FOR IMMEDIATE RELEASE

25 August 2009

Melbourne IT reports revenue of $104.4m and EBIT of $9.3m in H1 09

Board declares 7 cent fully-franked interim dividend

- *Forecast H2 09 to outperform H1 09 results*
- *Profitability in H1 09 impacted by gross margin pressures, investments in DBMS integration, systems enhancements, delays in finalising some significant contracts, Advantate JV start up costs and higher amortisation costs*
- *OPEX reductions already in place and elimination of non-recurring costs will result in $500k/month savings through the 2nd half*
- *Forecast full year 2009 EBIT to be flat by comparison with 2008*

Melbourne IT Group Consolidated Results:

		H1 09	H1 08
Revenue	⇧ 21%	$104.4m	$86.6m
EBITDA	⇩ 9%	$13.9m	$15.3m
EBIT	⇩ 20%	$9.3m	$11.6m
NPAT	⇩ 20%	$6.3m	$7.8m
Basic EPS	⇩ 20%	8.0¢	10.1¢
Interim Dividend	Unchanged	7.0¢	7.0¢
Operating Cash	⇩ 41%	$8.1m	$13.7m
Deferred Gross Margin	⇧ 16%	$30.9m	$26.8m

Figures include VeriSign DBMS contribution from 1 May and Advantate JV from 14 May 2008 onwards

Melbourne IT Limited (ASX:MLB) today announced its financial results for the half year ended 30 June 2009, reporting a 21% increase in revenue to $104.4m and earnings before interest and tax (EBIT) of $9.3m, a decline of 20% against the first half of 2008. Net profit after tax (NPAT) for the period was down 20% to $6.3m.

"The global trading environment has presented our company with challenges in local and international markets. Notwithstanding these challenges, we have achieved another profitable half for our shareholders and are confident that we can outperform this result in the second half of 2009. As previously advised, profitability in the first half of 2009 was lower than for the same period last year due to one-off investments in the integration of DBMS and the IWS transformation project and our ongoing support of the Advantate joint venture" said Mr Theo Hnarakis, Melbourne IT CEO and Managing Director.

Mr Hnarakis added "Although our first half has been a tough trading period with customers postponing spending, downsizing domain portfolios and further pricing pressure on domains and low end hosting packages, we believe that we have now weathered the worst of it and there are signs of some markets beginning to turn upwards again. We have responded by aggressively adjusting our cost base, reducing our cost of goods sold and renegotiating supplier contracts to ensure we have an improved profit performance in the second half of 2009".

"Consequently, we maintain our view that we can match our EBIT performance of 2008 for the full year, although we expect that NPAT may be slightly down given the impact this year of interest paid on the debt raised to fund the DBMS acquisition last year".

“Given our full year expectations on profit, the Board has declared a fully-franked interim dividend of 7 cents, the same as for the first half of last year.”

Basic earnings per share was down 20% to 8.0 cents against the previous corresponding period. Operating cash was down 41% to $8.1m reflecting interest payments, lower earnings and the changing nature of Melbourne IT from a domains business where many payments are received a year or more in advance to an IT Services business with a higher proportion of billings paid monthly or on account. A strong indicator that our sales channel is still in good shape was the rise in deferred revenue which was up 10% to $57.8m and the improvement in deferred gross margin which was up 16% half on half to $30.9m.

As a result of the DBMS acquisition in May 2008, Melbourne IT’s external debt balance was $67.1m at 30 June 2009. This figure is lower than the $79.6m reported at 31 December 2008 due to the retirement of $1.2m in debt during the period and favourable changes in the US dollar exchange rate. This debt facility is serviced by US dollar revenues and earnings, which move in line with the US dollar exchange rate. The company’s cash balance at 30 June 2009 was $25.0m, leaving net debt of $42.1m.

“We continue to invest in improving our infrastructure to ensure we are prepared for the next phase of growth once market conditions stabilise again. Both B&C and C&G have suffered from customer churn during the half following some service outages earlier this year and this has impacted their results. Short-term service improvements have been made and we will be making further investments throughout the next 12 months to help to ensure the future scalability and stability of our infrastructure,” Mr Hnarakis said.

Business & Consumer Division

The Business & Consumer (B&C) division reported a static revenue result of $21.5m for the half, with its contribution margin down 16% to $5.0m.

“The B&C result has been impacted by gross margin contraction in domains and shared hosting products due to market discounting. This result has also been affected by customers choosing monthly plans over yearly products and some customer churn from service outages under our WebCentral brand. The Melbourne IT and Domainz brands have remained stable and we continue to focus on enhancing our eBusiness Centre capabilities to drive future sales growth. We have also released eight new products in this division during the half, enhancing the breadth of online tools we offer our SMB customers,” Mr Hnarakis said.

Global Partner Solutions Division (formerly Reseller)

Melbourne IT’s Global Partner Solutions division achieved 16% growth in revenue to $35.2m in the first half. Contribution margin for this division was up 12% to $4.0m. These results reflect the benefit of foreign exchange movements and the foreign exchange caps and collars that were put in place at the beginning of this year, which will continue to contribute to results in this division for the balance of 2009.

Digital Brand Services

Results for the Digital Brand Services (DBS) division reflect contributions from the acquisition of DBMS in May 2008. For the first half of 2009, revenue in DBS was up 80% to $29.3m. On a normalised basis, despite the current economic conditions, the DBS division still grew revenue by 3% on the second half of 2008 which had the full six months of DBMS contribution. The first half contribution margin, however, was down 18% to $1.5m due to investments in the integration of DBMS, the distraction of sales staff being focused on integration functions and some international customers reducing or deferring expenditure due to economic conditions.

“With the integration of DBMS largely behind us, we are now focussed on up-selling opportunities within our extensive global client base. We are leveraging our digital brand protection and promotion expertise to assist our clients to optimise the performance of their brands online. In the first half, DBS gained more than 75 new clients including Twitter, Coca-Cola Amatil (Asia), Australian Unity, Société Générale and Warner Music Australia.”

Corporate & Government

The Corporate & Government (C&G) division achieved $12.2m in revenue for the half, a decline of 10% against the same period last year.

This division has had a challenging six months with some clients delaying or reducing expenditure due to the economic conditions and higher than expected customer churn due to some service delivery failures experienced earlier this year. As a result, contribution margin was down markedly to $0.3m.

"Although C&G has had a difficult first half, we have begun to see some encouraging signs. Our sales pipeline is in good shape, we are now seeing clear signs that customers are re-engaging to commence previously postponed projects and at the end of June 2009, we signed a new three year contract with the Queensland Department of Education & Training worth $23.6m, for a full refresh of the Managed Internet Service that supports the State's 1,350 public schools," Mr Hnarakis said.

ForTheRecord

Notwithstanding some delays in finalising some contracts that had been expected, ForTheRecord (FTR) achieved 26% growth in revenue for the half to $5.8m and a more than three-fold increase in contribution margin to $1.1m. The division is leveraging strategic relationships to develop new business in Eastern Europe, the Middle East and Latin America.

"We are pleased to see FTR deliver its best result since its acquisition in 2006, reflecting the significant rebuilding efforts of its management and staff over the past year and a half. The launch of 'TheRecord Online' also signals a shift towards building an annuity revenue stream in this division."

Outlook

"In the first half of 2009 we have delivered a profitable result for our shareholders in a very challenging global environment. We are starting to see some encouraging signs across our business and expect to outperform not only our first half result, but also the second half 2008 result in the second half of 2009. We expect EBIT to be in line with the 2008 results and NPAT and EPS to be slightly down for the full year due to interest payments on debt from the DBMS acquisition."

"We will continue to focus on managing the fundamentals of our business and maintaining disciplined cost control. Our second half of 2009 should show that integration costs relating to DBMS will be substantially lower by $1.5m, Advantate losses will reduce from $500k to $200k and IWS project cost savings of $500k in addition to general operational cost savings will help offset the impact of eroding margins in domains and shared hosting. We are confident that the net impact of these measures should yield at least $500k savings per month during the second half," Mr Hnarakis said.

Mr Hnarakis concluded "Although we are operating in challenging times, we are firmly focused on the future and preparing Melbourne IT for its next phase of growth once market conditions stabilise. M&A will take a back seat while we invest in innovation and developing our infrastructure and systems to improve our business scalability and customer experience. Melbourne IT has a history of weathering the business cycles and we will continue to leverage our size, our scale, our expertise in the internet and our brand to drive profitable growth."

About Melbourne IT

Melbourne IT Limited (ASX:MLB) is a world leader in the supply of innovative and scalable online solutions, including digital brand management, critical hosting, messaging and collaboration and domain name management services to organisations of all sizes, from small businesses to major international enterprises globally. Melbourne IT was listed on the Australian Stock Exchange in 1999 and has a network of 18 offices across 10 countries around the world.

www.melbourneit.com

For further information:

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Melbourne IT PR Consultant
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Appendix 4D
Half Yearly Report

Name of entity

Melbourne IT Limited

ABN or equivalent company reference
21 073 716 793

Reporting Period
30 June 2009
(Comparative period – 30 June 2008)

2.0 Results for announcement to the market

				$A'000
2.1 Total revenues from ordinary activities	Up	21%	to	104,398
2.2 Profit/(loss) from continuing operations after tax attributable to members	Down	-20%	to	6,256
2.3 Net profit/(loss) for the period attributable to members	Down	-20%	to	6,256

2.4 Dividends (distributions)	Amount per security	Franked amount per security
Current period		
Final dividend	N/A	N/A
Interim dividend	7.0 cents	100%
	7.0 cents	
Previous corresponding period		
Final dividend	8.0 cents	100%
Interim dividend	7.0 cents	100%
	15.0 cents	

2.5 Record date for determining entitlements to the dividend.	Friday 18th September 2009

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

- On 1st May 2008, Melbourne IT Ltd acquired the assets of Verisign Inc's global Digital Brand Management Services ('DBMS') business for $54.799 million in costs plus acquisition costs of $2.265 million.

- For the Melbourne IT Ltd Consolidated Group ('Group') revenue for the half year ended 30 June 2009 was $104.398 million (2008: $86.606 million) an increase of 21%.

- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for the half year ended 30 June 2009 was $13.862 million (2008: $15.307 million), a decrease of 9%.

- Earnings Before Interest and Tax ('EBIT') for the half year ended 30 June 2009 was $9.275 million (2008: $11.639 million), a decrease of 20%.

- Included within EBIT for the half year ended 30 June 2009 is an amortisation charge totalling $0.796 million (2008: $0.271 million) relating to the amortisation of identifiable intangible assets following the acquisition of DBMS (May 2008), IDR Management Services Ltd (January 2007) and the WebCentral Group Pty Ltd (September 2006).

- Profit after Tax for the half year ended 30 June 2009 was $6.256 million (2008: $7.812 million), a decrease of 20%.

- Cash and cash equivalents was $24.961 million at 30 June 2009 (December 2008: $28.382 million).

- Positive Operating Cashflow for the half year ended 30 June 2009 was $8.114 million (2008: $13.748 million) a decrease of 41%. Included within the operating cashflow at 30 June 2009 is a net interest expense totalling $0.871 million (2008: $0.083 million) which relates to borrowing costs associated with the acquisition of DBMS.

- Total external debt was $67.097 million (USD $54.0 million) at 30 June 2009 (31 December 2008: $79.629 million (USD $55.0 million)), with net debt balances of $42.136 million (31 December 2008: $51.247 million net debt balance).

- As at 30 June 2009, Melbourne IT paid its first quarterly repayment in respect of its US Dollar Overseas Currency loan amounting to $1.243 million (USD $1.0 million).

- Deferred Gross Margin (i.e.: income received in advance net of prepaid costs) was $30.945 million at 30 June 2009 (December 2008: $28.546 million) an increase of 8.4%.

- For the half year ended 30 June 2009, the Advantate Joint Venture contributed a loss of $0.928 million of which Melbourne IT's 50% share equalled $0.464 million loss, (pre-tax).

- At the 25th of August 2009 Board Meeting, the directors declared a 7.0 cents fully franked interim dividend on ordinary shares in respect of the half year ended 30 June 2009 (30 June 2008: 7.0 cents).

- In accordance with accounting standards, the total amount of this final dividend of $5.502 million has not been provided for in the 30 June 2009 half yearly financial statements.

3.0 NTA Backing	Current period **30 June 2009**	Previous Period **31 December 2008**
Net tangible asset backing per +ordinary security	(68.98 cents)	(85.49 cents)

Total Net Assets at 30 June 2009 were $83.627 million including $1.718 million of net deferred tax balances and $136.127 million of intangible assets associated with the acquisition of Domainz Limited (September 2003), Melbourne IT DBS Group AB (formally the Cogent IPC Group AB) (April 2004), WebCentral Group Pty Ltd (September 2006), IDR Management Services Ltd (January 2007) and VeriSign DBMS (May 2008).

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	Not applicable, as there were no entities which control was gained\loss during the period.
4.2	Consolidated profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was obtained.	Not applicable, as there were no entities which control was gained\loss during the period.
4.3	Date from which such profit has been calculated	Not applicable, as there were no entities which control was gained\loss during the period.
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.	Not applicable, as there were no entities which control was gained\loss during the period.

5.0 Dividends

If this is the final dividend, has it been declared? N/A

Amount per security

Dividends (distributions)	Amount per security	Franked amount per security	Amt per security of foreign sourced dividend
Current Year			
Final	N/A	N/A	N/A
Interim	7.0 cents	100%	N/A
	7.0 cents		
Previous Year			
Final	8.0 cents	100%	N/A
Interim	7.0 cents	100%	N/A
	15.0 cents		

Total Dividends (distributions) per security (interim + final)	Current Year	Previous Year
Final	N/A	8.0 cents
Interim	7.0 cents	7.0 cents
Total	7.0 cents	15.0 cents

Additional information on current year dividends

Date the dividend (distribution) is payable	Friday 16th October 2009
Details of individual and total dividends or distributions and dividend or distribution payments.	7.0 cents per Share Totalling approximately $5.502 million

The dividend or distribution plans shown below are in operation.

Melbourne IT Limited does participate in the Melbourne IT Limited *Dividend Reinvestment Plan* under Rule 7.2.

The last date(s) for receipt of election notices for the dividend or distribution plans.	Friday 18th September 2009

6.0 Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy")).*

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Aggregate share of profit (loss)		Contribution to net profit (loss)	
Equity accounted associates and joint venture entities	Current period	Previous corresponding period	Current period $A'000	Previous corresponding period - $A'000	Current period $A'000	Previous corresponding period - $A'000
Advantate Pty Ltd (from 14th May 2008)	50%	50%				
Pre Tax			(464)	(120)	(464)	(120)
Tax Benefit\(Expense)			(206)	36	(206)	36
After Tax			(670)	(84)	(670)	(84)

7.0 Compliance Statement

The report has been prepared based on a 30 June 2009 Half Annual 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: 25th August 2009

Ms. A Jegathesan
Company Secretary

MELBOURNE IT LTD
(ABN: 21 073 716 793)

FINANCIAL REPORT

FOR THE HALF YEAR ENDED
30 JUNE 2009

MELBOURNE IT LTD

ABN: 21 073 716 793

DIRECTORS

Mr. R.J. Stewart	(Chairman)
Mr. T.J. Hnarakis	
Mr. S.D. Jones	
Mr. T. Kiing	
Prof. I. Morrison	
Ms. L. Turnbull	
Mr A. Walsh	

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
Mr. T.J. Hnarakis

CHIEF OPERATING OFFICER

Mr. A.C. Field	(Resigned 8th August 2009)
Mr. D. Walsh	(Effective 21st September 2009)

COMPANY SECRETARY
Ms. A. Jegathesan

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

SHARE REGISTER
Link Market Services Limited
Level Nine
333 Collins Street
Melbourne, Victoria, 3000
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Fax: +61 3 9615 9900

AUDITORS
Ernst & Young

INTERNET ADDRESS
http://www.melbourneit.com.au

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MELBOURNE IT LTD

DIRECTORS REPORT

The names of the company's directors in office during the half year ended 30 June 2009 and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Mr. R.J. Stewart	(Chairman)
Mr. T.J. Hnarakis	(Managing Director & Chief Executive Officer)
Mr. S.D. Jones	
Mr. T. Kiing	
Prof. I. Morrison	
Ms. L. Turnbull	
Mr. A. Walsh	

COMPANY SECRETARY

Ms. A. Jegathesan

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were:

Melbourne IT Ltd

- registration of .au and .nz domain names;
- registration of other country code (ccTLD) domain names (eg. .us, .it, .de, .to, .uk and .eu);
- registration of generic Top Level Domain (gTLD) names (.com, .net, .org, .biz, .info, and .name);
- Consulting and management services to large public and private enterprises through its Digital Brand Services Division ("DBS") (formerly Corporate Brand Services Division ("CBS")); Refer 1
- Other value added internet related products to SMEs (Small and Medium Enterprises) and SOHOs (Small Office and Home Office) such as domain forwarding, web hosting, search engine optimisation (SEO) and web site development tools;
- Research and Development of registry related technologies; and
- Web application hosting, including Software and Services.

[1] On the 1st of May 2008, Melbourne IT Ltd acquired the assets of VeriSign Inc.'s Digital Brand Management Services (DBMS) business. Effective 1st May 2008 the DBMS business was consolidated into the existing Corporate Brand Services (CBS) business of Melbourne IT Ltd, with the combined business renamed Digital Brand Services (DBS).

WebCentral Group Pty Ltd

- Web and application hosting including Software as a Service (SaaS).
- Development and distribution of technologically advanced software and services. The software and services provided by WebCentral include web content and application delivery, advanced email and messaging solutions and rich media content management systems.

For The Record Pty Ltd

- Supplier of rich media content management systems for courtrooms, hearing rooms, public meeting venues and law enforcement.

EARNINGS PER SHARE

	2009 Cents	2008 Cents
Basic earnings per share	8.0 cents	10.1 cents
Diluted earnings per share	8.0 cents	10.0 cents

RESULTS

The consolidated net profit after tax of the Melbourne IT Ltd Group for the half year ended 30 June 2009 was $6.256 million (2008 $7.812 million).

DIVIDENDS

	Cents	$'000
Interim Dividends Recommended		
• On ordinary shares	7.0	5,502
Dividends paid in the year		
Final Dividend – 2008		
• On ordinary shares	8.0	6,207
Interim Dividend – 2008		
• On ordinary shares	7.0	5,412
	15.0	11,619

REVIEW AND RESULTS OF OPERATIONS

Melbourne IT Ltd - Consolidated Group

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DIRECTORS REPORT / continued

REVIEW AND RESULTS OF OPERATIONS / continued

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MELBOURNE IT LTD

DIRECTORS REPORT / continued

REVIEW AND RESULTS OF OPERATIONS / continued

Summarised operating results are as follows:

	Half-year 30-Jun 2009 $'000	Half-year 30-Jun 2008 $'000
Revenue		
Registration Revenue	42,318	37,906
Consulting Revenue	24,829	11,567
Hosting Revenue	28,476	29,220
Other Products Revenue	2,512	2,067
For The Record Revenue	5,835	4,636
Other Revenue	131	885
	104,101	**86,281**
Total Earnings before Interest and Tax and Joint Venture Interests	**9,739**	**11,759**
Share of loss in Advantate Pty Ltd - 50% Joint Venture	(464)	(120)
Total Earnings Before Interest and Tax	**9,275**	**11,639**
Interest Income	297	325
Interest Expense	(1,168)	(408)
Net Profit Before Tax	**8,404**	**11,556**
Tax Expense	(2,148)	(3,744)
Net Profit After Tax	**6,256**	**7,812**
Cashflow from Operations	**8,114**	**13,748**

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

- There have been no significant changes in the state of affairs during the half year ended 30 June 2009.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

At the 25 August 2009 Board Meeting, the directors declared a 7.0 cents fully franked interim dividend on ordinary shares in respect of the half year ended 30 June 2009. The total amount of this interim dividend is $5.502 million and has not been provided for in the 30 June 2009 financial statements.

No other significant events have occurred after the balance date and up to the date of this report that require disclosure.

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

ROUNDING

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

CORPORATE GOVERNANCE

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

The company's corporate governance statement is available on the company's website www.melbourneit.com.au, and also contained in the additional ASX information section of the 2008 annual report.

Signed in accordance with a resolution of the directors.

.... Robert James Stewart (Chairman)

Melbourne 25 August 2009

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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 balance sheet as at 30 June 2009, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the period.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 30 June 2009 financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Melbourne IT Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Melbourne IT Limited is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and

ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst + Young

Ernst & Young

Lonergan

Joanne Lonergan
Partner
Melbourne
Date: 25 August 2009

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

In relation to our review of the financial report of Melbourne IT Ltd for the half-year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Joanne Lonergan
Partner
Melbourne
Date: 25 August 2009

MELBOURNE IT LTD

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2009

Melbourne IT LTD - Consolidated Group	Notes	CONSOLIDATED 30-Jun-09 S'000s	CONSOLIDATED 31-Dec-08 S'000s
ASSETS			
Current Assets			
Cash and cash equivalents	9	24,961	28,382
Trade and other receivables	5	31,304	28,437
Inventories		994	598
Prepayment of domain name registry charges		16,211	16,032
Derivative financial instruments		1,532	946
Other assets	6	3,003	2,467
Total Current Assets		78,005	76,862
Non-current Assets			
Property, plant and equipment		13,151	14,141
Intangible assets	7	136,127	148,376
Deferred income tax asset		1,909	2,333
Prepayment of domain name registry charges		10,708	10,626
Investments in associates	11	-	519
Other assets		4	7
Total Non-current Assets		161,899	176,002
TOTAL ASSETS		239,904	252,864
LIABILITIES			
Current Liabilities			
Trade and other payables		24,209	24,872
Interest-bearing loans and borrowings	13	4,970	4,345
Provisions		4,465	4,525
Current tax liabilities		1,820	3,492
Income received in advance		39,382	37,811
Total Current Liabilities		74,846	75,045
Non-current Liabilities			
Interest-bearing loans and borrowings	13	62,127	75,284
Deferred Tax Liability		196	155
Provisions		626	601
Income received in advance		18,482	17,393
Derivative financial instruments		-	322
Total Non-current Liabilities		81,431	93,755
TOTAL LIABILITIES		156,277	168,800
NET ASSETS		83,627	84,064
EQUITY			
Contributed equity	8	62,385	61,204
Foreign currency translation reserve		(5,144)	(2,440)
Options reserve		2,743	2,247
Hedging reserve		1,122	581
Retained earnings		22,521	22,472
TOTAL EQUITY		83,627	84,064

MELBOURNE IT LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2009

	Notes	CONSOLIDATED 30-Jun-09 $'000s	30-Jun-08 $'000s
Revenue	2 (i)	104,398	86,606
Other Income	2 (ii)	-	71
Registry, Hosting and Sundry Products costs		(42,803)	(33,089)
Gross Profit		61,595	53,588
Salaries and employee benefit expenses		(37,900)	(28,806)
Depreciation and amortisation expenses	3 (a)	(3,791)	(3,397)
Amortisation of identifiable intangible assets	3 (b)	(796)	(271)
Other expenses from ordinary activities	3 (c)	(10,240)	(9,438)
Share of profit/(loss) of an associate	11(d)	(464)	(120)
Profit before tax		8,404	11,556
Income tax expense		(2,148)	(3,744)
Net Profit Attributable to Members of Melbourne IT Ltd		6,256	7,812
Other comprehensive (income) expenses			
Currency translation differences		(2,704)	(161)
Net gains/(losses) on cashflow hedges		541	127
Other comprehensive (income) expenses for the period, net of tax		(2,163)	(34)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,093	7,778
Profit attributable to members of the parent		6,256	7,812
Total comprehensive income attributable to members of the parent		4,093	7,778
Earnings per share (cents per share)			
- Basic earnings per share (cents per share)		8.0 cents	10.1 cents
- Diluted earnings per share (cents per share)		8.0 cents	10.0 cents
- Franked dividends per share (cents per share)		7.0 cents	7.0 cents

MELBOURNE IT LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2009

	CONSOLIDATED					
	FOREIGN CURRENCY RESERVE	OPTIONS RESERVE	HEDGING RESERVE	CONTRIBUTED EQUITY	RETAINED EARNINGS	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 January 2009	(2,440)	2,247	581	61,204	22,472	84,064
Changes in equity for the half year to 30 June 2009:						
Total comprehensive income for the half year, net of tax						
Total income/(expense) for the period	(2,704)	-	541	-	6,256	4,093
Employee Share Option Reserve	-	496	-	-	-	496
Dividend Reinvestment Plan	-	-	-	983	(983)	-
Exercise of Options	-	-	-	198	-	198
Equity Dividends	-	-	-	-	(5,224)	(5,224)
As at 30 June 2009	(5,144)	2,743	1,122	62,385	22,521	83,627
As at 1 January 2008	(585)	1,407	(21)	58,873	17,089	76,763
Changes in equity for the half year to 30 June 2008:						
Total comprehensive income for the half year, net of tax						
Total income/(expense) for the period	(161)	-	127	-	7,812	7,778
Employee Share Option Reserve	-	320	-	-	-	320
Dividend Reinvestment Plan	-	-	-	813	(813)	-
Exercise of Options	-	-	-	147	-	147
Equity Dividends	-	-	-	-	(4,567)	(4,567)
As at 30 June 2008	(746)	1,727	106	59,833	19,521	80,441

MELBOURNE IT LTD

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2009

	Notes	CONSOLIDATED 30-Jun-09 $'000s	CONSOLIDATED 30-Jun-08 $'000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of service revenue and recoveries		114,135	89,189
Payments to suppliers and employees		(101,566)	(72,152)
Interest received	2 (i)	297	325
Interest paid	3 (c)	(1,168)	(408)
Income tax paid		(3,584)	(3,206)
NET CASH FLOWS FROM OPERATING ACTIVITIES		8,114	13,748
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(2,302)	(6,592)
Acquisition of subsidiary, net of cash acquired - DBMS		-	(53,978)
Costs incurred on acquisition of subsidiary	10	(340)	(1,369)
Investment in Joint Venture - Advantate Pty Ltd	11	(100)	(500)
Investment in Subsidiary - IDR Management Services Ltd		(184)	(250)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(2,926)	(62,689)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest bearing liabilities		-	58,817
Repayment of interest bearing liabilities		(1,243)	-
Proceeds from issue of ordinary shares - ESOP	8	198	147
Payment of dividend on ordinary shares		(5,224)	(4,567)
NET CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES		(6,269)	54,397
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		(1,081)	5,456
Net foreign exchange differences		(2,340)	(270)
Cash and cash equivalents at beginning of period		28,382	17,891
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	9	24,961	23,077

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2009

CORPORATE INFORMATION

The financial information in this report for Melbourne IT Ltd for the half year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 25th August 2009.

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

The nature of the operations and principal activities of the Group are described within this note at 1(b) Segment Reporting and at note 12.

1. BASIS OF PREPARATION

This general purpose condensed financial report for the half year ended 30 June 2009 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 2008 and considered together with any public announcements made by Melbourne IT Ltd and its controlled entities during the half year ended 30 June 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

(a) Basis of Accounting

There have been no material adjustments to the accounting policies of the group since December 2008. Adoption of AASB 8 Operating Segments as at 1 January 2009 has resulted in a minor adjustment to the disclosure of operating segments for the current period, with the inclusion of a Corporate Business Unit.

The Group has not elected to early adopt any new standards or amendments.

(b) Segment reporting

This segment note reflects the requirements of AASB 8 *Operating Segments*. As this is the first time the Group has adopted AASB 8 *Operating Standards* the accounting policies have been provided to give readers of the segment information a complete understanding of the disclosures.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services to different markets.

Transfer prices between business segments are set on an arms' length basis in a manner similar to transactions with third parties. Segment revenue, expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

1. BASIS OF PREPARATION (continued)

(b) Segment reporting (continued)

Business and Consumer Division ("B&C")

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

Global Partner Solutions ("GPS") - formerly Reseller

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

Digital Brand Services Division ("DBS")

The Digital Brand Services Division's core business is online brand protection including the management of domain name portfolios. Strategically, DBS services are aimed at protecting and maximising the value of brands online.

Corporate and Government Division ("C&G")

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

For The Record Division ("FTR")

For The Record is a supplier of rich media content management systems for courtrooms, hearing rooms, public meeting venues and law enforcement.

Corporate

The Corporate business segment consists of the board of directors and the costs of Group communications and reporting.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2009

2. REVENUE

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

	CONSOLIDATED	
	30-Jun-09	30-Jun-08
	$'000s	$'000s
(i) Revenue		
Registration Revenue	42,318	37,906
Consulting Revenue	24,829	11,567
Hosting Revenue	28,476	29,220
Sundry Products Revenue	2,512	2,067
For The Record Revenue	5,835	4,636
Other Revenue	131	885
Interest Revenue	297	325
	104,398	86,606
(ii) Other income		
Other	-	71
Total income from continuing operations	104,398	86,677

3. EXPENSES

	30-Jun-09	30-Jun-08
(a) Depreciation expenses		
Depreciation of non-current assets		
Fit out	512	282
Plant and equipment	3,176	3,044
Furniture	103	71
Total depreciation of non-current assets	3,791	3,397
(b) Amortisation of identifiable intangible assets		
Amortisation of customer contracts - WebCentral Group Pty Ltd	8	51
Amortisation of intangibles - DBMS Group	450	85
Amortisation of customer contracts - IDR Mgt Services Ltd	47	47
Amortisation of capitalised software - DBS Group	291	88
Total amortisation of identifiable intangible assets	796	271

	CONSOLIDATED	
	30-Jun-09	30-Jun-08
	$'000s	$'000s
3. EXPENSES (Continued)		
(c) Other expenses		
Training and Recruitment	484	460
Premises	2,184	1,652
Travel and Accommodation	859	1,279
Communications	1,383	1,073
Marketing	1,018	938
Equipment	626	538
Finance and Legal	1,908	1,414
Foreign Exchange	116	138
Bad debts and doubtful debts	223	523
Interest expense	1,168	408
Other expenses	271	1,015
Total other expenses from ordinary activities	10,240	9,438
(d) Other		
Expensing of share-based payments	496	320

4. DIVIDENDS PAID AND PROPOSED

Equity dividends on ordinary shares:

(a) Dividends paid during the year		
(i) Final franked dividend for the financial year ended 31 December 2008: 8.0 cents (2007: 7.0 cents per share)	6,207	5,380
(b) Dividends proposed and not recognised as a liability		
(ii) Interim franked dividend for the half year ended 30 June 2009: 7.0 cents (2008: 7.0 cents per share)	5,502	5,412

At the 25th August 2009 Board Meeting, the directors declared an 7.0 cents fully franked interim dividend on ordinary shares in respect of the half year ended 30 June 2009. The total amount of this interim dividend is $5.502 million and has not been provided for in the 30 June 2009 financial statements.

5. RECEIVABLES (CURRENT)

Trade debtors	33,077	29,876
Allowance for impairment loss	(1,773)	(1,439)
	31,304	28,437

6. OTHER ASSETS (CURRENT)

Other prepayments	3,003	2,467

	CONSOLIDATED	
	30-Jun-09	31-Dec-08
	$'000s	$'000s
7. INTANGIBLE ASSETS		
Goodwill	114,067	123,546
Marketing Related Intangibles	9,982	9,982
Customer Contracts	13,186	15,245
Accumulated amortisation	(2,095)	(1,675)
	11,091	13,570
Capitalised Software	1,226	1,429
Accumulated amortisation	(239)	(151)
	987	1,278
Total Intangible Assets	136,127	148,376

8. ISSUED CAPITAL

Ordinary shares		
Issued and fully paid	62,385	61,204

Movements in ordinary shares on issue	30-Jun-09		31-Dec-08	
	No. of Shares	$'000s	No. of Shares	$'000s
Beginning of the financial period	77,960,832	61,204	76,751,244	58,873
Issued during the year				
- Dividend reinvestment plan	541,444	983	605,788	1,706
- Executive and employee options exercised	91,800	198	603,800	625
End of the financial period	78,594,076	62,385	77,960,832	61,204

	CONSOLIDATED	
	30-Jun-09	30-Jun-08
	$'000s	$'000s
9. RECONCILIATION OF CASH		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following as at 30 June 2009:		
Cash on hand	24,961	23,077
Closing cash balance	24,961	23,077

10. BUSINESS COMBINATIONS

Change in composition of Melbourne IT Ltd

2009

During the half year ended 30 June 2009, Melbourne IT Ltd incurred $0.340 million in additional costs relating to the acquisition of VeriSign Inc's global Digital Brand Management Services (DBMS) business.

2008 - Acquisition of the Assets of VeriSign Inc.'s global Digital Brand Management Services (DBMS) business

On the 1st May 2008, Melbourne IT Ltd acquired the assets of VeriSign, Inc.'s global Digital Brand Management Services (DBMS) business for $54.779 million (USD$51.224 million), plus acquisition costs of $1.925 million. Consideration for the acquisition was cash funded through a five year US Dollar Overseas Currency Loan.

The business assets of DBMS were acquired through the creation of new legal entities in each of the United States, Germany, Norway and South Africa, with other assets acquired by existing companies within the Group in Sweden, France and the United Kingdom.

The principal activities of DBMS are online brand protection including the management of domain name portfolios. Strategically, DBS services are aimed at protecting and maximising the value of brands online.

Effective 1st May 2008, the DBMS business was consolidated into the existing Corporate Brand Services (CBS) business of Melbourne IT Ltd, with the combined business re-named Digital Brand Services (DBS).

The carrying amounts of tangible assets and liabilities at acquisition equalled fair value, including recognised customer contracts.

For the eight months ended 31 December 2008, revenue from the DBMS division was $24.028 million contributing $1.564 million in EBIT (inclusive of $2.9 million in planned integration costs). The DBMS division contributed $0.113 million in losses after interest and tax for the period.

The combined DBS division contributed $44.892 million in revenue and $4.278 million in profit before interest and tax and unallocated expenses.

As an asset purchase, Melbourne IT Ltd has determined that it is impractical to estimate the full year revenue and profit from continuing operations for the Group had the acquisition occurred at the beginning of the year.

	CONSOLIDATED 31-Dec-08 $'000s
Cash	54,779
Additional costs	1,925
Total consideration	56,704
The amounts of assets and liabilities acquired by major class are :	
Receivables	7,293
Prepayment of domain name registry charges	4,195
Property, plant and equipment	292
Goodwill	54,219
Accounts Payable	(605)
Accrued Compensation & Benefits	(744)
Deferred Income	(8,003)
Other	57
	56,704
Net cash effect of acquisitions:	
Cash Consideration	56,704
Outflow of Cash to acquire the entities	56,704

	CONSOLIDATED	
	30-Jun-09	31-Dec-08
	$'000s	$'000s
11. NON-CURRENT ASSETS - INVESTMENT IN ASSOCIATES		
(a) Investment details		
Advantate Pty Ltd	-	519
(b) Movement in the carrying amount of the Group's interest in associates		
At the beginning of the reporting period	519	-
Investment during the half year	100	1,000
Share of associated company's (loss) before tax	(670)	(481)
At the end of the reporting period	(51)	519

Melbourne IT invested $0.100 million into Advantate during the half year ended 30 June 2009.

(c) Fair value of investment, in associate
The fair value of the Group's investment in the Advantate Joint Venture is NIL

(d) Summarised financial information
The following table illustrates the summarised financial information relating to the Group's associate:

Extract from associate's balance sheet

Current assets	291	448
Non-current assets	244	341
	535	789
Current liabilities	634	268
Non-current liabilities	6	2
	640	270
Net assets	(105)	519
Share of associate's net assets	-	(481)
	-	(481)

	CONSOLIDATED	
	30-Jun-09	30-Jun-08
	$'000s	$'000s
Extract from associate's income statement:		
Net Loss before Tax	(928)	(240)
Income Tax (Expense)\Benefit	(412)	72
Net Loss After Tax	(1,340)	(168)

Melbourne IT has recognised in the balance sheet its share of Advantate's loss to the point where the investment is equal to NIL.

Melbourne IT has a 50% fixed percentage of ownership in the joint venture, Advantate. As at 30 June 2009, Advantate had a net asset deficiency of approximately $0.105 million. Melbourne IT has committed to fund this shortfall to the extent of its ownership interest.

As at 30 June 2009 Melbourne IT committed to invest a further amount of $0.100 million into Advantate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2009

12. SEGMENT REPORTING

Business Unit Segments - Continuing Operations

The following table presents the revenue and profit information regarding business unit segments for the half years ended 30 June 2009 and 30 June 2008.

Half Year ended 30 June 2009	Business & Consumer	Global Partner Solutions	Digital Brand Services	Corporate & Govt.	For The Record	Corporate	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue							
Revenue from operating activities							
Registration Revenue	10,815	27,091	4,412	-	-	-	42,318
Consulting Revenue	-	-	24,829	-	-	-	24,829
Hosting Revenue	8,897	7,332	51	12,196	-	-	28,476
Sundry Product Revenue	1,709	755	48	-	-	-	2,512
For The Record Revenue	-	-	-	-	5,835	-	5,835
Other Revenue	111	-	-	20	-	-	131
Total segment revenue	21,533	35,178	29,340	12,216	5,835	-	104,101
Interest revenue							297
Other Income							-
Total consolidated revenue							**104,398**
Result							
Segment results	4,991	3,984	1,463	317	1,101	(2,117)	9,739
Share of loss in Advantate Pty Ltd - 50% Joint Venture							(464)
Earnings Before Interest and Tax							**9,275**
Interest revenue							297
Interest expense							(1,168)
Income tax expense							(2,148)
Total segment results							**6,256**

12. SEGMENT REPORTING (continued)

Business Unit Segments - Continuing Operations

Half Year ended 30 June 2008	Business & Consumer $'000	Global Partner Solutions $'000	Digital Brand Services $'000	Corporate & Govt. $'000	For The Record $'000	Corporate $'000	Total $'000
Segment revenue							
Revenue from operating activities							
Registration Revenue	11,156	22,150	4,600	-	-	-	37,906
Consulting Revenue	-	-	11,567	-	-	-	11,567
Hosting Revenue	8,995	7,477	15	12,733	-	-	29,220
Sundry Product Revenue	1,383	597	87	-	-	-	2,067
For The Record Revenue	-	-	-	-	4,636	-	4,636
Other Revenue	-	-	-	885	-	-	885
Total segment revenue	21,534	30,224	16,269	13,618	4,636	-	86,281
Interest revenue							325
Other Income							71
Total consolidated revenue							**86,677**
Result							
Segment results	5,938	3,561	1,777	1,717	175	(1,409)	11,759
Share of loss in Advantate Pty Ltd - 50% Joint Venture							(120)
Earnings Before Interest and Tax							**11,639**
Interest revenue							325
Interest expense							(408)
Income tax expense							(3,744)
Total segment results							**7,812**

On the 1st of May 2008, Melbourne IT Ltd acquired the assets of VeriSign Inc's Digital Brand Management Services (DBMS) business. Effective the 1st of May 2008, the DBMS business was consolidated into the existing Corporate Brand Services (CBS) business of Melbourne IT Ltd, with the combined business renamed Digital Brand Services (DBS). For the half year ended 30 June 2008, revenue from the DBMS Division was $5.869 million contributing $0.455 million in profits to Melbourne IT Ltd.

	CONSOLIDATED	
	30-Jun-09	31-Dec-08
	$'000s	$'000s

13. INTEREST-BEARING LOANS AND BORROWINGS

Current		
US Dollar Overseas Currency Loan (a)	4,970	4,345
	4,970	4,345
Non-current		
US Dollar Overseas Currency Loan (a)	62,127	75,284
	62,127	75,284

(a) Terms and conditions

Current and Non Current Interest-bearing loans and borrowings

US Dollar Overseas Currency Loan
- The US Dollar Overseas Currency Loan of USD $54.0 million (2008: USD $55.0 million) is for a fixed term of 5 years.

- For the first twelve (12) months from initial drawdown, the US Dollar Overseas Currency Loan is interest only, with $US1.0 million being repaid on 30 June 2009 with further equal repayments due each quarter onwards.

- The average interest rate for the period was 2.20% (31 December 2008 3.95%).

(b) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

Total facilities:		
– Credit card facility (i)	1,591	1,839
	1,591	1,839
Facilities used at reporting date		
– Credit card facility	-	-
Facilities unused at reporting date		
– Credit card facility	1,591	1,839
	1,591	1,839

(i) A stand by Letter of Credit for US$ 1.2 million has been issued in favour of Wells Fargo Bank Inc. in accordance with the provision of Domain Name Registry credit card commitments within the DBS business.

14. EVENTS AFTER THE BALANCE SHEET DATE

At the 25th August 2009 Board Meeting, the directors declared a 7.0 cents fully franked interim dividend on ordinary shares in respect of the half year ended 30 June 2009. In accordance with Australian Accounting Standards, the total amount of this interim dividend is $5.502 million and has not been provided for in the 30 June 2009 financial information within this report.

Mr Andrew Field, Chief Operating Officer, resigned effective from the 8th August 2009. He will be replaced by Mr Damian Walsh effective 21st September 2009.

It has been announced that Mr Simon Jones will take over from Mr Robert Stewart as Chairman of the Board later in the calendar year.

No other significant events have occurred after the balance date and up to the date of this report that require disclosure.

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.