

Hostech Limited

ABN 98 009 805 298

Appendix 4D

Half-Year Ended 31 Dec 2009

CONTENTS

- **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 09

Results for announcement to the market

Results		A \$'000
Total revenues	down	19% to 2,396
Net loss for the period attributable to members	Up	113% to 1,023

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	0.02 cents	0.04 cents

Explanation of Net Profit / (Loss)

The net loss for the period was \$1,023,625 compared with \$481,469 for the same period in 2008 which included a one off \$359,871 R&D tax credit and the \$78,036 gain on sale of MobiData Holdings.

Revenue under performance for the period can be attributed to the industry wide slow down in capital equipment purchases resulting from the global financial crisis.

As previously indicated, the board has also invested significantly in restructuring the business in preparation for a scale up in activities through acquisition. This included several one off costs such as staff redundancies, acquisition costs relating to OfficeLink Plus and 5Star Telecom, as well as investment in market research and strategic planning.

The business is engaged in the initial integration and has announced its second group of acquisitions. Sholl and OneNetwork are now well placed to service the cross selling opportunities across the expanding group and the FY10 first half investments have prepared Hostech well for rapid and cost effective expansion.

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

Not applicable

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: 26 February 2010

(Company Secretary)

Print name: Justyn Stedwell



ABN 98 009 805 298

Half-Year Financial Report - 31 December 2009

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Corporate Information

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

DIRECTORS

Mr Campbell Corfe (Executive Chairman)

Mr. T S Wills Cooke (Independent Chairman – resigned 30 November 2009)

Mr. Carlos Perez (Chief Executive Officer and Director – appointed 13 January 2010)

Mr. Michael Abela (Chief Executive Officer and Director – resigned 28 October 2009)

Mr. Matthew Costello (Non - Executive Director)

Mr. Alan Chalmers (Non - Executive Director)

Mr. Ilkka Tales (Non - Executive Director – appointed 11 November 2009)

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

Marque Lawyers Pty Ltd
Level 4, 343 George Street
Sydney NSW 2000
Phone 03 5221 8414

BANKERS

National Australia Bank Limited
Level 2, 424 St Kilda Road
Melbourne VIC 3004

AUDITORS

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

Directors' Report

Your directors submit their report for the half-year ended 31 December 2009.

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 Campbell Corfe (Executive Chairman)

Mr. T S Wills Cooke (Independent Chairman – resigned 30 November 2009)

Mr. Carlos Perez (Chief Executive Officer and Director – appointed 13 January 2010)

Mr. Michael Abela (Chief Executive Officer and Director – resigned 28 October 2009)

Mr. Matthew Costello (Non - Executive Director)

Mr. Alan Chalmers (Non - Executive Director)

Mr. Ilkka Tales (Non - Executive Director – appointed 11 November 2009)

REVIEW AND RESULTS OF OPERATIONS

The net loss for the period was \$1,023,625 compared with \$481,469 for the same period in 2008 which included a one off \$359,871 R&D tax credit and the \$78,036 gain on sale of MobiData Holdings.

Revenue under performance for the period can be attributed to the industry wide slow down in capital equipment purchases resulting from the global financial crisis.

As previously indicated, the board has also invested significantly in restructuring the business in preparation for a scale up in activities through acquisition. This included several one off costs such as staff redundancies, acquisition costs relating to OfficeLink Plus and 5Star Telecom, as well as investment in market research and strategic planning.

The business is engaged in the initial integration and has announced its second group of acquisitions. Sholl and OneNetwork are now well placed to service the cross selling opportunities across the expanding group and the FY10 first half investments have prepared Hostech well for rapid and cost effective expansion.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On the 1st January 2010, Hostech Limited acquired the assets of 5Star Telecom Pty Ltd and OfficeLink Plus Pty Ltd.

5Star Telecom is a profitable Sydney based reseller of mobile, fixed line, data and managed services to small business customers with revenues in excess of \$2.5 million. OfficeLink Plus is a profitable national business, offering managed private network services to business customers with revenues in excess of \$3 million.

The total consideration paid for the assets of 5Star Telecom and OfficeLink Plus, was \$1,030,000 and \$900,000 respectively, made up of cash and shares in Hostech Limited.

With reference to the announcement made on 10th February 2010, the Directors of Hostech have entered into agreements, subject to shareholder approval, to purchase four leading IT & Telecommunications businesses that will add over \$60m (annualised) in revenue to Hostech.

Hostech will acquire the shares of Anittel Limited an IT services business co-founded by Peter Kazacos and independent businesses Accord Technologies and Axxis Pty Ltd, both leading IT services business in their respective locations of Perth and Dubbo. Hostech will also acquire the assets and business of Aspirence Pty Ltd, a NSW regional IT services business.

Hostech will pay a total consideration for the four companies of \$6.9 million in cash and \$6.75 million (304,928,571) in shares whilst taking on \$3.4 million in debt through a convertible note. Hostech has submitted a request to Flaxton Hunter Pty Ltd to draw down up to \$10 million under the terms of the Convertible Note Deed Poll entered into in March 2009, to fund the transactions.

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 6.

Signed in accordance with a resolution of the directors.



Carlos Perez
Chief Executive Officer and Director
Melbourne




Campbell Corfe
Chairman

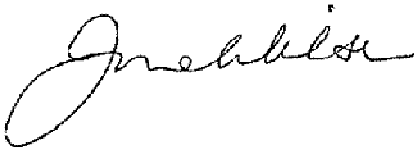
26 February 2010

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 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to read 'June Wilson'.

June Wilson
Partner
26 February 2010

Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated	
		2009	2008
		\$	\$
Sale of goods		1,555,667	1,920,531
Rendering of services		804,531	944,448
Finance revenue		26,229	15,194
Gain on sale of investment in subsidiary		-	78,036
Other income		10,000	2,065
Total Revenues and Other Income	3	2,396,427	2,960,274
Cost of sales	3	(1,289,904)	(1,766,314)
Gross profit		1,106,523	1,193,960
Marketing expenses	3	(8,745)	(1,931)
Occupancy expenses	3	(133,207)	(119,944)
Finance expenses	3	(21,124)	(13,083)
Administration expenses	3	(1,712,628)	(1,442,536)
Other expenses	3	(254,444)	(457,806)
Loss before income tax		(1,023,625)	(841,340)
Income tax credit		-	359,871
Net Loss for the period		(1,023,625)	(481,469)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(1,023,625)	(481,469)
Earnings per share (cents per share):			
Basic losses per share for the half year	4	(0.20)	(0.21)
Diluted losses per share for the half year		(0.20)	(0.21)

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

Statement of Financial Position

AS AT 31 DECEMBER 2009

	Notes	Consolidated	
		31 Dec 2009	30 June 2009
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		1,096,762	1,900,368
Trade and other receivables		555,736	582,916
Total current assets		1,652,498	2,483,284
Non-current assets			
Property, plant & equipment		206,766	235,813
Intangible assets and goodwill		4,815,601	4,815,601
Total non-current assets		5,022,367	5,051,414
TOTAL ASSETS		6,674,865	7,534,698
LIABILITIES			
Current liabilities			
Trade and other payables		691,797	989,028
Interest bearing loans and borrowings		39,165	41,410
Convertible notes		115,359	104,985
Provisions		116,656	131,029
Total current liabilities		962,977	1,266,452
Non-current liabilities			
Interest bearing loans and borrowings		48,144	83,982
Convertible notes		88,628	-
Provisions		12,098	8,993
Total non-current liabilities		148,870	92,975
TOTAL LIABILITIES		1,111,847	1,359,427
NET ASSETS		5,563,018	6,175,271
EQUITY			
Contributed equity	5	31,591,109	31,191,109
Convertible notes		16,387	5,015
Accumulated losses		(26,044,478)	(25,020,853)
TOTAL EQUITY		5,563,018	6,175,271

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Consolidated	Contributed Capital \$	Convertible Notes \$	Other Reserves \$	Accumulated Losses \$	Total Equity \$
At 1 July 2008	28,543,859	13,298	387,062	(17,458,587)	11,485,632
Changes in equity for the half year to 31 December 2008					
Convertible notes expired or redeemed	-	(3,944)	-	-	(3,944)
Total comprehensive income for the half year				(481,469)	(481,469)
At 31 December 2008	28,543,859	9,354	387,062	(17,940,056)	11,000,219
At 1 July 2009	31,191,109	5,015	-	(25,020,853)	6,175,271
Changes in equity for the half year to 31 December 2009					
Shares issued	400,000	-	-	-	400,000
Issue of convertible notes	-	11,372	-	-	11,372
Total comprehensive income for the half year	-	-	-	(1,023,625)	(1,023,625)
At 31 December 2009	31,591,109	16,387	-	(26,044,478)	5,563,018

Statement of Cash Flow

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated	
	2009	2008
	\$	\$
Cash Flows From Operating Activities		
Receipts from Customers (inclusive of GST)	2,653,806	3,424,155
Payments to Suppliers and Employees (inclusive of GST)	(3,993,394)	(4,248,003)
Interest Received	25,620	13,647
Income Tax Refund	-	324,899
Other Income	16,770	-
Net Cash Flows used in Operating Activities	(1,297,198)	(485,302)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(4,158)	-
Net Cash Flows used in Investing Activities	(4,158)	-
Cash Flows From Financing Activities		
Proceeds from issue of convertible notes	500,000	-
Redemption of convertible notes	-	(100,000)
Interest paid on convertible notes	(2,250)	(10,122)
Net Cash Flows from Financing Activities	497,750	(110,122)
Net (decrease)/increase in cash and cash equivalents	(803,606)	(595,424)
Cash and cash equivalents at beginning of period	1,900,368	1,039,876
Cash and cash equivalents at end of period	1,096,762	444,452

Notes to the Half-Year Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

1. CORPORATE INFORMATION

The financial report of Hostech Limited for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 26 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 financial report for the half-year ended 31 December 2009 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by Hostech Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

(b) Changes in accounting policy

From 1 July 2009, the Group has adopted the following standards and interpretations, mandatory for annual periods beginning on or after 1 July 2009. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- AASB 3 Revised *Business Combinations*
- AASB 8 *Operating segments*
- AASB 101 Revised *Presentation of Financial Statements*
- AASB 1039 Revised *Concise Reporting*

The following amending standards have also been adopted from 1 July 2009:

- AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8.*
- AASB 2007-8 *Amendment to Australian Accounting Standards arising from AASB 101*
- AASB 2008-1 *Amendment to Australian Accounting Standards Share-based Payments :Vesting Conditions and Cancellations*
- AASB 2008-5 *Amendment to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2008-6 *Amendment to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2008-7 *Amendment to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

Notes to the Half-Year Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

3. REVENUE AND EXPENSES

	Consolidated	
	2009	2008
	\$	\$
Revenue and other income		
Interest – Other Persons / Corporations	26,229	15,194
Sales Revenue	2,360,198	2,864,979
Gain on sale of MobiData Holdings	-	78,036
Other Income	10,000	2,065
Total Income	2,396,427	2,960,274
Expenses		
<i>Cost of Goods Sold</i>		
Purchases – components	648,767	1,014,747
Carriage services	156,429	518,984
Other	484,708	232,583
	1,289,904	1,766,314
<i>Marketing Expenses:</i>		
Advertising and Selling Expenses	8,745	1,931
<i>Occupancy Expenses:</i>		
Operating Lease Rentals	133,207	119,944
<i>Finance Expenses:</i>		
Charges, Other Persons / Corporations	6,250	7,072
Convertible Notes Interest	14,874	6,011
	21,124	13,083
<i>Administration Expenses:</i>		
Audit, Accounting and Legal Fees	114,011	76,254
Depreciation of Plant and Equipment	67,608	70,979
Directors Fee	87,331	40,192
Management and Consultants Fees Paid	153,909	80,155
Salaries and Wages	1,289,769	1,174,956
Total Administration Expenses	1,712,628	1,442,536
<i>Other Expenses:</i>		
Other Operating Expenses	254,444	457,806
Total Expenses	3,420,052	3,801,614

Notes to the Half-Year Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

4. EARNINGS PER SHARE

	Consolidated	
	2009	2008
	\$	\$
Earnings used in calculating basic and diluted earnings per share	(1,023,625)	(481,469)
	No. of Shares	
Weighted average number of shares outstanding used to calculate basic and diluted earnings per share	506,051,181	220,466,942
	Cents per share	
Basic earnings per share	(0.20)	(0.21)
Diluted earnings per share	(0.20)	(0.21)

5. CONTRIBUTED EQUITY AND RESERVES

	31 Dec 2009	30 June 2009
	\$	\$
(a) Issued and paid up capital		
Ordinary shares fully paid	31,591,109	31,191,109
	<u>31,191,109</u>	<u>31,191,109</u>

Movement in ordinary shares on issue

	\$
At 1 Jul 2009	31,191,109
Conversion of convertible notes	<u>400,000</u>
At 1 December 2009	<u>31,591,109</u>

Notes to the Half-Year Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

6. SEGMENT INFORMATION

Hostech has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors, Chief Executive Officer and the senior management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the senior management team and Chief Executive Officer based on the nature of the services provided and the similarity of the goods delivered. Detailed financial information is reported to the Board of Directors, Chief Executive Officer and the senior management team on at least a monthly basis.

The Group has identified the following operating segments:

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 operating segments for the half-year period ending 31 December 2009.

Half-year ended 31 Dec 2009	Hosted IP Telephony	Phone Systems & Cabling	Total
Revenue			
Sales to external customers	804,531	1,555,667	2,360,198
Total segment revenue	<u>804,531</u>	<u>1,555,667</u>	2,360,198
Unallocated revenue			<u>36,229</u>
Total revenue per statement of comprehensive income			<u>2,396,427</u>
Result			
Segment result	<u>(25,433)</u>	<u>(109,205)</u>	(134,638)
<i>Unallocated Expenses</i>			
Employee expenses			(291,605)
Legal and other professional fees			(143,610)
Regulatory and listing fees			(38,240)
Occupancy expenses			(106,821)
Other expenses			<u>(308,711)</u>
Net loss for the half-year			<u>(1,023,625)</u>

Notes to the Half-Year Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

6. SEGMENT INFORMATION (CONTINUED)

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

Half-year ended 31 Dec 2008	Hosted IP Telephony	Phone Systems & Cabling	Consolidated
Revenue			
Sales to external customers	944,448	1,920,531	2,864,979
Other revenue	465	110	575
Total segment revenue	<u>944,913</u>	<u>1,920,641</u>	2,865,554
Unallocated revenue			<u>94,720</u>
Total revenue per statement of comprehensive income			<u>2,960,274</u>
Result			
Segment result	<u>(67,764)</u>	<u>(146,042)</u>	(213,806)
<i>Unallocated expenses</i>			
Employee expenses			(292,206)
Legal and other professional fees			(123,028)
Regulatory and listing fees			(21,322)
Occupancy expenses			(99,634)
Other expenses			(91,344)
Income tax credit			<u>359,871</u>
Net loss for the half-year			<u>(481,469)</u>

Notes to the Half-Year Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

7. SIGNIFICANT EVENTS AFTER BALANCE DATE

On the 1st January 2010, Hostech Limited acquired the assets of 5Star Telecom Pty Ltd and OfficeLink Plus Pty Ltd.

5Star Telecom is a profitable Sydney based reseller of mobile, fixed line, data and managed services to small business customers with revenues in excess of \$2.5 million. Officelink Plus is a profitable national business, offering managed private network services to business customers with revenues in excess of \$3 million.

The total consideration paid for the assets of 5Star Telecom and OfficeLink Plus, was \$1,030,000 and \$900,000 respectively, made up of cash and shares in Hostech Limited.

With reference to the announcement made on 10th February 2010, the Directors of Hostech have entered into agreements, subject to shareholder approval, to purchase four leading IT & Telecommunications businesses that will add over \$60m (annualised) in revenue to Hostech.

Hostech will acquire the shares of Anittel Limited an IT services business co-founded by Peter Kazacos and independent businesses Accord Technologies and Axxis Pty Ltd, both leading IT services business in their respective locations of Perth and Dubbo. Hostech will also acquire the assets and business of Aspience Pty Ltd, a NSW regional IT services business.

Hostech will pay a total consideration for the four companies of \$6.9 million in cash and \$6.75 million (304,928,571) in shares whilst taking on \$3.4 million in debt through a convertible note. Hostech has submitted a request to Flaxton Hunter Pty Ltd to draw down up to \$10 million under the terms of the Convertible Note Deed Poll entered into in March 2009, to fund the transactions.

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 2009

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 2009 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



Carlos Perez
Chief Executive Officer and Director



Campbell Corfe
Chairman

Melbourne

26 February 2010

To the 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 statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 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.

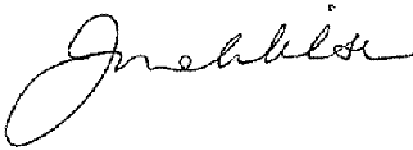
Conclusion

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 2009 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to read 'June Wilson'.

June Wilson
Partner
Melbourne
26 February 2010