



Hostech Limited
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NSW Australia
www.hostech.com.au
www.anittel.com.au

29 July 2010

ASX Announcement

Appendix 4C

Growth Agenda Delivering Results

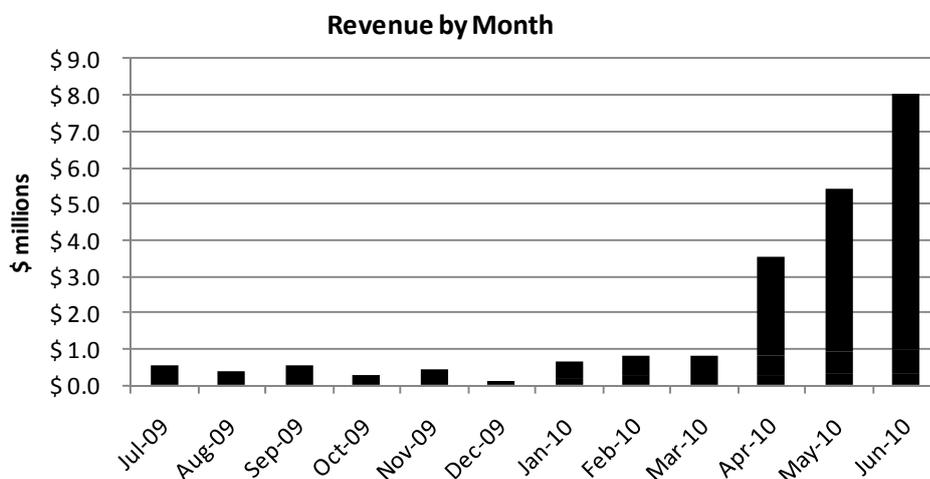
The Executive Leadership team and the Directors of the Board of Hostech present the attached appendix 4C for the Quarter ended 30 June 2010. The results reflect a business that has completed the acquisitions of Anittel, Accord Technologies (WA), Aspirence and Axxis Technology businesses by Hostech.

Cash receipts from customers increased 517% for the quarter to \$16.1 m. The company reached its first operational breakeven EBITDA result in the month of May and posted an unaudited EBITDA positive result in June in excess of \$300k which included over \$200k in one off costs. The one off costs include redundancies, consultants and legal fees incurred on the four acquisitions completed in April.

Operating cash flow was an expected negative \$507k reflecting a quarter of expensed integration costs relating to the acquisitions plus some large Anittel tax payments relating to prior quarters.

Cash on hand as at 30 June was \$836k, up from \$411k in the prior quarter. We have a \$2.2m working capital facility of which \$1.4m was repaid during the quarter. As at 30 June 2010 \$368k of the working facility was utilized.

Revenue growth for the group during the quarter has been exceptional. The reinvigoration of the sales teams and the focus on cross selling is delivering results. Revenue grew by 53% from April to May, partly due to timing of completion of the smaller acquisitions, and a further 49% from May to June. Back office integration is largely completed, with all of the acquisitions on one financial and HR reporting platform.



Growth in recurring revenue products of data, voice and managed services contributed to 24% of total sales during the quarter and grew by 22% in the quarter. We did not experience the anticipated June increase in hardware sales, June growth was driven by low margin one-off software license sales and the increase in high margin recurring revenues.

It should be noted that during the quarter:

- \$9.1 m was raised through a capital raising and the exercise of existing options
- Completion of the acquisition of Anittel, Aspirence, Axxis Technology and Accord Technologies(WA) occurred
- the process of integrating our expanded team of 230 people across 15 locations serving the IT and telephony needs of small to medium businesses across Australia commenced and has largely been completed
- 3 office rationalisations completed

The Board reaffirms its guidance for FY 2011 with revenues of \$70-90 m delivering an EBITDA result in the range of \$7-9 m. The Board will continue to assess acquisitions to build this business into a significant player in the Information Technology and Telecommunications landscape.

The company will release its preliminary final results (Appendix 4E) on 26 August 2010.

Justyn Stedwell
Company Secretary
Hostech Limited

All press and investor queries to:
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About Hostech:

Hostech is a full service information and telecommunications business serving small to medium businesses in Australia with voice, data, managed services and cloud based services sold under the Anittel brand. For more information please see www.anittel.com.au.

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 June 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	16,163	21,453
1.2 Payments for (a) staff costs	(5,248)	(7,245)
(b) advertising and marketing		
(c) research and development		
(d) leased assets		
(e) other working capital	(11,390)	(16,419)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	6	37
1.5 Interest and other costs of finance paid	(42)	(42)
1.6 Income taxes paid		
1.7 Other Income	4	4
Net operating cash flows	(507)	(2,213)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(507)	(2,213)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5) , net of cash acquired	(4,446)	(4,446)
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets-(provisional)	(1,360)	(1,380)
(e) other non-current assets - (provisional)	(2,800)	(3,197)
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	(1867)	(2067)
1.12 Loans repaid by other entities	1867	2052
1.13 Other		
Net investing cash flows	(8,606)	(9,038)
1.14 Total operating and investing cash flows	(9,113)	(11,251)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	9,071	9,618
1.16 Proceeds from issue of convertible notes	-	-
1.17 Proceeds from borrowings	1,500	1,500
1.18 Repayment of borrowings	(1,359)	(1,451)
1.19 Dividends paid		
1.20 Other	(42)	152
Net financing cash flows	9,170	9,819
Net increase (decrease) in cash held	57	(1,432)
1.21 Cash at beginning of quarter/year to date	411	1,900
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	468	468

+ 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	330
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 June 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 \$368k</i>	2,200	368
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

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	836	411
4.2	Deposits at call		
4.3	Bank overdraft	(368)	-
4.4	Other (provide details)		
Total: cash at end of quarter (item 1.23)		468	411

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Acquisitions (Item 1.9(a))	
5.1	Name of entity	Accord Technologies (WA) Pty Ltd	AXXIS Technology Pty Ltd
5.2	Place of incorporation or registration	Western Australia, 6021	Dubbo, NSW, 2830
5.3	Consideration for acquisition or disposal (i)	\$3.6 million in cash & 96 million HTC shares at an issue price of 2.5 cents	\$1.5 million in cash & 17.9million HTC shares at an issue price of 2.8 cents
5.4	Total net assets - (provisonal)- \$'000s	\$500	\$200
5.5	Nature of business	A leading IT managed services provider in Western Australia	A regional IT solutions provider in Western NSW

	Acquisitions (Item 1.9(a))	Acquisitions (Item 1.9(a))	
5.1	Name of entity	Anittel Limited	Aspirence
5.2	Place of incorporation or registration	Sydney, NSW, 2000	Albury, NSW
5.3	Consideration for acquisition or disposal (i)	\$728k in cash & 87.5 million HTC shares at an issue price of 2 cents	\$500k in cash & 3.6 million HTC shares at an issue price of 2 cents
5.4	Total net assets – (Provisonal)-\$000s	(\$11.300)	\$450
5.5	Nature of business	A national IT and Telecommunications company	A regional IT solutions provider located in Albury

+ See chapter 19 for defined terms.

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: 29/07/10

Print name: Justyn Stedwell

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.

+ See chapter 19 for defined terms.