



CEC GROUP

ASX ANNOUNCEMENT

5 March 2009

HIGHLIGHTS HALF YEAR ENDED 31 DECEMBER 2008

MANAGING DIRECTOR'S OVERVIEW

The global economic climate continues to be uncertain. We have taken numerous steps to protect CEC from this environment and position the company to return to profitability and growth into the future. Those steps have been communicated previously but warrant summation here:

- Substantial principle debt reduction down to below \$88 million dollars (from \$168 million) over the last 6 months in what can only be described as difficult asset sale markets.
- Debt reduction resulting in a successful debt extension with our principle financier with a 24 month maturity.
- Re alignment of the organisation's structure and strategy resulting in a streamlined organisation focused in 3 core areas:
 - ▲ civil construction/engineering services;
 - ▲ residential property development; and
 - ▲ supply of raw materials for the building, construction and mining industries.

The most pleasing aspect of these activities is the ability of CEC to retain the majority of core assets within its control which will enable development opportunities to continue for a number of years without the need to "re-acquire" such opportunities. The debt reduction was achieved predominantly through the sale of non-core property and business assets in Cairns and Townsville. The CEC Group's residential land bank remains one of the largest in North Queensland and demand for land has increased in recent weeks following the Federal Government's increased first homebuyer's grant.

CEC group remains very strong in Cairns, Townsville, Cooktown and Mt Isa. Each division is profitable, with work on our books for the coming 12 months. In addition these future developments in property development are likely to take on a different risk profile via joint venture opportunities and specific debt financing associated with the projects. Of equal importance will be our continued reduction in debt as CEC works off its substantial land and housing inventory from its books. It is planned that this initiative will further reduce it's debt by over \$15 million over the next 12 months.

CEC currently has land and housing inventories large enough to cover outstanding debt levels and it is a priority to get these inventory levels to a much lower level before home developments in its key markets returns to historic levels. CEC will also look for opportunities to further reduce debt over the period if opportunities arise to JV existing property assets to interested parties.

While CEC will continue to draw down its substantial inventory it will not be precluded from expanding its rapid build program in conjunction with Government funded community developments which lend themselves superbly to the Rapid build methodology. These programs are generally of less than 6 months total project time with profitability being achieved over the same period.

Other growth opportunities lie within the civil construction and engineering services division with recent announcements regarding Government infrastructure projects providing opportunities to leverage our geographical resources and expertise. More information regarding these opportunities will become available through the first half of 2009.

FINANCIAL RESULTS

- Total revenue of \$94.9 million (DH'07: \$81.9 million)
- Results from Operations \$1.6 million (DH'07: \$4.7 million)
- Half-year loss after provisions and tax \$7.9 million (DH'07: profit \$2.1 million)
- No interim dividend declared.
- Total assets decreased by 6.5% to \$227 million from 30 June 2008.
- Group EBIT and EBITDA of \$2.2 million and \$5.2 million respectively (DH'07: \$4.7 million and \$7.1 million)
- Total Debt decreased to \$102.1 million (DH'07: \$164.5)
- Construction division EBIT of \$4.3 million (DH'07: \$8.7 million)
- Property division EBIT loss of \$1.6 million (DH'07: profit \$5.7 million)
- Land held for resale decreased by 6% from 30 June 2008 to \$116.3 million
- The recording of a movement in the mark to market value of two derivatives of \$12.0 million is required by accounting standards. The requirement to record this movement in valuation obviously has a large impact on the financial statements however the amount represents a movement in value only and is not a measure of performance nor a cash obligation of the company.

For complete details of the financial result please refer to the attached Appendix 4D.

ABOUT THE CEC GROUP LTD

CEC Group is a vertically integrated civil construction and property development company operating in North Queensland. CEC is engaged in civil engineering and construction, supply of building and construction materials, maintenance services, and property development.

The company has operations in Cairns, Townsville, Mt Isa and Cooktown. CEC was founded in 1977 and listed on the Australian Stock Exchange in June 2004 (ASX: CEG).

ENDS

For more information contact:

Mr Roy Lavis	CEO	0418 772 124
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Mr Kevin Lubbe	Company Secretary	(07) 4035 3500
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For more information on CEC Group please visit www.cecgroup.com.au or contact Kevin Lubbe, our Company Secretary on +61 (7) 4035 3500, email klubbe@cecgroup.com.au



CEC GROUP

ABN 84 010 025 831

401 Spence Street
PO Box 1518
Cairns Qld 4870
TELEPHONE 07 4035 3500
FACSIMILE 07 4035 3976
cecdev@cecgroup.com.au
www.cecgroup.com.au

5 March 2009

The Manager
Company Announcements Office
Floor 10
20 Bond Street
SYDNEY NSW 2001

Dear Sir

CEC GROUP LIMITED – NOTIFICATION UNDER LISTING RULE 4.2A.3

1. DETAILS OF REPORTING PERIOD.

Current period:	Half year ended 31 December 2008.
Previous period:	Half year ended 31 December 2007.

2. KEY INFORMATION.

2.1	Revenues from ordinary activities	Up 15.94% to \$94,899,054
2.2	Profit from ordinary activities after tax	Down 491.72% to a loss of \$8,086,083
2.3	Net profit after tax attributable to members of the parent entity	Down 488.80% to a loss of \$8,025,852
2.4	Dividends	
	<i>No final dividend for the year ended 30 June 2008 was paid.</i>	\$Nil
	<i>The Directors have determined that an interim dividend will not be paid</i>	\$Nil
2.5	Record date for determining entitlement to the dividend	Not applicable
2.6	Commentary on results for the period:	
	Refer attached media release for further information.	

3. NET TANGIBLE ASSETS PER SECURITY

Current period:	54 cents per share
Previous period:	90 cents per share

4. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD.

Refer to the attached financial statements.

5. DETAILS OF DIVIDENDS

Total dividend distributions – \$Nil
Dividend distribution date – Not applicable

6. DIVIDEND REINVESTMENT PLAN

The CEC Group Limited Dividend Reinvestment Plan is in operation however the Directors have determined that an interim dividend will not be paid.

7. DETAILS OF ASSOCIATES AND JOINT VENTURES.

Refer to the attached financial statements.

8. FOREIGN ENTITIES

Not applicable.

9. AUDIT DISPUTE OR QUALIFICATION

The financial statements have not been audited and are not the subject of dispute or qualification.

Yours faithfully
CEC GROUP LIMITED



Kevin Lubbe
Company Secretary
Attach/

**CEC Group Limited
& its controlled entities
ABN 84 010 025 831**

**Interim Financial Report
31 December 2008**

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT
For the six months ended 31 December 2008

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CEC GROUP LIMITED & ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

For the six months ended 31 December 2008

The directors present their report together with the consolidated financial report for the six months ended 31 December 2008 and the review report thereon.

I. DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
Non-executive	
Anthony Hartnell (Chairman)	Appointed 28 September 2005 (Appointed Chairman 26 September 2008)
Steven Lavis	Appointed 24 November 2005
Warren Entsch	Appointed 26 September 2006
Robert Borbidge	Appointed 30 November 2004 (Resigned 26 September 2008)
Gregory Kern	Appointed 13 December 2002 (Resigned 10 October 2008)
Executive	
Roy Lavis	Appointed 20 May 1977

2. REVIEW OF OPERATIONS

2.1 Net profit/(loss) after tax

Net loss after tax was \$8,086,083 for the six months ended 31 December 2008 (\$2,064,276 profit for the six months ended 31 December 2007).

2.2 Dividend payable

The directors have determined that no dividend will be payable for the six months ended 31 December 2008.

2.3 Principal activities

The principal activities of the Group during the course of the interim period were:

▲ Group overhead

Group overhead comprises business unit support functions including finance, human resources, HSEQ and IT. It also encompasses corporate functions such as advertising, business development, agriculture and investment.

▲ Property development

Property development encompasses the acquisition, development, sales and marketing of residential, commercial and industrial land and englobo development parcels in North Queensland, along with the sale of a range of house and land packages, industrial and commercial buildings.

▲ Construction

Construction comprises civil construction, construction and building materials manufacture and supply, domestic and commercial building, and the maintenance of heavy machinery and vehicles.

There were no significant changes in the nature of the activities of the Group during the half-year.

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

For the six months ended 31 December 2008

2.4 Matters significantly affecting the performance of the Group during the half-year

The performance of the Group during the half year has been significantly impacted by following items:

▲ ***The recording of a non cash expense for the movement in the mark to market value of two derivatives***

In February 2008 the Company entered into two interest rate derivatives (a 7 year interest rate swap and a 5 year interest rate cap at an interest rate of 8.17%). The mark to market valuation of the Company's interest rate derivatives was performed by our principal banker both at 30 June 2008 and at 31 December 2008. Since 1 July 2008, credit markets have significantly deteriorated and there has been a significant negative movement in the mark to market valuation of the Company's interest rate derivatives. The recording of the non cash movement in the mark to market value for the six months ended 31 December 2008 of the two derivatives of \$12,039,868 has significantly impacted on the results of the Group for the half year.

Although the Company believes that the valuation of its interest rate derivatives by its principal banker represents the most appropriate estimate of the carrying value of the derivative liability at valuation date, it does not in any way represent an actual assessment of a loss if the interest rate derivatives are held to maturity. Rather the valuation adjustment of the derivatives represents an accounting entry which has no impact on the Company's cash flow other than the fact that the Company is required to pay more in interest under the derivatives than if it had not entered into the derivatives.

▲ ***The current economic downturn being experienced in many countries including Australia and throughout North Queensland***

The impact of this downturn has included:

- ▲ The decreased availability of funds from financiers impacting on cash flow and the ability to complete developments and projects.
- ▲ The deferral of infrastructure projects with resultant reductions in demand for civil construction services and quarry materials.
- ▲ Lack of consumer confidence leading to decreased property sales (both land sales and house and land package sales).

2.5 Investments for future performance

Subsequent to 31 December 2008 there have been a number of developments that will impact the future performance of the Group. These developments include:

- ▲ Cost cutting initiatives that are continually being implemented.
- ▲ Debt reduction strategies including the sale of assets into joint venture vehicles with strategic business partners.
- ▲ Equity raising strategies including, but not limited to, a proposed rights issue, share purchase plans and possible share placements.
- ▲ The expansion of remote area housing projects using the Rapid Build concept.

3. EVENTS AFTER BALANCE DATE

3.1 Banking facilities

CEC Group, in common with many companies in Australia, is dependent on ongoing debt facilities provided by financiers to continue to operate as a going concern.

Subsequent to balance date and prior to the date of finalisation of this financial report for issue, the Group's "multi-option" bank debt facility (comprising commercial bills, overdraft and secured loan facilities and bank guarantees) has been secured for two years to 31 January 2011. The facility provides for the stepped reduction of the total debt facility of \$80 million by \$15 million in the first year with any subsequent reduction in the second year to be negotiated prior to 31 January 2010.

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (continued)
For the six months ended 31 December 2008

4. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 23 and forms part of the directors' report for the interim period ended 31 December 2008.

Dated at Cairns this fifth day of March 2009.

Signed in accordance with a resolution of the directors:



Anthony Hartnell
Chairman



Roy Lavis
Director

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES
CONSOLIDATED INTERIM BALANCE SHEET
As at 31 December 2008

	Note	31 Dec 2008 \$	30 June 2008 \$
Assets			
Cash and cash equivalents		2,313,844	3,538,579
Trade and other receivables including derivatives		24,864,404	29,257,088
Inventories		116,496,389	124,575,725
Biological assets		234,808	429,716
Current tax assets		1,215,362	1,385,068
Total current assets		145,124,807	159,186,176
Trade and other receivables including derivatives		349,270	349,270
Inventories		2,320,051	7,419,202
Investments		-	652
Investments in equity accounted investees		10,828,717	9,472,864
Investment properties		1,300,000	1,300,000
Deferred tax assets		9,403,831	6,197,898
Property, plant and equipment		44,564,951	45,889,386
Intangible assets		13,282,079	13,188,707
Total non-current assets		82,048,899	83,817,979
Total assets		227,173,706	243,004,155
Liabilities			
Bank overdrafts		10,981,330	10,692,522
Trade and other payables including derivatives		35,410,198	46,077,577
Loans and borrowings	8	90,853,032	99,857,811
Employee benefits		3,822,380	4,210,166
Provisions		200,000	579,816
Total current liabilities		141,266,940	161,417,892
Trade and other payables including derivatives		18,356,786	528,827
Loans and borrowings	8	11,239,301	16,621,172
Employee benefits		265,484	295,019
Total non-current liabilities		29,861,571	17,445,018
Total liabilities		171,128,511	178,862,910
Net assets		56,045,195	64,141,245
Equity			
Issued capital	9(a)	64,949,723	64,899,647
Retained earnings/(losses)	9(a)	(8,904,558)	(818,814)
Total equity attributable to equity holders of the parent		56,045,165	64,080,833
Minority interest	9(a)	30	60,412
Total equity		56,045,195	64,141,245

The notes on pages 10 to 20 are an integral part of these consolidated interim financial statements.

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES
CONSOLIDATED INTERIM INCOME STATEMENT
For the six months ended 31 December 2008

	Note	31 Dec 2008 \$	31 Dec 2007 \$
Revenue		94,899,054	81,853,567
Cost of sales		(83,583,080)	(66,381,252)
Gross profit		11,315,974	15,472,315
Other income		215,148	579,419
Administration expenses		(11,692,923)	(13,727,040)
Share of the profit/(loss) of equity accounted investees		1,630,564	2,410,272
Results from operating activities		1,468,763	4,734,967
<i>Finance income</i>		349,877	52,646
<i>Finance expenses:</i>			
▲ Movement in net mark to market value of derivatives	7(a)(i)	(12,039,868)	-
▲ Other finance expenses		(2,717,072)	(2,737,729)
		(14,756,940)	(2,737,729)
Net finance income/(expenses)		(14,407,063)	(2,685,083)
Profit/(loss) before income tax		(12,938,300)	2,049,884
Income tax benefit/(expense)		4,852,217	14,393
Profit/(loss) for the period		(8,086,083)	2,064,276
Attributable to:			
Equity holders of the parent		(8,025,852)	2,064,276
Minority interest		(60,231)	-
Profit/(loss) for the period		(8,086,083)	2,064,276
Earnings per share		Cents per share	Cents per share
Basic earnings per share	9(d)	(10.07)	2.68
Diluted earnings per share	9(e)	(10.07)	2.68
Dividends per share		Cents per share	Cents per share
Ordinary shares	9(c)	-	6.00
		\$	\$
EBIT (<i>Earnings before interest and taxes</i>)	14	2,019,739	4,734,967
EBITDA (<i>Earnings before interest, taxes, depreciation and amortisation</i>)	14	5,046,456	7,106,674

The notes on pages 10 to 20 are an integral part of these consolidated interim financial statements.

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES
 CONSOLIDATED INTERIM STATEMENT OF RECOGNISED INCOME AND
 EXPENSE

For the six months ended 31 December 2008

	31 Dec 2008	31 Dec 2007
	\$	\$
Profit/(loss) for the period	(8,086,083)	2,064,276
Net income recognised directly in equity	-	-
Total recognised income and expense for the period	<u>(8,086,083)</u>	<u>2,064,276</u>
Attributable to:		
Equity holders of the parent	(8,025,852)	2,064,276
Minority interest	(60,231)	-
Total recognised income and expense for the period	<u>(8,086,083)</u>	<u>2,064,276</u>

Other movements in equity arising from transactions with owners as owners are set out in Note 9.

The notes on pages 10 to 20 are an integral part of these consolidated interim financial statements.

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the six months ended 31 December 2008

	31 Dec 2008	31 Dec 2007
	\$	\$
Cash flows from operating activities		
Cash receipts from customers	112,783,911	91,621,699
Cash paid to suppliers and employees	(93,246,307)	(130,719,653)
Cash generated from operations	19,537,604	(39,097,954)
Dividends received	252,922	503,437
Interest received	97,001	49,209
Income taxes paid	(350,000)	(2,808,322)
Net cash from operating activities	19,537,527	(41,353,630)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	307,533	395,928
Acquisition of a business	-	(2,646,857)
Acquisition of property, plant and equipment	(1,636,601)	(10,224,415)
Acquisition of a subsidiary net of cash acquired	-	(499,043)
Net cash from investing activities	(1,329,068)	(12,974,387)
Cash flows from financing activities		
Proceeds from the issue of share capital	-	3,904,367
Payment of transaction costs	-	(68,381)
Proceeds of borrowings	8,105,033	80,074,620
Repayment of borrowings – principal	(19,189,253)	(23,740,398)
Repayment of borrowings – borrowing costs	(3,695,867)	(3,818,245)
Payment of finance lease and hire purchase liabilities	(4,941,915)	(4,020,942)
Dividends paid	-	(1,630,089)
Net cash from financing activities	(19,722,002)	50,700,932
Net decrease in cash and cash equivalents	(1,513,543)	(3,627,085)
Cash and cash equivalents at 1 July	(7,153,943)	(6,417,715)
Cash and cash equivalents at 31 December	(8,667,486)	(10,044,800)

The notes on pages 10 to 20 are an integral part of these consolidated interim financial statements.

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2008

1. REPORTING ENTITY

CEC Group Limited (the 'Company') is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2008 is available upon request from the Company's registered office at 401 Spence Street, Cairns, QLD, 4870 or at www.cecgroup.com.au.

2. STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2008.

This consolidated interim financial report was approved by the Board of Directors on the date stated in the directors' declaration.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2008.

4. GOING CONCERN

The consolidated interim financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In respect of the six months ended 31 December 2008, the Group reported a net loss of \$8,086,083 (Profit 2007: \$2,064,276). At 31 December 2008, current assets amounted to \$145,124,807 (June 2008: \$159,186,176) and current liabilities amounted to \$141,266,940 (June 2008: \$161,417,892) leaving a surplus of \$3,857,867 (June 2008 deficit: \$2,231,716). Current assets include inventories of \$116,496,389 which the Group expects to realise to meet any current liabilities as they fall due. Current liabilities include commercial bills and secured bank loans of \$68,535,459, some of which are not expected to become due and payable within 12 months as a result of the Group entering into a new bank debt facility subsequent to 31 December 2008 as discussed in Note 11.

In addition, there have been a number of developments which will impact the future performance and support the going concern assumption of the Group. These developments include:

- ▲ Cost cutting initiatives that are continually being implemented;
- ▲ Debt reduction strategies including the sale of assets into joint venture vehicles with strategic business partners;
- ▲ Equity raising strategies including, but not limited to, proposed rights issues, share purchase plans and possible share placements; and
- ▲ The expansion of remote area housing projects using the Rapid Build concept.

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 (continued)

For the six months ended 31 December 2008

5. ESTIMATES

The preparation of the interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2008.

6. SEASONALITY OF OPERATIONS

The Group considers that none of the separate business segments (see Note 10) are subject to significant seasonal fluctuations.

7. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

The following items affecting assets, liabilities, equity, profit or loss, or cash flows are considered significant to an understanding of the current interim period because of their nature, size or incidence.

(a) Significant (expense) items during the period

(i) Movement in the mark to market value of financial assets and liabilities

During the period the Group recorded the net movement in the mark to market value of two derivatives

The net movement in mark to market value recorded in financial expense

	31 Dec 2008	31 Dec 2007
	\$	\$
	(12,039,868)	-

In February 2008 the Company entered into two interest rate derivatives (a 7 year interest rate swap and a 5 year interest rate cap at an interest rate of 8.17%). The mark to market valuation of the Company's interest rate derivatives was performed by our principal banker both at 30 June 2008 and at 31 December 2008. Since 1 July 2008, credit markets have significantly deteriorated and there has been a significant negative movement in the mark to market valuation of the Company's interest rate derivatives. The recording of the non cash movement in the mark to market value for the six months ended 31 December 2008 of the two derivatives of \$12,039,868 has significantly impacted on the results of the Group for the half year.

Although the Company believes that the valuation of its interest rate derivatives by its principal banker represents the most appropriate estimate of the carrying value of the derivative liability at valuation date, it does not in any way represent an actual assessment of a loss if the interest rate derivatives are held to maturity. Rather the valuation adjustment of the derivatives represents an accounting entry which has no impact on the Company's cash flow other than the fact that the Company is required to pay more in interest under the derivatives than if it had not entered into the derivatives.

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 (continued)

For the six months ended 31 December 2008

7. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD (continued)

	31 Dec 2008	31 Dec 2007
	\$	\$
(a) Significant (expense) items during the period (continued)		
(ii) Write down and impairment losses		
During the period the Group recorded write downs and impairment losses on various receivables and items of inventory.		
Write-downs and impairment losses included in administration expenses	(760,793)	-
(b) Significant revenue items/expense reversals during the period		
(i) Reversal of prior period write-down		
During the prior period the Group recorded a write-down on an item of inventory. This write-down was reversed in the current period.		
Write-down reversal included in cost of sales	700,000	-
(c) Related parties		
(i) Transactions with directors		
During the interim period, the following transactions, other than the payment of directors' fees, occurred with directors or their director related entities.		
Roy Lavis		
Unsecured interest bearing advance from Roy and Alma Lavis to CEC Group Limited.		
▲ Balance as at 31 December	7,000,000	-
▲ Interest paid	279,185	-
Rent paid/payable to Kingfisher Investments Pty Ltd, a company controlled by Roy Lavis, for the use of premises by CEC Group companies.	164,657	-
Gregory Kern (a former director)		
Fees paid/payable for consulting services to Kern Consulting Group Pty Ltd, a firm controlled by Gregory Kern.	350,905	1,362,978
Anthony Hartnell		
Due diligence fees paid/payable to Atanaskovic Hartnell Lawyers, a firm significantly influenced by Anthony Hartnell.	-	408,976
(ii) Other related parties		
<i>Joint ventures</i>		
Dividends from joint venture entities during period	-	500,000
Secured interest bearing advance from joint venture entities to the Company.		
▲ Balance as at 31 December	4,000,000	-
▲ Interest paid	800,000	-

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 (continued)

For the six months ended 31 December 2008

8. LOANS AND BORROWINGS

	31 Dec 2008	30 June 2008
	\$	\$
Current liabilities		
Commercial bills	62,485,064	70,022,952
Finance lease liabilities	454,029	522,942
Hire purchase liabilities	7,935,983	7,935,653
Secured bank loans	6,050,395	7,501,264
Vendor finance	13,927,561	13,875,000
	<u>90,853,032</u>	<u>99,857,811</u>
Non-current liabilities		
Finance lease liabilities	795,986	1,003,967
Hire purchase liabilities	10,443,315	13,539,645
Secured bank loans	-	-
Vendor finance	-	2,077,560
	<u>11,239,301</u>	<u>16,621,172</u>

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 (continued)

For the six months ended 31 December 2008

9. CAPITAL, RESERVES, DIVIDENDS PAID AND EARNINGS PER SHARE

(a) Movements in equity

	Share capital	Retained earnings	Total	Minority interest	Total equity
	\$	\$	\$	\$	\$
2008					
Balance at 1 July	64,899,647	(818,814)	64,080,833	60,412	64,141,245
▲ Total recognised income and expense	-	(8,025,852)	(8,025,852)	(60,231)	(8,086,083)
▲ Equity issue costs and related tax effect	49,956	-	49,956	-	49,956
▲ Acquisition of additional interests in controlled entities	121	-	121	(121)	-
▲ Disposal of interests in controlled entities	-	-	-	(30)	(30)
▲ Dividends to minority interests	-	(59,893)	(59,893)	-	(59,893)
Net movement	50,076	(8,085,744)	(8,035,668)	(60,382)	(8,096,050)
Balance at 31 December	64,949,723	(8,904,558)	56,045,165	30	56,045,195
2007					
Balance at 1 July	57,975,531	27,138,523	85,114,054	60,383	85,174,437
▲ Total recognised income and expense	-	2,064,276	2,064,276	-	2,064,276
▲ Ordinary shares/units issued	6,874,885	-	6,874,885	30	6,874,915
▲ Equity issue costs and related tax effect	(68,381)	-	(68,381)	-	(68,381)
▲ Dividends to shareholders	-	(4,600,607)	(4,600,607)	-	(4,600,607)
Net movement	6,806,504	(2,536,331)	4,270,173	30	4,270,203
Balance at 31 December	64,782,035	24,602,192	89,384,227	60,413	89,444,640

(b) Share capital

(i) Number of shares on issue

	Ordinary shares	
	2008	2007
	#	#
On issue at 1 July	79,662,662	76,676,777
<i>Shares issued pursuant to dividend reinvestment plans:</i>		
▲ 29 October 2007	-	1,295,683
<i>Shares issued for cash:</i>		
▲ Share purchase plan – 13 December 2007	-	1,690,202
On issue at 31 December	79,662,662	79,662,662

All shares on issue are fully paid.

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 (continued)

For the six months ended 31 December 2008

9. CAPITAL, RESERVES, DIVIDENDS PAID AND EARNINGS PER SHARE (continued)

	31 Dec 2008	31 Dec 2007
	#	#
(d) Earnings per share (continued)		
(iii) Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	79,662,662	76,676,777
Effect of shares issued pursuant to dividend reinvestment plans:		
▲ 29 October 2007	-	216,539
Effect of shares issued pursuant to share purchase plans:		
▲ 13 December 2007	-	83,352
Weighted average number of ordinary shares at 31 December	79,662,662	76,976,668

(e) Diluted earnings per share

There are no dilutive potential ordinary shares. Therefore diluted earnings per share are the same as basic earnings per share.

10. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

(a) Business segments

The Group comprises the following main business segments:

▲ **Group overhead**

Group overhead comprises business unit support functions including finance, human resources, HSEQ and IT. It also encompasses corporate functions such as advertising, business development, agriculture and investment.

▲ **Property development**

Property development encompasses the acquisition, development, sales and marketing of residential, commercial and industrial land and englobo development parcels in North Queensland, along with the sale of a range of house and land packages, industrial and commercial buildings.

▲ **Construction**

The Group undertakes a wide range of construction and construction related activities predominantly involving construction projects, supply of building and construction materials products, heavy machinery and truck maintenance and commercial and residential building construction.

(b) Geographical segments

The Group's business segments are located in one geographical location, that being Queensland, Australia.

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2008

10. SEGMENT REPORTING (continued)

	31 December 2008					31 December 2007						
	Group overhead	Property development	Construction	Waste management	Eliminations	Consolidated	Group overhead	Property development	Construction	Waste management	Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue												
Controlled entities												
External sales	488,050	25,194,031	69,216,973	-	-	94,899,054	70,635	30,349,673	51,433,259	-	-	81,853,567
Inter-segment revenue	4,276,014	(98,936)	12,510,930	-	(16,688,008)	-	873,626	29,423	59,358,770	-	(60,261,819)	-
Total segment revenue	4,764,064	25,095,095	81,727,903	-	(16,688,008)	94,899,054	944,261	30,379,096	110,792,029	-	(60,261,819)	81,853,567
Other unallocated revenue						-						-
Total revenue from ordinary activities						94,899,054						81,853,567
Equity accounted investees												
Revenue @ 100%	-	6,164,577	29,888,392	-	-	36,052,969	-	16,762,565	29,172,000	9,898,107	-	55,832,672

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 31 December 2008

10. SEGMENT REPORTING (continued)

	31 December 2008					31 December 2007						
	Group overhead	Property development	Construction	Waste management	Eliminations	Consolidated	Group overhead	Property development	Construction	Waste management	Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Result												
Segment result before profits/(losses) from disposals of investment and investment property revaluations	(2,422,646)	(1,867,122)	2,930,456	-	1,197,511	(161,801)	(7,490,109)	5,211,843	7,325,358	-	(3,251,060)	1,796,032
Investment property revaluation increments and (decrements)	-	-	-	-	-	-	528,663	-	-	-	-	528,663
Share of net profits/(losses) of equity accounted investees	-	274,675	1,355,889	-	-	1,630,564	-	520,581	1,327,379	562,312	-	2,410,272
Segment result	(2,422,646)	(1,592,447)	4,286,345	-	1,197,511	1,468,763	(6,961,446)	5,732,424	8,652,737	562,312	(3,251,060)	4,734,967
Unallocated expenses net of unallocated revenue						-						-
Results from operating activities						1,468,763						4,734,967
Net financing costs						(14,407,063)						(2,685,083)
Profit before income tax						(12,938,300)						2,049,884
Income tax benefit						4,852,217						14,393
Profit for the period						(8,086,083)						2,064,276

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 (continued)

For the six months ended 31 December 2008

11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

Banking facilities

CEC Group, in common with many companies in Australia, is dependent on the ongoing debt facility provided by its principal financier to continue to operate as a going concern.

Subsequent to balance date and prior to the date of finalisation of this financial report for issue, the Group's "multi-option" bank debt facility (comprising commercial bills, overdraft and secured loan facilities and bank guarantees) has been secured for two years to 31 January 2011. The facility provides for stepped reduction of the total debt facility of \$80 million by \$15 million in the first year with any subsequent reduction in the second year to be negotiated prior to 31 January 2010.

12. CHANGES IN THE COMPOSITION OF THE ENTITY

(a) Increases in interests in subsidiaries and equity accounted investees

The Group acquired the following ownership interests in new subsidiaries and equity accounted investees during the interim period ended 31 December 2008:

Name	Country of incorporation	Date of incorporation	Ownership interest (%)
(i) Subsidiaries			
Non - trading entities			
CEC Design & Construct Pty Ltd	Australia	09 December 2008	100
Cape Construction Materials Pty Ltd	Australia	10 December 2008	100

These subsidiaries did not trade during the interim period.

(b) Decreases in interests in subsidiaries and equity accounted investees

The Group disposed of its interests in the following subsidiaries or equity accounted investees during the interim period ended 31 December 2008:

Name	Country of incorporation	Date of deregistration	Ownership interest (%)
(i) Subsidiaries			
Non - trading entities			
Betagamma 19 Pty Ltd	Australia	10 December 2008	-
Cairns Pipeline Contractors Pty Ltd	Australia	10 December 2008	-
CEC Mining Services Ltd	Australia	10 December 2008	-
Djaragu Pty Ltd	Australia	10 December 2008	-
Rockdandy Pty Ltd	Australia	24 December 2008	-

These subsidiaries had ceased operating and were deregistered during the interim period. There was no impact on the consolidated results for the interim period ended 31 December 2008.

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 (continued)

For the six months ended 31 December 2008

13. CHANGES IN CONTINGENT ASSETS OR LIABILITIES SINCE THE LAST ANNUAL REPORTING DATE

There have been no changes in contingent assets or liabilities since the last annual reporting date

14. EBIT AND EBITDA CALCULATIONS

The calculation of earnings before interest and income taxes (EBIT) and earnings before interest, income taxes, depreciation and amortisation (EBITDA) are as follows:

	31 Dec 2008	31 Dec 2007
	\$	\$
EBIT calculation		
Profit/(loss) before income tax	(12,938,300)	2,049,884
Net interest costs		
<i>Included in:</i>		
▲ net finance expense	14,659,940	2,685,083
▲ cost of sales	298,099	-
	<u>2,019,739</u>	<u>4,734,967</u>
EBITDA calculation		
EBIT	2,019,739	4,734,967
Depreciation and amortisation		
<i>Included in:</i>		
▲ administration expenses	257,042	351,055
▲ cost of sales	2,769,675	2,020,652
	<u>5,046,456</u>	<u>7,106,674</u>

CEC GROUP LIMITED & ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

For the six months ended 31 December 2008

In the opinion of the directors of CEC Group Limited ('the Group'):

1. the financial statements and notes set out on pages 6 to 20, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Cairns this fifth day of March 2009.

Signed in accordance with a resolution of the directors:



Anthony Hartnell
Chairman



Roy Lavis
Director



Independent auditor's review report to the members of CEC Group Limited

We have reviewed the accompanying interim financial report of CEC Group Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of recognised income and expense and statement of cash flows for the interim period ended on that date, selected explanatory notes and the directors' declaration set out on pages 6 to 21 of the Group comprising the Company and the entities it controlled at the interim period end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation and fair presentation of the interim 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 interim 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 interim 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 interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As auditor of CEC Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

Gerry Mier
Partner

Cairns
5 March 2009



Lead auditor's independence declaration under Section 307C of the Corporations Act 2001 to the directors of CEC Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the six month period ended 31 December 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to be 'Gerry Mier', written over a horizontal line.

KPMG

A handwritten signature in black ink, appearing to be 'Gerry Mier', written over a horizontal line.

Gerry Mier
Partner

Cairns
5 March 2009