



Hostech Limited
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29 October 2010

**ASX Announcement
Appendix 4C**

The Executive Leadership team and the Directors of the Board of Hostech Limited (ASX:HTC) present the 4C for the Quarter ended 30 September 2010. The results reflect a business that has completed the acquisitions of D2K-Townsville and Netrics-Albury into Hostech.

Net operating cash flow before one-off acquisition-related costs during the quarter was \$283k. Cash receipts from customers increased 13% for the quarter to \$18.3m. Staffing costs reduced by 20% for the quarter to \$4.2m. Payments for working capital increased due to expensed integration costs relating to the acquisitions including the final \$400k Anittel tax payments relating to pre-acquisition quarters. This resulted in a \$1.5m net decrease in trade creditors from the June 30 position and, with other balance sheet restructuring noted in the annual report, has resulted in a \$3.7m improvement (unaudited) in the working capital position during the period.

Product sales were softer in the quarter due the election and post election uncertainty. Despite this, gross margins were steady due to a 20% increase in contracted recurring and professional services revenues. This is the second consecutive quarter on quarter increase in services sales. Management will monitor the product sales trend during Q2.

The company continued to post EBITDA positive results during the September quarter.

The Board will maintain its focus on acquisitions to build this business into a significant player in the Information Technology and Telecommunications landscape.

Cash on hand as at 30 September was \$915k, up from \$836k in the prior quarter. The \$2.2m working capital facility was drawn down by \$1.4m as at 30 September 2010 up from \$0.4m as at 30 June 2010.

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

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

Hostech Limited

ABN

98 009 805 298

Quarter ended ("current quarter")

30 September 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from customers	18,312	18,312
1.2 Payments for (a) staff costs	(4,187)	(4,187)
(b) advertising and marketing		
(c) research and development		
(d) leased assets		
(e) other working capital	(13,757)	(13,757)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(94)	(94)
1.6 Income taxes paid	-	-
1.7 Other Income	9	9
Net operating cashflows before one-off acquisition related costs	283	283
One-off acquisition related costs	(645)	(645)
Net operating cash flows	(362)	(362)

+ See chapter 19 for defined terms.

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	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(362)	(362)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5) , net of cash acquired	(682)	(682)
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(75)	(75)
(e) other non-current assets	(7)	(7)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other		
Net investing cash flows	(764)	(764)
1.14 Total operating and investing cash flows	(1,126)	(1,126)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	138	138
1.16 Proceeds from issue of convertible notes		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other		
Net financing cash flows	138	138
Net increase (decrease) in cash held	(988)	(988)
1.21 Cash at beginning of quarter/year to date	468	468
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	(520)	(520)

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	75
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Payment of Directors' fees & reimbursements for the quarter ended 30 September 2010	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities (bank overdraft): <i>Anittel has a \$2.2m NAB overdraft facility which as at 30 June was drawn down by \$765k</i>	2,200	1,435
3.2	Credit standby arrangements	-	-

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	915	836
4.2 Deposits at call		
4.3 Bank overdraft	(1435)	(368)
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	(520)	468

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Acquisitions (Item 1.9(a))
5.1 Name of entity	D2K-Townsville	Netrecs
5.2 Place of incorporation or registration	Brisbane, Queensland	Albury, NSW
5.3 Consideration for acquisition or disposal (i)	\$90,000 in cash and 1,111,112 HTC shares at an Issue price of 1.8 cents	\$114,000 in cash.
5.4 Total net assets - (provisional)	Customer List- \$110,000	Customer List - \$114,000
5.5 Nature of business	A regional IT solutions provider located in Townsville	A regional IT solutions provider located in Albury

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

sign here:



Date: 29/10/10

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

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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