



CEC GROUP

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15 March 2010

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 2009
Previous period:	Half year ended 31 December 2008

2. KEY INFORMATION

2.1	Revenues from ordinary activities	Down 39.21% to \$57,692,491
2.2	Profit from ordinary activities after tax	Down 31.73% to a loss of \$12,561,185
2.3	Net profit after tax attributable to members of the parent entity	Down 32.57% to a loss of \$12,561,185
2.4	Dividends	
	<i>No final dividend for the year ended 30 June 2009 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 director's report for further information.	

3. NET TANGIBLE ASSETS PER SECURITY

Current period:	24 cents per share
Previous period:	54 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
and its Controlled Entities
ABN 84 010 025 831**

**Interim Financial Report
31 December 2009**

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
INTERIM FINANCIAL STATEMENTS
For the six months ended 31 December 2009

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CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

For the six months ended 31 December 2009

The directors present their report together with the consolidated financial report for the six months ended 31 December 2009 and the review report thereon.

1. 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
Executive	
Roy Lavis	Appointed 20 May 1977

2. REVIEW OF OPERATIONS

2.1 Net profit/(loss) after tax

Net loss after tax was \$12,561,185 for the six months ended 31 December 2009 (\$9,535,674 loss for the six months ended 31 December 2008).

2.2 Dividend payable

The directors have determined that no dividend will be payable for the six months ended 31 December 2009.

2.3 Principal activities

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

▲ **Group operations**

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

▲ **Civil construction**

Civil constructions comprises a wide range of construction related activities predominantly involving the construction of complete land developments, provision and upgrade of town services and roads as well as the hiring of plant and equipment to external customers.

▲ **Property development**

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

▲ **Construction materials**

Construction materials comprises the supply and delivery of raw materials to the civil construction industry as well as the provision and upgrade of roads in remote areas.

▲ **Residential and remote housing**

Residential and remote housing comprises the construction of houses in both residential environments and remote locations.

▲ **Machinery maintenance**

Machinery maintenance comprises the maintenance of all internal plant and equipment as well as the maintenance of plant and equipment to external customers.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

For the six months ended 31 December 2009

2. REVIEW OF OPERATIONS (continued)

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

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

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.
- ▲ The lack of consumer confidence leading to decreased property sales (both land sales and house and land package sales).
- ▲ The continued deterioration in the stated value of large property holdings has led to material write downs being recorded. In the past two and a half years the recorded write downs (before tax) to property are:

◆ Year ending 30 June 2008	\$4,095,668
◆ Year ending 30 June 2009	\$16,744,103
◆ Half year ending 31 December 2009	\$3,735,472

The directors believe that these write downs to the value of property will be recovered from the organised realisation of property over the next 12 months.

- ▲ The continued deterioration in the stated value of goodwill and other intangible assets has led to material impairments being recorded. In the past two and a half years the recorded impairments (before tax) are:

◆ Year ending 30 June 2008	\$2,510,976
◆ Year ending 30 June 2009	\$3,326,583
◆ Half year ending 31 December 2009	\$2,063,581
- ▲ The 31 December 2009 financial statements include a de-recognition of \$6,401,045 in relation to the deferred tax asset in accordance with the relevant accounting standard. The Group is confident that future trading profits will be sufficient to utilise all tax losses and on that basis would justify the reinstatement of the amount not recognised at the appropriate time.

2.5 Investments for future performance

The Group continues to develop strategies that will improve its future performance. These strategies still include:

- ▲ Cost cutting strategies that are continually being implemented;
- ▲ Debt reduction strategies including the sale of assets, including 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; and
- ▲ The continued expansion of remote area housing projects using the Rapid Build product.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT
For the six months ended 31 December 2009

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.

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 \$88.8 million by \$25.3 million by 31 March 2010 with any subsequent reduction to be negotiated prior to 15 September 2010. Refer to note 10 of the financial statements for more information on the banking facilities.

3.2 Material future transactions

Consistent with our debt reduction strategies, several major transactions are imminent. These transactions include several major property transactions, business assets and investment(s) scheduled to settle in the near future.

The directors are confident that the above transactions will settle by late March and throughout April 2010.

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 six months ended 31 December 2009.

5. ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the operation segments note have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Cairns this fifteenth day of March 2010.

Signed in accordance with a resolution of the directors:



Warren Entsch
Director



Roy Lavis
Director

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Note	31 Dec 2009	30 June 2009
		\$	Restated \$
Assets			
Cash and cash equivalents		1,113,171	2,351,903
Trade and other receivables including derivatives		18,587,251	17,490,342
Inventories		81,634,989	88,678,715
Biological assets		216,300	312,944
Non-current assets held for sale	9	860,668	-
Total current assets		102,412,379	108,833,904
Trade and other receivables including derivatives		1,478,064	1,004,954
Inventories		13,958,977	11,728,011
Investments in equity accounted investees		9,745,636	8,352,342
Investment property		-	475,000
Deferred tax assets		17,804,833	22,270,191
Property, plant and equipment		39,861,922	42,195,697
Intangible assets		7,756,470	9,843,300
Total non-current assets		90,605,902	95,869,495
Total assets		193,018,281	204,703,399
Liabilities			
Bank overdrafts		15,740,147	12,750,704
Trade and other payables including derivatives		31,550,066	30,755,923
Loans and borrowings	10	96,265,213	54,701,311
Employee benefits		3,796,788	4,726,873
Current tax payable		147,998	147,998
Provisions		185,569	230,000
Total current liabilities		147,685,781	103,312,809
Trade and other payables including derivatives		11,306,364	12,386,998
Loans and borrowings	10	6,881,559	49,299,012
Employee benefits		385,975	384,793
Total non-current liabilities		18,573,898	62,070,803
Total liabilities		166,259,679	165,383,612
Net assets		26,758,602	39,319,787
Equity			
Share capital		64,899,768	64,899,768
Retained earnings/(losses)		(38,141,196)	(25,580,011)
Total equity attributable to equity holders of the Company		26,758,572	39,319,757
Non-controlling interest		30	30
Total equity		26,758,602	39,319,787

The notes on pages 10 to 19 are an integral part of these consolidated interim financial statements.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2009

	Note	31 Dec 2009	31 Dec 2008
		\$	Restated \$
Revenue		57,692,491	94,899,054
Cost of sales		(51,517,461)	(84,283,080)
Net write down of inventory to net realisable value		(3,735,472)	(1,370,845)
Gross profit		2,439,558	9,245,129
Other income/(expenses)		(47,614)	215,148
Administrative expenses		(10,799,022)	(11,692,923)
Share of the profit of equity accounted investees		1,430,203	1,630,564
Results from operating activities		(6,976,875)	(602,082)
Finance income:			
▲ Movement in net mark-to-market value of derivatives		1,912,158	-
▲ Other finance income		42,095	349,877
		1,954,253	349,877
Finance costs:			
▲ Movement in net mark-to-market value of derivatives		-	(12,039,868)
▲ Other finance expenses		(3,089,022)	(2,717,072)
		(3,089,022)	(14,756,940)
Net finance income/(costs)		(1,134,769)	(14,407,063)
Profit/(loss) before income tax		(8,111,644)	(15,009,145)
Income tax benefit/(expense)		(4,449,541)	5,473,471
Profit/(loss) for the period		(12,561,185)	(9,535,674)
Other comprehensive income		-	-
Total comprehensive income for the period		(12,561,185)	(9,535,674)
Comprehensive income attributable to:			
Owners of the Company		(12,561,185)	(9,475,443)
Non-controlling interest		-	(60,231)
Total comprehensive income for the period		(12,561,185)	(9,535,674)
Earnings per share		Cents per share	Cents per share
Basic earnings per share	11(c)	(15.77)	(11.89)
Diluted earnings per share	11(d)	(15.77)	(11.89)
Dividends per share		Cents per share	Cents per share
Ordinary shares	11(b)	-	-
EBIT (Earnings before interest and taxes)	16	(6,828,841)	(51,106)
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	16	(3,800,961)	2,975,611

The notes on pages 10 to 19 are an integral part of these consolidated interim financial statements.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2009

	Share capital \$	Retained earnings \$	Total \$	Non-controlling interest \$	Total equity \$
2009					
Balance at 1 July	64,899,768	(25,580,011)	39,319,757	30	39,319,787
Comprehensive income for the period	-	(12,561,185)	(12,561,185)	-	(12,561,185)
Equity issue costs and related tax effect	-	-	-	-	-
Acquisition of additional interests in controlled entities	-	-	-	-	-
Disposal of interests in controlled entities	-	-	-	-	-
Dividends to non-controlling interest	-	-	-	-	-
Net movement	-	(12,561,185)	(12,561,185)	-	(12,561,185)
Balance at 31 December	64,899,768	(38,141,196)	26,758,572	30	26,758,602

	Share capital \$	Retained earnings <i>Restated</i> \$	Total <i>Restated</i> \$	Non-controlling interest \$	Total equity <i>Restated</i> \$
2008					
Balance at 1 July	64,899,647	(818,814)	64,080,833	60,412	64,141,245
Comprehensive income for the period	-	(9,475,443)	(9,475,443)	(60,231)	(9,535,674)
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 non-controlling interest	-	(59,893)	(59,893)	-	(59,893)
Net movement	50,076	(9,535,336)	(9,485,259)	(60,382)	(9,545,641)
Balance at 31 December	64,949,723	(10,354,150)	54,595,574	30	54,595,604

The notes on pages 10 to 19 are an integral part of these consolidated interim financial statements.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31 December 2009

	31 Dec 2009	31 Dec 2008
	\$	\$
Cash flows from operating activities		
Cash receipts from customers	67,839,014	112,783,911
Cash paid to suppliers and employees	(63,532,893)	(93,246,307)
Cash generated from operations	4,306,121	19,537,604
Dividends received	10,740	252,922
Interest received	31,355	97,001
Income taxes paid	-	(350,000)
Net cash from operating activities	4,348,216	19,537,527
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	254,021	307,533
Acquisition of property, plant and equipment	(306,335)	(1,636,601)
Net cash from investing activities	(52,314)	(1,329,068)
Cash flows from financing activities		
Proceeds of borrowings	10,052,539	8,105,033
Repayment of borrowings – principal	(8,311,069)	(19,189,253)
Repayment of borrowings – borrowing costs	(5,349,931)	(3,695,867)
Payment of finance lease and hire purchase liabilities	(4,915,616)	(4,941,915)
Net cash from financing activities	(8,524,077)	(19,722,002)
Net decrease in cash and cash equivalents	(4,228,175)	(1,513,543)
Cash and cash equivalents at 1 July	(10,398,801)	(7,153,943)
Cash and cash equivalents at 31 December	(14,626,976)	(8,667,486)

The notes on pages 10 to 19 are an integral part of these consolidated interim financial statements.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2009

1. REPORTING ENTITY

CEC Group Limited (the 'Company') is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2009 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 financial statements of the Group as at and for the year ended 30 June 2009 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

These consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2009.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in the operating segments note has been rounded to the nearest thousand.

These consolidated interim financial statements were approved by the Board of Directors on the date stated in the directors' declaration.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2009.

(a) Change in accounting policy

(i) Accounting for borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 July 2009, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in the accounting policy was due to the prospective adoption of AASB 123 *Borrowing Costs (2007)* in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy had no material impact on assets, profit or earnings per share in the interim period ended 31 December 2009.

(ii) Determination and presentation of operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information presented internally by the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy including segment operating disclosures is presented as follows:

Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance and to which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these consolidated interim financial statements as of and for the six months period ended 31 December 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in the accounting policy only impacts presentation aspects, there is no impact on earnings per share.

4. GOING CONCERN

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

In respect of the six months ended 31 December 2009, the Group reported a net loss of \$12,561,185 (six months ended 31 December 2008: net loss of \$9,535,674). At 31 December 2009, current assets amounted to \$102,412,379 (June 2009: \$108,833,904) and current liabilities amounted to \$147,685,781 (June 2009: \$103,312,809) leaving a deficit of \$45,273,402 (June 2009: surplus of \$5,521,095). Current assets include inventories of \$81,634,989 which the Group expects to realise in the next twelve months in order to meet any current liabilities. Current liabilities include secured bank loans of \$69,020,510, some of which the directors do not expect to repay within 12 months as a result of the Group intending to renegotiate the debt facility with its principal financier.

The directors have committed to a business restructure strategy that will see the divestment of specific assets including major properties which are held for resale and other investments, either into joint venture entities or through outright sale. It is expected that these transactions will provide the necessary funds to meet the financier's required debt reductions and improve working capital in the next three to six months. Progress towards divestment of these assets is at an advanced stage and both directors and management are committed to achieving the objectives of the business restructure strategy. The outcome of the Group's business restructure strategy is subject to the following:

- ▲ Completion of three major property transactions totalling \$8.3 million with anticipated settlement dates prior to 30 April 2010;
- ▲ Completing other anticipated property transactions totalling in excess of \$10 million during the period prior to 30 June 2010, with further revenue from associated building contracts expected during the financial year ending 30 June 2011;
- ▲ Acceptance by the Board of offers and completion of contracts for the sale of specific assets and business units to third parties or potential joint venture partners for approximately \$35 million expected to settle prior to 30 April 2010;
- ▲ The Group's ability to comply with the terms and conditions of the Group's debt facility agreement including the latest amendment (as discussed in note 10) and satisfactory negotiations with the Group's principal financier to amend the terms of the debt facility agreement as necessary;
- ▲ The ongoing support of creditors during the pending completion of the proposed restructure; and
- ▲ The ability of the Group's remaining business units being able to trade profitably in the future.

In addition, there are a number of possible courses of action which are currently being considered by the Group which will impact the future performance and support the going concern assumption of the Group, including:

- ▲ Refinancing or sale of plant and equipment and inventory;
- ▲ The intention to raise equity from willing investors; and
- ▲ Entering into significant contracts to complete remote area housing projects that have been tendered for by the Group.

While the statement of financial position at 31 December 2010 shows a deficiency of current assets to current liabilities of \$45,273,402, the expected transactions referred to above are expected to generate sufficient working capital by 30 April 2010 to eliminate the deficiency.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2009

5. ESTIMATES

The preparation of interim financial statements 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 these consolidated interim financial statements, 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 statements as at and for the year ended 30 June 2009.

Deferred tax assets

At 31 December 2009 the Group de-recognised deferred tax assets arising from tax losses of \$6,401,045 on the basis that the Group does not meet the recognition requirement of AASB 112 *Income Taxes*.

6. SEASONALITY OF OPERATIONS

The Group considers that none of the separate operating segments (see note 12) are subject to significant seasonal fluctuations.

7. PRIOR PERIOD ERROR

The Group has corrected a prior period error by retrospective restatement relating to the overstatement of the lower of cost and net realisable value of a property held for sale. Comparative amounts for the six months ended 31 December 2008 and year ended 30 June 2009 have been restated to correct the balances of the affected financial line items in the period in which the error occurred.

(a) Affect on financial line items

The amount of the correction for each financial statement line item affected is as follows:

^ Six months ended 31 December 2008

Net write down of inventory to net realisable value decreased by \$2,070,845;

Income tax benefit increased by \$621,254; and

Comprehensive income for the period decreased by \$1,449,591.

^ Year ended 30 June 2009

Inventories decreased by \$2,360,014;

Deferred tax asset increased by \$708,004; and

Retained earnings decreased by \$1,652,010.

(b) Affect on basic and diluted earnings per share

The amount of the correction for basic and diluted earnings per share is as follows:

^ Six months ended 31 December 2008

The basic and diluted earnings per share decreased by 1.82 cents per share.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 31 December 2009

8. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

The following before tax items (not disclosed separately in the financial statements) 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.

	31 Dec 2009	31 Dec 2008
	\$	\$
(a) Significant income/(expense) items during the period		
(i) Impairment losses included in administrative expenses		
During the period the Group recorded impairment losses on various receivables and intangible assets as follows:		
Trade and other receivables	(74,518)	(760,793)
Intangible assets - goodwill	(2,063,581)	-
Total impairment of receivables and intangible assets	<u>(2,138,099)</u>	<u>(760,793)</u>
(b) 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	7,000,000
▲ Interest paid or payable	<u>227,479</u>	<u>279,185</u>
Rent paid or payable to Kingfisher Investments Pty Ltd, a company controlled by Roy Lavis, for the use of premises by CEC Group companies.	<u>26,560</u>	<u>164,657</u>
(ii) Other related parties		
<i>Joint ventures</i>		
Secured interest bearing advance from joint venture entities to the Company.		
▲ Balance as at 31 December	2,919,999	4,000,000
▲ Interest paid or payable	<u>164,549</u>	<u>800,000</u>

9. NON-CURRENT ASSET HELD FOR SALE

An investment property within the Group Operations segment is presented as held for sale following the commitment of the Group's management to sell the property in line with the business restructure strategy. The property was contracted for sale on 16 February 2010 and is expected to settle on completion of the purchaser's due diligence.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 31 December 2009

10. LOANS AND BORROWINGS

	31 Dec 2009	30 Jun 2009
	\$	\$
Current liabilities		
Commercial bills	1,955,000	1,955,000
Finance lease liabilities	583,187	504,750
Hire purchase liabilities	6,710,517	7,432,761
Secured bank loans	69,020,510	26,051,763
Secured non-bank loans	4,718,637	5,013,100
Vendor finance	13,277,362	13,743,937
	<u>96,265,213</u>	<u>54,701,311</u>
Non-current liabilities		
Finance lease liabilities	881,856	578,918
Hire purchase liabilities	5,818,100	8,509,137
Secured bank loans	-	40,000,000
Vendor finance	181,603	210,957
	<u>6,881,559</u>	<u>49,299,012</u>

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. At 31 December 2009, the terms of the facility provides for the stepped reduction of total debt facility of \$85 million as follows:

- ▲ \$1 million on or before 18 January 2010;
- ▲ \$1 million on or before 25 January 2010;
- ▲ \$3 million on or before 31 January 2010;
- ▲ \$16.5 million on or before 1 March 2010;

with any subsequent reduction to be negotiated prior to 31 January 2010.

During the six months ended 31 December 2009, the Group negotiated an additional short-term debt facility tranche of \$4 million with its principal financier. This facility had been repaid prior to 31 December 2009.

Subsequent to 31 December 2009, the Group entered into a further facility agreement amendment with its principal financier. Under the revised terms of the facility, the Group negotiated an extension to its short-term debt facility of \$3.8 million, extending the total facility to \$88.8 million, and agreed for the stepped reduction of the total debt facility to be changed to \$25.3 million on or before 31 March 2010 with any subsequent reduction to be negotiated prior to 15 September 2010.

The revised debt repayments will be repaid following the settlement of major transactions referred to in note 4, expected to occur during late March 2010 and April 2010. The Group is in the process of negotiating an extension to the required repayment date.

Covenants under the facility agreement commenced to apply from 1 July 2009 and have been reported to the financier on a quarterly basis thereafter. During the six months ended 31 December 2009 the Group did not meet some of the applicable covenants. The financier is aware of these breaches and has not waived its rights under the facility agreement. As a consequence, all of the bank debt facility has been classified as current at 31 December 2009. The Group is closely liaising with its financier regarding meeting the covenants, including the revised debt repayments discussed above in the context of the major transactions forming part of the business restructure strategy as discussed in note 4.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 31 December 2009

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

(a) Share capital

(i) Number of shares on issue

On issue at 1 July
On issue at 31 December

Ordinary shares	
2009	2008
#	#
79,662,662	79,662,662
79,662,662	79,662,662

All shares on issue are fully paid.

(ii) Particulars of rights and obligations relating to shares on issue

The Group does not have any class of shares on issue other than ordinary shares.

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) Dividends

(i) Dividends recognised by the Company during the half-year

No dividends were declared or paid by the Company during the half year.

(ii) Dividends proposed after balance date

The Directors have determined that an interim dividend will not be paid.

(c) Earnings per share

(i) Basic earnings per share

Basic earnings per share from continuing operations (cents per share)

There have not been any discontinued operations during the interim period ended 31 December 2009. Therefore earnings per share for discontinued operations has not been calculated or disclosed.

31 Dec 2009	31 Dec 2008
Cents per share	Cents per share
(15.77)	(11.89)
Restated	
\$	\$
(12,561,185)	(9,475,443)
#	
#	#
79,662,662	79,662,662
79,662,662	79,662,662

(ii) Profit/(loss) attributable to ordinary shareholders

From continuing operations

(iii) Weighted average number of ordinary shares

Issued ordinary shares at 1 July
Weighted average number of ordinary shares at 31 December

(d) Diluted earnings per share

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

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2009

12. OPERATING SEGMENTS

The Group has six reportable segments, as described below, which are the Group's strategic business segments. The following summary describes the operations in each of the Group's reportable segments:

▲ ***Group operations***

The group operations segment comprises the business unit support function including finance, human resources, HSEQ and IT. It also encompasses corporate functions such as advertising, business development and investment.

▲ ***Civil construction***

Civil constructions comprises a wide range of construction related activities predominantly involving the construction of complete land developments, provision and upgrade of town services and roads as well as the hiring of plant and equipment to external customers.

▲ ***Property development***

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

▲ ***Construction materials***

The construction materials segment comprises the supply and delivery of raw materials to the civil construction industry as well as the provision and upgrade of roads in remote areas.

▲ ***Residential and remote housing***

Residential and remote housing comprises the construction of houses in both residential environments and remote locations.

▲ ***Machinery maintenance***

Machinery maintenance comprises the maintenance of all internal plant and equipment as well as the maintenance of plant and equipment to external customers.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
 NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 For the six months ended 31 December 2009

12. OPERATING SEGMENTS (continued)

	Group operations		Civil constructions		Property development		Construction materials		Residential and remote housing		Machinery maintenance		Eliminations		Consolidated	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008	Dec 2009	Dec 2008	Dec 2009	Dec 2008	Dec 2009	Dec 2008	Dec 2009	Dec 2008	Dec 2009	Dec 2008	Dec 2009	Dec 2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue																
External revenue	431	488	29,601	46,288	7,169	25,194	13,177	16,676	5,628	4,550	1,686	1,703	-	-	57,692	94,899
Inter-segment revenue	1,925	4,276	1,031	5,743	(13)	(99)	2,164	1,365	1,135	1,429	1,726	3,974	(7,968)	(16,688)	-	-
Total segment revenue	2,356	4,764	30,632	52,031	7,156	25,095	15,341	18,041	6,763	5,979	3,412	5,677	(7,968)	(16,688)	57,692	94,899
Result																
Reportable segment profit/(loss) from operations	(3,010)	(2,423)	1,085	377	(1,566)	(1,870)	426	909	(159)	1,198	322	449	(5,506)	(873)	(8,408)	(2,233)
Share of net profits of equity accounted investees	-	-	-	-	37	275	1,393	1,356	-	-	-	-	-	-	1,430	1,631
Reportable segment result	(3,010)	(2,423)	1,085	377	(1,529)	(1,595)	1,819	2,265	(159)	1,198	322	449	(5,506)	(873)	(6,978)	(602)
Net financing costs															(1,134)	(14,407)
Profit/(loss) before tax															(8,112)	(15,009)
Income tax benefit/(expense)															(4,449)	5,473
Profit/(loss) for the period															(12,561)	(9,536)

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 31 December 2009

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

There are no material subsequent events requiring disclosure at the date of this report other than those discussed in notes 4 and 10.

14. CHANGES IN THE COMPOSITION OF THE ENTITY

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

The Group did not acquire any ownership interests in new subsidiaries and equity accounted investees during the interim period ended 31 December 2009.

(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 2009:

Name	Country of incorporation	Date of deregistration/ winding up	Ownership interest (%)
------	-----------------------------	--	---------------------------

(i) Subsidiaries

Non-trading entities

CEC Draper Road Pty Ltd	Australia	9 December 2009	-
CEC Library Site Pty Ltd	Australia	13 December 2009	-
CEC Library Site Unit Trust	Australia	7 October 2009	-
Gordonvale Developments Pty Ltd	Australia	16 December 2009	-
Mac Homes (Townsville) Pty Ltd	Australia	18 November 2009	-
Riverstone Developments Pty Ltd	Australia	9 December 2009	-

These subsidiaries had ceased operating and were deregistered or wound up during the interim period. There was no impact on the consolidated results for the interim period ended 31 December 2009.

15. 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.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 31 December 2009

16. 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 2009	31 Dec 2008
	\$	Restated \$
EBIT calculation		
Profit/(loss) before income tax	(8,111,644)	(15,009,145)
Net interest costs		
<i>Included in:</i>		
▲ net finance income/(expense)	1,145,509	14,659,940
▲ cost of sales	137,294	298,099
	(6,828,841)	(51,106)
EBITDA calculation		
EBIT	(6,828,841)	(51,106)
Depreciation and amortisation		
<i>Included in:</i>		
▲ administration expenses	183,825	257,042
▲ cost of sales	2,844,055	2,769,675
	(3,800,961)	2,975,611

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

For the six months ended 31 December 2009

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

1. the financial statements and notes set out on pages 6 to 19, 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 2009 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 fifteenth day of March 2010.

Signed in accordance with a resolution of the directors:



Warren Entsch

Director



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 ('the Company'), which comprises the consolidated interim statement of financial position as at 31 December 2009, consolidated statement of comprehensive income, comprehensive statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, a statement of accounting policies and other explanatory notes and the directors' declaration set out on pages 6 to 20 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 2009 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 2009 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.



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

Material uncertainty regarding going concern

Without qualifying our conclusion, we draw attention to the content of notes 4 and 10 in the interim financial report which indicates that the Group's current liabilities exceed current assets by an amount of \$45,273,402. The Group's ability to continue as a going concern is dependent on the ability of the Group to achieve its proposed business restructure strategy in a timely fashion and the ongoing support of its financiers and creditors.

The above matters indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and to realise assets and settle liabilities at amounts stated in the financial statements.

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
15 March 2010



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 2009 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
15 March 2010