

LONGREACH GROUP LIMITED

30 JUNE 2008

PRELIMINARY FINAL REPORT
APPENDIX 4E

ASX Code: LRG

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DIRECTORS' REVIEW

Preliminary Final Report for the year ended 30 June 2008

Your directors submit their preliminary final report for the year ended 30 June 2008 for LongReach Group Limited and its controlled entities.

DIRECTORS

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

Director		Appointed	Resigned
A R Farrar	Chairman & Director – Non-Executive	21 November 2006	
S P Wilks	Director – Non-Executive	21 November 2006	
L E Case	Director – Non-Executive	18 January 2007	
W J Masson	Chief Executive Officer & Chief Financial Officer - Executive		
	Director - resigned	11 April 2006	28 November 2007
K M Carr	Director – Non-Executive	21 November 2006	31 July 2007

OPERATING AND FINANCIAL REVIEW

During the past financial year there were a number of significant corporate events that have impacted on the Group's composition and the financial results and position of its continuing operations. The most significant corporate events are as follows:

- a) Appointment of Voluntary Administrators to LongReach Communications Pty Ltd and its controlled entities (the "LRC sub-group") on 3 July 2007. The operations of the LRC sub-group were subsequently wound down and a Deed of Company Arrangement was entered into;
- b) On 10 January 2008 the Group announced a non renounceable rights issue. The rights issue offer closed on 5 February 2008 and 25,391,515 shares were accepted and issued with gross capital proceeds of \$569,813 received;
- c) The disposal of ServicePoint Australia Pty Ltd, as approved by the Group's shareholders on 26 February 2008, completed on 29 February 2008 for a cash consideration of \$9 million, subject to working capital adjustments based on the net asset value of ServicePoint Australia Pty Ltd at date of completion;
- d) The on-market buy back of the Group's convertible notes announced on 11 March 2008.

The Group's continuing operations as at the date of this report is comprised of the operations of C4i Pty Ltd. C4i applies state-of-the-art digital switching and communications technologies to achieve fast, efficient and simple to use communications solutions through its world leading Switchplus® based products.

Results

The consolidated results of the economic entity, after providing for income tax for the year, amounted to a profit of \$6,210,762 for the year ended 30 June 2008 (2007: \$17,935,838 loss).

This consolidated loss is comprised of:

- a loss after tax from continuing operations of \$2,127,400 (2007: loss of \$90,662); and
- a profit after tax from discontinued operations of \$8,338,162 (2007: loss of \$17,845,176).

Continuing operations

The revenues from continuing operations of \$9,848,500 (2007: \$5,939,106) are comprised of:

- a) the sale of goods and services of \$9,516,977 (2007: \$2,994,386) being an increase of 218% over the corresponding period last year;
- b) interest received of \$223,537 (2007: \$267,773) and other revenue of \$107,986 (2007: \$9,320); and
- c) a non-recurring discount (being the excess of fair value of the net assets acquired over the cost of acquisition) in the prior corresponding period of \$2,667,627 arising on the acquisition of C4i Pty Ltd.

The expenses from continuing operations of \$12,210,519 (2007: \$6,142,484) represents a 99% increase over the corresponding period last year. The increase in expenses is mainly attributable to the current period being comprised of a full year of operations for C4i Pty Ltd compared to 7 months in the prior period. Other significant items which are of a non-recurring nature include a write down of \$778,406 for the impairment of C4i Pty Ltd's intangible assets (2007: \$ nil). Borrowing costs of \$527,477 (2007: \$322,837) are included in these total expenses from continuing operations.

Discontinued Operations

During the year ended 30 June 2008, LongReach Group Limited discontinued or disposed of the following operations and controlled entities:

a) Sale of ServicePoint Australia Pty Ltd

The Group received an offer for the sale of ServicePoint Australia Pty Ltd and decided in favour of disposing of this subsidiary. On 9 January a share sale agreement was concluded with LongReach Group Limited agreeing to the sale for a cash consideration of \$9 million, subject to working capital adjustments at completion. The sale was approved by the Group's shareholders at a general meeting held on 26 February 2008 and the sale was completed on 29 February 2008.

The final sale price is subject to an adjustment to the extent that the net assets of ServicePoint Australia Pty Ltd as per its final Completion Accounts vary from a \$2.1 million net asset value. The Completion Accounts have been prepared by the purchaser and an audit certificate has been issued. LongReach Group Limited has however issued a Notice of Dispute in respect of the Completion Accounts and the net asset value as per these accounts. Until such time as the dispute process is concluded, there is no certainty as to the value of any further adjustments to the final purchase consideration adjustment.

The sale of ServicePoint Australia Pty Ltd has been accounted for in this annual financial report on the basis of the Completion Accounts and no additional sale proceeds relating to the disputed items have been brought to account. Based on the Completion Accounts, a further amount of \$317,813 is payable to LongReach Group Ltd by the purchaser of ServicePoint Australia Pty Ltd.

The results for ServicePoint Australia Pty Ltd up to date of the sale, has been accounted for as discontinued operations. The net profit after tax from discontinued operations includes a net profit on the sale of ServicePoint Australia Pty Ltd of \$6,383,496 and a loss of \$371,801 in respect of its trading operations for the period up to the date of sale on 29 February 2008. The prior period loss from discontinued operations includes an operating trading profit of \$2,252,950 and an impairment of \$2,105,559 in respect of the voice facilities management services business that was transferred to ServicePoint Australia Pty Ltd.

b) LongReach Communications sub-group placed into Voluntary Administration

LongReach Communications Pty Ltd and its controlled entities ("LRC sub-group") were placed into Voluntary Administration on 3 July 2007. The operations of the LRC sub-group were subsequently wound down and a Deed of Company Arrangement entered into. The Deed of Company Arrangement is still in effect, but is expected to be completed in the near future.

The Group had no liability for the LRC sub-group's net liabilities outside of the contributions agreed to in the Deed of Company Arrangement and as a consequence the shortfall between the LRC sub-group's assets and liabilities as recorded in the Group balance sheet as at 30 June 2007 has been eliminated, resulting in a net profit after tax of \$2,309,692 from these discontinued operations in the year ended 30 June 2008.

ISSUE OF SHARES, SHARE OPTIONS AND CONVERTIBLE NOTES

Shares and Share Options

On 12 February 2008 LongReach Group Ltd issued 25,391,515 fully paid ordinary shares with gross capital proceeds of \$569,813. These ordinary shares were issued following a non renounceable rights issue offer announced on 9 January 2008, offering 3 fully paid ordinary shares for every 4 shares held at an issue price of 2.25 cents per share. Total ordinary shares on issue at 30 June 2008 are 136,154,962 (2007: 110,763,447).

On 21 November 2006 the company issued 58,411,657 (\$7,885,574 fair value) shares and 1,100,145 (\$104,643 fair value) share options as part of the merger scheme of arrangement with the former LongReach Group Limited (former ASX Code: LRX).

No share options were issued during the year ended 30 June 2008. During the period 1 July 2006 to 30 June 2007 the company issued 12,100,000 options to key management personnel of the consolidated group. Certain of these options have lapsed or been cancelled before the end of the financial year and as at 30 June 2008 there remained 6,847,364 (2007: 9,183,477) issued share options.

Convertible Notes

On 21 November 2006 the company issued 15,110,604 (\$5,439,842 face value) new Convertible Notes as part of the merger scheme of arrangement referred to above.

The Group announced an on market buy back of its listed convertible notes on 11 March 2008. During the period to 30 June 2008 the Group has bought back 5,740,049 convertible notes for a total gross consideration of \$2,028,216. The convertible notes remaining issued at 30 June 2008 are 9,370,555 (2007: 15,110,604) with a face value of \$3,373,400 (2007: \$5,439,842).

The convertible notes are unsecured with a price of 36 cents per note and interest of 10% per annum is paid twice annually in arrears. The convertible notes are redeemable in cash on the 31 October 2008 maturity date.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no matters subsequent to the end of the financial year.



William Masson

Chief Executive Officer



Allan Farrar

Chairman

29 August 2008

Appendix 4E

Preliminary final report

Introduced 30/6/2002.

Name of entity

LONGREACH GROUP LIMITED

ABN or equivalent company reference

57 010 597 672

Half yearly (tick)

Preliminary final (tick)

Financial year ended ('current period')

30 June 2008

Results for announcement to the market

Extracts from this report for announcement to the market (see note 1).

Revenues from Continuing Operations	up	65.8%	to	9,848,500
Profit (loss) after tax from Continuing Operations	loss up	2,246.5%	to	(2,127,400)
Net profit (loss) for the period attributable to members	up	\$24.1 million	to	6,210,762
Dividends		Amount per security		Franked amount per security
Final dividend		-		-
Interim dividend		-		-
Previous corresponding period		-		-
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution)		N/A		
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
N/A				

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Consolidated income statement

	Current period 2008	Previous corresponding period
CONTINUING OPERATIONS		
Revenues	9,848,500	5,939,106
Expenses	(11,683,042)	(5,819,647)
Finance costs	(527,477)	(322,837)
Profit / (loss) from continuing operations before tax	(2,362,019)	(203,378)
Income tax benefit / (expense) on continuing operations	234,619	112,716
Profit / (loss) from continuing operations after tax	(2,127,400)	(90,662)
DISCONTINUED OPERATIONS		
Profit / (loss) after tax from discontinued operations	8,338,162	(17,845,176)
Net profit / (loss) for the period attributable to members	6,210,762	(17,935,838)

Tax Reconciliation – continuing operations	Current period 2008	Previous corresponding period
Prima facie tax benefit / (expense) on profit from continuing operations	708,606	61,013
Unrecognised tax losses	(434,417)	-
Non taxable income	-	800,288
Prior year tax losses not previously brought to account now utilised	-	276,286
Expenditure not allowed for income tax purposes	(30,695)	(1,050,209)
Other	(8,875)	25,338
Income tax credit / (expense)	234,619	112,716

Earnings per security (EPS)	Current period	Previous corresponding Period
Basic EPS	5.14c	(20.47)c
Basic EPS – continuing operations	(1.76)c	(0.10)c
Diluted EPS	5.14c	(20.47)c
Diluted EPS – continuing operations	(1.76)c	(0.10)c
Weighted no. of ordinary shares	120,892,303	87,628,071

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Revenue and expenses from continuing operations

	Current period 2008	Previous corresponding period
Revenue and other income from continuing operations		
Revenue	9,516,977	2,994,386
Interest revenue	223,537	267,773
Other income	107,986	9,320
Discount on acquisition of controlled entity	-	2,667,627
Total Revenue and other income	9,848,500	5,939,106
Expenses from continuing operations		
Details of relevant expenses (including borrowing costs) :		
Costs of Goods Sold and Project Direct Costs	(3,339,555)	(568,598)
Employee Costs	(4,653,428)	(2,827,670)
Professional & Consultancy Fees	(465,763)	(703,478)
Finance Costs	(527,477)	(322,837)
Communication Costs	(92,328)	(57,937)
Occupancy Costs	(381,194)	(184,278)
Insurance	(158,467)	(74,463)
Travelling Costs	(44,139)	(102,007)
Depreciation and amortisation of PP&E	(166,738)	(245,591)
Amortisation of intangible assets	(887,632)	(442,824)
Impairment of PP&E	(15,673)	-
Write-down or impairment of Intangible Assets	(778,406)	-
Other Expenses	(699,719)	(612,801)
Total Expenses from continuing operations	(12,210,519)	(6,142,484)

Consolidated accumulated losses

	Current period	Previous corresponding period
Accumulated losses at the beginning of the financial period	(31,832,315)	(13,896,477)
Net profit (loss) attributable to members	6,210,762	(17,935,838)
Dividends and other equity distributions paid or payable	-	-
Accumulated losses at end of financial period	(25,621,553)	(31,832,315)

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Consolidated balance sheet	30-Jun-2008	30-Jun-2007	31-Dec-2007
Current assets			
Cash and cash equivalents	6,494,336	3,612,629	989,503
Receivables	2,681,121	5,135,681	1,584,894
Inventories	2,029,416	2,439,822	2,383,766
Prepayments	11,149	191,425	-
Other	1,355,169	60,495	81,773
Assets of disposal group	-	1,669,482	4,209,604
Total current assets	12,571,191	13,109,534	9,249,540
Non-current assets			
Property, plant and equipment	104,552	823,674	130,120
Intangibles	4,501,383	5,356,283	4,386,162
Deferred tax assets	492,933	781,071	1,260,591
Other	-	79,523	-
Total non-current assets	5,098,868	7,040,551	5,776,873
Total assets	17,670,059	20,150,085	15,026,413
Current liabilities			
Payables	3,606,839	5,514,597	2,266,597
Interest bearing liabilities	3,373,400	54,603	5,436,858
Income tax payable	155,886	-	-
Employee provisions	44,351	24,916	-
Other provisions	173,851	368,888	230,511
Other	562,944	814,996	-
Liabilities of disposal group	-	4,277,767	2,959,513
Total current liabilities	7,917,271	11,055,767	10,893,479
Non-current liabilities			
Interest bearing liabilities	-	5,591,746	-
Payables	-	160,367	-
Deferred tax liabilities	1,431,178	1,745,721	1,387,548
Employee provisions	149,161	203,531	-
Other provisions	-	63,749	121,656
Total non-current liabilities	1,580,339	7,765,114	1,509,204
Total liabilities	9,497,610	18,820,881	12,402,683
Net assets	8,172,449	1,329,204	2,623,730
Equity			
Capital/contributed equity	32,824,032	32,254,219	32,254,219
Reserves	969,970	907,300	1008,730
(Accumulated losses)	(25,621,553)	(31,832,315)	(30,639,219)
Total equity	8,172,449	1,329,204	2,623,730

Consolidated statement of changes in equity

	Issued Capital	(Accumulated Losses)	Other Reserves	Total
At 1 July 2006	24,365,145	(13,896,477)	496,442	10,965,110
Profit for the year	-	(17,935,838)	-	(17,935,838)
Cost of share-based payments	-	-	233,158	233,158
Convertible Notes equity component	-	-	177,700	177,700
Share options exercised	3,500	-	-	3,500
Share issued	7,885,574	-	-	7,885,574
At 30 June 2007	32,254,219	(31,832,315)	907,300	1,329,204
Profit / (loss) for the year	-	6,210,762	-	6,210,762
Shares issued	569,813	-	-	569,813
Cost of share-based payments	-	-	61,750	61,750
Foreign currency translation	-	-	920	920
Share options exercised	-	-	-	-
At 30 June 2008	32,824,032	(25,621,553)	969,970	8,172,449

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Consolidated cash flow statement

	Current period	Previous corresponding period
Cash flows related to operating activities		
Receipts from customers	17,953,890	27,019,532
Payments to suppliers and employees	(19,539,080)	(25,324,628)
Interest and other items of similar nature received	238,199	296,970
Interest and other costs of finance paid	(578,924)	(482,545)
Income taxes paid	-	-
Net operating cash flows	(1,925,915)	1,509,329
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(292,800)	(596,179)
Proceeds from sale of mining tenements and investments	-	-
Capitalised development costs	(892,208)	(498,265)
Acquisition of subsidiaries	(1,174,000)	(5,948,455)
Proceeds from disposal of controlled entity	8,636,358	1,814,156
Other	-	-
Net investing cash flows	6,277,350	(5,228,743)
Cash flows related to financing activities		
Proceeds from issues of shares	569,813	3,500
Share buy-backs	-	-
Disposal group non-recourse financial commitments extinguished	2,527,179	-
Proceeds from borrowings	-	-
Repayment of borrowings	(989,584)	(2,497,345)
Finance lease proceeds (payments)	(49,957)	(145,708)
Net financing cash flows	2,057,451	(2,639,553)
Net increase / (decrease) in cash and cash equivalents	6,408,886	(6,358,967)
Cash and cash equivalents at beginning of period <i>(see Reconciliation of cash)</i>	1,085,450	7,444,417
Cash and cash equivalents at end of period <i>(see Reconciliation of cash)</i>	7,494,336	1,085,450

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Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. (*If an amount is quantified, show comparative amount.*)

None

Reconciliation of cash and cash equivalents

Reconciliation of cash and cash equivalents at the end of the period (as shown in the consolidated cash flow statement) to the related items in the accounts is as follows:	Current period	Previous corresponding period
Cash on hand and at bank	1,081,311	2,197,277
Deposits at call	5,413,025	1,415,352
Cash and cash equivalents at end of period per balance sheet	6,494,336	3,612,629
Invested funds (commercial bills) included in Other Assets	1,000,000	-
Cash on hand included in assets of disposal group	-	154,579
Interest bearing overdraft included in liabilities of disposal group	-	(2,681,758)
Cash on hand included in assets held for sale	-	-
Total cash and cash equivalents at end of period per cashflow	7,494,336	1,085,450

Other notes to the consolidated financial statements

Ratios	Current period	Previous corresponding Period
Profit before tax / revenue Consolidated profit / (loss) from continuing operations before tax as a percentage of revenue	(23.98)%	(3.42)%
Profit after tax / equity interests Consolidated net profit / (loss) after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	75.99%	(1349.37)%

NTA backing	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	2.696 cents	(3.636) cents

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Business Combinations

During the prior period the consolidated entity acquired 100% of the issued capital of :

- LongReach Communications Pty Limited (formerly LongReach Group Limited, former stock exchange code LRX) and its wholly owned subsidiaries on 21 November 2006 via a merger.
- C4i Pty Limited (formerly Redflex Communications Systems Pty Limited) and its wholly owned subsidiaries on 12 December 2006.

The final deferred purchase consideration of \$1,174,000 in respect of the acquisition of C4i Pty Ltd was remitted to the vendor on 14 September 2007. This final payment had been accounted for in the total consideration payable on this business combination in the year ended 30 June 2007.

Further detail in relation to the above is provided in the Annual Report for the year ended 30 June 2007.

Effect of merger and acquisition

The acquisitions had the following effect on the consolidated entity's assets and liabilities.

Acquiree's net assets at the acquisition date, as adjusted in the Annual Report for the year ended 30 June 2007

LongReach Communications Pty Limited

	Recognised Values	Fair value adjustments	Carrying amounts
Property, plant and equipment	50,324	1,959	48,365
Intangible assets	11,374,800	(2,527,119)	13,901,919
Deferred tax assets	1,097,255	797,255	300,000
Inventory and work-in-progress	572,754	(2,057,851)	2,630,605
Trade and other receivables	1,281,548	(538,690)	1,820,238
Assets classified as held for sale	1,809,562	-	1,809,562
Cash and cash equivalents	(1,660,678)	-	(1,660,678)
Trade and other payables	(2,750,871)	(463,401)	(2,287,470)
Provisions	(106,250)	(106,250)	-
Interest bearing liabilities	(4,911,082)	-	(4,911,082)
Deferred tax liabilities	(238,484)	-	(238,484)
Net identifiable assets and liabilities	<u>6,518,878</u>	<u>(4,894,097)</u>	<u>11,412,975</u>
Goodwill on acquisition	<u>2,601,779</u>		
Total consideration	14,262,404		
Convertible note transfer arrangement	(5,149,566)		
Share options transfer arrangement	7,819		
Consideration paid, satisfied in scrip	(9,120,657)		
Cash (acquired)	1,660,678		
Merger expenses	<u>435,068</u>		
Net cash outflow	<u>2,095,746</u>		
Cost of the combination			
Shares issued, at fair value	7,885,574		
Convertible notes issued, at fair value	5,687,119		
Share options issued, at fair value	104,643		
Costs associated with the acquisition	<u>585,068</u>		
Total cost of the combination	<u>14,262,404</u>		

Business Combinations (Continued)

As part of the cost of the combination, the company issued equity instruments comprising 58,411,657 ordinary shares with a fair value of \$0.135 each, based on the quoted price of the shares of LongReach Group Limited at the date of exchange.

The goodwill arising on consolidation was fully written off in the period ended 30 June 2007 following a decision by the Directors to discontinue the operations of LRC sub-group as the goodwill was considered to be fully impaired.

C4i Pty Ltd

	Recognised Values	Fair value adjustments	Carrying amounts
Property, plant and equipment	314,448	-	314,448
Intangible assets	5,464,805	(339,815)	5,804,620
Deferred tax assets	259,960	-	259,960
Inventory and work-in-progress	3,929,525	(218,900)	4,148,425
Trade and other receivables	728,810	-	728,810
Other assets	76,935	-	76,935
Cash and cash equivalents	475,020	-	475,020
Trade and other payables	(1,042,548)	-	(1,042,548)
Provisions	(341,660)	-	(341,660)
Deferred tax liabilities	(1,695,939)	-	(1,695,939)
Net identifiable assets and liabilities	<u>8,169,356</u>	<u>(558,715)</u>	<u>8,728,071</u>
Discount on acquisition	<u>(2,667,628)</u>		
 Cost of the combination			
Cash consideration (including deferred purchase consideration)	5,174,000		
Costs associated with the acquisition	<u>327,728</u>		
Total cost of the combination	<u>5,501,728</u>		

The Group's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the acquisition of the controlled entity giving rise to a discount on acquisition.

The discount on acquisition of \$2,667,628 was immediately transferred to the Income Statement in the year ended 30 June 2007 in line with accounting standards.

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Discontinued Operations

During the year ended 30 June 2008, LongReach Group Limited discontinued or disposed of the following operations and controlled entities:

- a) LongReach Communications Pty Ltd and its controlled entities ("LRC sub-group") were placed into Voluntary Administration on 3 July 2007. The operations of the LRC sub-group were subsequently wound down and a Deed of Company Arrangement entered into. The Deed of Company Arrangement is still in effect, but is expected to be completed in the near future.

The Group had no liability for the LRC sub-group net liabilities outside of the contributions agreed to in the Deed of Company Arrangement and as a consequence the shortfall between the LRC sub-group's assets and liabilities as recorded in the Group's balance sheet as at 30 June 2007 has been eliminated, resulting in a net profit after tax of \$2,309,692 from these discontinued operations for the year ended 30 June 2008 (2007: loss of \$18,459,702).

The results of the LRC sub-group are included in discontinued operations for the year ended 30 June 2008 and in the corresponding prior period with its assets and liabilities as at 30 June 2007 disclosed as assets and liabilities of a disposal group on the face of the balance sheet.

- b) The Group received an offer for the sale of ServicePoint Australia Pty Ltd and decided in favour of disposing of this subsidiary. On 9 January 2008 a share sale agreement was concluded with LongReach Group Limited agreeing to the sale for a cash consideration of \$9 million, subject to working capital adjustments at completion. The sale was approved by the Group's shareholders at a general meeting held on 26 February 2008 and the sale was completed on 29 February 2008.

The final sale price is subject to an adjustment to the extent that the net assets of ServicePoint Australia Pty Ltd as per its final Completion Accounts vary from a \$2.1 million net asset value. The Completion Accounts have been prepared by the purchaser and an audit certificate has been issued. LongReach Group Limited has however issued a Notice of Dispute in respect of the Completion Accounts and the net asset value as per these accounts. Until such time as the dispute process is concluded, there is no certainty as to the value of any further adjustments to the final purchase consideration adjustment.

The sale of ServicePoint Australia Pty Ltd has been accounted for in this annual financial report on the basis of the Completion Accounts and no additional sale proceeds relating to the disputed items have been brought to account. Based on the Completion Accounts, a further amount of \$317,813 is payable to LongReach Group Ltd by the purchaser of ServicePoint Australia Pty Ltd.

The results for ServicePoint Australia Pty Ltd up to date of the sale, have been accounted for as discontinued operations. Included in the net profit after tax from discontinued operations is a net profit on the sale of ServicePoint Australia Pty Ltd of \$6,383,496 (2007: \$ nil) and a loss of \$371,801 (2007: net profit of \$2,252,951) in respect of its trading operations for the period up to the date of sale on 29 February 2008. In addition to the prior period operating trading result, a loss of \$2,105,559 was accounted for in the year ended 30 June 2007 in respect of the impairment of the goodwill attributable to the voice facilities management services business transferred to ServicePoint Australia Pty Ltd from another controlled entity within the Group.

Discontinued operations (continued)

Current Period	ServicePoint Australia Pty Ltd including the voice facilities management services	LRC Sub-group	TUSC Computer Systems Pty Ltd	Cabling infrastructure business and related expenses	Total Discontinued Operations
a) Operating trading result					
Revenue	7,608,661	-	16,775	-	7,625,436
Expenses	(7,924,759)	(298,592)	-	-	(8,223,351)
Net operating profit (loss) before finance costs	(316,098)	(298,592)	16,775	-	(597,915)
Finance costs	(51,447)	-	-	-	(51,447)
Operating profit (loss) from discontinued operations before tax	(367,545)	(298,592)	16,775	-	(649,362)
Income tax benefit (expense)	(4,256)	-	-	-	(4,256)
Net operating profit (loss) from discontinued operations after tax	(371,801)	(298,592)	16,775	-	(653,618)
b) Profit on sale and derecognition of discontinued operations					
Profit in derecognition of disposal group	-	3,594,189	-	-	3,594,189
Proceeds on sale	9,317,813	-	-	-	9,317,813
Expenses and cost of investment	(2,718,431)	-	-	-	(2,718,431)
Profit before tax on sale of discontinued operation	6,599,382	3,594,189	-	-	10,193,571
Income tax benefit (expense)	(215,886)	(985,905)	-	-	(1,201,791)
Net profit (loss) attributable to sale and derecognition of discontinued operations	6,383,496	2,608,284	-	-	8,991,780
c) Total result of discontinued operations					
Income	16,926,474	3,594,189	16,775	-	20,537,438
Expenses and costs	(10,643,190)	(298,582)	-	-	(10,941,782)
Net profit (loss) before finance costs	6,283,284	3,295,597	16,775	-	9,595,656
Finance costs	(51,447)	-	-	-	(51,447)
Profit (loss) before tax from discontinued operations	6,231,837	3,295,597	16,775	-	9,544,209
Income tax expense	(220,142)	(985,905)	-	-	(1,206,047)
Net profit (loss) attributable to discontinued operations	6,011,695	2,309,692	16,775	-	8,338,162

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Discontinued operations (continued)

Prior Period	ServicePoint Australia Pty Ltd including the voice facilities management services of Allied Group	LRC Sub-group	TUSC Computer Systems Pty Ltd	Cabling infrastructure business and related expenses	Total Discontinued Operations
a) Operating trading result					
Revenue	15,304,638	2,840,653	-	-	18,145,291
Expenses	(13,086,902)	(18,435,793)	(200,000)	(85,804)	(31,808,499)
Net operating profit (loss) before finance costs	2,217,736	(15,595,140)	(200,000)	(85,804)	(13,663,208)
Finance costs	(8,470)	(151,432)	-	(1,724)	(161,626)
Operating profit (loss) from discontinued operations before tax	2,209,266	(15,746,572)	(200,000)	(87,528)	(13,824,834)
Income tax benefit (expense)	43,684	(111,351)	60,000	(222,518)	(230,185)
Net operating profit (loss) from discontinued operations after tax	2,252,950	(15,857,923)	(140,000)	(310,046)	(14,055,019)
b) Profit on sale and derecognition of discontinued operations					
Profit in derecognition of disposal group	-	-	-	-	-
Proceeds on sale	-	-	-	2,110,133	2,110,133
Expenses, cost of investment and impairment of intangible assets	(2,105,559)	(2,601,779)	-	(1,192,952)	(5,900,290)
Profit before tax on sale of discontinued operation	(2,105,559)	(2,601,779)	-	917,181	(3,790,157)
Income tax benefit (expense)	-	-	-	-	-
Net profit (loss) attributable to sale and derecognition of discontinued operations	(2,105,559)	(2,601,779)	-	917,181	(3,790,157)
c) Total result of discontinued operations					
Income	15,304,638	2,840,653	-	2,110,133	20,255,424
Expenses and costs	(15,192,461)	(21,037,572)	(200,000)	(1,278,756)	(37,708,789)
Net profit (loss) before finance costs	112,177	(18,196,919)	(200,000)	831,377	(17,453,365)
Finance costs	(8,470)	(151,432)	-	(1,724)	(161,626)
Profit (loss) before tax from discontinued operations	103,707	(18,348,351)	(200,000)	829,653	(17,614,991)
Income tax benefit (expense)	43,684	(111,351)	60,000	(222,518)	(230,185)
Net profit (loss) attributable to discontinued operations	147,391	(18,459,702)	(140,000)	607,135	(17,845,176)

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Discontinued operations (continued)

The discontinued operations included in the prior year balance sheet are as follows:

Balance Sheet	ServicePoint Australia Pty Ltd	LRC Sub-group	TUSC Computer Systems Pty Ltd	Cabling infrastructure business and related expenses	Total Discontinued Operations
Assets (Other) – carrying amount at balance date	-	1,669,482	-	-	1,669,482
Liabilities at balance date	-	(4,277,767)	-	-	(4,277,767)
Net Assets / (Liabilities) at balance date	-	(2,608,285)	-	-	(2,608,285)

Loss of control of entities having material effect

1. Name of entity (or group of entities)	a) ServicePoint Australia Pty Ltd sold on 29 February 2008 b) LongReach Communications Pty Ltd (placed into administration on 3 July 2007)
2. Consolidated profit / (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	Refer “Discontinued Operations”
3. Date to which the profit / (loss) in item 2. has been calculated	a) 29 February 2008 b) 30 June 2008 Included in Net profit (loss) after tax from discontinued operations
4. Consolidated profit / (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	Refer “Discontinued Operations”
5. Contribution to consolidated profit / (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	Refer “Discontinued Operations”

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Dividends

No dividends were declared or paid during the year ended 30 June 2008.

Dividend Reinvestment Plan Summary.

Complete details of the DRP are listed in the document "Dividend Reinvestment Plan – Terms and Conditions". This document has been lodged with the ASX and a copy may be obtained from the web site www.longreach.com. This document should be read in its entirety; however, a summary of the benefits follows:

- All Shareholders are entitled to participate (subject to foreign law requirements).
- Shares issued under the DRP will be issued at a discount of five (5) per cent (or as otherwise determined by the Board from time to time) to the weighted average market price of Ordinary Shares sold over the 5 ASX Business Days preceding the day on which the books are closed for determination of entitlement to the relevant dividend.
- Other than stamp duty or other duties (if any), no brokerage, commission or other transaction costs will be payable by any Participant in respect of the application for and allotment of Shares under the DRP.

The last date(s) for receipt of election notices for the ⁺dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)*

N/A

Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

Category of ⁺ securities	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
Preference ⁺securities <i>(description)</i>	None	-	-	-
Changes during current period	None	-	-	-
(a) Increases through issues				
(b) Decreases through returns of capital, buybacks, redemptions				
⁺Ordinary securities	136,154,962	136,154,962	-	-
Changes during current period				
(a) Increases through issues - non renouncable rights issue	25,391,515	25,391,515	2.25c	2.25c
(b) Increase through exercising of share options	-	-	-	-
⁺Convertible debt securities <i>(description and conversion factor)</i>	9,370,555	9,370,555	36.0c	36.0c
	10% Convertible Notes 1:1			
Changes during current period				
(a) Increases through issues – non cash consideration for subsidiary	-	-	-	-
(b) Decreases through on market buy back	(5,740,049)	(5,740,049)	32c to 36c	

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Options (<i>description and conversion factor</i>)		<i>Exercise price</i>	<i>Vesting date</i>	<i>Expiry date (if any)</i>
Issued during current period	-	-	-	-
Exercised during current period	-	-		
Expired and/or cancelled during current period	133,334 100,000 2,000,000 102,778	\$0.03 \$0.40 \$0.42 \$0.465		
Expired and/or cancelled subsequent to year end	300,000	\$0.30		
Debentures (<i>description</i>)	None	-	-	-
Changes during current period				
(a) Increases through issues	None			
(b) Decreases through securities matured, converted	None			
Unsecured notes (<i>description</i>)	Convertible Notes	-	-	-
Changes during current period				
(a) Increases through issues	None			
(b) Decreases through securities matured, converted	None			
(c) Decreases through securities bought back on-market	5,740,049			

Segment reporting

The Group operates predominantly in one industry sector, the Information and Communications Technology (ICT) sector and the Group's business segment is primarily located in Australia with one subsidiary C4i Inc operating in the US. Primarily all activities of the business segment are conducted in Australia with some sales revenue generated from markets in Asia and Europe, and the operations of C4i Inc in the USA. The sales revenue and activities outside of Australia were not significant during the current period. In addition the location of the group's service facilities and other assets are within Australia.

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Comments by directors

Basis of financial report preparation

1. Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

Please refer to the Directors' Review

2. A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

Please refer to the Directors' Review

3. Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

LongReach Group Limited has franking credits in the order of \$7.99 million, which are available for distribution to the shareholders.

4. Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
For the year ended 30 June 2008

a) Basis of preparation of preliminary final report

The preliminary final report has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The preliminary final report has also been prepared on a historical cost basis.

The preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the last annual report and any public announcements to the market made by the Company during the reporting period in accordance with the continuous disclosure requirement of the *Corporations Act 2001* and the listing rules of the Australian Stock Exchange.

The accounting policies adopted are consistent with those of the previous year.

The preliminary final report is presented in Australian dollars.

Comparative information is reclassified where appropriate to enhance comparability.

5. Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year.

None

6. Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last ⁺ annual report.

The bankers of the Group's controlled entities have issued performance guarantees to certain customers in respect of bonds of \$148,000.

Annual meeting

The annual meeting will be held as follows:

Place	To be advised
Date	To be advised
Time	To be advised
Approximate date the ⁺ annual report will be available	To be advised

Compliance statement

1. This report is based on ⁺ accounts to which one of the following applies.

(Tick one)

<input type="checkbox"/>	The ⁺ accounts have been audited.	<input type="checkbox"/>	The ⁺ accounts have been subject to review.
<input checked="" type="checkbox"/>	The ⁺ accounts are in the process of being audited or subject to review.	<input type="checkbox"/>	The ⁺ accounts have <i>not</i> yet been audited or reviewed.

2. The entity has a formally constituted audit committee.

Signed:



William Masson
Chief Executive Officer



Allan Farrar
Chairman

Date: 29 August 2008

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Appendix A – Option Exercise Periods and Expiry Dates for Unquoted Options

This table details the number of options outstanding as at 30 June 2008:

Number	Exercise Price	Note	Exercise Periods	Expiry Dates
300,000	\$ 0.30	1.	30 June 2007 to 1 July 2008	1 July 2008
139	\$ 0.36		16 March 2006 to 31 October 2008	31 October 2008
16,667	\$ 0.03		14 February 2006 to 14 February 2009	14 February 2009
583,334	\$ 0.03		25 August 2006 to 25 August 2009	25 August 2009
1,000,000	\$ 0.25		30 November 2007 to 30 November 2009	30 November 2009
83,334	\$ 0.465		31 March 2006 to 31 March 2010	31 March 2010
1,600,000	\$ 0.235		31 December 2007 to 31 December 2012	31 December 2012
1,600,000	\$ 0.26		31 December 2008 to 31 December 2012	31 December 2012
1,600,000	\$ 0.29		31 December 2009 to 31 December 2012	31 December 2012
58,334	\$ 0.465		31 March 2007 to 31 March 2011	31 March 2011
<u>5,556</u>	\$ 0.465		31 March 2008 to 31 March 2012	31 March 2012
<u><u>6,847,364</u></u>				

Notes:

- Options lapsed subsequent to the financial year end – 300,000

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