



Hostech Limited
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27 February, 2009

ASX Announcement
Half Year Result

Hostech Limited ('Hostech' or 'the Company') today announced a \$481,469 loss for the half year ending 31 December 2008. Despite the difficult economic conditions the performance of Hostech continues to improve as the Company works towards profitability. The \$481,469 loss represents a significant improvement on the loss of \$3,843,652 recorded in the previous corresponding period.

Hostech has undertaken a significant reform programme over the past 12 months, as a result the business has been restructured to reduce costs, improve efficiency and maintain sales. While the reform programme has resulted in improved performance, the Company has lacked the financial capacity to invest in the appropriate resources to improve sales and increase the scale of the business.

As previously announced the Company has entered an in principle term sheet with proposed investors (the Investors) for a future investment of at least \$2.5 million in the Company. The terms sheet entered into by Hostech and the Investors is non binding and subject to due diligence being completed to the Investors' satisfaction, final agreements being executed by the parties as well as shareholder approval being obtained. The proposed funds will allow the Company to employ resources and invest in assets that will increase the scale and improve the performance of the Company. Further details of the proposed investment will be provided in due course.

Please see appendix 4D and half year report attached.

Justyn Stedwell
Company Secretary
On behalf of the Board of Directors
Hostech Limited

Hostech Limited

(Formerly Mobi Limited)

ABN 98 009 805 298

Appendix 4D

Half-Year Ended 31 Dec 2008

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- **Result For Announcement To The Market**
- **Half- Year Financial Report**
- **Independent Review Report**

Appendix 4D

Half-Year Report

Name of Entity

Hostech Limited

ABN or equivalent company reference	Half-yearly (<i>tick</i>)	Preliminary final (<i>tick</i>)	Financial year ended (' <i>current period</i> ')
A.B.N. 98 009 805 298			6 months ended 31 Dec 08

Results for announcement to the market

Results		A \$'000
Total revenues	up	101% to 2,960
Net loss for the period attributable to members	down	87% to 481

Dividends	Amount per security	Franked amount per security
Final dividend – no dividend is proposed	N/A	N/A
Previous corresponding period – no dividend declared	N/A	N/A
Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	N/A	

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	0.00 cents	0.00 cents

Explanation of Net Profit / (Loss)

The net loss for the period was \$481,469 compared with \$3,843,652 for the same period in 2007.

A significant amount of cost has been stripped from the business in the past 12 months, which to a large degree has prepared the Company against the tougher economic climate. There are still significant opportunities in the telephony space in Australia and revenues have been largely maintained. However, further scale is required to push the business into profitability. This will be largely dependent upon completion and shareholder approval of the proposed equity investment as announced to the market on the 13th February 2009. The directors will continue to keep the market informed.

1. Details of entity over which control has been gained or lost during the period:

As reported in the June 08 Annual Report, on 10 June 2008 the Board of Directors entered into a sale agreement to sell MobiData Holdings Limited and its subsidiary MobiData Group Pty Ltd. The sale was completed on 1 July 2008, on which control of the business passed to the acquirer, Commquest Limited.

2. Details of individual and total dividends or distribution payments. The details must include the date on which each dividend or distribution is payable, and if known the amount per security of foreign sourced dividend or distribution.

Not applicable - no dividends have been declared or paid.

3. Details of any dividends or distribution reinvestment plans in operations and the last date for receipt of an election notice for participation in any dividend or distribution reinvestment plan.

Not applicable

4. Details of associated joint venture entities

Not applicable

This report is based on:

The financial report has been reviewed by an independent auditor.

Sign here:



Date: 27 February 2009

(Company Secretary)

Print name: Justyn Stedwell



(Formerly Mobi Limited)

ABN 98 009 805 298

Half-Year Condensed Financial Report - 31 December 2008

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Corporate Information

This half-year report covers the Hostech Group (formerly Mobi Group) comprising Hostech Limited (formerly Mobi Limited) and its subsidiaries. The Group's functional and presentation currency is AUD (\$).

DIRECTORS

Mr. T S Wills Cooke (Independent Chairman)

Mr. Michael Abela (Chief Executive Officer and Director)

Mr. Damian Woods (Non - Executive Director)

Mr. Vince Leone (Non - Executive Director)

COMPANY SECRETARY

Mr. Justyn Stedwell

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

71 Thistlethwaite Street
South Melbourne VIC 3205
Phone 03 9698 7800

SHARE REGISTER

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000
Phone 08 9323 2006

SOLICITORS

Prosperity Legal
Suite 2 / 72 Gheringhap Street
Geelong VIC 3220
Phone 03 5221 8414

BANKERS

ANZ Limited Banking Corporation
307 Clarendon Street
South Melbourne VIC 3205

AUDITORS

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

Directors' Report

Your directors submit their condensed report for the half-year ended 31 December 2008.

DIRECTORS

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

Mr. T S Wills Cooke (Independent Chairman)

Mr. Michael Abela (Chief Executive Officer and Director)

Mr. Damian Woods (Non - Executive Director)

Mr. Vince Leone (Non - Executive Director)

REVIEW AND RESULTS OF OPERATIONS

The net loss for the period was \$481,469 compared with \$3,843,652 for the same period in 2007.

The start of the 2008/09 financial year has been a difficult one for many businesses. Whilst the profit performance of the business has improved significantly year on year, the Company has not yet reached profitability and as such has managed a very tight cash flow.

As a result, the Company recently announced that it had reached terms with a potential investor and the progress and completion of these discussions is a critical element in the future success and direction of Hostech.

A significant amount of cost has been stripped from the business in the past 12 months, which to a large degree has prepared the Company against the tougher economic climate. There are still significant opportunities in the telephony space in Australia and revenues have been largely maintained. However, further scale is required to push the business into profitability. This will be largely dependent upon completion and shareholder approval of the proposed equity investment. The directors will continue to keep the market informed.

The directors and management are working hard to ensure a more positive outcome over the course of the next 12 months with some exciting prospects possible.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

With reference to the announcement made on 13th February 2009, the Directors of Hostech, have entered into an in-principle terms sheet for a future investment in the Company for a minimum of \$2.5 million.

The terms sheet entered into by Hostech and the investors is non-binding and subject to due diligence being completed to the satisfaction of the investors, final agreements being executed by both parties as well as shareholder approval being obtained. It is envisaged the investment will take the form of an equity investment plus convertible note.

Funds provided by the investors will be used to support working capital requirements and to finance future acquisitions.

Other than the above, there has not been any matter or circumstances that have arisen since the end of the half year period that has significantly affected the operations of the company, the measures of those operations or the state of affairs of the company in the future.

DIVIDENDS

No dividends have been paid, declared or proposed for the half-year period.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of our auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Signed in accordance with a resolution of the directors.



Michael Abela
Chief Executive Officer and Director
Melbourne



T.S Wills Cooke
Chairman

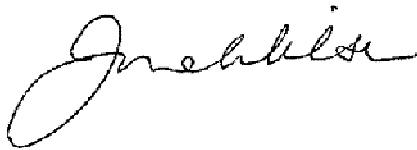
27 February 2009

Auditor's Independence Declaration to the Directors of Hostech Limited

In relation to our review of the financial report of Hostech Limited for the half year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



June Wilson
Partner
Melbourne
Ernst & Young

27 February 2009

Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated	
		2008 \$	2007 \$
Sales		2,864,982	1,422,326
Finance Revenue		15,194	46,377
Gain on sale of investment in subsidiary		78,036	-
Other Income		2,065	1,117
Total Revenues and Other Income	3	<u>2,960,277</u>	<u>1,469,820</u>
Cost of Goods Sold	3	<u>(1,766,314)</u>	<u>(854,619)</u>
Gross profit		1,193,963	615,201
Marketing Expenses	3	(1,931)	(52,750)
Occupancy Expenses	3	(119,944)	(152,071)
Finance Expenses	3	(13,083)	(194,250)
Administration Expenses	3	(1,442,536)	(3,157,876)
Other Expenses	3	<u>(457,809)</u>	<u>(901,906)</u>
Loss before income tax		(841,340)	(3,843,652)
Income tax credit		<u>359,871</u>	<u>-</u>
Net Loss for the period		<u>(481,469)</u>	<u>(3,843,652)</u>
Earnings per share (cents per share):			
Basic losses per share for the half year	4	(0.002)	(0.14)
Diluted losses per share for the half year		(0.002)	(0.14)

All potential ordinary shares, being options to acquire ordinary shares are not considered dilutive.

Balance Sheet

AS AT 31 DECEMBER 2008

	Notes	Consolidated	
		31 Dec 2008	30 June 2008
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		444,452	1,039,876
Trade and other receivables		640,819	742,282
Inventories		46,583	38,133
		<u>1,131,854</u>	<u>1,820,291</u>
Assets of disposal group classified as held for sale		-	232,996
Total current assets		<u>1,131,854</u>	<u>2,053,287</u>
Non-current assets			
Property, plant & equipment		306,231	377,208
Intangible assets and goodwill	5	11,130,842	11,130,842
Total non-current assets		<u>11,437,073</u>	<u>11,508,050</u>
TOTAL ASSETS		<u>12,568,927</u>	<u>13,561,337</u>
LIABILITIES			
Current liabilities			
Trade and other payables		1,039,236	1,368,212
Interest bearing loans and borrowings		55,727	61,596
Convertible notes		240,198	340,365
Provisions		138,152	166,436
		<u>1,473,313</u>	<u>1,936,609</u>
Liabilities directly associated with the assets classified as held for sale		-	11,032
Total current liabilities		<u>1,473,313</u>	<u>1,947,641</u>
Non-current liabilities			
Interest bearing loans and borrowings		89,109	111,138
Provisions		6,286	16,926
Total non-current liabilities		<u>95,395</u>	<u>128,064</u>
TOTAL LIABILITIES		<u>1,568,708</u>	<u>2,075,705</u>
NET ASSETS		<u>11,000,219</u>	<u>11,485,632</u>
EQUITY			
Contributed equity	6	28,543,859	28,543,859
Convertible notes		9,354	13,298
Reserves		387,062	387,062
Accumulated losses		(17,940,056)	(17,458,587)
TOTAL EQUITY		<u>11,000,219</u>	<u>11,485,632</u>

Statement of changes in equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Consolidated	Contributed Capital	Convertible Notes	Other Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2007	12,116,473	25,312	183,928	(7,726,435)	4,599,278
Loss for the year	-	-	-	(3,843,652)	(3,843,652)
Total income and expense	-	-	-	(3,843,652)	(3,843,652)
Issue of Share Capital – Sholl acquisition	3,750,000	-	-	-	3,750,000
Issue of Share Capital – OneNetwork acquisition	4,165,000	-	-	-	4,165,000
Issue of Share Capital	7,070,968	-	-	-	7,070,968
Share Issue Costs	(284,727)	-	-	-	(284,727)
Value of Options issued on acquisition	-	-	120,940	-	120,940
Share based payments	-	-	82,194	-	82,194
Issue of Convertible Notes	-	19,051	-	-	19,051
Convertible Note Issue Costs	-	(1,345)	-	-	(1,345)
Convertible notes redeemed	-	(8,446)	-	-	(8,446)
At 31 December 2007	26,817,714	34,572	387,062	(11,570,087)	15,669,261
At 1 July 2008	28,543,859	13,298	387,062	(17,458,587)	11,485,632
Loss for the year	-	-	-	(481,469)	(481,469)
Total income and expense	-	-	-	(481,469)	(481,469)
Issue of Share Capital	-	-	-	-	-
Share Issue Costs	-	-	-	-	-
Value of Options issued	-	-	-	-	-
Share based payments	-	-	-	-	-
Issue of Convertible notes	-	-	-	-	-
Convertible note Issue Costs	-	-	-	-	-
Convertible notes redeemed	-	(3,944)	-	-	(3,944)
At 31 December 2008	28,543,859	9,354	387,062	(17,940,056)	11,000,219

Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	2008	2007
	\$	\$
Cash Flows From Operating Activities		
Receipts from Customers	3,424,155	1,833,409
Payments to Suppliers and Employees	(4,248,003)	(4,304,048)
Interest Received	13,647	46,377
Income Tax Refund	324,899	17,524
Net Cash Flows used in Operating Activities	(485,302)	(2,406,738)
Cash Flows From Investing Activities		
Payment for subsidiary, net of cash acquired	-	(1,118,155)
Payment for AK Communications	-	(130,000)
Payments for IP	-	(176,000)
Monies received/(transferred) to rental deposits	-	45,100
Net Cash Flows used in Investing Activities	-	(1,379,055)
Cash Flows From Financing Activities		
Proceeds from issue of shares	-	5,669,038
Proceeds from issue of convertible notes	-	522,000
Redemption of convertible notes	(100,000)	(200,000)
Payment of share issue expenses	-	(284,727)
Repayment of borrowings	-	(126,058)
Interest paid on convertible notes	(10,122)	(36,970)
Net Cash Flows from Financing Activities	(110,122)	5,543,283
Net (decrease)/increase in cash and cash equivalents	(595,424)	1,757,490
Cash and cash equivalents at beginning of period	1,039,876	287,745
Cash and cash equivalents at end of period	444,452	2,045,235

Notes to the Half-Year Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1. CORPORATE INFORMATION

The financial report of Hostech Limited (formerly Mobi Limited) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 27 February 2009.

Hostech Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. (ASX Code: HTC)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2008 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by Hostech Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

(b) Going Concern Assumption

Hostech incurred a loss after tax of \$481,469 for the half year ended 31 December 2008 (compared to a loss of \$3,843,652 for the comparable period) and has accumulated losses of \$17,940,056. The result for the period reflects the significant reform program undertaken over the past 12 months and a restructure of the business to improve efficiency and reduce costs. The Company continues to review its strategy and cost base in light of the changing economic conditions.

Notwithstanding the above, the Company has cash of \$444,452 as at the reporting date and is likely to require additional working capital in the short term and will be dependent as a result on its ability to source equity funding to meet these requirements. The Company announced on February 13th that it had entered into a non binding term sheet to raise a minimum of \$2.5 million dollars. This proposed investment will provide additional stability and allow the company to invest in assets and marketing programs to stimulate growth in its existing businesses.

Consequently, as at the reporting date in the opinion of the Directors, the ability of the Company to continue as a going concern is dependent on additional funding from either the proposed investment or from other equity providers. The Directors are well advanced in their discussions with respect to the provision of such funding and believe they will be successful in achieving the required outcomes. As a result, the accounts have been prepared on a going concern basis.

Notwithstanding the above, as the equity raising has not been finalised at the date of this report, there is material uncertainty as to whether the Company will be able to continue as a going concern and realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

Notes to the Half-Year Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

(b) Going Concern Assumption (Continued)

As the accounts have been prepared on a going concern basis, no adjustments have been made to the financial report relating to the recoverability and classification of the assets' carrying amounts or the classification of liabilities that might be necessary should Hostech not continue as a going concern. In particular, no adjustment has been made to the carrying value of goodwill, as outlined in note 5.

3. REVENUE AND EXPENSES

	Consolidated	
	2008	2007
	\$	\$
Revenue and other income		
Interest – Other Persons / Corporations	15,194	46,377
Sales Revenue	2,864,982	1,422,326
Gain on sale of investment in MobiData Holdings	78,036	-
Other Income	2,065	1,117
Total Income	2,960,277	1,469,820
Expenses		
<i>Cost of Goods Sold</i>		
Purchases – components	1,014,747	593,413
Carriage services	518,984	197,938
Other	232,583	63,268
	1,766,314	854,619
<i>Marketing Expenses:</i>		
Advertising and Selling Expenses	1,931	52,750
<i>Occupancy Expenses:</i>		
Operating Lease Rentals	119,944	152,071
<i>Finance Expenses:</i>		
Charges, Other Persons / Corporations	7,072	6,651
Convertible Notes Interest	10,122	36,970
Finance Costs – Convertible Notes	(4,111)	150,629
	13,083	194,250
<i>Administration Expenses:</i>		
Directors Fee	40,192	144,598
Depreciation of Plant and Equipment	70,979	76,380
Management and Consultants Fees Paid	80,155	1,134,894
Salaries and Wages	1,174,956	1,578,946
Audit, Accounting and Legal Fees	76,254	223,058
Total Administration Expenses	1,442,536	3,157,876

Notes to the Half-Year Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

3. REVENUE AND EXPENSES (CONTINUED)

	Consolidated	
	2008	2007
	\$	\$
<i>Other Expenses:</i>		
Other Operating Expenses	457,809	684,708
Amortisation of Intellectual Property	-	217,198
Total Other Expenses	<u>457,809</u>	<u>901,906</u>
Total Expenses	<u>3,801,617</u>	<u>5,313,472</u>

4. EARNINGS PER SHARE

Earnings used in calculating basic and diluted earnings per share

(481,469)	(3,843,652)
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Weighted average number of shares outstanding used to calculate basic and diluted earnings per share

No. of Shares	
220,466,942	2,759,740,801

Basic earnings per share
Diluted earnings per share

Cents per share	
(0.002)	(0.14)
<u>(0.002)</u>	<u>(0.14)</u>

5. GOODWILL

Carrying amount of goodwill allocated to each of the cash generating units

The carrying amounts of goodwill allocated to the cabling and Hosted IP Telephony units are as follows:

	Phone Systems and cabling	Hosted IP Telephony	Total
Carrying amount of goodwill	7,148,856	3,981,986	11,130,842

Impairment tests for goodwill

(i) Description of the cash generating units and other relevant information

Goodwill has been allocated to individual cash generating units, each of which is a reportable segment (refer to note 9), for impairment testing as follows:

- Phone systems and cabling; and
- Hosted IP Telephony

Notes to the Half-Year Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

5. GOODWILL (CONTINUED)

Phone systems and cabling cash generating unit

The recoverable amount of the Phone systems and cabling unit has been determined based on a value in use calculation using cash flow projections as at 1 January 2009 based on financial budgets approved by senior management covering a one-year period and projected cash flows for a further four years.

The pre-tax, discount rate applied to cash flow projections is 18% and cash flows beyond the five-year period are extrapolated using a 2% growth rate.

Hosted IP Telephony cash generating unit

The recoverable amount of the Hosted IP Telephony unit is also determined based on a value in use calculation using cash flow projections as at 1 January 2009 based on financial budgets and projections approved by management covering a five-year period.

The pre-tax discount rate applied to the cash flow projections is 40%. The long-term growth rate used to extrapolate the cash flows of the VoIP unit beyond the five-year period is 2%.

(ii) Key assumptions used in value in use calculations for the Phone systems and cabling and Hosted IP Telephony units for 31 December 08

At the reporting date, the calculation of value in use for both the Phone systems and cabling and Hosted IP Telephony units is most sensitive to the following assumptions:

- the ability of the Company to source adequate working capital and hence the units to realise the projected cash flows built into the value in use models;
- discount rates; and
- market share during the budget period and forecast period.

Access to working capital – as disclosed in note 2(b) above, the ability of the Company to continue as a going concern is dependent on its ability to source additional capital or other forms of funding in the short-term. The cash flow projections built into the value in use models require adequate levels of working capital to ensure that the units can continue as viable businesses and hence realise those projections. This report has been prepared on the basis that the Company and its controlled entities can continue as a going concern as it assumes there are reasonable grounds to believe this funding can be obtained. However, in the absence of such funding, it is unlikely the cash flows could be realised and under this scenario the goodwill in relation to both units would have a recoverable amount of nil.

Discount rates - discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for business risk specific to the unit.

Market share assumptions - these assumptions are important because, as well as using industry data for growth rates (as noted below), management assess how the unit's relative position to its competitors might change over the budget period. Management expects the Group's share of the Phone systems and cabling and Hosted IP Telephony market to increase relative to its competitors.

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

5. GOODWILL (CONTINUED)

Growth rate estimates – the Phone Systems and Cabling unit cashflows were modelled on 10% annual growth rate representing the opportunity to increase the scale and scope of the operation after the significant revitalisation project undertaken.

The Hosted IP Telephony growth rates were developed on a top down analysis of the market and making conservative assumptions about the adoption of this technology in the traditional IP telephony space. Due to the greater level of uncertainty associated with achievement of the projected cashflows, higher discount rates were used to generate discounted cash flow estimates.

(iii) Sensitivity to changes key assumptions (other than access to working capital)

On the basis that adequate working capital levels are maintained, as noted above, the value in use calculations for each unit have the following sensitivities to changes in assumptions.

Phone systems and cabling

With regard to the assessment of the value in use of the Phone systems and cabling unit, in the current market conditions, the carrying value of the goodwill in relation to the unit is sensitive to upward movement in the discount rate. An upward movement in the pre-discount rate from 18% to 19% would result in an impairment of goodwill of approximately \$300,000.

Hosted IP Telephony

With regard to the assessment of the value in use of the Hosted IP Telephony, management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially impact its recoverable amount.

6. CONTRIBUTED EQUITY AND RESERVES

	31 Dec 2008	30 Jun 2008
	\$	\$
(a) Issued and paid up capital		
Ordinary shares fully paid	28,543,859	28,543,859
	<u>28,543,859</u>	<u>28,543,859</u>

There has been no movement in shares for the period 1 July 2008 to 31 December 2008.

7. CONTINGENT LIABILITIES

A supplier has commenced an action against OneNetwork Pty Ltd that relates to a matter prior to Hostech Limited acquiring the entity.

The Group has been advised by its Counsel that it is possible, but not probable, that the action will succeed and accordingly no liability has been recognised in these financial statements.

The liability, should the action be successful, is estimated to be \$20,000.

Notes to the Half-Year Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

8. BUSINESS SEGMENT

The Group comprises of the following business segments:

Support Costs – includes various operational support, for the management marketing and sales of the all subsidiaries

Hosted IP Telephony – provision of fully hosted commercial internet telephony based solution

Phone Systems & Cabling – provision and installation of new and used telephone systems, supply of mobile telephones & accessories.

The following table presents the revenue and profit information regarding business segments for the half year period ending 31 December 2008.

Half-Year ended 31 Dec 2008	Support Costs	Hosted IP Telephony	Phone Systems & Cabling	Consolidated
Revenue				
Sales to external customers	-	944,448	1,920,534	2,864,982
Other revenues	79,526	465	110	80,101
Total Segment Revenue	79,526	944,913	1,920,644	2,945,083
Finance revenue				15,194
Total Consolidated Revenue				2,960,277
Result				
Segment results	(620,462)	(67,764)	(146,042)	(834,268)
Loss before tax and finance costs	(620,462)	(67,764)	(146,042)	(834,268)
Finance Costs	(943)	(720)	(5,409)	(7,072)
Loss before income tax	(621,405)	(68,484)	(151,451)	(841,340)
Income tax credit				359,871
Net loss for the Half-Year				(481,469)

Notes to the Half-Year Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

8. BUSINESS SEGMENT (CONTINUED)

The following table presents the revenue and profit information regarding business segments for the half year period ending 31 December 2007.

Half-Year ended 31 Dec 2007	Software Development	VoIP	Phone Systems & Cabling	Consolidated
Revenue				
Sales to external customers	9,295	369,635	1,043,395	1,422,326
Other revenues	-	1,117	-	1,117
Total Segment Revenue	9,295	370,752	1,043,395	1,423,443
Interest Revenue				46,377
Total Consolidated Income				1,469,820
Result				
Segment results	(737,814)	308,446	473,235	43,867
Writeback of provision for doubtful debts on consolidation	-	-	-	(3,693,269)
Loss before tax and finance costs				(3,649,402)
Finance Costs	(190,694)	(898)	(2,658)	(194,250)
Loss before income tax				(3,843,652)
Income Tax	-	-	-	-
Net loss for the Half-Year				(3,843,652)

Notes to the Half-Year Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

9. SIGNIFICANT EVENTS AFTER BALANCE DATE

With reference to the announcement made on 13 February 2009, the Directors of Hostech, have entered into an in-principle terms sheet for a future investment in the Company for a minimum of \$2.5 million.

The terms sheet entered into by Hostech and the investors is non-binding and subject to due diligence being completed to the satisfaction of the investors, final agreements being executed by both parties as well as shareholder approval being obtained. It is envisaged the investment will take the form of an equity investment plus a convertible note.

Funds provided by the investors will be used to support working capital requirements and to finance future acquisitions.

Other than the above, there has not been any matter or circumstances that have arisen since the end of the half year period that has significantly affected the operations of the company, the measures of those operations or the state of affairs of the company in the future.

Notes to the Half-Year Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Directors' Declaration

In accordance with a resolution of the Directors of Hostech Limited, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity;
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Michael Abela
Chief Executive Officer and Director
Melbourne



T S Wills Cooke
Chairman

27 February 2009

Independent review report to members of Hostech Limited

Report on the condensed half year financial report

We have reviewed the accompanying half-year financial report of Hostech Limited, which comprises the balance sheet as at 31 December 2008, and the condensed income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year financial report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hostech Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Significant uncertainty regarding continuation as a going concern

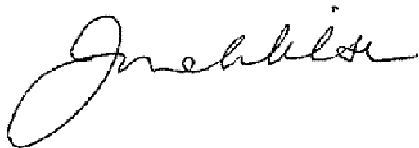
Without qualification to the conclusion expressed above, we draw attention to the following matter.

As a result of the matters described in Note 2(b) "Going Concern" to the financial report, the ability of the consolidated entity to continue as a going concern is dependent on the consolidated entity being able to generate sufficient funds from its operational activities and from equity raisings.

As noted in note 2(b), terms with respect to a potential investment of \$2.5 million and other equity raising options for the consolidated entity have not been finalised as at the date of this report. Accordingly, in the absence of final terms, there is a significant uncertainty as to whether the Company and the consolidated entity will be able to continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability of goodwill and the recoverability and classification of other recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Company and the consolidated entity not continue as a going concern.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'June Wilson'.

June Wilson
Partner
Melbourne
27 February 2009