards.  The short term performance incentives may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Board, through the Human Resources, Remuneration and Nomination Committee. The STI target annual amount is reviewed annually. STI payments are capped at 150% of the individual Executive Team member’s target STI opportunity.	STI payments are normally only payable where an individual Executive Team member remains employed for the full financial year. However, in the event that: <ul style="list-style-type: none"> <li>• the employment of an individual Executive Team member is terminated by the Group (other than where summarily terminated for cause); or</li> <li>• an individual Executive Team member retires or resigns due to ill health,</li> </ul> <p>Prior to the end of a full financial year, the individual Executive Team member will be entitled to receive a pro rata payment based on:</p> <ul style="list-style-type: none"> <li>• the proportion of the year served by the member of the Executive Team during the financial year; and</li> <li>• the Human Resources, Remuneration and Nomination Committee’s assessment of their performance against the KPIs as at the date of termination.</li> </ul> <p>However, while assessment of performance against KPIs is assessed as at the date of termination, payment of the STI will not be accelerated and will be made at the usual time.</p> <p>The early assessment of hurdles or the payment of pro rata STI in these circumstances may constitute a termination benefit for the purposes of the Corporations Act.</p>	The amount of any STI payment which may be made to an individual Executive Team member in these circumstances cannot be ascertained as at the date of the Notice of Meeting.  Key matters, events or circumstances which will, or are likely to affect the calculation of the STI payment include: <ul style="list-style-type: none"> <li>• the Company’s performance;</li> <li>• the seniority level, role, responsibilities and performance of the individual Executive Team member;</li> <li>• the circumstances in which the individual Executive Team member ceases employment;</li> <li>• the achievement by the individual Executive Team member of their KPIs (as assessed by the Human Resources, Remuneration and Nomination Committee);</li> <li>• the target STI opportunity and total fixed remuneration for the relevant year of the member of the Executive Team; and</li> <li>• the proportion of the year served by the member of the Executive Team.</li> </ul>



Source of benefit	Description	Potential benefit / treatment on cessation	What will affect value / amount of benefits
<i>Long-term incentive plan – LTIP</i>	<p>The LTIP forms part of the Company’s remuneration strategy. The objective of the LTIP is to reward certain Executive Team members and the Managing Director &amp; CEO in a manner that aligns a key component-of remuneration with the creation of shareholder wealth.</p> <p>The key terms of the LTIP were disclosed to shareholders in the Notice of Meeting dated 23 April 2010 for the AGM held on 25 May 2010.</p> <p>Under the LTIP, individual Executive Team members have been granted performance rights. Further performance rights may be granted to individual Executive Team members under the LTIP in the future.</p> <p>The performance rights are a contractual right to future grant of ordinary shares in the Company (or in the case of international Executive Team member cash equivalent to the shares) which only vest if certain performance hurdles are met and the relevant Executive Team members are still employed by the Group at the time their performance rights vest.</p> <p>The number of performance rights granted to Executive Team members for the 2011 financial year is set out in the Remuneration Report.</p>	<p>The Board may, in its discretion, decide to accelerate the vesting of all or part of the performance rights held by an individual Executive Team member if the member ceases employment because of:</p> <ul style="list-style-type: none"> <li>• death; or</li> <li>• total and permanent disablement; or</li> <li>• redundancy in some circumstances.</li> </ul> <p>The accelerated vesting of some or all of the performance rights under the LTIP in connection with the cessation of employment of an individual Executive Team member and/or the ability of the individual Executive Team member to retain some or all of the performance rights on cessation of employment may constitute a termination benefit under the Corporations Act.</p>	<p>The value of any such benefit cannot be ascertained as at the date of the Notice of Meeting. The value of the benefit will depend on:</p> <ul style="list-style-type: none"> <li>• the number of performance rights granted and held by an individual Executive Team member in accordance with the LTIP;</li> <li>• the number of performance rights (if any) held by an individual Executive Team member which the Board determines should vest; and</li> <li>• the market price of shares at the time such performance rights are exercised and converted into shares.</li> </ul> <p>Key matters, events or circumstances which will, or are likely to affect the calculation of the value of any accelerated or automatic vesting of performance rights include:</p> <ul style="list-style-type: none"> <li>• the financial performance of the Company and the business or support area in which the individual Executive Team member works;</li> <li>• the personal performance of the individual Executive Team member each year;</li> <li>• the seniority level of the individual Executive Team member;</li> <li>• the number of years that the member of the individual Executive Team member has been employed with the Group;</li> <li>• the circumstances in which the individual Executive Team member ceases their employment with the Group;</li> <li>• the proportion of the performance period served by the individual Executive Team member as at the date their employment ceases; and</li> <li>• performance against the performance conditions as at the date on which the individual Executive Team member ceases their employment.</li> </ul>

**Table 4.2: Summary of Potential Termination Benefits for the Managing Director & CEO**

Source of benefit	Description	Potential benefit / treatment on cessation	What will affect value / amount of benefits
<i>Termination payments under individual executive contractual agreements (payments in lieu of notice)</i>	<p>The Managing Director &amp; CEO is entitled to notice of termination under his executive contractual agreement.</p> <p>The Group has the ability to terminate the Managing Director &amp; CEO’s employment without cause with immediate effect and, where acceptable by local law, by making a contractual termination payment.</p>	<p>The following termination payments are the maximum that may be payable under the Managing Director &amp; CEO’s executive contractual agreement depending on the circumstances of the termination:</p> <ul style="list-style-type: none"> <li>• where the Managing Director &amp; CEO provides six months’ notice of termination, the Group may make a payment in lieu of all or part of this notice period (calculated on the Managing Director &amp; CEO’s base remuneration); and</li> <li>• where the Group terminates the Managing Director &amp; CEO’s employment (other than for cause), the Managing Director &amp; CEO may be entitled to receive a termination payment equal to 12 months’ base remuneration.</li> </ul> <p>The Managing Director &amp; CEO’s base remuneration consists of the following components:</p> <ul style="list-style-type: none"> <li>• cash salary;</li> <li>• superannuation contributions; and</li> <li>• other non-cash benefits agreed between the Managing Director &amp; CEO and the Company from time to time.</li> </ul> <p>The Managing Director &amp; CEO’s current base remuneration is disclosed in the Remuneration Report.</p>	<p>The amount of any payment can only be determined once notice of termination is given. Accordingly, the amount of any termination payment cannot be ascertained as at the date of the Notice of Meeting. However, in all cases the termination payments will not exceed the payments described in this table.</p> <p>Key matters, events or circumstances which will, or are likely to affect the calculation of the termination payment include:</p> <ul style="list-style-type: none"> <li>• the Managing Director &amp; CEO’s total fixed annual remuneration at the time of his termination which will be set on an annual basis following his remuneration review; and</li> <li>• where notice of termination is given by the Managing Director &amp; CEO, the length of any period of notice he is required to work by the Group, for which payment is being made.</li> </ul>

Source of benefit	Description	Potential benefit / treatment on cessation	What will affect value / amount of benefits
<i>Short-term incentive</i>	<p>The Managing Director &amp; CEO is eligible to be considered for an annual STI payment.</p> <p>The STI payment is conditional on satisfaction of performance hurdles which are set by the Board.</p> <p>Based upon an annual performance review and success in meeting or exceeding targets, the cash component of the STI is payable on or before April 30 each year in respect of the prior financial year.</p> <p>The Board is responsible for assessing the performance of the Managing Director &amp; CEO.</p> <p>For the Managing Director &amp; CEO the current maximum target bonus opportunity is set out in the Remuneration Report.</p> <p>The maximum STI target of the Managing Director &amp; CEO may be amended from time to time by the Board in order to ensure that the Company’s remuneration framework involves an appropriate “at risk” component, is aligned with corporate objectives and reflects market standards.</p> <p>The short term performance incentives may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Board, through the Human Resources, Remuneration and Nomination Committee. The STI target annual amount is reviewed annually. The amount of STI that the Managing Director &amp; CEO can potentially receive is capped at 150% of the STI target amount.</p>	<p>STI payments are normally only payable where the Managing Director &amp; CEO remains employed for the full financial year. However, in the event that:</p> <ul style="list-style-type: none"> <li>• the Managing Director &amp; CEO’s employment is terminated by the Group (unless summarily terminated for cause); or</li> <li>• the Managing Director &amp; CEO retires or resigns due to ill health,</li> </ul> <p>Prior to the end of a full financial year, the Managing Director &amp; CEO will be entitled to receive a pro rata payment based on:</p> <ul style="list-style-type: none"> <li>• the proportion of the year served by the Managing Director &amp; CEO during the financial year; and</li> <li>• the Board’s assessment of the Managing Director &amp; CEO’s performance against the KPIs as at the date of termination.</li> </ul> <p>However, while assessment of performance against KPIs is assessed as at the date of termination, payment of the STI will not be accelerated and will be made at the usual time.</p> <p>The early assessment of hurdles or the payment of pro rata STI in these circumstances may constitute a termination benefit for the purposes of the Corporations Act.</p>	<p>The amount of any STI payment which may be made to the Managing Director &amp; CEO in these circumstances cannot be ascertained as at the date of the Notice of Meeting.</p> <p>Key matters, events or circumstances which will, or are likely to affect the calculation of the STI payment include:</p> <ul style="list-style-type: none"> <li>• the Company’s performance;</li> <li>• the circumstances in which the Managing Director &amp; CEO ceases employment;</li> <li>• the achievement of KPIs by the Managing Director &amp; CEO (as assessed by the Board);</li> <li>• the target STI opportunity and total fixed remuneration for the relevant year of the Managing Director &amp; CEO; and</li> <li>• the proportion of the year served by the Managing Director &amp; CEO.</li> </ul>

<i>Long-term incentive plan – LTIP</i>	<p>Information on the LTIP is included in Table 5.1 above (Summary of potential termination benefits for Executive Team).</p> <p>The grant of performance rights to the Managing Director &amp; CEO under the LTIP was approved by shareholders at the AGM on 25 May 2010.</p> <p>Under the LTIP, the Managing Director &amp; CEO has been granted performance rights and may be granted further performance rights in the future (subject, if necessary, to further shareholder approval).</p> <p>The performance rights are a contractual right to future grant of ordinary shares in the Company which only vest if certain performance hurdles are met and the Managing Director &amp; CEO is still employed by the Group at the time his performance rights vest.</p> <p>The number of performance rights granted to the Managing Director &amp; CEO for the 2011 financial year are set out in the Remuneration Report.</p>	<p>The Board may, in its discretion, decide to accelerate the vesting of all or part of the performance rights held by the Managing Director &amp; CEO if he ceases employment because of:</p> <ul style="list-style-type: none"> <li>• death; or</li> <li>• total and permanent disablement; or</li> <li>• redundancy in some circumstances.</li> </ul> <p>The accelerated vesting of some or all of the performance rights under the LTIP in connection with the cessation of employment of the Managing Director &amp; CEO and/or the ability of the Managing Director &amp; CEO to retain some or all of the performance rights on cessation of employment may constitute a termination benefit under the Corporations Act.</p>	<p>The value of any such benefit cannot be ascertained as at the date of the Notice of Meeting. The value of the benefit will depend on:</p> <ul style="list-style-type: none"> <li>• the number of performance rights granted and held by the Managing Director &amp; CEO in accordance with the LTIP;</li> <li>• the number of performance rights (if any) held by the Managing Director &amp; CEO which the Board determines should vest; and</li> <li>• the market price of shares at the time such performance rights are exercised and converted into shares.</li> </ul> <p>Key matters, events or circumstances which will, or are likely to affect the calculation of the value of any accelerated or automatic vesting of performance rights include:</p> <ul style="list-style-type: none"> <li>• the financial performance of the Company;</li> <li>• the personal performance of the Managing Director &amp; CEO each year;</li> <li>• the number of years that the Managing Director &amp; CEO has been employed with the Group;</li> <li>• the circumstances in which the Managing Director &amp; CEO ceases his employment with the Group;</li> <li>• the proportion of the performance period served by the Managing Director &amp; CEO as at the date his employment ceases; and</li> <li>• performance against the performance conditions as at the date on which the Managing Director &amp; CEO ceases his employment.</li> </ul>
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## Board Recommendation

The Board recommends that shareholders vote in favour of the resolution in Item 4(a).

The Board (with Mr Hnarakis abstaining and not voting) recommends that shareholders vote in favour of the resolution in Item 4(b).

## Voting Exclusions for Items 4(a) and 4(b)

A vote must not be cast (in any capacity) on Item 4(a) or Item 4(b) by or on behalf of:

- a member of the Executive Team; or
- the Managing Director & CEO; or
- their respective associates.

Further, a vote must not be cast on Item 4(a) or Item 4(b) by a member of the Key Management Personnel or a Closely Related Party of a KMP acting as a proxy if their appointment does not specify the way the proxy is to vote on Item 4(a) or Item 4(b) (as applicable). However, a vote may be cast by such persons if:

- it is cast by the KMP or their Closely Related Party as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, and it is not cast on behalf of a member of the Executive Team or the Managing Director & CEO or their respective associates; or
- it is cast by the Chairman (who is a KMP) as a proxy and the proxy appointment expressly authorises the Chairman to exercise the proxy even though Item 4(a) and Item 4(b) are connected directly or indirectly with the remuneration of the KMP.

## IMPORTANT: Appointment of a Proxy for Items 4(a) and 4(b)

If you appoint the Chairman of the Meeting as your proxy (or the Chairman of the Meeting becomes your proxy by default) and you do not mark any of the boxes opposite Item 4(a) or Item 4(b) on the proxy appointment, you will automatically be:

- directing the Chairman of the Meeting to vote in favour of the resolution in Items 4(a) and 4(b), and the Chairman will vote accordingly; and
- expressly authorising the Chairman to exercise your proxy even though Items 4(a) and 4(b) are connected directly or indirectly with the remuneration of a member of the KMP of the Group. If you do not want the Chairman to cast your votes in favour of Item 4(a) or Item 4(b), you should complete the appropriate box on the proxy appointment, directing your proxy to vote against or abstain from voting on the proposed resolutions in Items 4(a) and 4(b).

If you appoint a member of the KMP (other than the Chairman of the Meeting), a Closely Related Party of a KMP, a member of the Executive Team or an associate of the Executive Team as your proxy and do not direct them how to vote on Items 4(a) and 4(b) by marking the appropriate box, your proxy will not be able to vote on your behalf on the resolutions.

For the definition of 'Key Management Personnel' (KMP) and 'Closely Related Party', please refer to General Information

## General Information

### Definitions

"Closely Related Party", in relation to a member of the KMP means the member's spouse, child or dependant (or a child or dependant of the member's spouse), anyone else in the member's family who may be expected to influence or be influenced by the member in the member's dealings with the Company or the Group, and any company the member controls.

"Company" means Melbourne IT Ltd ABN 21 073 716 793.

"Group" means the Company and its related bodies corporate from time to time (as that term is defined in the Corporations Act).

"Corporations Act" means the Corporations Act 2001 (Cwlth).

"Executive Team" means current or future employees who have authority and responsibility for planning, directing and controlling the activities of the Company or the Group, directly or indirectly, including those named in the remuneration report from year to year; but excluding the Managing

Director & CEO. The Executive Team includes the individuals who are listed in the 2011 Remuneration Report.

"KMP" or "Key Management Personnel" means those person having authority and responsibility for planning, directing and controlling the activities of the Company or the Group, whether directly or indirectly, including any director (whether executive or otherwise) of the Group. Members of the KMP include directors (both executive and non-executive) and certain senior executives.

### How to Vote

As a shareholder, you can vote on the items of business by:

- attending the AGM;
- or appointing a proxy, representative or attorney to attend the AGM and vote on your behalf.

### Proxies

A member entitled to attend and vote at the AGM may appoint a person to attend and vote at the meeting as the member's proxy. If a member is entitled to cast two or more votes at the AGM, they may appoint two proxies. If you wish to appoint a second proxy you will need to complete a second form. Please contact Link Market Service Limited ("Link") on 1300 55 44 74 or +61 (0)2 8280 7761 to obtain an additional Proxy Form.

A proxy need not be a member and can be an individual or a body corporate. If two proxies are appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. If the vote split is not specified, it is deemed to be equally divided between the two proxies.

Proxies may only be appointed by returning the enclosed Proxy Form to Link no later than 11am (Melbourne time) Sunday 20 May 2012. The Proxy Form can be sent by facsimile to Link on +61 (0)2 9287 0309, sent by post to Link at Locked Bag A14, Sydney, NSW 1235 or lodged online in accordance with the instructions below. If returning the Proxy Form by post, you may need to allow extra time for delivery to ensure it is received no later than 11am (Melbourne time) Sunday 20 May 2012.

The Proxy Form must be signed by the member or an attorney duly authorised in writing. If the member is a company, the form must be executed under the seal of the company or by its duly authorised officer or attorney. Where two or more persons are registered as members each person must sign the Proxy Form. If the proxy form is signed under a power of attorney on behalf of a shareholder, the attorney must ensure that either the original power of attorney or a certified copy is sent with the proxy form (unless it has already been provided to Link). A proxy cannot be appointed under a power or attorney (or similar authority) online.

The Company offers shareholders the ability to lodge proxy forms online. To lodge your proxy from online, please go to <http://melbourneit.info/investor-centre/shareholder-services>. Click on the link that states "Login to the secure shareholder services console". You will then need to enter your Security Reference Number (SRN) or Holder Identification Number (HIN), your surname or company name, and your postcode. Then choose "Proxy Voting" from the "Actions" drop down box and follow the online prompts. Note: If you lodge your proxy form online, you do not need to return a hard copy proxy form. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website.

### Corporate Representatives

For a Corporate Representative to vote, they will require a Certificate of Appointment of Corporate Representative executed in accordance with the Corporations Act.

### Voting Entitlements

On a show of hands, every member present in person or by proxy or by attorney or, in the case of a corporation, by duly appointed representative, shall have one vote and on a poll one vote for every share held. However if a member appoints two proxies or two attorneys, neither proxy nor attorney shall be entitled to vote on a show of hands.

In accordance with the Corporations Act, shares will be taken to be held by those persons recorded on the Company's register as at 11.00am (Melbourne time) on Sunday, 20 May 2012.