

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

**FINANCIAL REPORT**

**FOR THE YEAR ENDED**  
**31 DECEMBER 2004**

## **MELBOURNE IT LTD**

**ABN: 21 073 716 793**

### **DIRECTORS**

Mr. R.J. Stewart (Chairman)  
Dr. M.C. Toner (Deputy Chairman)  
Prof. I. Morrison  
Mr. T. Kiing  
Mr. S.D. Jones  
Mr. T.J. Hnarakis

### **MANAGING DIRECTOR**

Mr. T.J. Hnarakis

### **CHIEF FINANCIAL OFFICER**

Mr. A.C. Field

### **COMPANY SECRETARY**

Ms. M. Weir

### **REGISTERED OFFICE**

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

### **SHARE REGISTER**

ASX Perpetual Registrars Limited  
Level Four  
333 Collins Street  
Melbourne, Victoria, 3000  
Tel: +61 3 9615 9800  
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### **AUDITORS**

Ernst & Young

### **INTERNET ADDRESS**

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

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# MELBOURNE IT LTD

## DIRECTORS' REPORT

Your directors submit their report for the year ended 31 December 2004.

### DIRECTORS

The names and details of the directors of the company in office during the financial year and until the date of this report are:

#### Names, qualifications, experience and special responsibilities:

<p>Stewart, Robert James (Chairman)</p>	<p>Mr Stewart was National Managing Partner of Minter Ellison, one of Australia's leading law firms, for eleven years, retiring in June 1999. He was also a non-executive director of Memtec Ltd, a high technology filtration company, from 1988 until 1997. Memtec listed on NASDAQ and then the New York Stock Exchange prior to being taken over by a US company in 1997. Mr Stewart spent five years with Pacific Dunlop from 1976 to 1981 in a variety of general management positions within the Footwear Group. He is deputy Chairman of emitch Limited, an online advertising and media placement company; Chairman of Plantic Limited, a producer of bio-degradable packaging; Chairman of C E Bartlett, one of the leading manufacturers in Australia of quality products in the fabrication of synthetic and canvas fabrics; and a director of QSR International Pty Ltd, which produces qualitative research software.</p> <p>Mr Stewart was appointed to the board on 14 September 1999.</p>
<p>Toner, Mark Christopher (Deputy Chairman)</p>	<p>Dr Toner is the former Managing Director of Kvaerner E&amp;C Australia, a subsidiary of the international Engineering &amp; Construction group, Kvaerner (now Aker Kvaerner). Dr Toner's background is in technical marketing and management with a career focus on science, engineering and IT. His qualifications include a BE (Chem) from the University of Melbourne and a PhD from Monash University. Dr Toner is Chair of the Co-Operative Research Centre for Sensor Signal and Information Processing, a Director and Past President of the Business/Higher Education Round Table and an Adjunct Professor in the Faculty of Engineering at Monash University. He is a Fellow of the following organisations: the Australian Academy of Technological Sciences and Engineering, Engineers Australia, the Institution of Chemical Engineers in Australia (and former Chair) and the Australian Institute of Company Directors.</p> <p>Dr Toner was appointed to the board on 1 February 2001.</p>
<p>Morrison, Iain</p>	<p>Ian Morrison is Professor of Information Systems at The University of Melbourne. His research and teaching interests span the design and development of large-scale distributed information systems and their application to e-Commerce, HealthCare and Education. He is a founding director of Melbourne IT and was a founding director of AuDA until his resignation in November 2001. He served for 10 years on the Board of AARNet, the Australian Academic and Research Network.</p>

DIRECTORS' REPORT / continued

<p>Morrison, Iain (continued)</p>	<p>His earlier career path encompassed senior IT management roles and he brings particular expertise in project planning and management, business continuity planning, process engineering and IT audit and control. He serves as an advisor to government and the higher education sector on telecommunications, copyright, online legislation and applications of IT. Professor Morrison was appointed to the Board in 1996.</p>
<p>Kiing, Tom</p>	<p>Mr Kiing is a director of Bridge Capital Pty Ltd, an Australian technology investment firm that manages a portfolio of investments in the IT sector. He currently also sits on the board of Safehouse Technologies Pty Ltd, a world leader in visual intelligence software as well as Consolidated Franchise Group Limited, an aggregator of master franchises in Australia. Tom has extensive experience in M&amp;A, capital markets and corporate finance. He continues to travel extensively through the ASEAN region to promote a wide range of Australian Investment opportunities to Asian governments, institutions and private investors. Mr. Kiing was appointed to the board on 19 December 2002.</p>
<p>Jones, Simon</p>	<p>Mr Jones is a Chartered Accountant and the former Managing Director of N.M. Rothschild and Sons (Australia) - Melbourne office. Also a former Head of Audit and Business Advisory (Australia &amp; New Zealand), Corporate Finance (Melbourne), of Arthur Andersen, Mr Jones has extensive experience in investment advisory, valuations, mergers and acquisitions, public offerings, audit and venture capital. Mr Jones is now a director of Canterbury Partners Pty Ltd which is a boutique investment advisory and venture capital business located in Melbourne, Victoria and Chairman of The Advisory Board of MAB Limited. Mr Jones was appointed to the board on 12 March 2003.</p>
<p>Hnarakis, Theo</p>	<p>Mr Hnarakis was appointed to the position of Chief Executive Officer in November 2002 and was invited to join the Board in September 2003. Joining Melbourne IT in 2000, Mr. Hnarakis spent two years in the role of Group General Manager, during which time he initiated many strategic global partnerships, and managed the international Sales and Marketing, Product Management, and Customer Service arms of the business.  Prior to joining Melbourne IT, Mr. Hnarakis held senior roles with News Corporation, Boral Group, and the PMP Communications Group. Throughout the 1990's he held chief executive and senior line management roles with these companies including Managing Director of PMP's Canberra Press and Pacific Publications, and Managing Director of News Corporation's Southdown Press. Mr Hnarakis joined the board as Managing Director on 20 September 2003.</p>

## MELBOURNE IT LTD

### DIRECTORS' REPORT/ continued

#### Interests in the shares and options of the company

As at the date of this report, the interests of the directors in the shares and options of the company and related bodies corporate were:

	Ordinary Shares	Options over Ordinary Shares
Mr. Robert Stewart	59,133	70,000
Prof. Iain Morrison	11,000	35,000
Dr. Mark Toner	110,000	35,000
Mr. Tom Kiing	5,986,547	35,000
Mr. Simon Jones	19,128	35,000
Mr. Theo Hnarakis	175,442	480,000

#### PRINCIPAL ACTIVITIES

The principal activities of the company during the year were:

- registration of .au and .nz domain names;
- registration of other country code (ccTLD) domain names (.us, .it, .de, .to and .uk);
- registration of generic Top Level Domain (gTLD) names (.com, .net, .org, .biz, .info, .name);
- Consulting and management services to large public and private enterprises through its Corporate Domain Management Division ("CDM");
- Other value added internet related products to SME's ("small to medium enterprises") and SOHO's ("small office and home office") such as domain forwarding, web hosting and web site development tools; and
- Research and Development of registry related technologies.

#### EARNINGS PER SHARE

	2004 Cents	2003 Cents
Basic earnings per share	7.34	4.18
Diluted earnings per share	6.90	3.97

#### RESULTS

The profit after tax of the Melbourne IT Group for the year ended 31 December 2004 was \$3.809 million (2003: \$2.098 million).

#### DIVIDENDS

	Cents	\$'000
Final Dividend Recommended		
▪ On ordinary shares	3.5	1,850

At the 22<sup>nd</sup> February 2005 Board Meeting, the directors declared a final dividend of 3.5 cents per share, fully franked. This dividend has not been provided for at 31 December 2004.

# MELBOURNE IT LTD

## DIRECTORS' REPORT/ continued

### REVIEW AND RESULTS OF OPERATIONS

- Revenue for the full year ended 31 December 2004 was \$60.321 million (2003: \$49.897 million), an increase of 21%;
- Earnings Before Interest and Tax for the full year ended 31 December 2004 was \$4.456 million (2003: \$2.727 million), an increase of 63%;
- Earnings Before Interest and Tax for the year ended 31 December 2004 of \$4.456 million includes profit on the sale of Blue Tongue Investments Limited of \$191,600.
- Compared to the first half of 2004, Earnings Before Interest and Tax for the half year ended 31 December 2004 - pre the profit on sale of Blue Tongue Investments Ltd was up by 19%; (30 June 2004: \$1.944 million)
- Profit after Tax for the full year ended 31 December 2004 was \$3.809 million (2003: \$2.098 million), an increase of 81.5%;
- Positive Operating Cashflow for the full year ended 31 December 2004 was \$8.586 million (2003: \$5.964 million), an increase of 44%;
- Deferred Gross Margin was \$13.223 million at 31 December 2004 (30 December 2003: \$10.565 million) an increase of 25%;
- Revenue for the nine (9) months ended 31 December 2004 for the Cogent IPC Group was \$5.384 million (2003: n/a), with Profit after Tax of \$151,260 (2003: n/a);
- Revenue for the full year ended 31 December 2004 for Domainz Limited was \$2.589 million (2003: \$701,428 – 4 mths), with Profit after Tax of \$226,357 (2003: \$134,222 loss – 4 mths);
- At the 22 February 2005 Board Meeting, the directors declared a 3.5 cents fully franked final dividend on ordinary shares in respect of the 31 December 2004 full year, declaring a total dividend of 5.5 cents for the full financial year; and
- This final dividend of \$1,850,000 has not been provided for in the 31 December 2004 full year financial statements.

## MELBOURNE IT LTD

### DIRECTORS' REPORT/ continued

### REVIEW AND RESULTS OF OPERATIONS / continued

Summarised operating result for the period ended 31 December:

	2004	2003
	\$'000	\$'000
<b>Revenue</b>		
Registration	54,563	48,001
Consulting	3,764	426
Value Added Products	1,046	620
Other	147	300
<b>Total Revenue (excluding interest)</b>	<u>59,520</u>	<u>49,347</u>
<b>Total Earnings Before Interest and Tax</b>	<u>4,456</u>	<u>2,727</u>
Net Interest Income	801	550
<b>Net Profit before Tax</b>	<u>5,257</u>	<u>3,277</u>
Tax Expense	1,448	1,179
<b>Net Profit After Tax</b>	<u>3,809</u>	<u>2,098</u>
<b>Cashflow from Operations</b>	<u>8,586</u>	<u>5,964</u>

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 April 2004, Melbourne IT Ltd purchased the Cogent IPC Group - a European Firm with offices in Stockholm, London, Paris and Amsterdam. Cogent IPC provides global services with current clients in the airline, automotive, clothing, banking, electrical, IT, furniture, food and beverages industries.

Melbourne IT Ltd acquired Cogent IPC for \$4.577 million dollars with this acquisition financed from existing cash reserves.

Refer to Note 21 for details.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

In January 2005, Cogent IPC Group AB, received an inquiry from the Swedish Tax Authorities questioning the validity of Cogent's carried forward tax losses at 31 December 2003 - prior its acquisition by Melbourne IT Ltd. The company is currently opposing the Authority's tax assessment as well as the associated tax penalties. At 31 December 2004, the company has elected to provide the full value of the tax assessment and associated penalties totalling \$494,000.

This cost has been treated as an adjustment to the purchase price of the Cogent IPC Group at 1 April 2004, and will be reversed through goodwill if the assessment is ultimately overturned. Refer to Note 21 for acquisition details.

## **SIGNIFICANT EVENTS AFTER THE BALANCE DATE / continued**

At the 22<sup>nd</sup> February 2005 Board Meeting, the directors declared a final dividend of 3.5 cents per share, fully franked. This dividend has not been provided for as at 31 December 2004.

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

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The outlook for Melbourne IT remains positive. We continue to operate in a rapidly changing environment, dealing with the complexities of running a truly global company. With these challenges come opportunities, and each of the business units of the company, Direct, Reseller and Corporate Domain Management (“CDM”), are well positioned for further growth in 2005.

The company has completed its integration of the Domainz business, and is seeing solid results. The integration of the Cogent business has largely been completed and that business is focussed on new sales and profitable growth. We will continue to seek acquisition opportunities that fit strategically with our business, and ultimately provide a solid return for our shareholders.

We will continue to improve productivity through a range of cost containment and business improvement projects. Cost containment remains top of mind for the company as we work to ensure that every dollar spent ultimately provides a return on investment. This focus is reflected in our continued strong cashflow from operations. The business improvement projects have the common goal of optimising the company’s processes so as to further improve the customer experience, and quality of information available to the organisation.

The 2005 year has commenced well. We will continue to build on our service offerings in each of our business units with a view to a continued high quality experience for our customers, creating growing annuity revenue and sustainable returns for our shareholders.

## **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

During the financial year, the company paid a premium in respect of a Directors and Officers Liability Policy covering all directors and officers of the company and related bodies corporate. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## **SHARE OPTIONS**

### **Unissued shares**

As at the date of this report, there were 3,692,700 unissued ordinary shares under options (3,770,300 at reporting date). Refer to note 32 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option rules, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

### **Shares issued as a result of the exercise of options**

During the financial year, employees and directors have exercised the option to acquire 337,800 (2003: 60,000) fully paid ordinary shares in Melbourne IT Limited at a weighted average exercise price of \$0.5010 (2003: \$0.49215). Since the end of the financial year, a further 77,600 options have been exercised, at a weighted average exercise price of \$0.52820.

**DIRECTORS' REPORT / continued**

**DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS**

The Human Resource, Remuneration & Nomination Committee ("HRRNC") of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the managing director, and the executive team. The HRRNC assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Further details of the remuneration of directors and executives are also provided in note 29 to the financial statements.

To assist in achieving these objectives, the HRRNC links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. All senior executives have the opportunity to qualify for participation in the Executive Incentive Plan which currently provides a cash incentive where specified criteria are met (including criteria relating to cost control, profitability and cash flow).

Details of the nature and amount of each element of the emolument of each director of the company and each of the five executive officers of the company receiving the highest emolument for the financial year are as follows:

**Emoluments of non – executive directors of Melbourne IT Ltd:**

	Annual Emoluments				Long Term Emoluments	
	Base Salary \$	Other (2) \$	Super Cont. \$	Total \$	Options Granted during Period	Amort. Expense during Period \$ (3)
Mr Robert Stewart	105,800	6,006	9,522	121,328	-	3,292
Prof. Iain Morrison	46,000	-	4,140	50,140	-	1,646
Mr Mark Toner	52,000	-	4,680	56,680	-	1,646
Mr Tom Kiing	46,000	-	4,140	50,140	-	2,925
Mr Simon Jones	52,000	-	4,680	56,680	-	2,925
<b>Total</b>	<b>301,800</b>	<b>6,006</b>	<b>27,162</b>	<b>334,968</b>	<b>-</b>	<b>12,434</b>

**Emoluments of the five most highly paid executive directors and officers of the Company and the Consolidated Entity:**

	Annual Emoluments					Long Term Emoluments	
	Base Salary \$	Bonuses \$	Other (2) \$	Super Cont. \$	Total \$	Options Granted during Period	Amort. Expense during Period \$ (3)
Mr Theo Hnarakis	286,239	132,276	6,006	29,029	453,550	-	27,296
Mr Thomas Mackey (1)	233,284	49,844	27,520	34,196	344,844	-	5,962
Mr Andrew Field	187,500	41,875	6,006	18,038	253,419	-	5,598
Dr Bruce Tonkin	172,000	40,900	4,107	16,723	233,730	-	5,598
Mr Guye Engel	175,000	27,948	-	17,689	220,637	-	3,266
<b>Total</b>	<b>1,054,023</b>	<b>292,843</b>	<b>43,639</b>	<b>115,675</b>	<b>1,506,180</b>	<b>-</b>	<b>47,720</b>

(1) These personnel are paid through Internet Names Worldwide (US) Inc. in USD equivalents.

(2) The category "Other" includes the value of any non-cash benefits provided.

(3) No options were granted during the period. The expense relates to the amortisation of the fair value of options granted prior to the year ended 31 December 2004.

## MELBOURNE IT LTD

### DIRECTORS' REPORT / continued

The fair value of each option is estimated on the date of grant using a Black Scholes option-pricing model with the following weighted average assumptions used for grants made on 16 April 2004, 10 May 2004, and 5 November 2004:

	16 April 2004	10 May 2004	5 November 2004
Dividend yield	-	-	-
Expected volatility	47%	45%	44%
Historical volatility	47%	45%	44%
Risk-free interest rate	5.62%	5.78%	5.22%
Expected life of option	5	5	5

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The historical volatility is calculated by reference to the period of 2 years prior to the grant date of the relevant options. The resulting weighted average fair values per option for those options vesting after 1 January 2003 are:

Number of options	Grant date	Vesting date	Weighted average fair value
108,000	30/12/02	29/6/03	.2579
108,000	30/12/02	29/6/04	.2579
144,000	30/12/02	29/12/05	.2579
21,000	20/06/03	19/12/03	.2586
21,000	20/06/03	19/12/04	.2586
28,000	20/06/03	19/12/06	.2586
27,000	19/3/03	18/9/03	.1877
36,000	19/3/03	18/9/04	.1926
36,000	19/3/03	18/3/06	.1969
21,000	23/10/03	22/4/04	.2540
21,000	23/10/03	22/4/05	.2610
28,000	23/10/03	22/10/06	.2674
99,000	10/5/04	9/11/04	.3154
99,000	10/5/04	9/11/05	.3248
132,000	10/5/04	9/5/07	.3333
66,000	16/4/04	15/10/04	.3804
66,000	16/4/04	15/10/05	.3910
88,000	16/4/04	15/4/07	.4006
92,700	5/11/04	4/5/05	.4888
92,700	5/11/04	4/5/06	.5165
123,600	5/11/04	4/5/07	.5422

Currently, these fair values are not recognised as an expense in the financial statements. However, had these grants been expensed, they would have been amortised over the vesting periods resulting in an increase in employee benefits expense of \$269,961 for the 2004 financial year (2003:\$97,668). Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e. options that do not vest).

### EMPLOYEES

The consolidated entity employed 187.5 (2003:133.25) full time equivalent ("FTE") employees as at 31 December 2004, including 14 staff from Domainz Ltd. (2003:12), as well as 33 staff from Cogent IPC, which was acquired on 1<sup>st</sup> April 2004. (2003: NIL).

# MELBOURNE IT LTD

## DIRECTORS' REPORT/ continued

### DIRECTORS' MEETINGS

	Directors Meetings		Meetings of Committees			
			ARMC (1)		HRRNC (2)	
No of meetings held	12		4		5	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mr Rob Stewart	12	12	4	4	5	5
Prof. Iain Morrison	12	10	4	3		
Dr Mark Toner	12	12			5	5
Mr Tom Kiing	12	12			5	4
Mr Simon Jones	12	12	4	4		
Mr Theo Hnarakis	12	12				

The above table shows the numbers of meetings of directors held during 2004. The table also shows the number of meetings attended by each director and the number of meetings each director was eligible to attend.

As at the date of this report, the company had an Audit & Risk Management Committee and a Human Resource, Remuneration & Nomination Committee of the Board of Directors.

The members of the Audit & Risk Management Committee are Mr S. Jones (chairman), Mr R. Stewart, and Prof. I. Morrison.

The members of the Human Resource, Remuneration & Nomination Committee are Dr M. Toner (chairman), Mr R. Stewart and Mr T. Kiing.

(1) = Audit and Risk Management Committee

(2) = Human Resources, Remuneration and Nomination Committee

## MELBOURNE IT LTD

### DIRECTORS' REPORT / continued

#### ROUNDING

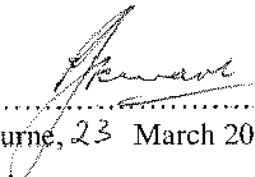
The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

#### 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](http://www.melbourneit.com.au), and will be contained in the additional ASX information section of the 2004 annual report.

Signed in accordance with a resolution of the directors.

  
..... Robert James Stewart (Chairman)  
Melbourne, 23 March 2005

## **Independent audit report to members of Melbourne IT Limited**

### **Scope**

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Melbourne IT Limited (the company) and the consolidated entity, for the year ended 31 December 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

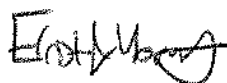
### **Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.


### **Audit opinion**

In our opinion, the financial report of Melbourne IT Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of Melbourne IT Limited and the consolidated entity at 31 December 2004 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



David Shewring  
Partner  
Melbourne

Dated: 23 March 2005

## MELBOURNE IT LTD

### DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Melbourne IT Ltd, I state that:

(1) In the opinion of the directors:

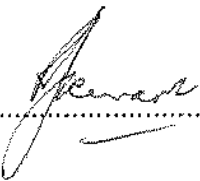
(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 2004 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



..... Robert James Stewart (Chairman)

Melbourne, 23 March 2005

# MELBOURNE IT LTD

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	CONSOLIDATED		MELBOURNE IT	
		2004 \$'000s	2003 \$'000s	2004 \$'000s	2003 \$'000s
<b>Revenue From Ordinary Activities</b>	2	60,321	49,897	51,224	48,093
Registry costs		30,611	26,358	28,116	25,688
Salaries and employee benefits expenses		15,470	12,094	10,816	10,374
Depreciation and amortisation expenses	3 (a)	1,476	1,786	779	1,354
Other expenses from ordinary activities	3 (b)	7,507	6,382	6,758	7,532
<b>Profit from Ordinary Activities</b>		5,257	3,277	4,755	3,145
Income Tax Expense relating to Ordinary Activities	4	1,448	1,179	1,297	1,058
<b>Net Profit Attributable to Members of Melbourne IT Ltd</b>	24	3,809	2,098	3,458	2,087
Net decrease in foreign currency translation reserve	24	(59)	-	-	-
<b>Total revenues, expenses and valuation adjustments attributable to members of Melbourne IT Ltd and recognised directly in equity</b>		(59)	-	-	-
<b>Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Melbourne IT Ltd</b>		3,750	2,098	3,458	2,087
Basic earnings per share (cents per share)	28	7.34 cents	4.18 cents		
Diluted earnings per share (cents per share)	28	6.90 cents	3.97 cents		
Franked dividends per share (cents per share)	5	4.0 cents	1.0 cents		

**MELBOURNE IT LTD**
**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	CONSOLIDATED		MELBOURNE IT	
		2004 \$'000s	2003 \$'000s	2004 \$'000s	2003 \$'000s
<b>CURRENT ASSETS</b>					
Cash assets	21(b)	20,833	18,357	19,061	16,412
Receivables	6	4,105	2,200	2,194	1,990
Other financial assets	7	131	-	649	1,197
Other assets	8	9,352	8,817	8,833	8,247
<b>TOTAL CURRENT ASSETS</b>		<b>34,421</b>	<b>29,374</b>	<b>30,737</b>	<b>27,846</b>
<b>NON-CURRENT ASSETS</b>					
Other financial assets	9	1,499	1,792	7,753	3,467
Property, plant and equipment	10	2,000	1,471	1,409	1,044
Intangible assets	11	5,720	697	-	-
Deferred tax assets	12	952	880	926	841
Other assets	13	6,154	5,079	6,132	5,062
<b>TOTAL NON-CURRENT ASSETS</b>		<b>16,325</b>	<b>9,919</b>	<b>16,220</b>	<b>10,414</b>
<b>TOTAL ASSETS</b>		<b>50,746</b>	<b>39,293</b>	<b>46,957</b>	<b>38,260</b>
<b>CURRENT LIABILITIES</b>					
Payables	14	8,737	5,588	8,074	5,913
Provisions	15	872	721	713	668
Current tax liabilities	16	1,434	1,192	827	855
Other liabilities	17	15,984	13,305	14,661	13,082
<b>TOTAL CURRENT LIABILITIES</b>		<b>27,027</b>	<b>20,806</b>	<b>24,275</b>	<b>20,518</b>
<b>NON-CURRENT LIABILITIES</b>					
Provisions	18	196	83	196	83
Other liabilities	19	11,482	9,476	11,482	9,476
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>11,678</b>	<b>9,559</b>	<b>11,678</b>	<b>9,559</b>
<b>TOTAL LIABILITIES</b>		<b>38,705</b>	<b>30,365</b>	<b>35,953</b>	<b>30,077</b>
<b>NET ASSETS</b>		<b>12,041</b>	<b>8,928</b>	<b>11,004</b>	<b>8,183</b>
<b>EQUITY</b>					
Contributed equity	20	8,774	7,342	8,774	7,342
Reserves	24	(59)	-	-	-
Retained profits	24	3,326	1,586	2,230	841
<b>TOTAL EQUITY</b>		<b>12,041</b>	<b>8,928</b>	<b>11,004</b>	<b>8,183</b>

**MELBOURNE IT LTD**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	CONSOLIDATED		MELBOURNE IT	
		2004 \$'000s	2003 \$'000s	2004 \$'000s	2003 \$'000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipt of service revenue and recoveries		64,167	53,330	56,401	51,655
Payments to suppliers and employees		(53,996)	(47,888)	(46,893)	(45,435)
Interest received		801	550	783	533
Grant received		147	316	147	316
Bank charges and credit card merchant fees		(728)	(695)	(634)	(679)
Income tax (paid)/refunded		(1,805)	351	(1,418)	(540)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	21(a)	<u>8,586</u>	<u>5,964</u>	<u>8,386</u>	<u>5,850</u>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>					
Acquisition of property, plant and equipment		(1,110)	(427)	(783)	(478)
Purchase of controlled entity	21(c)	(4,577)	(1,071)	(4,577)	(1,668)
Investments		121	(276)	121	(276)
<b>NET CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES</b>		<u>(5,566)</u>	<u>(1,774)</u>	<u>(5,239)</u>	<u>(2,422)</u>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>					
Proceeds from issue of ordinary shares - DRP		1,003	500	1,003	500
Proceeds from issue of ordinary shares - ESOP		169	29	169	29
Payment of dividend on ordinary shares		(1,779)	(500)	(1,779)	(500)
<b>NET CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES</b>		<u>(607)</u>	<u>29</u>	<u>(607)</u>	<u>29</u>
<b>NET INCREASE IN CASH HELD</b>		2,413	4,219	2,540	3,457
Add opening cash brought forward		18,357	14,691	16,412	13,428
Effect of exchange rate changes on cash		63	(553)	109	(473)
<b>CLOSING CASH CARRIED FORWARD</b>	21(b)	<u>20,833</u>	<u>18,357</u>	<u>19,061</u>	<u>16,412</u>

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of Accounting**

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention except where otherwise stated.

##### **Change in Accounting Policies**

The accounting policies adopted in the preparation and presentation of these financial statements are consistent with those of the previous year, other than accounting for foreign currency translation as it relates to consolidation of foreign controlled entities. In accordance with AASB1012 'Foreign currency translation', exchange differences arising on the translation of self-sustaining foreign operations have been disclosed in a foreign currency translation reserve at December 2004 (refer to note 24). The impact of this change in accounting policy on opening retained earnings is not material.

##### **Principles of consolidation**

The consolidated financial statements have been prepared so as to reflect the financial position of the Melbourne IT Group as a single economic entity. The consolidated financial statements comprise the accounts of Melbourne IT Ltd as the chief entity and the financial statements of all entities, which Melbourne IT Ltd has the capacity to control. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. The balances and effects of transactions between controlled entities included in the consolidated financial statements have been eliminated.

##### **Foreign Currency**

Foreign currency receivables and payables at balance date are translated at exchange rates applicable at balance date. Exchange gains and losses are brought to account in determining the net income for the period.

##### *Translation of financial reports of overseas operations*

For overseas operations that are deemed integrated, the financial reports are translated as at the reporting date using the temporal method and any exchange differences are recognised as revenues or expenses in net result in the reporting period in which they arise.

Revenue and expense items are translated at the exchange rates current at the transaction date, except that non-monetary items are translated at the rates used to translate the corresponding asset / liability.

For overseas operations that are deemed self-sustaining, as each is financially and operationally independent of Melbourne IT Ltd, the financial reports of overseas operations are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

#### Investments

Investments in controlled entities, which are integrated subsidiaries of Melbourne IT Group are recorded at cost in the Melbourne IT Ltd financial statements and eliminated in the consolidated financial statements.

All other non-current Investments are carried at the lower of amortised cost and recoverable amount.

#### Goodwill

Goodwill represents the excess of purchase consideration over the fair value of the identifiable net assets at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortised on a straight-line basis over the period during which the benefits are expected to be received. This is taken to be 10 years.

#### Cash

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days. There are no outstanding bank overdrafts.

#### Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at original invoice value.

#### Recoverable Amount

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount the expected net cash flows have not been discounted to their present value.

#### Property, Plant and Equipment

##### *Cost*

Items of property, plant and equipment are measured at cost.

##### *Depreciation*

Depreciation is provided on a straight-line basis on all property, plant and equipment. Major depreciation periods are:-

	2004	2003
Leasehold improvements	The lease term	The lease term
Plant and equipment	2 to 4 years	2 to 4 years

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

#### Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Rendering of Services*

Revenue is recognised by reference to percentage of completion method. The percentage of completion is determined by reference to the extent of services performed to date on the agreement as a percentage of total services to be performed under the agreement. Revenue is recognised in the financial period in which services are rendered.

Where cash has been received for services yet to be performed pursuant to the agreement, the amount has been classified in the Statement of Financial Position as "Income received in advance".

The following table summarises the revenue and cost recognition policy for Melbourne IT Limited:

Length of Registration - Years	First Month	Per Other Month
1	78.0000%	2.0000%
2	54.0000%	2.0000%
3	36.0000%	1.8286%
4	27.0000%	1.5532%
5	21.6000%	1.3288%
6	18.0000%	1.1549%
7	15.4286%	1.0189%
8	13.5000%	0.9105%
9	12.0000%	0.8224%
10	10.8000%	0.7496%

Revenue is recognised on the above basis within Melbourne IT Limited and Domainz Limited, and on an earned basis for other entities within the Melbourne IT Group.

#### Taxes

##### *Income Taxes*

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the accounts and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

#### Taxes / continued

##### *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on gross basis and the GST component of the cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount GST recoverable from, or payable to, the taxation authority.

#### Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

There were no finance leases as at 31 December 2004.

#### Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount.

#### Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events and it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

#### **Expenditure Carried Forward – Prepayment of Domain Name Registry Charges**

Significant items of expenditure having a benefit or relationship to more than one period are written off over the periods to which such expenditure relates.

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

#### **Employee Entitlements**

Provision is made for employee entitlements accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability are used.

Employee entitlement expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements; and
  - other types of employee entitlements
- are recognised against profits on a net basis in their respective categories.

The value of the employee share option plan described in note 32 is not being charged as an employee entitlement expense.

#### **Contributed Equity**

Ordinary share capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

#### **Derivative Financial Instruments**

##### *Forward exchange contracts*

The consolidated entity enters into forwards exchange contracts where it agrees to buy or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies, to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than 12 months.

Forward exchange contracts are recognised at the date the contract is entered into. Exchange gains and losses on forward exchange contracts are recognised in net profit except those relating to hedges of specific commitments that are deferred and included in the measurement of the sale or purchase.

##### *Foreign currency options*

The consolidated entity has entered into a number of foreign currency option contracts. The options have been treated in accordance with hedge accounting, as the approximate value of the purchase and entities with which the transactions will be entered is presently known.

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

#### Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses: and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and the dilutive potential ordinary shares, adjusted for any bonus element.

#### Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	CONSOLIDATED		MELBOURNE IT	
	2004	2003	2004	2003
	\$'000s	\$'000s	\$'000s	\$'000s
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>				
Revenue from operating activities				
Registration revenue	54,563	48,001	48,892	46,218
Consulting revenue	3,764	426	648	426
Value Added Products revenue	1,046	620	754	616
Revenue from non-operating activities				
Interest	801	550	783	533
Government grant	147	300	147	300
Proceeds from disposal of non-current assets	-	-	-	-
<b>Total revenue from ordinary activities</b>	<b>60,321</b>	<b>49,897</b>	<b>51,224</b>	<b>48,093</b>

**3. EXPENSES AND (LOSSES )/ GAINS**

**(a) Depreciation and amortisation expenses**

Depreciation of non-current assets				
Fit out - Please refer to Note A	74	579	70	579
Plant and equipment	568	917	333	511
Furniture	15	15	13	13
<b>Total depreciation of non-current assets</b>	<b>657</b>	<b>1,511</b>	<b>416</b>	<b>1,103</b>
Amortisation of non-current assets				
Goodwill	456	24	-	-
Other investments	363	251	363	251
<b>Total amortisation of non-current assets</b>	<b>819</b>	<b>275</b>	<b>363</b>	<b>251</b>
<b>Total depreciation and amortisation expenses</b>	<b>1,476</b>	<b>1,786</b>	<b>779</b>	<b>1,354</b>

Note A = During 2003, the company accelerated the depreciation of its leasehold improvements to reflect their revised estimate of useful life. The effect of this change was to increase depreciation expense by \$369,899.

**(b) Other expenses from ordinary activities**

Travel & accommodation	585	392	437	385
Financial & legal	2,586	1,855	2,366	1,792
Rental – operating leases	878	676	430	547
Communications	947	710	685	630
Marketing	465	257	373	249
Net foreign currency exchange loss	69	667	96	536
Bad debts and doubtful debts	100	180	37	177
Net gain on disposal of property, plant & equipment	(195)	(50)	(192)	(50)
Other expenses	2,072	1,696	2,526	3,266
<b>Total other expenses from ordinary activities</b>	<b>7,507</b>	<b>6,382</b>	<b>6,758</b>	<b>7,532</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	CONSOLIDATED		MELBOURNE IT	
	2004	2003	2004	2003
	\$'000s	\$'000s	\$'000s	\$'000s
<b>4. INCOME TAX</b>				
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:				
Prima facie tax on profit from ordinary activities	1,578	983	1,427	944
Tax effect of differences				
Other items (net)	61	257	61	175
Over provision of previous year	(191)	(61)	(191)	(61)
Income tax attributable to operating profit	1,448	1,179	1,297	1,058

**5. DIVIDENDS PAID OR PROVIDED FOR  
ON ORDINARY SHARES**
**(a) Dividends paid during the year**
**(i) Current year - interim**

Franked dividends (2.0 cents per share) (2003: 1.0 cents)	1,048	500	1,048	500
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**(ii) Previous year - final**

Franked dividends (2.0 cents per share) (2003: n/a)	1,021	-	1,021	-
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**(b) Dividends proposed and not recognised as a liability**

Franked dividends (3.5 cents per share) (2003: 2.0 cents)	1,850	1,021	1,850	1,021
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**(c) Franking credit balance**

The amount of franking credits available for the subsequent financial year are:

- franking account balance as at the end of the financial year at 30% (2003: 30%)			3,637	4,320
- franking credits that will arise from the payment of income tax payable as at the end of the financial year			191	182
			3,828	4,502

At the 22 February 2005 Board Meeting, the directors declared a final dividend of 3.5 cents per share, fully franked. This dividend has not been provided for as at 31 December 2004.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	<b>CONSOLIDATED</b>		<b>MELBOURNE IT</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Note</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
<b>6. RECEIVABLES (CURRENT)</b>				
Trade debtors	4,564	2,756	2,590	2,538
Provision for doubtful debts	(459)	(556)	(396)	(548)
	<u>4,105</u>	<u>2,200</u>	<u>2,194</u>	<u>1,990</u>
<b>(a) Related party receivables</b>				
Wholly-owned group - controlled entities	-	-	-	251

**(b) Terms and conditions**

Terms and conditions relating to the above financial instruments

(i) Trade debtors are non-interest bearing and generally on 14 day terms

(ii) Related party receivables are non-interest bearing and generally on 30 day terms

**MELBOURNE IT LTD****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	<b>CONSOLIDATED</b>		<b>MELBOURNE IT</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
<b>7. OTHER FINANCIAL ASSETS (CURRENT )</b>				
Loan to US subsidiary	-	-	-	955
Loan to Spanish subsidiary	-	-	-	242
Loan to Cogent subsidiary	-	-	518	-
Foreign currency options	131	-	131	-
	<hr/>	<hr/>	<hr/>	<hr/>
	131	-	649	1,197
	<hr/>	<hr/>	<hr/>	<hr/>

**Terms and conditions**

Terms and conditions relating to the above financial instruments

(a) The loans provided by Melbourne IT Ltd to its subsidiaries are interest bearing and payable on demand.

**8. OTHER ASSETS (CURRENT)**

Prepayment of domain name registry charges	8,111	7,154	7,862	6,953
Other prepayments	1,092	876	832	832
Accrued income	-	584	-	260
Input tax credit	149	203	139	202
	<hr/>	<hr/>	<hr/>	<hr/>
	9,352	8,817	8,833	8,247
	<hr/>	<hr/>	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

CONSOLIDATED		MELBOURNE IT	
2004	2003	2004	2003
\$'000s	\$'000s	\$'000s	\$'000s

**9. OTHER FINANCIAL ASSETS (NON-CURRENT)**

***Investments at recoverable amount:***

Investments in other unlisted entities	1,175	1,419	1,175	1,419
Provision for amortisation	(1,012)	(963)	(1,012)	(963)
	163	456	163	456

***Investments at cost comprise:***

Investment in Spanish subsidiary	-	-	5	5
Investment in Cogent subsidiary	-	-	4,577	-
Investment in New Zealand subsidiary	-	-	1,671	1,668
Investment in US subsidiary	-	-	1	1
	0	0	6,254	1,674

***Investment in Neulevel Inc.:***

Investment in Neulevel Inc.	2,113	2,113	2,113	2,113
Provision for diminution in value	(777)	(777)	(777)	(777)
	1,336	1,336	1,336	1,336
	1,499	1,792	7,753	3,467

**Terms and conditions**

Terms and conditions relating to the above financial assets

(i) The investment in Neulevel Inc. was written down from \$7.9 million to \$1.06 million at 31 December 2003. After taking into account the adverse impact of the appreciating Australian dollar and further equity of \$275,000 invested during 2003, the investment in Neulevel has been recorded at its recoverable amount of \$1.336 million at 31 December 2003, and again at 31 December 2004. The remaining investment in Neulevel Inc. represents 10% of the equity, the other 90% of the equity is held by NeuStar Inc.

Investment Name	Balance Date	Ownership interest 2004
NeuLevel Inc	31 December 2004	10%

**Principal Activities**

- (i) NeuLevel Inc is a provider of domain name registry services to the internet community. In 2001 NeuLevel was awarded the registry contract from ICANN for the .biz generic top level domain name.
- (ii) Domainz Ltd is a provider of domain name registry services to the internet community, predominately within New Zealand.
- (iii) Cogent is the provider of Consulting and Management services to large public and private enterprises with offices in Sweden, London Paris and Amsterdam.
- (iv) The shares and units invested in unlisted entities are carried at market value. These investments include up front payments for licensin arrangements which are held at cost and amortised over the periods over which the renewal streams will return the initial outlay.
- (v) Investments in controlled entities are initial capital investments and are eliminated in the consolidated financial statements.

Interests in subsidiaries	Country of Incorporation	Percentage of equity interest held by the consolidated	
		2004	2003
		%	%
Internet Names Worldwide (US), Inc - Ordinary shares	USA	100	100
Internet Names Worldwide Espana SL - Ordinary	Spain	100	100
Domainz Ltd - Ordinary Shares	New Zealand	100	100
Cogent IPC - Ordinary Shares	Sweden	100	N/A

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004

	CONSOLIDATED		MELBOURNE IT	
	2004	2003	2004	2003
	\$'000s	\$'000s	\$'000s	\$'000s
<b>10. PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT)</b>				
<i>Leasehold improvements</i>				
At cost	1,682	1,743	1,612	1,611
Accumulated amortisation	(1,287)	(1,274)	(1,277)	(1,206)
	395	469	335	405
<i>Plant and equipment</i>				
At cost	7,359	6,254	4,677	3,898
Accumulated depreciation	(5,847)	(5,328)	(3,643)	(3,310)
	1,512	926	1,034	588
<i>Furniture and fittings</i>				
At cost	243	179	105	103
Accumulated depreciation	(150)	(103)	(65)	(52)
	93	76	40	51
<i>Total property, plant and equipment</i>				
At cost	9,284	8,176	6,394	5,612
Accumulated depreciation and amortisation	(7,284)	(6,705)	(4,985)	(4,568)
Total written down amount	2,000	1,471	1,409	1,044

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	CONSOLIDATED		MELBOURNE IT	
	2004	2003	2004	2003
Notes	\$'000s	\$'000s	\$'000s	\$'000s
<b>10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)</b>				
<b>Reconciliations</b>				
Reconciliations of the carrying amounts of leasehold improvements, plant and equipment and furniture/fittings at the beginning and end of the current and previous financial year.				
<i>Leasehold improvements</i>				
Carrying amount at beginning	469	980	405	980
Additions	-	68	1	4
Disposals	-	-	-	-
Depreciation expense	(74)	(579)	(71)	(579)
	395	469	335	405
<i>Plant and Equipment</i>				
Carrying amount at beginning	926	1,130	588	629
Additions	1,154	713	780	472
Disposals	-	-	-	-
Depreciation expense	(568)	(917)	(334)	(513)
	1,512	926	1,034	588
<i>Furniture and fittings</i>				
Carrying amount at beginning	76	70	51	63
Additions	32	21	2	1
Disposals	-	-	-	-
Depreciation expense	(15)	(15)	(13)	(13)
	93	76	40	51
Total written down amount	2,000	1,471	1,409	1,044
<b>11. INTANGIBLES</b>				
Goodwill	6,200	721	-	-
Accumulated amortisation	(480)	(24)	-	-
	5,720	697	-	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	<b>CONSOLIDATED</b>		<b>MELBOURNE IT</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
<b>12. FUTURE INCOME TAX BENEFIT (NON-CURRENT)</b>				
	952	880	926	841

This future income tax benefit will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in the tax legislation adversely affect the consolidated entity in realising the benefit.

**13. OTHER ASSETS (NON-CURRENT)**

Prepayment of domain name registry charges	6,132	5,062	6,132	5,062
Rental bond	22	17	-	-
	6,154	5,079	6,132	5,062

**14. PAYABLES (CURRENT)**

Trade creditors	1,733	858	885	431
Sundry creditors	192	5	192	5
Deposits received in advance	1,113	789	1,113	789
Accrued expenses	4,897	3,697	4,168	3,354
Taxes payable	802	239	471	228
	8,737	5,588	6,829	4,807
Aggregate amounts payable to related parties: - controlled entities	-	-	1,245	1,106
Total payables	8,737	5,588	8,074	5,913

(a) Terms and conditions relating to trade creditors:

- (i) Trade creditors are non-interest bearing and are normally settled within agreed trading terms.
- (ii) Sundry creditors are non-interest bearing and are normally settled within agreed trading terms.
- (iii) Amounts payable to related parties are interest bearing and payable on demand

**15. PROVISIONS (CURRENT)**

Employee benefits	872	721	713	668
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	CONSOLIDATED		MELBOURNE IT	
	2004	2003	2004	2003
	\$'000s	\$'000s	\$'000s	\$'000s
<b>16. PROVISION FOR INCOME TAX</b>				
Income tax	1,434	1,192	827	855
<b>17. OTHER LIABILITIES (CURRENT)</b>				
Income received in advance	15,984	13,305	14,661	13,082
<b>18. PROVISIONS (NON-CURRENT)</b>				
Employee benefits	196	83	196	83
<b>19. OTHER LIABILITIES (NON-CURRENT)</b>				
Income received in advance	11,482	9,476	11,482	9,476
<b>20. CONTRIBUTED EQUITY</b>				
<b>(a) Issued and paid-up capital</b>				
Ordinary shares each fully paid	8,774	7,342	8,774	7,342
<b>(b) Movements in shares on issue</b>				
	2004		2003	
	No. of Shares	\$'000s	No. of Shares	\$'000s
Beginning of the financial year	50,922,068	7,342	50,000,000	6,813
Issued during the year				
- dividend reinvestment scheme	1,544,496	1,263	862,068	500
- Executive and employee options exercised	337,800	169	60,000	29
End of the financial year	52,804,364	8,774	50,922,068	7,342

**(c) Share Options***Options over ordinary shares*

During the financial year 1,333,900 options were issued over ordinary shares, exercisable from the first anniversary from the date of issue and with an issue term of 5 years. The options had a weighted average exercise price of 0.8774. Details are provided in Note 32. At the end of the year there were 3,770,300 (2003: 2,944,000) unissued ordinary shares in respect of which options were outstanding.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	CONSOLIDATED		MELBOURNE IT	
	2004	2003	2004	2003
	\$'000s	\$'000s	\$'000s	\$'000s
<b>21. STATEMENT OF CASH FLOWS</b>				
<b>(a) Reconciliation of the operating profit after tax to the net cash flows from operations:</b>				
Operating profit after tax	3,809	2,098	3,458	2,087
Depreciation of non-current assets	657	1,511	415	1,102
Amortisation of non-current assets	819	251	363	251
Unrealized (gains)/losses in FX translations/options	6	667	33	536
Provision for employee entitlements	149	122	156	123
Provision for doubtful debts	23	96	-	88
Net (gain)/ loss on disposal of investments	(195)	(50)	(192)	(50)
<b>Changes in assets and liabilities</b>				
Trade debtors	(52)	98	1,935	374
Prepayments	(1,818)	(3,168)	(1,787)	(2,970)
Accrued income	584	(21)	260	(21)
Future income tax benefit	(72)	(152)	(85)	(166)
Accounts payable	656	96	(52)	213
Income tax provision	(278)	1,360	(28)	1,375
Income received in advance	3,974	3,256	3,586	3,108
Deposits received in advance	324	(200)	324	(200)
Net cash flow from operating activities	8,586	5,964	8,386	5,850
<b>(b) Reconciliation of cash</b>				
Cash balance comprises:				
Cash on hand	6,068	4,940	4,296	2,995
Cash - term deposit	9,765	5,438	9,765	5,438
Cash - commercial bills	5,000	7,979	5,000	7,979
<b>Closing cash balance</b>	<b>20,833</b>	<b>18,357</b>	<b>19,061</b>	<b>16,412</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**CONSOLIDATED**  
2004      2003  
\$'000s    \$'000s

**21. STATEMENT OF CASH FLOWS (Cont'd)**

**(c) Change in composition of Melbourne IT Ltd.**

On 1 April 2004, Melbourne IT Ltd acquired the Cogent IPC Group - a European Firm with offices in Stockholm, London, Paris and Amsterdam. Cogent IPC provides global online brand management services with current clients in the airline, automotive, clothing, banking, electrical, IT, furniture, food and beverage industries.

<b>Consideration</b>	<b>\$'000s</b>	
- cash paid	4,577	-
<hr/>		
<b>Net assets of the Cogent IPC Group at 1 April 2004</b>		
- cash	-	-
- trade debtors	1,684	-
- other net liabilities (1)	(1,910)	-
	(226)	-
- employee provision	(114)	-
- Pre acquisition adjustment to fair value of net tangible assets acquired (2)	(494)	-
- fair value of net tangible assets acquired	(834)	-
- goodwill arising on acquisition	5,411	-
	<u>4,577</u>	<u>-</u>
Net cash effect		
Cash consideration paid	4,577	-
Cash included in net assets acquired	-	-
Cash paid for purchase of controlled entity as reflected in the consolidated statement of cash flows.	<u>4,577</u>	<u>-</u>

(1) Included within 'Other Net Liabilities' was a Provision for Reconstruction Costs' of \$259,000.

(2) Includes a pre acquisition adjustment for the provision of outstanding tax liabilities and associated penalties at 31 December 2004.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	CONSOLIDATED		MELBOURNE IT	
	2004	2003	2004	2003
Note	\$'000s	\$'000s	\$'000s	\$'000s

**22. EXPENDITURE COMMITMENTS**

Lease expenditure commitments

Operating leases

Minimum lease payments

- not later than one year

593 563 336 563

- later than one year and not later than five years

1,428 94 1,259 94

Aggregate lease expenditure contracted for at reporting date

2,021 657 1,595 657

**23. EMPLOYEE BENEFITS AND  
SUPERANNUATION COMMITMENTS**

**Employee Benefits**

The aggregate employee benefit liability comprises:

Accrued wages, salaries, bonuses and on costs		1,304	765	1,202	761
Provisions (current)	15	872	721	713	668
Provisions (non-current)	18	196	83	196	83
		2,373	1,569	2,111	1,512

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Note	CONSOLIDATED		MELBOURNE IT	
		2004 \$'000s	2003 \$'000s	2004 \$'000s	2003 \$'000s
<b>24. RESERVES AND RETAINED PROFITS / (LOSSES)</b>					
Foreign currency translation	24(a)	(59)	-	-	-
		<u>(59)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Retained profits	24(b)	<u>3,326</u>	<u>1,586</u>	<u>2,230</u>	<u>841</u>

**(a) Foreign currency translation reserve***(i) Nature and purpose of reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

*(ii) Movements in reserve*

Balance at the beginning of the year		-	-	-	-
Gain (loss) on translation of overseas controlled entities		(59)	-	-	-
Balance at the end of the year		<u>(59)</u>	<u>-</u>	<u>-</u>	<u>-</u>

**(b) Retained profits**

Balance at the beginning of the year		1,586	(12)	841	(746)
Net profit attributable to members of Melbourne IT Limited		3,809	2,098	3,458	2,087
Total available for appropriation		<u>5,395</u>	<u>2,086</u>	<u>4,299</u>	<u>1,341</u>
Dividends paid	5	(2,069)	(500)	(2,069)	(500)
Balance at the end of the year		<u>3,326</u>	<u>1,586</u>	<u>2,230</u>	<u>841</u>

MELBOURNE IT LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004

25. SEGMENT INFORMATION

	Europe											
	Melbourne IT Ltd		Domainz Ltd (1)		Cogent IPC Group (2)		INWW Espana (Spain)		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue												
Revenue from operating activities	48,892	46,218	2,258	701	-	-	1,210	1,082	(90)	-	54,563	48,001
Registration revenue	648	426	20	-	-	-	5	-	-	-	3,764	426
Consulting revenue	754	616	292	-	-	-	-	4	-	-	1,046	620
Value Added Products revenue												
Revenue from non-operating activities												
Interest	783	533	19	7	-	-	13	10	(14)	-	801	550
Government grant	147	300	-	-	-	-	-	-	-	-	147	300
Total segment revenue	51,224	48,093	2,589	708	-	-	1,228	1,096	(104)	-	60,321	49,897
Segment Result	3,529	2,203	226	(134)	-	-	261	29	(358)	-	3,809	2,098

(1) - Domainz Limited was acquired in September 2003 thereby only representing 4 months in 2003.

(2) - Cogent IPC Group was acquired in April 2004 thereby only representing 9 months in 2004.

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

#### 26. CONTINGENT LIABILITIES

- (a) The company has received grants from the Federal and State governments that are subject to certain performance criteria and continuing obligations. If these criteria and obligations are not satisfied, there is the possibility that the grants received may need to be repaid. The directors of the company consider that the company has satisfied, or is continuing to satisfy, the performance criteria and obligations in relation to grants received and accordingly the directors consider it unlikely that repayments of such grants will be required.
- (b) The company has standby Letters of Credit totalling US\$2,700,000 in accordance with various Registry Licence Agreements. These standby Letters of Credit are due to expire on 30 June 2005, at which time it is expected that they will be renewed for another 12 months.
- (c) A Bank Guarantee of AUD\$155,320 has been issued in favour of Perpetual Trustee Company Limited in accordance with the lease agreement for Levels 1 & 2, 120 King St, Melbourne.
- (d) Melbourne IT Limited's Joint Venture agreement with Neulevel commits both parties to meet cash calls from Neulevel as required, until such time as Neulevel can fund its ongoing activities. Melbourne IT Limited has estimated that there will be no further cash calls required during 2005, subject to any material change in Neulevel's operations.

#### 27. SUBSEQUENT EVENTS

In January 2005, Cogent IPC Group AB, received a letter from the Swedish Tax Authorities questioning the validity of Cogent's carried forward tax losses at 31 December 2003 - pre its acquisition by Melbourne IT Ltd. The company is currently opposing the Authority's tax assessment as well as the associated tax penalties.

The company has elected to provide the full value of the tax assessment and associated penalties totalling \$494,000. This cost has been treated as an adjustment to the purchase price of the Cogent IPC Group at 1 April 2004.

Refer to Note 21(c) for acquisition details.

At the 22 February 2005 Board Meeting, the directors declared a 3.5 cents fully franked final dividend on ordinary shares in respect of the 31 December 2004 full year. The total amount of the dividend is \$1,850,000, assuming that 100% of the dividend is paid out to shareholders. Melbourne IT Limited does operate a Dividend Re-Investment Plan ("DRP").

This final dividend has not been provided for in the 31 December 2004 full year financial statements.

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.

**MELBOURNE IT LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2004**

**28. EARNINGS PER SHARE**

**CONSOLIDATED**  
**2004**                      **2003**  
\$'000                      \$'000

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Net profit	3,809	2,098
	Number of shares	Number of shares
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	51,869,265	50,173,678
Adjusted weighted average number of ordinary Shares used in calculating diluted earnings per share	55,233,075	52,847,511

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

#### 29. DIRECTOR AND EXECUTIVE DISCLOSURES

##### (a) Details of Specified Directors and Specified Executives

###### *(i) Specified non-executive directors*

Mr Rob Stewart	Chairman (non-executive)
Dr Mark Toner	Deputy Chairman (non-executive)
Prof. Iain Morrison	Director (non-executive)
Mr Tom Kiing	Director (non-executive)
Mr Simon Jones	Director (non-executive)

###### *(ii) Specified executive directors and executives*

Mr Theo Hnarakis	Chief Executive Officer / Managing Director
Mr Tom Mackey	Senior Vice President, Reseller
Mr Andrew Field	Chief Financial Officer
Dr Bruce Tonkin	Chief Technology Officer
Mr Guye Engel	Chief Information Officer - Production & Development

##### (b) Remuneration of Specified Directors and Specified Executives

###### *(i) Remuneration Policy*

The Human Resource, Remuneration & Nomination Committee ("HRRNC") of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the managing director, and the executive team. The HRRNC assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis (at least annually) by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

To assist in achieving these objectives, the HRRNC links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. All senior executives have the opportunity to qualify for participation in the Executive Incentive Plan which currently provides a cash incentive where specified criteria are met (including criteria relating to cost control, profitability and cash flow).

It is the policy of the HRRNC that employment agreements shall be entered into with all relevant executives. The current employment agreements provide an understanding of how the amount of remuneration in the current reporting period was determined and how the terms of the contract affect remuneration in future periods, along with, for each grant of a cash bonus, performance-related bonus or *share-based payment compensation* benefit, whether part of a specific contract for services or not, the terms and conditions of each grant affecting remuneration in this or future reporting periods including the grant date, the nature of the remuneration granted, and the service and performance criteria used to determine the amount of remuneration.

MELBOURNE IT LTD

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2004

29. DIRECTOR AND EXECUTIVE DISCLOSURES / continued

(ii) Remuneration of Specified Directors

2004 Specified Directors	Annual Emoluments				Long Term Emoluments	
	Base Salary \$	Other \$	Super Cont. \$	Total \$	Options Granted during Period	Amort. Expense during Period (1) \$
Mr Robert Stewart	105,800	6,006	9,522	121,328	-	3,292
Prof. Iain Morrison	46,000	-	4,140	50,140	-	1,646
Mr Mark Toner	52,000	-	4,680	56,680	-	1,646
Mr Tom Kiing	46,000	-	4,140	50,140	-	2,925
Mr Simon Jones	52,000	-	4,680	56,680	-	2,925
<b>Total 2004</b>	<b>301,800</b>	<b>6,006</b>	<b>27,162</b>	<b>334,968</b>	<b>-</b>	<b>12,434</b>

2003 Specified Directors	Annual Emoluments				Long Term Emoluments	
	Base Salary \$	Other \$	Super Cont. \$	Total \$	Options Granted during Period	Amort. Expense during Period \$
Mr Robert Stewart	111,333	6,006	10,020	127,349	-	6,930
Prof. Iain Morrison	40,000	-	3,600	43,600	-	3,465
Mr Mark Toner	40,000	-	3,600	43,600	-	3,465
Mr Tom Kiing	38,702	-	3,483	42,185	35,000	2,730
Mr Simon Jones	34,663	-	3,120	37,783	35,000	2,730
<b>Total 2003 (*)</b>	<b>264,698</b>	<b>6,006</b>	<b>23,823</b>	<b>294,527</b>	<b>70,000</b>	<b>19,320</b>

\* Group totals in respect of the financial year ended 2003 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003.

(1) No options were granted during the period. The expense relates to the amortisation of the fair value of options granted prior to the year ended 31 December 2004.

MELBOURNE IT LTD

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2004

29. DIRECTOR AND EXECUTIVE DISCLOSURES / continued

(iii) Remuneration of Specified Executives

2004 Specified Executives	Annual Emoluments					Long Term Emoluments	
	Base Salary \$	Bonuses \$	Other \$	Super Cont. \$	Total \$	Options Granted during Period	Amort. Expense during Period (1) \$
Mr Theo Hnarakis	286,239	132,276	6,006	29,029	453,550	-	27,296
Mr Thomas Mackey	233,284	49,844	27,520	34,196	344,844	-	5,962
Mr Andrew Field	187,500	41,875	6,006	18,038	253,419	-	5,598
Dr Bruce Tonkin	172,000	40,900	4,107	16,723	233,730	-	5,598
Mr Guye Engel	175,000	27,948	-	17,689	220,637	-	3,266
<b>Total 2004</b>	<b>1,054,023</b>	<b>292,843</b>	<b>43,639</b>	<b>115,675</b>	<b>1,506,180</b>	<b>-</b>	<b>47,720</b>

2003 Specified Executives	Annual Emoluments					Long Term Emoluments	
	Base Salary \$	Bonuses \$	Other \$	Super Cont. \$	Total \$	Options Granted during Period	Amort. Expense during Period \$
Mr Theo Hnarakis	245,004	45,000	30,225	24,771	345,000	-	37,800
Mr Thomas Mackey	237,122	-	-	8,272	245,394	50,000	9,930
Mr Andrew Field	140,712	28,000	37,000	15,994	221,706	-	11,880
Dr Bruce Tonkin	164,480	27,500	-	14,802	206,782	-	11,880
Mr Guye Engel	170,019	11,200	-	15,302	196,521	-	6,930
<b>Total 2003 (*)</b>	<b>957,337</b>	<b>111,700</b>	<b>67,225</b>	<b>79,141</b>	<b>1,215,403</b>	<b>50,000</b>	<b>78,420</b>

\* Group totals in respect of the financial year ended 2003 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003.

(1) No options were granted during the period. The expense relates to the amortisation of the fair value of options granted prior to the year ended 31 December 2004.

**MELBOURNE IT LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2004**

**29. DIRECTOR AND EXECUTIVE DISCLOSURES / continued**

**(c) Option holdings of Specified Directors and Specified Executives**

Options held in Melbourne IT Ltd	Balance at beginning of period 1 Jan '04	Granted as Remuneration	Options Exercised	Balance at beginning of period 1 Jan '04	Total	Not Exercisable	Exercisable
<b>Specified Directors</b>							
Mr Robert Stewart	70,000	-	-	-	70,000	28,000	42,000
Prof. Iain Morrison	35,000	-	-	-	35,000	14,000	21,000
Mr Mark Toner	35,000	-	-	-	35,000	14,000	21,000
Mr Tom Kiing	35,000	-	-	-	35,000	14,000	21,000
Mr Simon Jones	35,000	-	-	-	35,000	14,000	21,000
<b>Specified Executives</b>							
Mr Theo Hnarakis	480,000	-	-	-	480,000	192,000	288,000
Mr Thom Mackey	120,000	-	-	-	120,000	48,000	72,000
Mr Andrew Field	120,000	-	-	-	120,000	48,000	72,000
Dr Bruce Tonkin	120,000	-	-	-	120,000	48,000	72,000
Mr Guye Engel	70,000	-	-	-	70,000	28,000	42,000
<b>Total 2004</b>	<b>1,120,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,120,000</b>	<b>448,000</b>	<b>672,000</b>

**(d) Shareholdings of Specified Directors and Specified Executives**

Shares held in Melbourne IT Ltd	Balance at 1 January 2004	Granted as Remuneration	On exercise of Options	Net Change Other	Balance at 31 December 2004
<b>Specified Directors</b>					
Mr Robert Stewart	50,861	-	-	8,272	59,133
Prof. Iain Morrison	11,000	-	-	-	11,000
Mr Mark Toner	110,000	-	-	-	110,000
Mr Tom Kiing	6,486,547	-	-	(500,000)	5,986,547
Mr Simon Jones	18,310	-	-	818	19,128
<b>Specified Executives</b>					
Mr Theo Hnarakis	171,046	-	-	4,396	175,442
Mr Thom Mackey	-	-	-	-	-
Mr Andrew Field	20,000	-	-	615	20,615
Dr Bruce Tonkin	10,000	-	-	-	10,000
Mr Guye Engel	2,500	-	-	-	2,500
<b>Total 2004</b>	<b>6,880,264</b>	<b>-</b>	<b>-</b>	<b>(515,899)</b>	<b>6,394,365</b>

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

#### 29. DIRECTOR AND EXECUTIVE DISCLOSURES / continued

All equity transactions with specified directors and specified executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

##### (h) Other Transactions and Balances with Specified Directors and Specified Executives

###### Purchases

During the period, payments for consulting services of \$4,812 (2003: \$12,500) were made to ENOVIT Pty Ltd a company in which Prof. Iain Morrison is a Director. The rates paid for these services were made under normal commercial terms and conditions.

#### 30. AUDITORS' REMUNERATION

	CONSOLIDATED		MELBOURNE IT	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Amounts received or due and receivable by the auditors of Melbourne IT Ltd for:				
- an audit or review of the financial statements of the entity and any other entity in the consolidated entity.	213,201	136,480	101,000	114,640
- other services in relation to the entity and any other entity in the consolidated entity	81,143	64,768	81,143	64,768
	<u>294,344</u>	<u>201,248</u>	<u>182,143</u>	<u>179,408</u>
	=====	=====	=====	=====

#### 31. RELATED PARTY DISCLOSURES

##### Ultimate parent

The ultimate Australian parent entity in the wholly owned group is Melbourne IT Limited.

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

#### 32. SHARE OPTIONS

The Melbourne IT Executive & Employee Option Plan(s) have been established where employees and directors of the company are issued with options over the ordinary shares of Melbourne IT Limited. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the directors of Melbourne IT Limited. The options cannot be transferred and will not be quoted on the ASX. All of the directors (including non-executive directors) and full-time or permanent part-time employees of the company or any of its related body corporates are eligible to participate in the option plan.

During the year 337,800 options under the Melbourne IT Executive & Employee Option Plan(s) were exercised at an average price of \$0.5010 cents.

##### **General Terms of Options**

Options are issued free of charge. Each option is to subscribe for one fully paid Share. When issued, the Share will rank equally with other Shares. The options are not transferable except to the legal personal representative of a deceased or legally incapacitated option holder. The options are issued for a term of 5 years, 30% are exercisable after 6 months from the issue date, a further 30% are exercisable after 18 months from the issue date and the final 40% are exercisable after 36 months from the issue date.

Under the Option Plan, the options have other terms specified at the time the options are offered. These terms differ between directors, senior executives and general employees. The terms may include conditions, which set out the number or percentage of options able to be exercised at certain time periods or under certain circumstances. For directors and senior executives performance conditions may require that the number of options able to be exercised be reduced or that some or all of the options lapse under specified circumstances.

The Board has adopted certain policies concerning the terms of the options to be granted under the Option Plan. The Board has the absolute discretion to change these policies at any time, although any change in its policies will have an effect only on options that are issued at or after the time of the change.

**MELBOURNE IT LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2004**

**32. SHARE OPTIONS / continued**

**(a) Options held at the beginning of the reporting period:**

The following table summarises information about options held by directors and employees as at 1 January 2004:

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
2,119,000	7 June 2002	7 December 2002	7 June 2007	0.5100
360,000	30 December 2002	30 June 2003	30 December 2007	0.3900
171,000	19 March 2003	19 September 2003	19 March 2008	0.3315
70,000	20 June 2003	20 December 2003	20 June 2008	0.3315
224,000	23 October 2003	23 April 2004	23 October 2008	0.5500
<b>2,944,000</b>				

**(b) Options granted during the reporting period:**

The following table summarises information about options granted by Melbourne IT Limited to directors and employees during the year:

	2004			2003		
Number of Options	338,900	686,000	309,000	194,000	70,000	224,000
Grant date	14 April 2004	10 May 2004	5 Nov. 2004	19 March 2003	20 June 2003	23 Oct. 2003
First Vesting date	14 Oct. 2004	10 Nov. 2004	5 May 2005	19 Sept. 2003	20 Dec. 2003	23 April 2004
Weighted Average Price	\$0.8329	\$0.7616	\$1.1929	\$0.3315	\$0.3315	\$0.5500

MELBOURNE IT LTD

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2004

32. SHARE OPTIONS / continued

(c) Options exercised during the reporting period:

The following table summarises information about options exercised by directors and employees during the year ended 31 December 2004:

No. of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price	Net Proceeds from Shares Issued	Issue Date	Fair Value of Shares Issued (1)
12,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 6,120	15-Jan	\$ 0.55
21,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 10,710	9-Mar	\$ 0.78
12,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 6,120	3-Mar	\$ 0.79
21,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 10,710	13-Apr	\$ 0.81
2,100	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 1,071	21-Apr	\$ 0.82
9,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 4,590	21-Apr	\$ 0.82
6,000	19/03/03	19/09/03	17/03/08	\$0.3315	\$ 1,989	4-May	\$ 0.79
4,200	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 2,142	4-May	\$ 0.79
2,100	23/10/03	23/04/04	21/10/08	\$0.5500	\$ 1,155	13-May	\$ 0.75
4,200	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 2,142	28-Jun	\$ 0.83
6,000	19/03/03	19/09/03	17/03/08	\$0.3315	\$ 1,989	5-Jul	\$ 0.88
4,200	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 2,142	9-Jul	\$ 0.88
12,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 6,120	15-Jul	\$ 0.86
9,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 4,590	15-Jul	\$ 0.86
20,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 10,200	6-Aug	\$ 1.04
4,200	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 2,142	12-Aug	\$ 1.12
4,200	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 2,142	31-Aug	\$ 1.10
7,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 3,570	31-Aug	\$ 1.10
2,100	23/10/03	23/04/04	21/10/08	\$0.5500	\$ 1,155	31-Aug	\$ 1.10
7,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 3,570	13-Oct	\$ 1.09
24,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 12,240	13-Oct	\$ 1.09
6,000	19/03/03	19/09/03	17/03/08	\$0.3315	\$ 1,989	15-Oct	\$ 1.07
40,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 20,400	26-Oct	\$ 1.20
3,500	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 1,785	26-Oct	\$ 1.20
7,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 3,570	4-Nov	\$ 1.20
24,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 12,240	5-Nov	\$ 1.20
60,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 30,600	17-Nov	\$ 1.32
4,000	07/06/02	07/12/02	06/06/07	\$0.5100	\$ 2,040	17-Nov	\$ 1.32
337,800					\$ 169,233		

(1) = Fair values of shares during the reporting period is estimated to be the market prices of shares in Melbourne IT Limited on the ASX as at the close of trading on their respective issue dates.

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

#### 32. SHARE OPTIONS / continued

The following table summarises information about options exercised by directors and employees during the year ended 31 December 2003:

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price	Net Proceeds from Shares Issued	Issue Date	Fair Value of Shares Issued (1)
6,000	19/03/03	19/09/03	19/03/08	0.3315	\$1,989	03/12/03	0.5271
18,000	14/06/02	14/12/02	14/06/07	0.5100	\$9,180	16/12/03	0.5704
9,000	14/06/02	14/12/02	14/06/07	0.5100	\$4,590	16/12/03	0.5723
24,000	14/06/02	14/12/02	14/06/07	0.5100	\$12,240	24/12/03	0.5700
3,000	14/06/02	14/12/02	14/06/07	0.5100	\$1,530	16/12/03	0.5704
<b>60,000</b>					<b>\$29,529</b>		

(1) = Fair values of shares during the reporting period is estimated to be the market prices of shares in Melbourne IT Limited on the ASX as at the close of trading on their respective issue dates.

#### (d) Options lapsed or forfeited during the reporting period:

A total of 169,800 (2003: 913,000) options lapsed or were forfeited by directors and employees during the year ended 31 December 2004.

#### (e) Options held as at the end of the reporting period:

The following table summarises information about options held by directors and employees as at 31 December 2004:

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
1,690,600	7 June 2002	7 December 2002	7 June 2007	0.5100
360,000	30 December 2002	30 June 2003	30 December 2007	0.3900
125,000	19 March 2003	19 September 2003	19 March 2008	0.3315
70,000	20 June 2003	20 December 2003	20 June 2008	0.3315
190,800	23 October 2003	23 April 2004	23 October 2008	0.5500
338,900	14 April 2004	14 October 2004	14 April 2009	0.8239
686,000	10 May 2004	10 November 2004	10 May 2009	0.7616
309,000	5 November 2004	5 May 2005	5 November 2009	1.1929
<b>3,770,300</b>				

MELBOURNE IT LTD

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2004

33. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:						Weighted average effective interest rate [b]	
			1 year or less		Over 1 to 5 years		Non-interest bearing			
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 %	2003 %
<b>(i) Financial assets</b>										
Cash	6,068	4,940	-	-	-	-	-	-	3.10%	4.38%
Commercial Bills	-	-	5,000	7,979	-	-	-	-	5.32%	5.13%
Term Deposit	-	-	9,765	5,438	-	-	-	-	5.34%	4.69%
Trade Debtors	-	-	-	-	-	-	685	562	N/A	N/A
Non-hedging FX receivable	-	-	-	-	-	-	3,420	1,638	N/A	N/A
Foreign Exchange Option	-	-	-	-	-	-	131	-	N/A	N/A
<b>(ii) Financial liabilities</b>										
Trade Creditors	-	-	-	-	-	-	6,091	4,694	N/A	N/A
Other Creditors	-	-	-	-	-	-	192	5	N/A	N/A
Non-hedging FX payable	-	-	-	-	-	-	2,454	889	N/A	N/A

(b) Currency risk

Due to the prescribed global market arrangements regarding domain name registration, Melbourne IT Limited earns a substantial amount of its revenues, and incurs a substantial amount of its costs in US dollars ("USD") and is therefore exposed to movements in the AUD / USD dollar exchange rate. The company actively manages the gross margin risk by its foreign currency risk management strategy.

(c) Net fair values

The carrying amounts of financial assets and financial liabilities, both recognised and unrecognised, at balance date, approximate their aggregate net fair values.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

#### 33. FINANCIAL INSTRUMENTS / continued

##### (c) Net fair values (continued)

###### Recognised financial instruments

###### *Cash and cash equivalents:*

The carrying amount approximates fair value because of their short-term to maturity.

###### *Trade debtors and creditors:*

The carrying amount approximates fair value.

###### *Foreign exchange options:*

The carrying amount approximates fair value.

*Shares and units in unlisted entities:* A reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment.

##### (d) Credit risk exposures

The company's maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

The company minimised concentration of credit risk in relation to trade receivables by undertaking transactions with a large number of customers from across a range of geographies.

##### (e) Hedging instruments

###### *Hedges of specific commitments*

Melbourne IT Limited earns a substantial amount of its revenues, and incurs a substantial amount of its costs in US dollars ("USD") and is therefore exposed to movements in the AUD / USD dollar exchange rate. The company actively manages the gross margin risk by its foreign currency risk management strategy.

As at 31 December 2004, Melbourne IT Limited has entered into a number of foreign currency option contracts with the primary objective of minimising the impact on the company of achieving its objectives in the financial year. In 2004, the strategy substantially reduced the negative impact of revaluation of the company's USD assets, and provided more certainty of the gross margins to be earned on USD sales transactions.

The options have been treated in accordance with hedge accounting, as the approximate value of the purchase and entities with which the transactions will be entered is presently known.

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

#### 34. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Melbourne IT Ltd has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards ('IFRS'). The company has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of these procedures, Melbourne IT Ltd has identified impact areas and has established a project team to address each area.

As Melbourne IT Ltd has a 31 December year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 January 2004.

This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Melbourne IT prepare its first fully IFRS compliant financial report for the year ended 31 December 2005. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Melbourne IT Ltd.

##### *Classification of Financial Instruments*

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables- measured at amortised cost, held to maturity - measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments.

Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

##### *Hedge Accounting*

Under AASB 139 *Financial Instruments: Recognition and Measurement* in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identify the type of hedge - fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

Melbourne IT Ltd conducts a substantial amount of its business in US dollars ("USD") and is therefore exposed to movements in the AUD / USD dollar exchange rate. The company actively manages this risk via its foreign currency risk management strategy.

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

#### 34. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS / continued

As at 31 December 2004, Melbourne IT Ltd has entered into a number of foreign currency option contracts with the primary objective of minimising the impact on the company of achieving its objectives in the financial year. For the full year to 31 December 2004, the strategy substantially reduced the negative impact of revaluation of the company's USD assets, and provided more certainty over the gross margins to be earned on USD sales transactions.

The options have been treated in accordance with hedge accounting, as the approximate value of the purchase and entities with which the transactions will be entered is presently known.

The company intends to comply fully with the hedge accounting requirements of AASB139. Therefore, fair value movements in derivatives used to hedge foreign currency risk will not impact the Statement of Financial Performance to the extent that transactions are effectively hedged, until the hedged transactions occur and are reflected in the Statement of Financial Performance. Where hedging is ineffective, fair value movements will impact the Statement of Financial Performance.

Reliable estimation of the future financial effect of this change in accounting policy cannot be measured as future foreign exchange movements cannot be predicted.

#### *Goodwill*

Under the Australian equivalent to IFRS 3 *Business Combinations* goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in Melbourne IT Ltd's current accounting policy which amortises goodwill over its useful life. For the year ended 31 December 2004, total goodwill amortisation expense was \$456,000. (2003: \$24,000)

Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. The company's acquisition of subsidiaries ie: the Cogent IPC Group and Domainz Ltd, will be accounted for in accordance with IFRS3. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

#### *Share based payments*

Under AASB 2 *Share based Payments*, Melbourne IT Ltd will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005.

## MELBOURNE IT LTD

### NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

#### **34. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS / continued**

The Melbourne IT Ltd Executive and Employee Option Plan(s) have 3,770,300 options outstanding at 31 December 2004, which have expiry dates subsequent to the effective date of AASB 2. The expensing of the options that vest subsequent to this date will have the impact of reducing the operating result of Melbourne IT Ltd. Management's estimation of the expense associated with this change in accounting policy for the financial year ending 31 December 2005 is \$223,000, however this estimation may change subject to the future financial effects of any forfeitures, future issues of options and achievement of certain performance conditions during the vesting period, which are currently unknown. The estimate may also be subject to change once MLB's IFRS project concludes, or should any IFRS regulatory changes occur prior to adoption of IFRS standards.

#### *Income taxes*

Under the Australian equivalent to IAS 12 *Income Taxes*, the company will be required to use the balance sheet liability method which focuses on the tax effects of transactions and other events that affect the amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. It is not presently expected that there will be any material impact as a result of adoption of this standard, however IFRS transition work remains in progress.

**MELBOURNE IT LTD**  
**ASX ADDITIONAL INFORMATION**

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows. The below information is current as at 28 February 2005.

**(a) Distribution of equity securities**

	<b>Ordinary Shares</b>	
	Number of holders	Number of shares
1-1,000	1,388	1,033,858
1,001-5,000	2,685	6,650,831
5,001-10,000	532	4,067,306
10,001 –100,000	356	8,117,661
100,001 – and over	43	32,943,308
	<u>5,004</u>	<u>52,812,964</u>
The number of shareholders holding less than a marketable parcel of shares are :-		
	<u>252</u>	<u>47,785</u>

**(b) Twenty largest shareholders**

The names of the twenty largest holders of quoted shares are:	No. of shares	Percentage of Ordinary shares
1. RBC Global Services Australia Nominees Pty Ltd	7,191,086	13.62%
2. National Nominees Pty Ltd	4,177,922	7.91%
3. J P Morgan Nominees Australia Limited	3,561,316	6.74%
4. York Investments Limited	2,933,823	5.56%
5. Siena Pty Limited	2,848,399	5.39%
6. Fortis Clearing Nominees Pty Ltd	1,760,260	3.33%
7. Cogent Nominees Pty Limited	908,873	1.72%
8. ANZ Nominees Limited	754,986	1.43%
9. Dulwich Storage Company Limited	743,886	1.41%
10. Invia Custodian Pty Limited	714,400	1.35%
11. Citicorp Nominees Pty Limited	658,427	1.25%
12. AMP Life Limited	503,558	0.95%
13. Mr Robert Thomas Bishop	450,000	0.85%
14. Niako Investments Pty Ltd	449,900	0.85%
15. ANZ Nominees Limited	401,540	0.76%
16. Invia Custodian Pty Limited	390,530	0.74%
17. HSBC Custody Nominees	371,245	0.70%
18. Forbar Custodians Limited	320,837	0.61%
19. Principal Funds Management Pty Ltd	310,000	0.59%
20. RBC Global Services Australia Pty Limited	269,114	0.51%
	<u>29,720,102</u>	<u>56.27%</u>

**(a) Voting rights**

All ordinary shares carry one vote per share without restriction.