

MEDIA RELEASE

MELBOURNE IT TO ACQUIRE NETREGISTRY GROUP

RELEASE OF 2013 FINANCIAL RESULTS

Key Points

Acquisition of Netregistry Group by Melbourne IT

- Melbourne IT to acquire leading online services provider Netregistry Group for an enterprise value of \$50.4 million in cash and scrip
- Netregistry Group calendar 2013 normalised EBITDA was approximately \$6 million¹
- Annual cost synergies estimated at over \$5 million by 2015²
- Larry Bloch, Founder & CEO of Netregistry Group to join the Melbourne IT Board
- Netregistry's high quality SMB-focused management team to join Melbourne IT
- Transaction completion subject to regulatory approvals

Melbourne IT 2013 Financial Results

- Revenue of \$103 million
- EBITDA of \$5.8 million
- Net Profit of \$6.2 million
- 2013 was a year of transition for Melbourne IT as a leader in focused SMB and enterprise services business

MELBOURNE, Australia – 27 February 2014 – Melbourne IT (ASX: MLB) announced today that it had entered into a Share Purchase Agreement to acquire Netregistry Group Limited for an enterprise value of \$50.4 million.

The payment will be made via a combination of cash and scrip at the election of the Netregistry shareholders. Shares constituting between 4.99% and 9.99% of the pro forma Melbourne IT shares outstanding will be offered to Netregistry shareholders with the balance in cash. This translates into between 4.3 million and 9.3 million shares in Melbourne IT and between \$38 million and \$45 million in cash.

"The proposed transaction will bring together two of Australia's leading web-services businesses, generating significant benefits for customers, employees and shareholders of both companies," said Peter Findlay, acting CEO of Melbourne IT.

Larry Bloch, Founder and CEO of Netregistry Group commented "This transaction validates the tremendous success the Netregistry team have had since 1997 in building a leading web services business. The merged entity will benefit from the leading products, management team and efficiencies of both companies. I look forward to joining the board of Melbourne IT and being involved as the businesses are integrated, evolve and grow their services".

¹ Unaudited – sourced from Netregistry management.

² Before any restructuring costs, transaction accounting adjustments and other non-recurring items.

Simon Jones, Melbourne IT's Chairman commented, "Melbourne IT and Netregistry have long-held respect for the other's business; they will now integrate for mutual benefit. We look forward to welcoming the Netregistry team and jointly tackling the growth opportunities in online services. I am particularly looking forward to welcoming Larry Bloch to the Melbourne IT Board with his depth of knowledge of the online services sector and thought leadership."

The acquisition has numerous benefits for Melbourne IT and Netregistry, including:

- Customers: Assimilation of customer facing platforms will enhance customer experience and product usability.
- Products: the combination enables both entities the ability to offer best in class domain registration & management, email and web hosting products;
- Management team: adds a proven management team with deep experience in the SMB segment;
- Efficiencies: Eliminates duplication in product offerings, significant back office savings and consolidation of infrastructure. Cost synergies are estimated at over \$5 million by 2015 over and above Netregistry's existing earnings (Netregistry generated adjusted EBITDA based on unaudited management accounts of approximately \$6 million in the twelve months to 31 December 2013).

The acquisition will be funded through a mix of cash on hand, scrip consideration, and use of a new \$20 million credit facility. Including the \$15 million currently in escrow from the DBS sale, Melbourne IT will remain in a net cash positive position following the transaction - giving the Company sufficient financial flexibility to pursue other growth initiatives. The transaction is subject to regulatory approvals, including auDA, and is expected to close during the first half of calendar 2014.

Melbourne IT has been advised on the acquisition by Gresham and Gilbert + Tobin, supported by PwC and Ernst & Young. Netregistry was advised by Grant Samuel Corporate Finance and Allen & Overy.

2013 Financial Results

Year ended 31 Dec (A\$)	FY 13	FY12^	↕%
Revenue*	\$103.4m	\$108.5m	-5%
EBITDA*	\$5.8m	\$10.2m	-43%
EBIT*	\$3.0m	\$7.4m	-60%
NPAT*	\$6.2m	\$8.7m	-29%
Total Shareholder Distributions [#]	\$26.4m	\$10.3m	156%

* Continuing operations

^ Restated continuing operations only FY 2012

This does not include the \$45.2m distributed in February 2014 in relation to the capital return

Melbourne IT also today announced its full year results for the year end 31 December 2013, reporting a 5% year-on-year decrease in revenue to \$103.4 million, EBITDA of \$5.8 million (down 43%) and net profit after tax (NPAT) was down 29% year-on-year to \$6.2 million. The results reflected a year of transition in which the DBS division and FTR business were sold.

Pleasingly, the underlying revenue for the second half of 2013 was steady on the first half while the cost structure in 2H13 was significantly higher than the current structure due to stranded overheads and restructuring costs. The full run-rate of various cost saving initiatives are expected to deliver incremental cost savings of \$4 million in FY14.

The strategic review undertaken in FY13 has now been completed. A total of \$65.9 million has been returned to shareholders since August 2013, \$0.79 per share. Given the proximity to the capital return, no dividend was declared. The Board continues to assess investment opportunities that will grow shareholder value.

Melbourne IT commences 2014 with momentum and a strong management team to be led by new CEO and MD Martin Mercer (commences April), and the pending Netregistry transaction.

2014 Outlook

The Company provides guidance of 2014 EBITDA in a range of \$10 million to \$12 million (prior to any contribution or adjustment from Netregistry). This is driven by the 12 month cost benefit of H2 2013 restructuring initiatives and an improved H2 2013 revenue performance on a prior year comparative basis. Melbourne IT notes that it remains too early to predict the outcome of various revenue initiatives leading to a range of possible EBITDA outcomes.

The 2013 Full Year Results presentation to shareholders is available at <http://www.melbourneit.info/investor-centre/>.

ENDS.

About Melbourne IT

Melbourne IT (ASX:MLB) helps organisation of all sizes to successfully conduct business online. Our complete portfolio of Internet-based technology services drives business effectiveness and profitability for our customers.

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

Melbourne IT's culture of integrity, innovation, collaboration and customer centricity has been built by more than 300 employees spread across Australasia and the United States. For more information, visit www.melbourneit.info.

Media contact: Peter Findlay
Acting CEO
ph +61 3 8624 2366

Appendix 4E Preliminary Financial Report

Name of entity

Melbourne IT Limited

ABN or equivalent company reference

21 073 716 793

Reporting Period

31 December 2013

(Comparative period – 31 December 2012)

2.0 Results for announcement to the market

\$A'000

2.1 Total revenues from ordinary activities	Down	-4.7%	to	103,412
2.2 Profit from continuing operations after tax attributable to members	Down	-28.7%	to	6,198
2.3 Profit from discontinued operations after tax attributable to members	Up	2178.4%	to	62,678
2.4 Net profit for the period attributable to members	Up	502.0%	to	68,876
2.5 Dividends (distributions)		Amount per security	Franked amount per security	
Current period				
Final dividend		N/A		N/A
Interim dividend		N/A		N/A
Special dividend		<u>25.0 cents</u> 25.0 cents		75%
Previous corresponding period				
Final dividend		7.0 cents		40%
Interim dividend		<u>7.0 cents</u> 14.0 cents		100%
2.6 Record date for determining entitlements to the dividend.	N/A			

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

Review and Results of Operations

Melbourne IT Ltd - Consolidated Group

- Total consolidated Revenue from continuing operations for the year ended 31 December 2013 was \$103.412 million (2012: \$108.471 million), a decrease of 4.7%.
- Profit after Tax from continuing operations for the year ended 31 December 2013 was \$6.198 million (2012: \$8.690 million), a decrease of 28.7%.
- Profit after tax from discontinuing operations for the year ended 31 December 2013 was \$62.678 million (2012: \$2.751 million), an increase of 2,178.4%. Included in the profit after tax from discontinuing operations is the gain on sale of the Digital Brand Services (DBS) business (including transaction costs) of \$82.006 million, an impairment charge in respect of the Transformation asset of \$12.080 million and the loss on sale of the For The Record (FTR) business of \$1.549 million.
- Earnings Before Interest and Tax ('EBIT') from continuing operations for the year ended 31 December 2013 was \$3.037 million (2012: \$7.369 million), a decrease of 58.8%.
- Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') from continuing operations for the year ended 31 December 2013 was \$5.819 million (2012: \$10.178 million), a decrease of 42.8%.
- Earnings per share from continuing operations at 31 December 2013 was 7.46 cents (2012: 10.60 cents), a decrease of 29.6%.
- Earnings per share from discontinued operations for the year ended 31 December 2013 was 75.44 cents (2012: 3.36 cents), an increase of 2,145.2%.
- Cash and cash equivalents was \$80.520 million at 31 December 2013 (2012: \$17.857 million). At 31 December 2013 the Group had no bank debt following the repayment of the NAB facility of USD 35.0 million in March 2013. Subsequent to 31 December 2013, the Group made a capital return payment of approximately \$45.2 million to shareholders on 19 February 2014 as approved in the 28 January 2014 General Meeting. Also, as part of the sale of DBS business, \$15.25 million was held in escrow. This receivable is due in June 2014.
- Operating cashflow for the year ended 31 December 2013 was \$7.308 million (2012: \$21.134 million (which includes operating cashflow from DBS and FTR businesses)). Included within Investing cashflow is an inflow of \$115.884 million in relation to the proceeds from sale of the DBS business, net of cash and cash equivalents of the disposed DBS business as well as \$6.030 million in relation to the proceeds from sale of the FTR business, net of cash and cash equivalents of the disposed FTR business.
- Deferred Gross Margin (i.e. income received in advance net of prepaid costs) was \$17.576 million at 31 December 2013 (2012: \$27.681 million (inclusive of DBS and FTR businesses' balances)).
- The following table shows a reconciliation of EBIT and EBITDA included in the discussion above to the reported profit after tax from continuing operations. The company believes that these non-IFRS, unaudited information is relevant to the user's understanding of its results.

	31-Dec-13 \$'000	Restated* 31-Dec-12 \$'000
Continuing Operations		
Earnings before Net Interest, Tax, Depreciation and Amortisation	5,819	10,178
Depreciation and Amortisation	(2,782)	(2,809)
Earnings before Net Interest and Tax	3,037	7,369
Net Interest Revenue	2,545	85
Tax Benefit/(Expense)	334	(1,309)
Costs Recovered from Discontinued Operations**	282	2,545
Profit after Tax from Continuing Operations	6,198	8,690

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

3.0 NTA Backing

	Current period 31 December 2013	Previous Period 31 December 2012
Net tangible asset backing per ordinary security	91.61 cents	(43.10 cents)

Total Net Assets at 31 December 2013 were \$148.067 million including \$3.261 million of deferred tax assets, \$0.697 million of deferred tax liability and \$69.312 million of intangible assets associated with the acquisition of Domainz Limited (September 2003), WebCentral Group Pty Ltd (September 2006) and capitalised costs of \$9.904 million in relation to the transformational project Integrated Web Services (IWS) and common financial reporting system (Oracle Financials).

4.0 Control gained or lost over entities having material effect

4.1 Name of entity (or group of entities) of which control was gained or lost during the period.

Melbourne IT Employee Share Trust was established in June 2013. The DBS business was sold on 12 March 2013 and the FTR business was sold on 30 August 2013.

4.2 Consolidated profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was obtained.

Not applicable.
The Employee Share Trust did not incur material expenses prior to 30 June 2013.

4.3 Date from which such profit has been calculated.

Not applicable.

4.4 Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) disposed during the period, for the whole of the previous corresponding period.

Profit after tax for the year for DBS was \$62.134 million (2012: \$4.825 million)

Profit/(loss) after tax for the year for FTR was \$0.544 million (2012: (\$2.074) million)

5.0 Dividends

Amount per security

Dividends (distributions)	Amount per security	Franked amount per security	Amt per security of foreign sourced dividend
Current Year			
Final	0 cents	N/A	N/A
Special	25.0 cents	75%	N/A
Interim	0 cents	N/A	N/A
	25.0 cents		
Previous Year			
Final	7.0 cents	40%	N/A
Interim	7.0 cents	100%	N/A
	14.0 cents		

Total Dividends (distributions) per security (interim + final)	Current Year	Previous Year
Final	0 cents	7.0 cents
Special	25.0 cents	0 cents
Interim	0 cents	7.0 cents
Total	25.0 cents	14.0 cents

Additional information on current year dividends

Date the dividend (distribution) is payable

N/A

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

N/A

The dividend or distribution plans shown below are in operation.

N/A

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

N/A

6.0 Material interests in entities which are not controlled entities

Not applicable, as there were no entities which were not controlled.

7.0 Other Information

Subsequent Event

During the General Meeting held on 28 January 2014, the following resolutions were approved by the shareholders:

- Item 1: Return of capital to shareholders of \$0.54 per fully paid ordinary share amounting to approximately \$45.2 million;
- Item 2: Amendments to the terms of the performance rights granted under the Company's Performance Rights Plan and currently on issue; and
- Item 3: Revision of certain components of the potential termination benefits which may be payable to members of the executive team.

Details of the items above are provided in the Notice of General Meeting that was circulated on 20 December 2013 and its amendment on 21 January 2014.

On 27 February 2014 Melbourne IT announced that it had entered into a Share Purchase Agreement to acquire Netregistry Group Limited, a leading online services provider, for an enterprise value of \$50.4 million. The acquisition will be funded through a mix of cash on hand, scrip consideration, and the use of a new \$20 million credit facility. The transaction completion is subject to regulatory approval.

Annual Meeting

The annual meeting will be held as follows:

Place:

The Spring Street Conference Centre
1 Spring Street
Melbourne VIC 3000 Australia

Date:

Tuesday, 27 May 2014

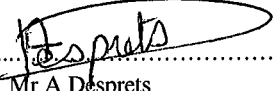
Time:

11.00 am

8.0 Compliance Statement

The report has been prepared based on a 31 December 2013 Annual Financial Report which is in the process of being audited by an independent audit firm in accordance with the requirements of S302 of the Corporations Act.

Signed here:


Mr A Desprets
Company Secretary
27 February 2014

MELBOURNE IT LTD

(ABN: 21 073 716 793)

FINANCIAL INFORMATION

FOR THE YEAR ENDED

31 DECEMBER 2013

MELBOURNE IT LTD

ABN: 21 073 716 793

DIRECTORS

Mr. S.D. Jones	(Chairman)
Mr. T.J. Hnarakis	(Managing Director & Chief Executive Officer - resigned 5 December 2013)
Mr. T. Kiing	
Mr. R.J. Stewart (AM)	
Mr. A. Walsh	(Resigned 31 August 2013)
Ms. N Sparks	

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Mr. T.J. Hnarakis	(Resigned 5 December 2013)
Mr. M. Mercer	(Appointment effective early April 2014)

CHIEF FINANCIAL OFFICER

Mr P. Findlay	(Acting Chief Executive Officer from 5 December 2013)
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COMPANY SECRETARY

Mr A. Desprets	(Appointed 26 September 2013)
Ms. A. Jegathesan	(Resigned 26 September 2013)

REGISTERED OFFICE

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

SHARE REGISTER

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

AUDITORS

Ernst & Young

INTERNET ADDRESS

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

MELBOURNE IT LTD

CONTENTS	PAGE
Directors' Information	9
Statement of Financial Position	14
Statement of Comprehensive Income	15
Statement of Changes in Equity	16
Statement of Cash Flow	17
Notes to the Financial Statements	18

MELBOURNE IT LTD

DIRECTORS INFORMATION

The names of the company's directors in office during the year ended 31 December 2013 and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Mr. S.D. Jones	
Mr. T.J. Hnarakis	(Managing Director & Chief Executive Officer - resigned 5 December 2013)
Mr. T. Kiing	
Mr. R.J. Stewart (AM)	
Mr. A. Walsh	(Resigned 31 August 2013)
Ms. N Sparks	

COMPANY SECRETARY

Mr A. Desprets	(Appointed 26 September 2013)
Ms. A. Jegathesan	(Resigned 26 September 2013)

PRINCIPAL ACTIVITIES

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

Enterprise Services ("ES")

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

SMB Solutions

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

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

Discontinued Operations

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

MELBOURNE IT LTD**DIRECTORS INFORMATION (continued)****EARNINGS PER SHARE**

	2013	2012
	Cents	Cents

Continuing operations

Basic earnings per share	7.46 cents	10.60 cents
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Diluted earnings per share	7.42 cents	10.46 cents
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Discontinued operations

Basic earnings per share	75.44 cents	3.36 cents
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Diluted earnings per share	75.05 cents	3.31 cents
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RESULTS

The consolidated net profit after tax of the Melbourne IT Ltd Group for the year ended 31 December 2013 was \$68.876 million (2012: \$11.441 million).

DIVIDENDS

	Cents	\$'000
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Dividends paid during the year:

Final Dividend – 2012

- | | | |
|----------------------|-----|-------|
| • On ordinary shares | 7.0 | 5,772 |
|----------------------|-----|-------|

Special Dividend – 2013

- | | | |
|----------------------|-------------|---------------|
| • On ordinary shares | 25.0 | 20,675 |
| | <u>32.0</u> | <u>26,447</u> |

MELBOURNE IT LTD**DIRECTORS INFORMATION / continued**

Summarised operating results are as follows:

	31-Dec-13	Restated*
	\$'000	31-Dec-12
		\$'000
Continuing Operations		
Revenue		
Registration Revenue	44,752	48,331
Website & Email Hosting Revenue	55,729	59,788
Other Revenue	248	119
	<u>100,729</u>	<u>108,238</u>
Interest Revenue	2,670	203
Other Income	13	30
	<u>103,412</u>	<u>108,471</u>
Total Consolidated Revenue	103,412	108,471
Total Earnings before Net Interest, Tax, Depreciation and Amortisation	5,819	10,178
Depreciation Expense	1,978	2,599
Amortisation Expense	804	210
	<u>3,037</u>	<u>7,369</u>
Total Earnings Before Net Interest and Tax	3,037	7,369
Costs Recovered from Discontinued Operations**	282	2,545
Net Interest Revenue	2,545	85
	<u>5,864</u>	<u>9,999</u>
Profit Before Tax from Continuing Operations	5,864	9,999
Tax (Benefit)/Expense	(334)	1,309
	<u>6,198</u>	<u>8,690</u>
Profit for the Year from Continuing Operations	6,198	8,690
Discontinued Operations		
Profit After Tax from Discontinued Operations	<u>62,678</u>	<u>2,751</u>
Profit for the Year	68,876	11,441
Cashflow from Operations	7,308	21,134

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

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

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

MELBOURNE IT LTD

DIRECTORS INFORMATION (continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

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

On 1 August 2013 Melbourne IT sold the For The Record ("FTR") business to Record Holdings Pty Ltd for a cash consideration of \$6.3 million. The execution of the sale agreement occurred on 1 August 2013 and the completion of the transaction occurred on 30 August 2013.

Melbourne IT announced on 4 December 2013 that it proposed to make a capital return of \$0.54 per fully paid ordinary share, subject to receiving approval from shareholders at a General Meeting, scheduled to be held on 28 January 2014. The total amount of the capital return is expected to be approximately \$45.2 million. A Notice of General Meeting was circulated on 20 December 2013 and the meeting was held on 28 January 2014.

On 5 December 2013, T.J. Hnarakis resigned from his role as Managing Director and Chief Executive Officer (CEO) of Melbourne IT effective from that date. The Chief Financial Officer, P. Findlay held the position of Acting CEO from that date until the appointment of the new CEO by the Board of Directors.

SUBSEQUENT EVENTS

On 17 January 2014, Melbourne IT announced that the Board of Directors has appointed Martin Mercer as Chief Executive Officer and Managing Director of Melbourne IT effective early April 2014.

During the General Meeting held on 28 January 2014, the following resolutions were approved by the shareholders:

- Item 1: Return of capital to shareholders of \$0.54 per fully paid ordinary share amounting to approximately \$45.2 million;
- Item 2: Amendments to the terms of the performance rights granted under the Company's Performance Rights Plan and currently on issue; and
- Item 3: Revision of certain components of the potential termination benefits which may be payable to members of the executive team.

Details of the items above are provided in the Notice of General Meeting that was circulated on 20 December 2013 and its amendment on 21 January 2014.

On 27 February 2014 Melbourne IT announced that it had entered into a Share Purchase Agreement to acquire Netregistry Group Limited, a leading online services provider, for an enterprise value of \$50.4 million. The acquisition will be funded through a mix of cash on hand, scrip consideration, and the use of a new \$20 million credit facility. The transaction completion is subject to regulatory approval.

There has not been any other matter or circumstance in the interval between the end of the 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.

MELBOURNE IT LTD

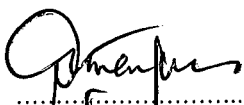
DIRECTORS INFORMATION (continued)

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 2013 annual report.

Signed in accordance with a resolution of the directors.


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Mr Simon Jones
Chairman
27 February 2014

MELBOURNE IT LTD
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

		CONSOLIDATED	
	Notes	2013	2012
		\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents		80,520	17,857
Trade and other receivables	5	24,183	22,966
Inventories		-	539
Prepayment of domain name registry charges		6,287	9,573
Current tax receivables		5,438	-
Other assets	6	1,570	2,755
Total Current Assets		117,998	53,690
Non-Current Assets			
Plant and equipment		2,957	3,692
Intangible assets	7	69,312	130,703
Deferred income tax assets		3,261	6,412
Prepayment of domain name registry charges		5,236	6,255
Other assets		74	43
Total Non-Current Assets		80,840	147,105
TOTAL ASSETS		198,838	200,795
LIABILITIES			
Current Liabilities			
Trade and other payables	9	17,443	15,639
Interest-bearing loans and borrowings	10	-	5,784
Provisions		3,002	4,325
Current tax liabilities		-	682
Income received in advance		16,689	29,144
Total Current Liabilities		37,134	55,574
Non-Current Liabilities			
Interest-bearing loans and borrowings	10	-	28,034
Deferred income tax liability		697	6,287
Provisions		530	793
Income received in advance		12,410	14,365
Derivative financial instruments		-	448
Total Non-Current Liabilities		13,637	49,927
TOTAL LIABILITIES		50,771	105,501
NET ASSETS		148,067	95,294
EQUITY			
Contributed equity	8	68,809	68,794
Foreign currency translation reserve		(566)	(9,901)
Options reserve		5,017	4,237
Hedging reserve		-	(214)
Retained earnings		74,807	32,378
TOTAL EQUITY		148,067	95,294

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

MELBOURNE IT LTD
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

		CONSOLIDATED	
	Notes	2013 \$'000	2012 Restated* \$'000
Continuing operations			
Revenue	2 (i)	103,412	108,471
Registry, Hosting and Sundry Other Product Costs		(41,145)	(44,216)
Gross profit		62,267	64,255
Salaries and employee benefits expenses		(40,522)	(40,651)
Depreciation and amortisation expenses	3 (a)	(1,978)	(2,599)
Amortisation of identifiable intangible assets	3 (b)	(804)	(210)
Finance costs	3 (d)	(790)	(871)
Other expenses	3 (c)	(12,309)	(9,925)
Profit before tax from continuing operations		5,864	9,999
Income tax benefit/(expense)		334	(1,309)
Profit for the year from continuing operations		6,198	8,690
Discontinued operations			
Profit after tax for the year from discontinued operations	11	62,678	2,751
Profit for the year		68,876	11,441
Other comprehensive income			
<u>Items that are reclassified to the profit or loss:</u>			
Currency translation differences		9,335	(9)
<u>Items that may be reclassified to the profit or loss:</u>			
Net gains/(losses) on cashflow hedges (net of tax)		214	(87)
Other comprehensive income for the period, net of tax		9,549	(96)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		78,425	11,345
Profit attributable to members of the parent		68,876	11,441
Total comprehensive income attributable to members of the parent		78,425	11,345
EARNINGS PER SHARE			
		2013	2012 Restated*
Basic earnings per share from continuing operations		7.46 cents	10.60 cents
Diluted earnings per share from continuing operations		7.42 cents	10.46 cents
Basic earnings per share from discontinued operations		75.44 cents	3.36 cents
Diluted earnings per share from discontinued operations		75.05 cents	3.31 cents

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

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

MELBOURNE IT LTD
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

	FOREIGN CURRENCY RESERVE \$'000	OPTIONS RESERVE \$'000	HEDGING RESERVE \$'000	CONTRIBUTED EQUITY \$'000	RETAINED EARNINGS \$'000	TOTAL \$'000
As at 1 January 2013	(9,901)	4,237	(214)	68,794	32,378	95,294
Profit for the period	-	-	-	-	68,876	68,876
Other comprehensive income	9,335	-	214	-	-	9,549
Total comprehensive income for the period	(566)	4,237	-	68,794	101,254	173,719
Transactions with owners in their capacity as owners:						
Share based payment	-	780	-	-	-	780
Performance rights plans	-	-	-	-	-	-
Exercise of options	-	-	-	63	-	63
Capital return transaction costs	-	-	-	(48)	-	(48)
Equity dividends	-	-	-	-	(26,447)	(26,447)
As at 31 December 2013	(566)	5,017	-	68,809	74,807	148,067
As at 1 January 2012	(9,892)	4,166	(127)	66,900	33,183	94,230
Profit for the period	-	-	-	-	11,441	11,441
Other comprehensive income	(9)	-	(87)	-	-	(96)
Total comprehensive income for the period	(9,901)	4,166	(214)	66,900	44,624	105,575
Transactions with owners in their capacity as owners:						
Share based payment	-	71	-	-	-	71
Dividend reinvestment plan	-	-	-	1,894	(1,894)	-
Exercise of options	-	-	-	-	-	-
Equity dividends	-	-	-	-	(10,352)	(10,352)
As at 31 December 2012	(9,901)	4,237	(214)	68,794	32,378	95,294

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

MELBOURNE IT LTD

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	CONSOLIDATED	
		2013	2012
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of service revenue and recoveries (inclusive of GST)		128,041	194,872
Payments to suppliers and employees (inclusive of GST)		(121,116)	(171,290)
Interest received		2,576	270
Interest paid		(239)	(1,335)
Bank charges and credit card merchant fees		(790)	(1,040)
Income tax paid		(1,164)	(343)
NET CASH FLOWS FROM OPERATING ACTIVITIES		7,308	21,134
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(1,777)	(2,357)
Purchase of transformation assets		(3,714)	(3,593)
Sale of DBS business, net of cash disposed	11(a)	115,884	-
Sale of FTR business, net of cash disposed	11(b)	6,030	-
Proceeds from sale of plant and equipment		250	500
Net payment of ICANN deposits held on account		-	(742)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		116,673	(6,192)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of interest bearing liabilities	11(a)	(34,617)	(43,208)
Proceeds from issue of ordinary shares		63	-
Transaction costs on capital return		(48)	-
Proceeds from interest bearing liabilities		-	37,398
Payment of dividend on ordinary shares	4	(26,447)	(10,352)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(61,049)	(16,162)
NET DECREASE IN CASH AND CASH EQUIVALENTS		62,932	(1,220)
Net foreign exchange differences		(269)	30
Cash and cash equivalents at beginning of period		17,857	19,047
CASH AND CASH EQUIVALENTS AT END OF PERIOD		80,520	17,857

The above statement of cash flows should be read in conjunction with the accompanying notes.

MELBOURNE IT LTD

NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

CORPORATE INFORMATION

The financial information in this report for Melbourne IT Ltd for the year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 27 February 2014.

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

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

1. BASIS OF PREPARATION

The financial information in this 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.

The financial information in this report should be read in conjunction with the Annual Financial Report of Melbourne IT Limited as at 31 December 2013, when it becomes available, which is prepared based on the Australian Accounting Standards (including Australian Accounting Interpretations).

It is also recommended that the Annual Financial Report of Melbourne IT Limited as at 31 December 2013 be considered together with any public announcements made by Melbourne IT Limited and its controlled entities during the year ended 31 December 2013, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report. The company is a for profit entity.

(a) Changes in accounting policy

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

AASB 10 Consolidated Financial Statements

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

AASB 12 Disclosure of Interests in Other Entities

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

AASB 13 Fair Value Measurement

AASB 13 Fair Value Measurement establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

**NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. BASIS OF PREPARATION (Continued)

(a) Changes in accounting policy (Continued)

AASB 119 Employee Benefits

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income

This standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

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

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

(b) Operating Segment

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

Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

SMB Solutions Division

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

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

Enterprise Services ("ES")

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

MELBOURNE IT LTD
**NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013**
CONSOLIDATED

2013	2012 Restated*
\$'000s	\$'000s

2. REVENUE

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

(i) Revenue

Registration Revenue	44,752	48,331
Hosting & Value-Added Product Sales	55,729	59,788
Other Revenue	248	119
Total Revenue excluding Interest Income	100,729	108,238
Interest Revenue	2,670	203
Other Income	13	30
Total consolidated revenue	103,412	108,471

3. EXPENSES
(a) Depreciation of non-current assets

Fit out	85	107
Plant and equipment	1,885	2,477
Furniture	8	15
Total depreciation of non-current assets	1,978	2,599

(b) Amortisation of identifiable intangible assets

Transformation asset	804	210
Total amortisation of identifiable intangible assets	804	210

(c) Other Expenses

Included in other expenses:

Premises	2,208	2,328
Financial & legal	1,478	1,395
Equipment	4,179	3,766
Marketing	1,644	1,072
Net foreign currency exchange loss	31	642
Bad debts and doubtful debts	222	359
Interest expense	125	118

(d) Finance costs

Bank charges and credit card merchant fees	790	871
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(e) Other

Expensing of share-based payments	780	82
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* 2012 results have been restated to present the DBS and FTR businesses as discontinued operations as required by the Accounting Standards.

MELBOURNE IT LTD

NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

CONSOLIDATED	
2013	2012
\$'000s	\$'000s

4. DIVIDENDS PAID AND PROPOSED

Equity dividends on ordinary shares:

(a) Dividends paid during the year

(i) Current year - interim/special		
Franked special dividends 25.0 cents per share (2012: 7.0 cents per share)	20,675	5,738
(ii) Previous year - final		
Franked dividends 7.0 cents per share (2011: 8.0 cents per share)	5,772	6,508
	<u>26,447</u>	<u>12,246</u>

(b) Dividends proposed and not recognised as a liability

No final dividend was proposed for 2013 (2012: Franked dividend 7.0 cents per share)

-	<u>5,772</u>
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(c) Franking of dividends

The special dividend paid on 22 August 2013 was 75% franked. The interim and final dividend in respect of the year ended 31 December 2012 was 40% franked. The final dividend paid in respect of the 2011 year was 100% franked at the company's tax rate of 30% per share.

5. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade debtors	9,471	24,225
Allowance for impairment loss	(639)	(1,259)
	<u>8,832</u>	<u>22,966</u>
Escrow funds receivable (including accrued interest)*	15,351	-
	<u>24,183</u>	<u>22,966</u>

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

6. OTHER ASSETS (CURRENT)

Other prepayments	1,570	2,677
GST receivable	-	78
Total other assets (Current)	<u>1,570</u>	<u>2,755</u>

**NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013**

CONSOLIDATED
2013 2012
\$'000s \$'000s

7. INTANGIBLE ASSETS**(a) Carrying Amount of Intangible Assets**

Goodwill (c)	52,280	100,265
Marketing Related Intangibles	7,128	9,982
Customer Contracts	663	10,446
Accumulated Amortisation	(663)	(4,847)
	-	5,599
Capitalised Software	-	952
Accumulated Amortisation	-	(854)
	-	98
Transformation Projects (b), (c)	10,918	14,969
Accumulated Amortisation	(1,014)	(210)
	9,904	14,759
Total Capitalised Software	9,904	14,857
Other Intangibles	315	315
Accumulated Amortisation	(315)	(315)
	-	-
Total Intangible Assets	69,312	130,703

(b) Capitalised Software**Transformation Projects**

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

The most significant component of the transformation project is Integrated Web Services (IWS), which aims to bring under a common IT environment all the systems that are used to sell and support the Group's customer. This is in addition to the implementation of a common financial reporting system across all entities. The build of the IT platform was completed during the year and the depreciation of the asset commenced from September 2013. Migration of the existing customers' information to the new IT platform will continue in 2014 as part of the standard operational process.

In line with AASB 138 Intangible Assets, costs relating to the research phase of the project are expensed while costs relating to the development phase are capitalised as Capitalised Software: Transformation Projects. The costs capitalised are being amortised over a 6 year period. During the year ended 31 December 2013, the amortisation charge in relation to these projects was \$804,000 (2012: \$210,000).

(c) Impairment Charges

Following the sale of the DBS business unit, a review of the carrying value of the transformation asset was undertaken. The decision to invest in a comprehensive solution was motivated by the complexity of our business. The nature and geographic spread of the DBS business was a significant contributing factor to this level of complexity. If the Melbourne IT Ltd corporate structure had not had DBS at the time of the project scope, it would not have made the decision to use a tier one product, and the time and planning required to roll out the consolidated platform would have been significantly reduced. Following the re-scoping of the project, an impairment of \$12.080 million has been booked against the carrying value of the asset. This is included in the discontinued operations section of the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013**

7. INTANGIBLE ASSETS (Continued)

(c) Impairment Charges (Continued)

In the previous financial year, following a review of the carrying value of intangible assets, an impairment charge of \$2.0 million has been recorded in respect of the group's investment in FTR. The ongoing weakness in the US economy, and continued curbs on government expenditure, had led to a reduction in the expected cashflows to be generated by FTR in the future. There was no cash impact to this impairment charge. Given that the FTR business was sold in August 2013, the impairment charge is included in the discontinued operations section of the Statement of Comprehensive Income.

8. CONTRIBUTED EQUITY

CONSOLIDATED
2013 2012
\$'000s \$'000s

Ordinary shares

Issued and fully paid

68,809 68,794

Movements in ordinary shares on issue

	2013		2012	
	No. of Shares	\$'000s	No. of Shares	\$'000s
Beginning of the financial period	82,451,363	68,794	81,352,178	66,900
Issued during the year				
- Dividend reinvestment plan	-	-	1,099,185	1,894
- Performance rights plans (a)	683,008	-	-	-
- Exercise of options	30,000	63	-	-
- Decrease due to transaction costs for capital return	-	(48)	-	-
End of the financial period	<u>83,164,371</u>	<u>68,809</u>	<u>82,451,363</u>	<u>68,794</u>

(a) Represents shares issued to satisfy (1) Performance Rights Plan issued on 1 July 2010 that vested on 1 July 2013, and (2) early vesting of the Performance Rights Plans issued on 1 July 2011 and 1 July 2012 held by certain executives, who left the company following the sale of the DBS business as detailed in Note 11(a).

9. TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED	
	2013	2012
	\$'000s	\$'000s
Trade creditors	1,116	1,567
Sundry creditors	6,411	8,324
Deposits received in advance	2,546	1,903
Accrued expenses	7,370	3,845
Total trade and other payables (Current)	<u>17,443</u>	<u>15,639</u>

Terms and conditions relating to trade and sundry creditors:

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

10. INTEREST-BEARING LOANS AND BORROWINGS

At 31 December 2012, Melbourne IT Limited had bank debt of \$33.818 million (equivalent to USD 35.0 million). This bank debt was repaid in full on 12 March 2013 using part of the proceeds received from the sale of the DBS business unit. All associated interest rate swaps and cross currency swaps were also closed out at this time. The Group no longer has any bank borrowings.

MELBOURNE IT LTD

NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

11. DISCONTINUED OPERATIONS

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

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

	2013 \$'000s	2012 \$'000s
Revenue	8,885	55,161
Expenses	(9,710)	(49,316)
Gain on sale of DBS business*	69,925	-
Profit before tax from a discontinued operation	69,100	5,845
Tax expense	(6,966)	(1,020)
Profit for the year from a discontinued operation	62,134	4,825

* Includes professional fees, costs to close out interest rate and cross currency swaps, corporate costs incurred in negotiating the sale insurance costs, the impairment of the transformation asset (refer to Note 7(c) for details) and Foreign Currency Translation Reserve recycled to the Statement of Comprehensive Income.

A further \$4.7 million of costs was incurred in the second half of the financial year relating to professional fees relating to the liquidation of General Partnership (which is the immediate parent entity of the DBS US entity) and the associated Foreign Currency Translation Reserve recycled to the Statement of Comprehensive Income was allocated to the gain on sale of DBS business. Also included in this amount are restructuring costs relating to the termination of certain executives and functional units employees as they represented the overheads that were required to support the DBS business, and expenses related to the vesting of the Performance Rights plans associated with the executives.

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

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

	2013 \$'000s	2012 \$'000s
Operating	1,777	9,000
Investing	-	(2,056)
Financing *	6,716	(9,983)
Net cash inflow/(outflow)	8,493	(3,039)

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

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

	2013 \$'000s
Announced sale price for DBS business unit	152,500
Plus: payment for cash balances in subsidiaries sold	7,500
Plus: additional payment on finalisation of completion accounts received in July 2013	3,671
Less: amounts held in escrow (recorded as a receivable - see note 5 for details)	(15,250)
Less: cash at bank of DBS business unit on 12 March 2013	(15,549)
Less: costs associated with the disposal	(5,971)
Less: tax paid associated with the disposal	(11,017)
Proceeds from sale of DBS business, net of cash disposed	115,884
Less: amounts paid directly by the purchasers to extinguish bank debt	(34,617)
	81,267

MELBOURNE IT LTD

NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

11. DISCONTINUED OPERATIONS (Continued)

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

On 1 August 2013 Melbourne IT announced that it had divested the FTR business to Record Holdings Pty Ltd for a cash consideration of \$6.3 million. The execution of the sale agreement occurred on 1 August 2013 and the completion of the transaction occurred on 30 August 2013. The results of the FTR business for the year were presented below:

	2013 \$'000s	2012 \$'000s
Revenue	5,037	6,868
Expenses	(4,832)	(8,765)
Loss on sale of FTR business*	(1,549)	-
Loss before tax from a discontinued operation	(1,344)	(1,897)
Tax benefit/(expense)	1,888	(177)
Profit/(Loss) for the year from a discontinued operation	544	(2,074)

* Includes professional fees, corporate costs incurred in negotiating the sale insurance costs and Foreign Currency Translation Reserve recycled to the Statement of Comprehensive Income.

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

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

	2013 \$'000s	2012 \$'000s
Operating	461	(61)
Investing	(96)	(10)
Financing *	(1,136)	(191)
Net cash outflow	(771)	(262)

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

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

	2013 \$'000s
Announced sale price for FTR business unit	6,300
Less: cash at bank of FTR business unit on 31 August 2013	(26)
Less: costs associated with the disposal	(244)
Proceeds from sale of FTR business, net of cash disposed	6,030

MELBOURNE IT LTD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

12. SEGMENT REPORTING

The following tables present the revenue and profit information regarding business unit segments for the years ended 31 December 2013 and 31 December 2012.

	SMB Solutions	ES	Total
	\$'000	\$'000	\$'000
Year ended 31 December 2013			
Segment revenue			
Revenue from operating activities			
Registration Revenue	44,752	-	44,752
Hosting & Value-Added Product Sales	31,284	24,445	55,729
Other Revenue	248	-	248
	<u>76,284</u>	<u>24,445</u>	<u>100,729</u>
Other Income			13
Total segment revenue			<u>100,742</u>
Result			
Segment results	8,905	2,354	11,259
Unallocated expenses:			
- Corporate			(4,938)
- Transformation Projects			(502)
Earnings before interest, tax, depreciation & amortisation			<u>5,819</u>
Net Interest			
Interest revenue			2,670
Interest expense			(125)
Total Net Interest			<u>2,545</u>
Income tax benefit			334
Depreciation & amortisation			(2,782)
Costs recovered from discontinued operations *			282
Profit after tax for the year from continuing operations			<u>6,198</u>
Profit after tax for the year from discontinued operations (DBS and FTR segments)			<u>62,678</u>
Profit after tax for the year			<u><u>68,876</u></u>

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

MELBOURNE IT LTD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

12. SEGMENT REPORTING (Continued)

	SMB Solutions	ES	Total
Year ended 31 December 2012	\$'000	\$'000	\$'000
Segment revenue			
Revenue from operating activities			
Registration Revenue	48,331		48,331
Hosting & Value-Added Product Sales	33,797	25,991	59,788
Other Revenue	31	88	119
	<u>82,159</u>	<u>26,079</u>	<u>108,238</u>
Other Income			30
Total segment revenue			<u>108,268</u>
Result			
Segment results	13,724	4,075	17,799
Unallocated expenses:			
- Corporate			(5,423)
- Transformation Projects			<u>(2,198)</u>
Earnings before interest, tax, depreciation & amortisation			<u>10,178</u>
Net Interest			
Interest revenue			203
Interest expense			<u>(118)</u>
Total Net Interest			<u>85</u>
Income tax expense			(1,309)
Depreciation & amortisation			(2,809)
Costs recovered from discontinued operations *			2,545
Profit after tax for the year from continuing operations			<u>8,690</u>
Profit after tax for the year from discontinued operations (DBS and FTR segments)			<u>2,751</u>
Profit after tax for the year			<u><u>11,441</u></u>

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

	CONSOLIDATED	
	2013	2012
	\$'000	\$'000
Reconciliation of revenue		
Segment revenue	100,742	108,268
Interest revenue	2,670	203
Total revenue	<u><u>103,412</u></u>	<u><u>108,471</u></u>

**NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013**

13. EVENTS AFTER THE BALANCE SHEET DATE

On 17 January 2014, Melbourne IT announced that the Board of Directors has appointed Martin Mercer as Chief Executive Officer and Managing Director of Melbourne IT effective early April 2014.

During the General Meeting held on 28 January 2014, the following resolutions were approved by the shareholders:

- Item 1: Return of capital to shareholders of \$0.54 per fully paid ordinary share amounting to approximately \$45.2 million;
- Item 2: Amendments to the terms of the performance rights granted under the Company's Performance Rights Plan and currently on issue; and
- Item 3: Revision of certain components of the potential termination benefits which may be payable to members of the executive team.

Details of the items above are provided in the Notice of General Meeting that was circulated on 20 December 2013 and its amendment on 21 January 2014.

On 27 February 2014 Melbourne IT announced that it had entered into a Share Purchase Agreement to acquire Netregistry Group Limited, a leading online services provider, for an enterprise value of \$50.4 million. The acquisition will be funded through a mix of cash on hand, scrip consideration, and the use of a new \$20 million credit facility. The transaction completion is subject to regulatory approval.

There has not been any other matter or circumstance in the interval between the end of the 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.