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15 October 2010

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

Dear Sir,

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES – ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Please find herewith the Annual Report for CEC Group Limited, including Directors Report, Financial Statements and Audit Report.

We advise that as a result of the finalisation of the audit it has been necessary to make adjustment to the financial statements since lodgement of the Appendix 4E Report. Those adjustments have principally been impairments on the value of certain assets in the books of CEC Group Limited.

Yours faithfully,
CEC GROUP LIMITED

Allan Widdows
Company Secretary

Attach/

CEC Group Limited

and its controlled entities

ABN 84 010 025 831

Annual Report

30 June 2010

CONTENTS	*PAGE*

DIRECTORS' REPORT

For the year ended 30 June 2010

The directors present their report together with the financial report of CEC Group Limited ('the Company') and of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2010 and the auditor's report thereon.

INDEX TO THE DIRECTORS' REPORT

1. DIRECTORS NAMES

The directors of the Company at any time during or since the end of the financial year are:

CURRENT DIRECTORS

Brian Norwood
Independent non-executive Director and Chairman. Age 68. Appointed 8 July 2010.

Experience and expertise

Brian Norwood has extensive Board and managerial experience in Australia and South East Asia with particular reference to regional and agribusiness activities.

Other current directorships

- Director of several private companies.

Former directorships in the last three years

Nil

Special responsibilities

- Chairman
- Member of the Audit and Risk Management Committee
- Member Nomination and Remuneration Committee

Interests in shares and options

- Shares: Nil
- Options: Nil

Roy Lavis, Licensed Property Developer
Non-independent executive Director and Chief Executive Officer. Age 63. Appointed 20 May 1977.

Experience and expertise

Roy Lavis is a founding director of the CEC Group. Extensive experience in the civil construction industry spanning over 40 years.

Other current directorships

- Director of a number of subsidiary and joint venture entities and private companies.

Former directorships in the last three years

Nil

Special responsibilities

- Chief Executive Officer (CEO)
- Member of the Nomination and Remuneration Committee

Interests in shares and options

- Shares: 20,651,892
- Options: Nil

1. DIRECTORS NAMES (continued)

Steven Lavis
Non-independent non-executive Director. Age 31. Appointed 24 November 2005.

Experience and expertise

Steven Lavis has experience in the construction materials industry including five years as the General Manager of Pioneer North Queensland Pty Ltd.

Other current directorships

- Non-executive Director of Barron Sands No.1 Pty Ltd
- Non-executive Director of Poole Williams Developments Pty Ltd

Former directorships in the last three years

Nil

Special responsibilities

Nil

Interests in shares and options

- Shares: 17,783
- Options: Nil

FORMER DIRECTORS

Anthony Hartnell AM BEc (ANU) LLB (Hons)(ANU) LLM (Highest Hons) (Geo.Washington University),
Independent non-executive Director and Chairman. Age 66. Appointed 28 September 2005 and resigned 17 March 2010.

Experience and expertise

Anthony Hartnell is the founding partner of Atanaskovic Hartnell Lawyers and specialises in corporate and commercial law, particularly covering corporate financing, takeovers, trade practices, managed investment schemes and regulatory issues.

Other current directorships

- President of the Australian National University (ANU) Foundation of Excellence

Former directorships in the last three years

- Non-executive Director of Early Learning Services Limited
- Non-executive Director of Trinity Group
- Member of the Audit and Risk Management Committee (Chairman from 29 July 2008 until 23 February 2009)

Interests in shares and options

- Shares: 10,643
- Options: Nil

1. DIRECTORS NAMES (continued)

FORMER DIRECTORS (continued)

The Hon Warren Entsch
Independent non-executive Director and acting Chairman. 17 March 2010 to 17 July 2010. Age 59. Appointed 26 September 2006 and resigned 8 July 2010.

Experience and expertise

Warren Entsch served 11.5 years in the Federal Parliament, including 8 years on the Government Executive. Prior to being elected as the Federal Member for Leichhardt in 1996, Warren Entsch led a diverse life including nine years service in the RAAF as an aircraft engine fitter, property developer, grazier and crocodile farmer.

Other current directorships

- Chairman of Australian Rainforest Foundation Limited
- Director of Dr Edward Koch Foundation Limited

Former directorships in the last three years

Nil

Special responsibilities

- Member of the Audit and Risk Management Committee
- Member of the Nomination and Remuneration Committee

Interests in shares and options

- Shares: Nil
- Options: Nil

2. COMPANY SECRETARY

Allan Widdows MComm, MBA, GradDipBusLaw, BBus, FCPA, ACA, AICD, ACFE
Appointed as Company Secretary on 31 March 2010. Allan Widdows has worked for CEC Group Limited since August 2008 in the role of General Manager, Finance.

FORMER COMPANY SECRETARY

Kevin Lubbe MComLaw, BCom, CPA, ACIS

Kevin worked for CEC Group Limited since September 1998 initially performing the role of Financial Controller. He was appointed Company Secretary and Chief Financial Officer (CFO) in December 2002. He relinquished his role of CFO in July 2005 to concentrate solely on his roles as Company Secretary of the Company and of a number of the Group's subsidiary and joint venture entities. Kevin Lubbe retired from the Company on the 31 March 2010.

3. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	*Note*	*Board meetings*		*Audit and Risk Management Committee meetings*		*Nomination and Remuneration Committee meetings*	
		A	**B**	**A**	**B**	**A**	**B**
Current directors:							
Anthony Hartnell (resigned 17 March 2010)		7	10	7	7	1	1
Roy Lavis		13	13	-	-	1	1
Steven Lavis		13	13	-	-	-	-
Warren Entsch (resigned 8 July 2010)		13	13	6	7	1	1
Independent ARMC Chairman:							
Bruce Peden		-	-	7	7	-	-
Company secretary:							
Allan Widdows (Appointed 31 March 2010)		3	3	2	2	-	-
Kevin Lubbe (Retired 31 March 2010)		10	10	5	5	-	-

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

4. CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's Principles and Recommendations, unless otherwise stated.

4.1 BOARD OF DIRECTORS

Role of the board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the board's charter are located on the Group's website (www.cecgroup.com.au).

The board has delegated responsibility for operation and administration of the Group to the CEO and executive management, including those responsibilities as set out in the board charter. Formal financial delegation limits to the CEO were in place throughout the financial year.

Group policies for internal audit, fraud prevention and detection and whistleblower protection have been adopted by the Board.

4. CORPORATE GOVERNANCE STATEMENT (continued)

4.1 BOARD OF DIRECTORS (continued)

Board processes

To assist in the execution of its responsibilities, the board has established board committees including a Nomination and Remuneration Committee, and an Audit and Risk Management Committee. These committees have formal charters, the detail of which are available on the Group's website (www.cecgroup.com.au) and which are reviewed on a regular basis. The board is focussing on improving the framework for the management of the Group including improving the system of internal control and the establishment of a formal business risk management process and appropriate ethical standards.

The full board currently holds at least eleven scheduled monthly meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the chairperson and the company secretary. Standing items include the CEO's report, CFO's report, business unit managers' reports, financial reports, strategic matters, governance and compliance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Director education

The Group educates new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Group's executives and, subject to prior consultation with the chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

The Board believes it is important that it review its own performance and that of its committees, to ensure a high level of performance by Board members and the Board as a whole.

Performance of board members and committee members is undertaken by a formal process of peer review with the presence of external consultants as and when required.

Composition of the Board

The names of the directors of the Company in office at the date of this report are set out in section 1 of this report.

At the commencement of the 2010 financial year, there were two independent non-executive directors, one non-independent non-executive directors and one executive director. Following the resignations of Tony Hartnell and Warren Entsch there is one independent non-executive director, one non-independent non-executive director and one executive director. Although there is no numerical majority of independent directors, the independent Chairman has a casting vote. There were no matters during the year where the casting vote was required.

When assessing independence, the Group's view of an independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company;

4. CORPORATE GOVERNANCE STATEMENT (continued)

4.1 BOARD OF DIRECTORS (continued)

Composition of the Board (continued)

- has not within the last 3 years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold any such employment;
- within the last 3 years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another Group member;
- is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer;
- has no material* contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the director's ability to act in the best interests of the Company.

* the board considers, 'material', in this context, to be where any director-related business relationship has represented, or is likely in future to represent the lesser of at least 10 per cent of the relevant segment's or the director-related business's revenue. The board considered the nature of the relevant industries' competition and the size and nature of each director-related business relationship, in arriving at this threshold.

4.2 NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee oversees the appointment and induction process for directors and committee members, and the selection, appointment of, and succession planning for, the Group's CEO. The committee makes recommendations to the board on the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the committee in consultation with the board determines the selection criteria based on the skills deemed necessary. The board then appoints the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders.

Based on the above, the board will establish a formal procedure for the selection and appointment of new directors and the re-election of incumbent directors and this will be posted on the Group's website in 2010-11.

The Nomination and Remuneration Committee comprised the following members:

Brian Norwood (Chairperson)	Independent Non-executive Director (Appointed 8 July 2010)
Warren Entsch (Former Chairperson)	Independent Non-executive Director (Resigned 8 July 2010)
Roy Lavis	Non Independent executive Director

The Nomination and Remuneration Committee met once during the year. The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment, including expectations of attendance and preparation for all board meetings, minimum hourly commitment, appointments to other boards, the procedures for dealing with conflicts of interest, and the availability of independent professional advice.

The Nomination and Remuneration Committee also conducts an annual review of the performance of the CEO and the senior executives reporting directly to him and the results are discussed at a board meeting.

4. CORPORATE GOVERNANCE STATEMENT (continued)

4.2 NOMINATION AND REMUNERATION COMMITTEE (continued)

A formalised system is to be put in place for the setting of objectives for the CEO and senior executive staff which are aligned with the Group's short and medium term plans. Performance to deliver against these objectives will be formally assessed.

Further details of the Nomination and Remuneration Committee's charter and policies, including those for appointing directors and senior executives, are available on the Group's website.

4.3 REMUNERATION REPORT – AUDITED

4.3.1 Principles of compensation

Remuneration is also referred to as compensation throughout this report.

Remuneration policy

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company and other executives. Key management personnel include the five most highly remunerated S300A directors and executives for the Group.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Nomination and Remuneration Committee determines payments to the non-executive directors. Compensation levels for key management personnel and secretaries of the Company and relevant key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

Compensation is reviewed annually by the Nomination and Remuneration Committee, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Company performance, shareholder wealth and key management personnel remuneration

The Group had previously announced that, within the financial year ending 30 June 2008, a performance based bonus scheme would be developed, including remuneration being partially satisfied by the issuing of options, with the intention of facilitating goal congruence between directors/executives with that of the business and shareholders.

This performance based bonus scheme was scheduled to be developed and introduced by 30 June 2008 but was not implemented due to business restructuring and debt reduction initiatives that occurred during that financial year. This business restructuring and debt reduction initiative continued during the 2010 financial year. It is anticipated that once this process has been completed the performance based bonus scheme will be developed and introduced.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Nomination and Remuneration Committee through a process that considers individual, segment and overall performance of the Group. In addition external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

4. CORPORATE GOVERNANCE STATEMENT (continued)

4.3 REMUNERATION REPORT – AUDITED (continued)

4.3.1 Principles of compensation (continued)

Performance-linked compensation

Executive directors and executives may be paid performance based bonuses. These bonuses are paid as a set monetary figure rather than as a proportion of their salary. This has led to the proportions of remuneration related to performance varying between individuals. No bonuses were paid in the year ended 30 June 2010.

The Group remains committed to implementing a formalised system of key performance indicators ("KPIs") for the CEO and management, based on corporate strategy and budgets. It is intended that these will be set annually, with a certain level of consultation with directors/executives to ensure buy-in and that the measures will be specifically tailored to the areas each director/executive is involved in and has a level of control over and will be consistent with respective industry standards.

Service contracts

Key management personnel

It is the Group's policy that service contracts for key management personnel, excluding the CEO are unlimited in term but capable of termination on three months' notice and that the Group retains the right to terminate the contract immediately, by making payment equal to three months' pay in lieu of notice. In the case of termination for serious misconduct or serious breach of contract the Group may terminate without notice.

The Group has entered into service contracts with key management personnel, excluding the CEO that provide for the payment of benefits where the contract is terminated by the Group or the individual. The key management persons are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

The CEO has a contract of employment dated 28 January 2004 with the Company. The contract specifies the duties and obligations to be fulfilled by the CEO and provides that early in each financial year the board and CEO will consult and agree objectives for achievement during that year.

The service contract can be terminated either by the Group or the CEO providing six months' notice. The Group may make a payment in lieu of notice of six months salary. The CEO has no entitlement to termination payment in the event of removal for misconduct and under other circumstances as set out in his contract.

Non-executive directors

Total compensation for all non-executive directors, last voted upon by shareholders at the 2007 AGM, is not to exceed $500,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees (excluding non-monetary benefits) are up to $75,000 per annum ($101,000 for the Chairman). Directors' fees cover all main board activities and membership of the committees and non-executive directors do not receive performance related compensation.

4. CORPORATE GOVERNANCE STATEMENT (continued)

4.3 REMUNERATION REPORT – AUDITED (continued)

4.3.2 Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the five named Company executives and relevant Group executives who receive the highest remuneration, and other key management personnel are:

Details	Year	*Short-term*				*Post-employment*	*Other long term*	*Termination benefits*	*Share-based payments*		*S300A (1)(e)(i)*	*S300A (1)(e)(vi)*
		Salary and fees (Note i)	*Cash bonus (Note ii)*	*Non-monetary benefits*	*Total*	*Superannuation benefits*			*Options and rights*	*Total*	*Proportion of remuneration performance related*	*Value of options as proportion of remuneration*
		$	$	$	$	$	$	$	$	$	%	%
Directors												
Non-executive directors												
Anthony Hartnell (Chairperson)	*2010*	*66,008*	-	*4,260*	*70,268*	*5,941*	-	-	-	*76,209*	-	-
(resigned 17 March 2010))	*2009*	-	-	*4,650*	*4,650*	*96,714*	-	-	-	*101,364*	-	-
Steven Lavis	*2010*	*68,807*	-	*4,260*	*73,067*	*6,193*	-	-	-	*79,260*	-	-
(appointed 24 November 2005)	*2009*	*68,807*	-	*4,650*	*73,457*	*6,193*	-	-	-	*79,650*	-	-
Warren Entsch	*2010*	*68,807*	-	*4,260*	*73,067*	*6,193*	-	-	-	*79,260*	-	-
(resigned 8 July 2010)	*2009*	*68,807*	-	*4,650*	*73,457*	*6,193*	-	-	-	*79,650*	-	-
Greg Kern	*2010*	-	-	-	-	-	-	-	-	-	-	-
(resigned 10 October 2008)	*2009*	20,625	-	*4,650*	*25,275*	-	-	-	-	*25,275*	-	-
Rob Borbidge (Chairperson)	*2010*	-	-	-	-	-	-	-	-	-	-	-
(resigned 26 September 2008)	*2009*	*18,519*	-	*4,650*	*23,169*	-	-	-	-	*23,169*	-	-
Executive director												
Roy Lavis CEO (appointed 20 May 1977)	*2010*	*535,803*	-	*4,260*	*540,062*	*49,263*	*9,897*	-	-	*599,222*	-	-
	2009	*636,814*	-	*4,650*	*641,464*	*50,107*	*10,090*	-	-	*701,661*	-	-
Total compensation: Directors	*2010*	*739,426*	-	*17,038*	*756,464*	*67,589*	*9,897*	-	-	*833,950*	-	-
	2009	*813,572*	-	*27,900*	*841,472*	*159,207*	*10,090*	-	-	*1,010,769*	-	-

4. CORPORATE GOVERNANCE STATEMENT (continued)

4.3 REMUNERATION REPORT – AUDITED (continued)

4.3.2 Directors' and executive officers' remuneration (continued)

Details	Year	Short-term				Post-employment	Other long term	Termination benefits	Share-based payments	Total	S300A (1)(e)(i) Proportion of remuneration performance related	S300A (1)(e)(vi) Value of options as proportion of remuneration
		Salary and fees (Note i) $	Cash bonus (Note ii) $	Non-monetary benefits $	Total $	Superannuation benefits $	$	$	Options and rights $	$	%	%
Current Group executives - Key Management Personnel												
Allan Widdows - CEC Group Limited Company Secretary, appointed 31 March 2010	2010	535,803	-	29,260	565,062	15,854	-	-	-	580,917	-	-
CEO appointed August 2008.	2009	496,100	-	47,376	543,476	-	-	-	-	543,476	-	-
Kevin Lubbe - CEC Group Limited	2010	101,427	-	32,260	133,687	10,096	(1,135)	-	-	143,782	-	-
Company Secretary/CFO resigned 31 March 2010.	2009	183,229	-	32,650	215,879	16,300	(2,388)	-	-	229,791	-	-
Michael Phillips - CEC Constructions Pty Ltd	2010	213,747	-	4,260	218,006	12,004	-	-	-	230,010	-	-
General Manager (appointed 3 February 2010)	2009	-	-	-	-	-	-	-	-	-	-	-
Mick Owens - CEC Residential	2010	165,926	-	4,260	170,185	12,117	-	-	-	182,302	-	-
Special Project Manager (appointed 4 January 2006)	2009	157,549	-	-	157,549	14,145	-	-	-	171,694	-	-
Chris Settle - CEC Group Limited / CEC Mt isa	2010	155,952	-	37,810	193,761	-	-	-	-	193,761	-	-
General Manager - Constructions Materials (appointed 17 September 2008 resigned 14 June 2010)	2009	127,718	-	18,720	146,438	10,265	1,058	-	-	156,703	-	-

4. CORPORATE GOVERNANCE STATEMENT (continued)

4.3 REMUNERATION REPORT – AUDITED (continued)

4.3.2 Directors' and executive officers' remuneration (continued)

Details	Year	*Short-term*				*Post-employment*	*Other long term*	*Termination benefits*	*Share-based payments*			
		Salary and fees (Note i) $	*Cash bonus (Note ii)* $	*Non-monetary benefits* $	*Total* $	*Superannuation benefits* $	$	$	*Options and rights* $	*Total* $	*S300A (1)(e)(i) Proportion of remuneration performance related* %	*S300A (1)(e)(vi) Value of options as proportion of remuneration* %
Former Group Executives - Key Management Personnel												
Brendan Rogina - CEC Constructions	*2010*	*71,986*	-	*34,760*	*106,746*	*9,369*	*(2,902)*	-	-	*113,213*	-	-
General Manager - resigned 5 January 2010	*2009*	*172,707*	-	*35,150*	*207,857*	*15,857*	*1,058*	-	-	*224,772*	-	-
Suzanne Hockey - CEC Group Limited	*2010*	-	-	-	-	-	-	-	-	-	-	-
General Manager - Human Resources - resigned 25 June 2009	*2009*	*169,412*	-	*4,650*	*174,062*	*13,175*	*(937)*	-	-	*186,300*	-	-
Darren Smith- CEC Group Limited	*2010*	-	-	-	-	-	-	-	-	-	-	-
(resigned 15 August 2008)	*2009*	*66,750*	-	*8,814*	*75,564*	*5,585*	-	-	-	*81,149*	-	-
Total compensation Key employees	*2010*	*1,244,840*	-	*142,607*	*1,387,447*	*59,440*	*(4,037)*	-	-	*1,443,985*	-	-
	2009	*1,373,465*	-	*147,360*	*1,520,825*	*75,327*	*(1,209)*	-	-	*1,593,885*	-	-

4. CORPORATE GOVERNANCE STATEMENT (continued)

4.3 REMUNERATION REPORT – AUDITED (continued)

4.3.3 Analysis of bonuses included in remuneration

No bonus payments were made to persons during the year ended 30 June 2010.

4.3.4 Payments to persons before taking office

No payments were made to persons before taking office during the year ended 30 June 2010.

4.3.5 Equity instruments

No options have been granted as compensation to each key management person during the reporting period.

4.4 AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee has a documented charter, approved by the board which can be located on the Group's website (www.cecgroup.com.au). All members must be non-executive with a majority being independent. The Chairperson may not be the Chairperson of the board.

The members of the Audit and Risk Management Committee during the year were:

Bruce Peden	Independent Committee Chairman
Anthony Hartnell	Independent Non-executive Director (Resigned 17 March 2010)
Warren Entsch	Independent Non-executive Director (Resigned 8 July 2010)
Brian Norwood	Independent Non-executive Director (Appointed 8 July 2010)

Bruce Peden FCA continues in the position of Independent Committee Chairman. Mr Peden is a Fellow of the Institute of Chartered Accountants in Australia, and a former State Councillor of the Institute. Mr Peden is also a member of the Chartered Accountants Advisory Group for Queensland. Mr Peden has considerable expertise in the role of risk management having been Chair of the Cairns City Council (now the Cairns Regional Council) Audit Committee for over ten years, a position he continues to hold.

The qualifications of the members of the Audit and Risk Management Committee are set out both in section 1 of this report and above. The internal and external auditors, the CEO and CFO are invited to Audit and Risk Management Committee meetings at the discretion of the committee. The Audit and Risk Management Committee met 7 times during the year and committee members' attendance record is disclosed in section 3 of this report.

The CEO and the Secretary declared in writing to the board that the financial records of the Company for the financial year have been properly maintained, the Group's financial reports for the financial year ended 30 June 2010 comply with accounting standards and present a true and fair view of the Group's financial position and operational results. This statement is required annually.

The external auditor did not meet with the Audit and Risk Management Committee and the board of directors during the year without management being present.

Procedures are to be developed with regard to the selection and appointment of the external auditor, and for the rotation of external audit engagement partners and these will be included on the Group's website once completed.

4. CORPORATE GOVERNANCE STATEMENT (continued)

4.5 RISK MANAGEMENT

Oversight of the risk management system

The board responsibilities include the oversight of the establishment, implementation, and annual review of a Corporate Risk Management System.

At this stage, whilst the board and executive team identify and discuss the Group's major risks, the Group's risk management systems have not been formalised.

A number of polices and practices have been put in place which assist in ensuring that the material risks facing the Group are adequately identified, assessed, monitored and managed throughout the whole organisation. These include:

- annual budgets
- actual trading results for the Group and each division are presented to the board at each board meeting; and
- board papers are prepared by each divisional manager and circulated to directors before each meeting.

As set out in 4.1 the board has delegated responsibility for operation and administration of the Group to the CEO and executive management, including those as set out in the board charter.

As risk management systems have not been formalised, management has not reported formally to the board as to the effectiveness of the Group's risk management and internal control systems. Consequently, the board has not received specific assurance from senior management that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control.

The board has requested management to develop and implement a formal Group wide risk management and internal control system which will assist in the management of the Group's material business risks. In addition, the board will ensure that policies for the oversight and management of material business risks are developed. Development of these systems and policies is underway and will be in place in the current year and subject to continual review.

Financial reporting

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Environmental regulation

The Group's operations are subject to significant environmental regulation under the laws of the Commonwealth and State. Details of the Group's performance in relation to environmental regulation are as follows:

- Building and development approvals, including specific environmental aspects, are required for the Group's civil construction, construction material and property development operations under the Integrated Planning Act 1997 and Environmental Protection Act 1994.
- Pursuant to this, the Group has established an Environmental Management System certified to AS/NZS ISO 14001:2004 and has a dedicated Environmental Supervisor who monitors compliance with the above environmental regulations and Group policy.

The directors are not aware of any material breaches during the period covered by this report.

Assessment of effectiveness of risk management

Internal audit

The Group has an Internal Audit Charter which is available on the Group's website and which provides certain roles for the management of the Group, the Audit and Risk Management Committee and the internal auditor. These roles seek to ensure that effective controls exist to maintain process integrity, measures in reporting are accurate and reliable, and policy and regulations are complied with.

4. CORPORATE GOVERNANCE STATEMENT (continued)

4.5 RISK MANAGEMENT (continued)

Assessment of effectiveness of risk management (continued)

Internal audit (continued)

The Charter provides the scope of the Group's internal audit which includes:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report on such information; and
- reviewing systems established to ensure compliance with policies, plans, procedures, laws and regulations which have a significant impact on operations and reports.

The Audit and Risk Management Committee is responsible for recommending to the board the appointment and dismissal of the internal auditor.

4.6 ETHICAL STANDARDS

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

The Group has a Corporate Code of Conduct which sets out the standards in accordance with which each director, manager and employee of the Group is expected to act. The Code covers dealings with customers, suppliers, competitors, regulatory authorities, the community and other employees and is provided to new employees as part of their induction to the Group.

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Group are set out in notes to the financial statements.

Code of conduct

The Group has advised each director, manager and employee that they must comply with the Corporate Code of Conduct. The Corporate Code of Conduct may be viewed on the Group's website, and it covers the following:

- its shareholders;
- complying with the law;
- the health and safety of officers, contractors, customers, the community and employees;
- paying proper regard to the protection of the environment;
- providing a work environment in which everyone is treated fairly and with respect;
- confidentiality of proprietary, commercial and other confidential information of the Group; and
- other general conduct such as the requirement for officers not to make unauthorised gains or payments or make unauthorised public statements.

Training programs during the year were not formalised as the Group focussed on business restructuring, debt reduction and people retention and recruitment. The Group is to establish formal initial and ongoing refresher training programs with regard to the Group's internal policies including workplace health and safety, environmental law compliance, trade practices legislation and affirmative action programs.

4. CORPORATE GOVERNANCE STATEMENT (continued)

4.6 ETHICAL STANDARDS (continued)

Trading in Company securities by directors and employees

The key aspects of the policy are:

- short term trading of the Company's securities is not permitted;
- trading in the Company's securities while in possession of price sensitive information is prohibited;
- trading in the Company's securities is permitted during the four week period commencing immediately after the announcement to the ASX of the half year and annual results and after the conclusion of the Group's Annual General Meeting providing that the person is not in possession of price sensitive information; and
- trading outside the specified four week period is allowed in exceptional circumstances and subject to special processes; and
- trading in the Company's securities at any time by directors is not to occur without the knowledge of the Chairman.

Whistleblower protection policy

CEC Group is committed to upholding the values and behaviour outlined in the Group's "Code of Conduct" including complying with all applicable laws and practices. The purpose of this policy which can be viewed on the Group's website is to encourage the reporting, as required under our Code of Conduct of anyone suspected of fraud or corrupt conduct or any other form of inappropriate behaviour (reportable conduct).

While this would generally be through the normal channels of line management, there may be times where an employee or contractor believes it is inappropriate or difficult for matters to be reported through these channels. In these cases it is important that employees or contractors have another avenue through which to express their concerns in order to protect their identity.

The protection of this Policy applies to all full time and part time staff and to contractors.

Related party guidance note

The Group has adopted a Related Party Guidance Note which can be found on our website which sets out guidance which is current CEC Group practice with respect to transactions with related parties and generally on transactions with related parties and conflicts of interest.

CEC Group practice is currently to consider the relationship of parties dealing with CEC Group and whether they are "related parties" (as defined).

All transactions with related parties must be at arms length and in any event, arms length terms provide the best opportunity for ensuring that the best value, subject to quality criteria, is obtained thereby optimising the financial performance of the Group.

The basic principles reiterated at the board meeting held on 30 April 2009 are as follows:

- If it is a circumstance that is commonly priced by tender it should go to tender.
- If this is a public price for example interest rates we should be able to work out what market interest rates are relevant to us.
- When it is not one of the above we should seek an opinion from the Independent Chairman of the Audit Committee.

4. CORPORATE GOVERNANCE STATEMENT (continued)

4.7 COMMUNICATION WITH SHAREHOLDERS

The Group has a Continuous Disclosure Policy and is in the process of developing an overarching communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings.

The board of directors strives to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors and the Group.

The board will implement a formal shareholder communications policy in the 2010-11 year. The following is a summary of current practice:

- Shareholders are encouraged to participate in the Annual General Meeting and other general meetings to ensure a high level of accountability and identification with the Group's strategies and goals. Important issues are presented to shareholders as single resolutions.
- All shareholders who are unable to attend these meetings are encouraged to communicate issues or ask questions by writing to the Group.
- The board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Group's website, and issuing media releases. More details of the policy are available on the Group's website.
- The Group has adopted a Continuous Disclosure Policy, which may be found on the Group's website and operates as follows:
  - The CEO, the CFO and the company secretary are responsible for interpreting the Group's policy and where necessary informing the board. The company secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered, and all senior executives must follow a 'Weekly Continuous Disclosure Discovery' process, which involves monitoring all areas of the Group's internal and external environment.
  - The full annual report is provided by via the Group's website to all shareholders (unless a shareholder has specifically requested to receive a physical copy or not to receive the document), including relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments.
  - The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it.
  - Proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders.
  - Information meetings are held in states around Australia to provide shareholders with information, and an opportunity to meet members of the board and senior management. This has not been the practice during the 2010 financial year but will be reinvigorated in 2011.
  - All announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Group's website after they are released to the ASX.
  - The full texts of notices of meetings and associated explanatory material are placed on the Group's website.
  - The external auditor attends the annual general meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

4. CORPORATE GOVERNANCE STATEMENT (continued)

4.7 COMMUNICATION WITH SHAREHOLDERS (continued)

- All of the above information, including that of the previous three years, is made available on the Group's website within one day of public release, and is e-mailed to all shareholders who lodge their e-mail contact details with the Group. Information on lodging e-mail addresses with the Group is available on the Group's website.
- The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors, the remuneration report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

5. PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were:

- **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. It also comprises of machinery maintenance maintaining all internal plant and equipment as well as the maintenance of plant and equipment to external customers.

- **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 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.

Due to the changes in the nature of the activities in machinery maintenance, management has strategically combined it with Civil construction as one principal activity during the financial year:

6. OPERATIONAL AND FINANCIAL REVIEW

6.1 THE YEAR IN REVIEW

6.1.1 Net profit / (loss) after tax

The Group returned a net loss after tax of $11,383,105 (2009 restated: loss $24,761,532) and a pre tax loss of $14,660,096 (2009 restated: loss $40,414,078).

6.1.2 Significant factors transactions / affecting net profit after tax

(i) The Group

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

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

The impact of this downturn has included:

- The principal financier's requirement for considerable debt reduction.
- The decreased availability of funds from financiers impacting on cash flow and the ability to complete or initiate developments and projects.
- The deferral of infrastructure projects with resultant reductions in demand for civil construction services and construction materials.
- Lack of consumer confidence leading to decreased property sales (both land sales and house and land package sales).
- The impact of the economic downturn has necessitated an assessment of the carrying values of assets across the Group. The result of this review was the recording of impairment losses and write downs before tax of $10,849,748 (Restated 2009: $21,887,236). Specific details of the impairment losses and write downs are as follows:
  - Impairment losses of $857,084 (2009: $3,326,583) relating to intangibles;
  - Impairment losses of $259,646 (2009: $432,146) relating to property, plant and equipment;
  - Impairment losses of $167,205 (2009: $1,384,404) relating to trade and other receivables;
  - Impairment losses of $nil (2009: $652) relating to investments; and
  - Write downs of inventory to net realisable value of $9,565,813 (Restated 2009: $16,744,103).
- The recording of a non-cash gain for the movement in the mark-to-market value of two derivatives of $1,488,956 (2009: loss of $6,919,680). In February 2009 the Group 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%).

Business refocusing

The Group continues to refocus activities with a view to achieving the optimum results with its resources. The Group's objective is to focus activities with the ability to adapt to the continually changing economic environment.

The improvements in financial and administration processes are designed to underpin the monitoring and control aspects of the refocus of activities.

Bank facilities

During the year the Group has reduced the debt owed to the Group's principal financier to under $65 million. It is the intention of the Group to reduce the principal bank debt to $45 million and refinance prior to expiry of the current facility agreement on 31 January 2011.

6. OPERATIONAL AND FINANCIAL REVIEW (continued)

6.1 THE YEAR IN REVIEW (continued)

6.1.2 Significant factors transactions / affecting net profit after tax (continued)

(i) The Group (continued)

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

The mark-to-market valuation of the Group's derivatives was performed by our principal banker at 30 June 2010. Since 1 July 2009, there has been a positive movement in the mark-to-market valuation of the Group's interest rate derivatives. The recording of the non-cash movement in the mark-to-market value as at 30 June 2010 of the two derivatives of $7,100,594 has impacted on the results of the Group for the year.

Although the Group believes that the valuation of its derivatives by its principal banker represents the most appropriate estimate of the carrying value of the derivative liability at valuation date, the valuation adjustment of the derivatives only represents an accounting entry to reflect the fair value of the derivatives at 30 June 2010. Cash flow will only be affected in future periods as the Group is required to pay more in interest under the derivatives than if it had not entered into the derivatives if interest rates remain under that of the derivatives. The Group will receive funds if the interest rates rise above that of the derivatives.

(ii) Specific business segment

Group operations

While significant cost reductions have been carried out during the 2009-10 year, as in the prior year other major 'one-off' costs have been incurred in the Group's overhead throughout the year. The benefit of this expenditure has been established and as they are not recurrent, the costs will not be incurred again as the Group moves forward.

Financial and administrative activities continue to be refined with a focus on achieving further efficiencies with increased controls. Attention to the Group's systems continues with a view to providing enhanced support to business units.

Activities of the segment have been adversely affected by the global economic downturn however the benefits from reconstruction and improvements are expected to increasingly counter the negative effects of the current downturn.

Civil construction

The civil construction and infrastructure segment has been adversely affected by the global economic downturn during the year resulting in a restriction on working capital and a reduction in projects. The segment performed well throughout the year however it is noted that the number of competitors is increasing, and therefore margins are reducing, as industry participants compete for fewer projects.

Property development

During 2009-10 year the property segment has been significantly affected by the global economic downturn and it remains sluggish coming into the 2010-11 year. The property industry in Northern Queensland has been especially affected by the downturn and has seen the downfall of other major participants in the market during the past year. While Government stimulus measures have been put in place, such as the first home buyer's grants, an increased number of prospective sales cannot proceed due to buyers inability to obtain finance.

Inventory has been reduced and this will continue until such time as identified optimum stock levels are reached and then maintained.

6. OPERATIONAL AND FINANCIAL REVIEW (continued)

6.1 THE YEAR IN REVIEW (continued)

6.1.2 Significant factors transactions / affecting net profit after tax (continued)

(ii) Specific business segment (continued)

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. The construction materials businesses performed solidly throughout the year however the restrictions on working capital have hampered developmental plans thereby restricting growth in capacity.

Residential and remote housing

Residential and remote housing comprises the construction of houses in both residential environments and remote locations. The Rapidbuild house manufacturing and construction system has performed well in completing work in Aurukun and continuing in Mornington Island and Townsville. It is expected that further remote housing projects will be awarded during the year. There have been delays in the process of awarding some planned projects however it is expected that the Group will be awarded further remote housing projects in the 2010-11 year.

6.2 POSITIONING FOR FURTHER GROWTH

Factors to assist in positioning for further growth include:

Group operations

The refocus of the Group has seen major changes in the Group operations segment. Reliance on external services and consultants has been substantially eliminated with processes designed to support the achievement of identified objectives in all segments.

The major advancements in the segment are:

- Costs are continually being monitored and cost cutting initiatives that have been implemented are enforced.
- Elimination or reduction in use of external services and consultants.
- Strengthening of the information systems to underpin support of achievement of objectives by all segments.
- Financial strategies, including debt strategy, having regard to optimum debt levels, positioning the Group for upcoming opportunities having regard to financial risk. The achievement of the objectives may include advancing business with strategic business partners, including joint venture(s).
- Equity raising strategies including, but not limited to, a proposed rights issue, share purchase plans and possible share placements.

Civil construction

The construction business is expected to perform solidly and possess a strong order book for the 2010-11 year.

The business was adversely affected by the global economic downturn over the last eighteen months however Government stimulus projects and the recovering economy expected throughout the 2010-11 year should see the Group well positioned to take up opportunities as they develop.

6. OPERATIONAL AND FINANCIAL REVIEW (continued)

6.2 POSITIONING FOR FURTHER GROWTH (continued)

Property development

- **Additional asset sales**

During 2008-09 and 2009-10 the Group sold non-core assets to reduce debt to targeted levels, including property assets that did not fit with the Group's development strategies over the coming years.

Under the Group's property development strategy, inventory levels of developed property are monitored to maintain optimum inventory levels. Englobo property owned by the Group identified for development is developed as minimum optimum inventory levels are achieved having regard for market trends and the timing of development.

- **Refocusing of the property business**

The refocus of the property business, including shortening the property development to cash cycle concentrating on optimum stock levels, together with corporate cost reduction initiatives, leaves the Group well placed to return to profitability and benefit from the longer term growth outlook for the North Queensland economy. Properties held are strategically positioned to ensure the continued supply of development opportunity for the next two decades.

The Group currently has approved applications for 567 lots of land, additional applications under assessment for a further 894 lots of land and in excess of 5,500 additional lots of land in its land bank.

Construction materials

The construction materials business is expected to perform solidly and possess a strong order book for the 2010-11 year.

Refinements to operating procedures as well as cost cutting measures implemented will see a strong performance in the business with continued development, increasing capacity and providing growth. The Group's construction material businesses are strategically located and will benefit from increasing civil construction and infrastructure spending in the region.

Residential and remote housing

The Group has spent the last three years developing its unique Rapidbuild house manufacturing and construction system. As part of the corporate refocus the research and development of Rapidbuild for large scale mass production was put on hold early in 2009 however its value for remote housing remains unchallenged.

The commercial viability of the product has taken a step closer with the recent awarding of a remote housing contract utilising the Rapidbuild system. The Group completed the construction of nine houses in Kowanyama and is currently completing construction of ten houses in Aurukun with the prospect of several new remote housing projects expected in the 2010-11 year.

The Group will be focussing on the expansion of remote area housing projects using the Rapidbuild concept and it is expected the division will play a major part in the recovery and growth of the Group.

7. DIVIDENDS

No dividends were paid or declared by the Group to members since the end of the previous financial year.

Owing both to the strategy of the Group to further reduce debt and the prevailing property and economic circumstances, no final dividend will be paid or declared in relation to the 2009-10 year.

8. EVENTS SUBSEQUENT TO REPORTING DATE

On 2 July 2010 the Group disposed of one of its land bank properties held for resale. $4,667,000 of the total revenue of $5,357,074 from the transaction was applied towards reducing the Group's principal bank debt. As a result of this transaction, the Group has reduced its principal bank debt to under $65 million.

On 6 October 2010 the Queensland Building Services Authority (BSA) suspended the building licences held by four companies within the Group. The Group is liaising with BSA in order to have its building licences reinstated in the immediate future, albeit subject to agreed conditions.

Other than the matters set out above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

9. LIKELY DEVELOPMENTS

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years are included in the operating and financial review at section 6 of this report.

10. DIRECTORS' INTERESTS

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director's name	Ordinary shares	Options over ordinary shares
Non executive directors		
Current directors		
Brian Norwood	-	-
Steven Lavis	17,783	-
Warren Entsch	-	-
Former directors		
Anthony Hartnell	10,643	-
Executive directors		
Roy Lavis	20,651,892	-

11. SHARE OPTIONS

Options granted to directors and officers of the Company

No options over unissued ordinary shares in the Company were granted to directors or to the five most highly remunerated officers of the Group as part of their remuneration.

12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

The Company has agreed to indemnify the current and former directors, officers, and certain senior executives of the Group against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as director of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

Since the end of the previous financial year the Group has paid insurance premiums in respect of directors' and officers' liability and legal expenses', for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities.

The insurance policy does not permit disclosure of the amount and type of cover, the limit, insurer or premiums paid in respect of individual officers of the Company.

13. NON AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Management Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to KPMG and its related practices for audit and non-audit services provided during the year are set out in note 16.

14. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 107 of the financial report and forms part of the directors' report for the financial year ended 30 June 2010.

Dated at Cairns this 15th day of October 2010.

Signed in accordance with a resolution of the directors:

Brian Norwood	Roy Lavis
Director	Director

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Note	2010	2009
			Restated
		$	$
Revenue	*7*	103,372,161	156,321,416
Cost of sales		(106,371,358)	(158,117,168)
Gross profit / (loss)		(2,999,197)	(1,795,752)
Other income	*8*	10,052,143	105,494
Other expenses	*9*	-	(439,332)
Administrative and corporate expenses	*10(a)*	(16,534,069)	(27,028,477)
Results from operating activities		(9,481,123)	(29,158,067)
Finance income	*11*	1,622,217	433,291
Finance (costs)	*11*	(7,565,139)	(13,558,045)
Net financing income/(costs)		(5,942,922)	(13,124,754)
Share of profit or loss of equity accounted investees, net of income tax	*12*	763,949	1,868,743
Profit / (loss) before income tax		(14,660,096)	(40,414,078)
Income tax (expense) / benefit	*13*	3,276,991	15,652,546
Profit / (loss) for the period		(11,383,105)	(24,761,532)
Other comprehensive income / (loss)		-	-
Total comprehensive income / (loss) for the period		(11,383,105)	(24,761,532)
Comprehensive income / (loss) attributable to:			
Owners of the Company		(11,383,105)	(24,701,300)
Non-controlling interest		-	(60,232)
Total comprehensive income / (loss) for the period		(11,383,105)	(24,761,532)
Earnings per share		Cents per share	Cents per share
Basic earnings per share	*14*	(14.29)	(31.01)
Diluted earnings per share	*14*	(14.29)	(31.01)
Dividends per share		Cents per share	Cents per share
Ordinary shares		-	-
		$	$
EBIT (Earnings before interest and taxes)	*15*	(8,529,600)	(26,512,241)
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	*15*	(2,437,782)	(20,614,937)

The notes on pages 31 to 103 are an integral part of these consolidated financial statements.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2010

	Note	2010	2009
			Restated
		$	$
Assets			
Cash and cash equivalents	17	932,378	2,351,903
Trade and other receivables including derivatives	18	15,326,947	17,490,342
Inventories	19	74,052,954	88,678,715
Biological assets	20	240,000	312,944
Total current assets		90,552,279	108,833,904
Trade and other receivables including derivatives	18	2,360,791	1,004,954
Inventories	19	-	11,728,011
Investments in equity accounted investees	22	1,071,896	8,352,342
Investment properties	24	-	475,000
Deferred tax assets	25	25,542,420	22,270,191
Property, plant and equipment	26	35,312,530	42,195,697
Intangible assets	27	8,945,248	9,843,300
Total non-current assets		73,232,885	95,869,495
Total assets		163,785,164	204,703,399
Liabilities			
Bank overdrafts	17	15,952,465	12,750,704
Trade and other payables including derivatives	28	30,204,881	30,755,923
Loans and borrowings	29	65,394,226	54,701,311
Employee benefits	30	5,463,470	4,726,873
Current tax payable	21	157,853	147,998
Provisions	31	50,000	230,000
Total current liabilities		117,222,895	103,312,809
Trade and other payables including derivatives	28	12,822,040	12,386,998
Loans and borrowings	29	5,449,182	49,299,013
Employee benefits	30	354,366	384,793
Total non-current liabilities		18,625,588	62,070,804
Total liabilities		135,848,483	165,383,613
Net assets		27,936,681	39,319,786
Equity			
Share capital		64,899,768	64,899,768
Retained (loss) / earnings		(36,963,117)	(25,580,012)
Total equity attributable to equity holders of the parent		27,936,651	39,319,756
Non-controlling interest		30	30
Total equity		27,936,681	39,319,786

The notes on pages 31 to 103 are an integral part of these consolidated financial statements.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

Details	*Share capital*	*Retained earnings*	*Total*	*Non-controlling interest*	*Total equity*
	$	$	$	$	$
2010					
Balance at 1 July	64,899,768	(25,580,012)	39,319,756	30	39,319,786
Comprehensive income/(loss) for the period	-	(11,383,105)	(11,383,105)	-	(11,383,105)
Net movement	-	(11,383,105)	(11,383,105)	-	(11,383,105)
Balance at 30 June	64,899,768	(36,963,117)	27,936,651	30	27,936,681
2009					
Balance at 1 July	64,899,647	(818,819)	64,080,828	60,413	64,141,241
Comprehensive income/(loss) for the period (restated)	-	(24,701,300)	(24,701,300)	(60,232)	(24,761,532)
Acquisition of additional interests in controlled entities	121	-	121	(121)	-
Disposal of interests in controlled entities	-	-	-	(30)	(30)
Dividends to Non-controlling interests	-	(59,893)	(59,893)	-	(59,893)
Net movement	121	(24,761,193)	(24,761,072)	(60,383)	(24,821,455)
Balance at 30 June	64,899,768	(25,580,012)	39,319,756	30	39,319,786

The notes on pages 31 to 103 are an integral part of these consolidated financial statements.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash receipts from customers		123,739,099	176,007,172
Cash paid to suppliers and employees		(112,408,445)	(143,439,486)
Cash generated from operations		11,330,654	32,567,686
Dividends received		13,630	259,451
Interest received		119,631	173,840
Income taxes paid		-	(975,000)
Net cash from operating activities	37	11,463,915	32,025,977
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		5,090,620	250,684
Proceeds from sale of investments		16,545,455	-
Acquisition of subsidiary, net of cash acquired		-	(4,525)
Acquisition of property, plant and equipment		(133,348)	(1,391,455)
Net cash from investing activities		21,502,726	(1,145,296)
Cash flows from financing activities			
Proceeds of borrowings		11,450,726	16,916,754
Repayment of borrowings – principal		(30,213,529)	(30,811,794)
Repayment of borrowings – borrowing costs		(10,520,171)	(9,727,489)
Payment of finance lease and hire purchase liabilities		(8,304,952)	(10,503,010)
Net cash from financing activities		(37,587,926)	(34,125,539)
Net increase/(decrease) in cash and cash equivalents		(4,621,286)	(3,244,858)
Cash and cash equivalents at 1 July		(10,398,801)	(7,153,943)
Cash and cash equivalents at 30 June	17	(15,020,087)	(10,398,801)

The notes on pages 31 to 103 are an integral part of these consolidated financial statements.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2010

1. REPORTING ENTITY

CEC Group Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 401 Spence Street Cairns QLD 4870. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Group primarily is involved in five main businesses being group operations, civil construction, property development, construction materials and residential and remote housing (see note 6).

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were approved by the board of directors on the date stated in the directors' declaration.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- biological assets are measured at fair value less estimated point-of-sale costs
- derivative financial instruments are measured at fair value
- investment properties are measured at fair value
- inventories are measured at the lower of cost and net realisable value

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Group.

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are as follows:

- Note 2(f) – Going concern;
- Note 18 – Construction work in progress – Assessment of projects on a percentage of completion basis, in particular with regard to accounting for variations, the timing of profit recognition and the amount of profit recognised;
- Note 19 – Inventories – assessment of the net realisable value of property development projects;
- Note 25 – Deferred tax assets and liabilities – utilisation of tax losses; and
- Note 27 – Intangible assets – measurement of the recoverable amounts of cash-generating units.

2. BASIS OF PREPARATION (continued)

(e) Changes in accounting policies

Starting as of 1 July 2009, the Group has changed its accounting policies in the following areas:

- Accounting for business combinations
- Accounting for acquisitions of non-controlling interests
- Accounting for borrowing costs
- Determination and presentation of operating segments
- Presentation of financial statements.

(f) Going concern

The 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 year ended 30 June 2010, the Group reported a net loss of $11,383,105 (2009 restated: $24,761,532). At 30 June 2010, current assets amounted to $90,552,279 (2009 restated: $108,833,904) and current liabilities amounted to $117,222,895 (2009: $103,312,809) resulting in a deficiency in working capital of $26,670,616 (June 2009 surplus restated: $5,521,095). Current assets include inventories of $74,052,954 which the Group expects to realise to meet current liabilities as they fall due. Current liabilities include the total bank debt of $65,772,368 that is due for repayment in January 2011 (refer note 29). The Group is presently undertaking negotiations with financiers to secure a new debt facility and, as at the date of this report, these discussions are on-going. In addition, the Group has not been in compliance with certain bank covenant requirements over existing facilities (refer to note 29(c) for further detail) and the Group has entered into arrangements with a number of creditors to extend payment terms. At 30 June 2010 there were also some creditors that were past due and for which there are no payment plans in place.

The directors have committed to a business restructure strategy that aims to progress the divestment of specific assets including land held for resale and plant and equipment in the short term either into joint venture entities, by outright sale or through refinancing, refinancing of the Group's principal debt facility and raising further equity as a continuation of the financial restructure which commenced in 2008. The directors consider that these transactions will reduce the Group's indebtedness and provide additional working capital, and will therefore improve the financial position of the Group and allow the Group's business units to return to operating at higher capacity. Progress towards divestment of these assets is underway, 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, and the ability of the Group to continue as a going concern, is critically dependent upon achieving much or all of the following:

- Completion of negotiations for the sale and leaseback (or refinancing) of plant and equipment of the Group anticipated to generate positive cash flows in excess of $10 million by 31 December 2010;
- Completion of negotiations with potential joint venture partners and other interested parties for the sale of specific assets, including land held for resale in Cairns and Townsville totalling approximately $14 million;
- Completion of the refinancing of the Group's bank debt facility by January 2011 on mutually acceptable terms and conditions;
- Completion of a capital raising through an underwritten rights issue or share placement, which is planned to follow the successful refinancing of the Group's bank debt facility discussed above;
- The ongoing support of creditors during the completion of the business restructure strategy in not requiring repayments of amounts that are outside normal credit terms;
- The ability of the Group's remaining business units being able to trade profitably through the continued implementation and enforcement of cost cutting initiatives, including reduction of premises from which the Group operates, reduction of finance costs, and focusing of resources on business segments and projects which are likely to generate the optimum level of return for the Group; and
- The Group's ability to comply with the financial requirements for licensing as required by the Queensland Building Services Authority (BSA), including any monitoring and reporting requirements imposed by the BSA from time to time on the Group (refer note 39).

2. BASIS OF PREPARATION (continued)

(f) Going concern (continued)

While the statement of financial position at 30 June 2010 shows a deficiency of current assets to current liabilities of $26,670,616, the proposed transactions referred to above are designed to generate sufficient working capital to eliminate the deficiency.

At 30 June 2010 the Group's net tangible assets were in deficit by $6,550,987. The deterioration in the net tangible asset position is due to the impairment on the land bank properties as valuation of properties is on an 'as is' basis. Included in liabilities are loans, accrued interest and payables owed to the Group's Executive Director, Mr Roy Lavis of $8,264,043. Mr. Lavis has committed to provide ongoing support to allow the Group to meet its debts as and when they fall due. If this payable was excluded from liabilities the Group would have a net tangible asset position of $1,713,056.

In the event that the above business restructure initiatives do not eventuate thereby impacting the Group's ability to continue as a going concern, assets may not be realised and liabilities settled at amounts stated in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of Consolidation

(i) Business combinations

Change in accounting policy

The Group has adopted revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

The Group applies the acquisition method for business combination. For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Consolidation (continued)

(ii) Accounting for acquisition of non-controlling interests

The Group has adopted revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 July 2009. Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary; and that represented the excess of the cost to the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The interests of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(iv) Investments in associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, bank overdrafts, trade and other payables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and costs is discussed in note 3(p).

Non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures.

Derivatives are recognised initially at fair value, with attributable transaction costs recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, with changes therein recognised in profit or loss.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period they are declared.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment at 1 July 2004, the Group's date of transition to AASBs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition, construction or production of qualifying assets are recognised in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Change in accounting policy

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 directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense except for borrowing costs incurred in connection with the development of land held for resale. This change in accounting policy was due to the adoption of AASB 123 *Borrowing Costs* (2007) in accordance with the transitional provisions of that standard, comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the part will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain at inception that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	5 to 40 years
Plant and equipment	2 to 20 years
Leased plant and equipment	5 years

(d) Intangible assets

(i) Goodwill

Change in accounting policy

As from 1 July 2009, the Group has adopted the revised AASB 3 *Business Combinations* (2008) and the amended AASB 127 *Consolidated and Separate Financial Statements* (2008). Revised AASB 3 and amended AASB 127 have been applied prospectively to business combinations with an acquisition date on or after 1 July 2009.

The change in accounting policy had no material impact on earnings per share. The Group did not undertake any business combinations during the year ended 30 June 2010.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Intangible assets (continued)

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in profit or loss as incurred. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Patents and trademarks 10 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate

(e) Biological assets

Biological assets are measured at fair value less estimated point-of-sale costs, with any change therein recognised in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets.

(f) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment properties are measured at fair value with any change therein recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leased assets (continued)

Other leases are operating leases and, except for investment properties, the leased assets are not recognised on the Group's statement of financial position. Investment properties held under operating leases are recognised on the Group's statement of financial position at fair value.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Land held for resale

Cost includes the costs of acquisition, development and holding costs such as borrowing costs. Borrowing costs and other holding costs incurred after completion are recognised in profit or loss. Land held for resale is classified as a current asset when it is expected to be realised in the next twelve months.

(ii) Other inventories

The cost of other inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(i) Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade and other receivables in the statement of financial position. If payments received from customers exceed the income recognised, then the difference is presented as deferred revenue in the trade and other payables.

(j) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment properties, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment properties and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(l) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

(iii) Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

(iv) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(n) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when pervasive evidence exists, usually in the form of a external sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in profit or loss when the service has been provided to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue (continued)

(iii) Land sales

Revenue from the sale of land held for development and resale is recognised when the significant risks and rewards of ownership have been transferred to the buyer and when there is no continuing managerial involvement, which normally coincides with settlement of the contract of sale.

(iv) Construction services

Residential housing construction contracts

As soon as the outcome of a residential housing construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is measured by reference to an assessment of total labour hours and other costs incurred to date as a percentage of estimated total costs for each contract. An expected loss on a contract is recognised immediately in profit or loss.

Other construction contracts

As soon as the outcome of a construction contract, other than a residential housing contract, can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. Profit recognition does not normally commence until a contract is at least 25% complete. The stage of completion is measured by reference to claims invoiced to date as a percentage of the total contract value, including variations, for each contract.

(v) Rental income

Rental income from investment properties are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(vi) Government grants

An unconditional government grant is recognised in profit or loss when the grant is received.

Other government grants are recognised as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(o) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income and gains on derivative financial instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings and losses on derivative financial instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit and loss using the effective interest method.

(q) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is CEC Group Limited.

Current tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'stand alone taxpayer' approach whereby each entity in the tax consolidated group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Deferred tax assets and liabilities are measured by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised by the Company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts recognised by the Company as an equity contribution or distribution.

The Group recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the assets can be utilised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

(i) Tax consolidation (continued)

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability are recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(r) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(t) Segment reporting

Determination and presentation of operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to 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 in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. 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. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Segment reporting (continued)

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. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

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

(u) 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.

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

(v) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment. Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI. *AASB 2 - Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.
- AASB AASB 1053 *Application of Tiers of Australian Accounting Standards*, published on 30 June 2010, establishes a differential financial reporting framework, which consists of two tiers of reporting requirements for preparing general purpose financial statements:

  Tier 1: Australian Accounting Standards; and

  Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) New standards and interpretations not yet adopted (continued)

Tier 1 incorporates IFRSs issued by the IASB and includes requirements that are specific to Australian entities. Tier 2 comprises the recognition and measurement requirements of Tier 1 but substantially reduced disclosure requirements. AASB 2010-02 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*, published on 30 June 2010, reduces the disclosures in most Australian Accounting Standards, including Interpretations, for Tier 2 entities. AASB 1053 and AASB 2010-02 will become mandatory for the Group's 30 June 2014 financial statements. As the Group will be classified as Tier 1, it is expected that the standards will not have a significant impact on the financial statements.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items, when available and replacement costs when available.

(ii) Investment properties

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every twelve months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(iii) Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(iv) Trade and other receivables

For receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables are discounted at the market rate of interest to determine the fair value.

(v) Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

(vi) Hire purchase liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous hire purchase agreements. The estimated fair values reflect changes in interest rates.

(vii) Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes in interest rates.

5. FINANCIAL RISK MANAGEMENT

(a) Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Management Committee also oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Each new customer undergoes a stringent credit assessment process prior to commencing a contractual agreement which may bind the Group. The Group has conditions stipulated into signed contracts which provides for recourse in the event of a breach of contractual obligations.

Guarantees

The Group provides guarantees as part of its construction activities (see note 34).

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Cash flows are forecasted out to a period of twelve months on a rolling basis and reviewed regularly to ensure that the future assumptions remain valid. Construction cash flows are maintained through a regular billing and collection process in line with the terms of the individual contracts. Property acquisitions and development are financed through a mixture of equity and debt from banking institutions.

The Group maintains a number of lines of credit set out in note 29(b).

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Overview (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Other than the derivatives (see note 32(c)) the Group has not entered into any arrangements to manage cash flow risks associated with the interest rates on borrowings that are floating, or to alter interest rate exposures arising from mismatches in re-pricing dates between assets and liabilities.

(b) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital which the Group defines as net profit after tax divided by total shareholder' equity and non controlling interest. The Board of Directors also monitors the level of dividends to ordinary shareholders. The capital structure at balance sheet date is set out in note 32.

6. OPERATING SEGMENTS

(a) Operating segments

The Group has five 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.

The Group changed the classification of its segments during the year which resulted in the above mentioned business segments. This change was made to improve the financial information reported in line with information reported to management. Comparative information has been restated to reflect this change which resulted in the reclassification of some segments revenue, results, assets and liabilities.

(b) Geographical segments

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

6. OPERATING SEGMENTS

Year ended 30 June 2010

REPORTABLE SEGMENTS	Group operations	Civil construction	Property development	Construction materials	Residential and remote housing	Eliminations	Consolidated
	$	$	$	$	$	$	$
Revenue							
External sales	640,747	46,210,984	26,825,574	20,392,888	9,301,968	-	103,372,161
Intersegment revenue	3,498,324	6,361,372	(13,050)	2,602,798	1,216,269	(13,665,713)	-
Total reportable segment revenue	4,139,071	52,572,356	26,812,524	22,995,686	10,518,237	(13,665,713)	103,372,161
Other unallocated revenue							-
Total revenue from ordinary activities							103,372,161
Result							
Reportable segment result	13,755,565	731,308	(10,343,416)	(1,200,180)	(963,168)	(11,461,232)	(9,481,123)
Unallocated expenses net of unallocated revenue							-
Results from operating activities							(9,481,123)
Net financing costs							(5,942,922)
Share of net profits of equity accounted associates and joint venture entities	-	-	-	763,949	-	-	763,949
Profit / (loss) before tax							(14,660,096)
Income tax (expense) / benefit							3,276,991
Profit / (loss) for the period							(11,383,105)

6. OPERATING SEGMENTS

Year ended 30 June 2009

REPORTABLE SEGMENTS	Group operations	Civil construction	Property development	Construction materials	Residential and remote housing	Eliminations	Consolidated
	$	$	$	$	$	$	$
Revenue							
External sales	1,175,079	81,833,644	42,036,816	25,598,420	5,677,458	-	156,321,416
Intersegment revenue	8,004,869	7,599,298	(1,174,116)	2,997,758	2,272,042	(19,699,851)	-
Total reportable segment revenue	9,179,948	89,432,942	40,862,700	28,596,178	7,949,500	(19,699,851)	156,321,416
Other unallocated revenue							-
Total revenue from ordinary activities							156,321,416
Result							
Reportable segment result	(16,297,038)	(685,249)	(20,865,121)	(468,271)	353,796	8,803,816	(29,158,067)
Unallocated expenses net of unallocated revenue							-
Results from operating activities							(29,158,067)
Net financing costs							(13,124,754)
Share of net profits of equity accounted associates and joint venture entities	-	-	-	1,868,743	-	-	1,868,743
Profit / (loss) before tax							(40,414,078)
Income tax (expense) / benefit							15,652,546
Profit / (loss) for the period							(24,761,532)

6. OPERATING SEGMENTS

Year ended 30 June 2010

REPORTABLE SEGMENTS	Group operations	Civil construction	Property development	Construction materials	Residential and remote housing	Eliminations	Consolidated
	$	$	$	$	$	$	$
Other information							
Reportable segment assets	108,208,699	31,795,779	(1,094,876)	23,210,039	4,670,757	(4,077,130)	162,713,268
Investments in equity accounted associates and joint venture entities	28,605,378	-	1,203,638	-	-	(28,737,120)	1,071,896
Consolidated total assets	136,814,077	31,795,779	108,762	23,210,039	4,670,757	(32,814,250)	163,785,164
Reportable segment liabilities	(94,468,863)	(15,065,663)	(22,144,190)	(13,237,821)	(3,506,880)	12,574,936	(135,848,481)
Consolidated total liabilities	(94,468,863)	(15,065,663)	(22,144,190)	(13,237,821)	(3,506,880)	12,574,936	(135,848,481)
Capital expenditure	390	613,781	-	2,067,743	6,415	(1,106,747)	1,581,582
Depreciation and amortisation	316,498	2,492,744	19,401	2,554,368	474,947	233,812	6,091,770
Impairment losses & Inventory write downs	260,546	77,842	8,695,640	1,843	61,161	1,752,717	10,849,748

6. OPERATING SEGMENTS

REPORTABLE SEGMENTS	Year ended 30 June 2009						
	Group operations	Civil construction	Property development	Construction materials	Residential and remote housing	Eliminations	Consolidated
	$	$	$	$	$	$	$
Other information							
Reportable segment assets	102,632,632	36,597,482	27,728,427	30,132,006	4,329,058	(5,068,546)	196,351,059
Investments in equity accounted associates and joint venture entities	30,979,948	-	297,715	58,630	-	(22,983,951)	8,352,342
Consolidated total assets	133,612,580	36,597,482	28,026,142	30,190,636	4,329,058	(28,052,497)	204,703,401
Reportable segment liabilities	(99,958,290)	(20,091,632)	(39,938,787)	(18,027,108)	(3,240,486)	15,872,689	165,383,612
Consolidated total liabilities	(99,958,290)	(20,091,632)	(39,938,787)	(18,027,108)	(3,240,486)	15,872,689	165,383,612
Capital expenditure	106,513	471,433	-	3,700,802	80,121	(1,409,099)	2,949,771
Depreciation and amortisation	462,685	2,342,247	177	2,686,831	413,100	(7,736)	5,897,305
Impairment losses & Inventory write downs	10,796,309	1,185,671	17,331,917	77,347	107,264	(7,611,271)	21,887,236

7. REVENUE

	2010	2009
	$	$
Group operations segment		
Other revenue:		
⅄ grants	27,273	51,769
⅄ rental revenue	73,333	80,000
⅄ royalties	365,470	424,744
⅄ sugar cane sales	-	380,152
⅄ sundry revenue	66,645	70,835
⅄ transport sales	-	4,667
⅄ turf sales	-	7,220
⅄ waste management activities	108,026	155,692
	640,747	1,175,079
Civil construction segment		
Construction services	45,203,621	80,562,207
Other revenue:		
⅄ rebates	91,078	622,871
⅄ grants	3,000	2,500
⅄ services revenue	738,390	521,193
⅄ sundry revenue	174,895	124,872
	46,210,984	81,833,644
Property development segment		
Land sales	26,369,713	41,101,766
Other revenue:		
⅄ rental revenue	383,674	794,786
⅄ services revenue	-	1,197
⅄ sundry revenue	72,187	139,067
	26,825,574	42,036,816
Construction materials segment		
Construction services	19,664,110	24,924,241
Other revenue:		
⅄ rebates	-	165,624
⅄ services revenue	204,584	46,213
⅄ sundry revenue	524,194	462,342
	20,392,888	25,598,420

7. REVENUE (continued)

	2010 $	2009 $
Residential and remote housing segment		
Construction services	9,253,326	5,609,002
Other revenue:		
⅄ services revenue	-	629
⅄ sundry revenue	48,642	67,826
	9,301,968	5,677,458
	103,372,161	156,321,416

8. OTHER INCOME

	2010 $	2009 $
Net gains:		
⅄ disposal of property, plant and equipment	2,856,607	105,494
⅄ sale of investment in joint venture entity	7,143,046	-
⅄ sale of investment property	52,490	-
	10,052,143	105,494

9. OTHER EXPENSES

	2010 $	2009 $
Fair value decreases:		
⅄ investment properties	-	(439,332)

10. EXPENSES

	Note	2010	2009
(a) Administrative and corporate expenses		$	$
Advertising, marketing and promotion		386,261	802,335
Audit fees		905,549	643,484
Bank guarantee fees		151,280	234,086
Borrowing costs		29,650	208,374
Consultancy fees		2,792,361	2,749,279
Depreciation and amortisation expenses		394,576	462,685
Directors fees		249,571	283,983
Donations and sponsorships		38,549	51,852
Fees, licences and permits		91,029	174,574
Hire of plant and equipment		70,964	92,170
Insurance expenses		762,590	1,024,928
Impairment losses:			
⅄ Intangibles	27	857,084	3,326,583
⅄ Investments		900	652
⅄ Property, plant and equipment	26	259,646	432,146
⅄ Trade and other receivables		167,205	1,384,404
IT support, maintenance and rental		297,932	356,433
Loss on disposal of investment		20,103	2,428,194
Motor vehicle expenses		232,928	505,937
Office expenses		437,035	605,046
Other expenses		2,566,735	2,612,402
Personnel expenses	10(b)(i)	3,625,304	4,688,134
Public company costs		73,900	111,339
Rent		383,612	1,321,170
Rates and taxes		1,052,964	1,131,696
Repairs and maintenance expenses		259,202	430,896
Research and development		-	92,003
Safety expenses		25,268	54,436
Subscriptions		26,002	49,670
Telephone and communications		186,313	293,411
Travel and accommodation		189,558	476,175
		16,534,069	27,028,477

10. EXPENSES (continued)

	2010 $	2009 $
(b) Personnel expenses		
(i) Included in administrative expenses		
Directors salaries	549,998	539,453
Directors superannuation	48,713	49,377
Payroll expenses	180,494	206,539
Superannuation	230,829	270,391
Wages expenses	2,522,205	3,459,464
Workcover expenses	14,561	27,178
Other personnel expenses	78,505	135,732
	3,625,304	4,688,134
(ii) Included in cost of sales		
Payroll tax	1,105,776	1,211,110
Superannuation	1,535,219	2,041,855
Wages expenses	21,562,848	23,920,374
Workcover expenses	282,855	573,576
Other personnel expenses	308,804	412,444
	24,795,501	28,159,359
	28,420,806	32,847,493

11. FINANCE INCOME AND FINANCE COSTS

	2010 $	2009 $
Finance income		
Gain on derivative financial instruments	1,488,956	-
Interest received	119,631	173,840
Dividend income:		
⅄ Other parties	13,630	259,451
Finance income included within the statement of comprehensive income	1,622,217	433,291
Finance costs		
Interest expense:		
Total interest expense	(16,824,314)	(14,512,183)
Less: Capitalised interest	9,259,175	7,873,818
	(7,565,139)	(6,638,365)
Loss on derivative financial instruments	-	(6,919,680)
Finance costs included within the statement of comprehensive income	(7,565,139)	(13,558,045)
Net finance income/(costs)	(5,942,922)	(13,124,754)

12. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEES, NET OF INCOME TAX

Joint venture	*Principal activities*	*Equity accounted net profit after tax* 2010 $	2009 $
CEC Commercial Pty Ltd	Commercial property investment	-	67,499
CEC/Flying Fish Point Developments Pty Ltd	Property development	-	(674)
Cleveland Bay Views Pty Ltd	Property development	-	-
DJW Enterprise (QLD) Pty Ltd	Property development	(4,161)	-
Freshwater Future Pty Ltd	Property development	-	-
Kubirri Holdings Pty Ltd	Property development	-	-
Montserrat Holdings Pty Ltd	Property development	-	(11,114)
Pioneer North Queensland Pty Ltd	Supply of construction materials	768,110	1,813,032
		763,949	1,868,743

13. INCOME TAX EXPENSE/(BENEFIT)

	2010 $	2009 Restated $
(a) Numerical reconciliation between tax expense and pre-tax net profit		
Profit / (loss) before tax:		
⅄ Continuing operations	(14,660,096)	(40,414,079)
Tax expense / (benefit) at the Australian tax rate of 30% (2009: 30%)	(4,398,029)	(12,124,224)
Increase in income tax expense due to:		
⅄ Carrying value of investments accounted for using the equity method of accounting	-	22,570
⅄ Imputation credits on dividends received	1,270	839
⅄ Non-deductible expenses	1,028,990	1,185,233
Decrease in income tax expense due to:		
⅄ Equity accounted share of net profit	(229,185)	(634,491)
⅄ Tax adjustments for investments sold	1,953,806	-
⅄ Non-assessable items	(902)	(6,121,396)
⅄ Sundry items	(2,371)	-
⅄ Income tax benefit attributable to capital losses not recognised	(1,219,551)	1,219,551
⅄ Tax losses	-	(79,516)
Income tax expense on pre-tax net profit prior to under / (over) provisions in prior years	(2,865,972)	(16,531,434)
Under / (over) provided in prior years	(411,019)	878,888
Income tax expense / (benefit) on pre-tax net profit	(3,276,991)	(15,652,546)
(b) Income tax expense recognised in the income statements		
Current tax expense		
Current year	9,855	439,204
Adjustments for prior years	(411,019)	878,888
	(401,164)	1,318,092
Deferred tax expense		
Origination and reversal of temporary differences	(2,875,827)	(16,970,638)
Total income tax expense/(benefit) in income statements	(3,276,991)	(15,652,546)
Attributable to:		
Continuing operations	(3,276,991)	(15,652,546)

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of $11,383,105 (restated 2009 loss: $24,701,300) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2010 of 79,662,662 (2009: 79,662,662), calculated as follows:

	2010	2009 *Restated*
(i) Basic earnings per share	**Cents per share**	**Cents per share**
From continuing operations	(14.29)	(31.01)
There have not been any discontinued operations during the year ended 30 June 2010. Therefore earnings per share for discontinued operations has not been calculated or disclosed.		
(ii) Profit / (loss) attributable to ordinary shareholders	**$**	**$**
From continuing operations	(11,383,105)	(24,701,300)
(iii) Weighted average number of ordinary shares	**#**	**#**
Issued ordinary shares at 1 July	79,662,662	79,662,662
Weighted average number of ordinary shares at 30 June	79,662,662	79,662,662

(b) Diluted earnings per share

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

15. EBIT AND EBITDA

The calculation of earnings before interest and income taxes (EBIT) and earnings before interest, income taxes, depreciation

EBIT calculation	**$**	**$**
Profit / (loss) before income tax	(14,660,096)	(40,414,078)
Net interest costs		
Included in:		
⅄ Net financing income/(costs)	5,956,552	13,384,205
⅄ Cost of sales	173,944	517,632
	(8,529,600)	(26,512,241)
EBITDA calculation		
EBIT	(8,529,600)	(26,512,241)
Depreciation and amortisation		
Included in:		
⅄ Administration expenses	394,576	462,685
⅄ Cost of sales	5,697,242	5,434,619
	(2,437,782)	(20,614,937)

16. AUDIT SERVICES

	2010 $	2009 $
Auditors of the Company		
Audit of financial reports for years ended:		
⅄ 30 June 2010	401,254	-
⅄ 30 June 2009	170,790	211,500
⅄ 30 June 2008	-	165,238
Review of financial reports for half-years ended:		
⅄ 31 December 2009	264,300	-
⅄ 31 December 2008	-	189,946
Other regulatory audit services	87,944	76,800
	924,288	643,484

Other services

	2010 $	2009 $
Auditors of the Company		
Other assurance services	30,835	4,500
Taxation services		
⅄ Advisory	4,225	369
⅄ Compliance	18,776	27,111
	53,836	31,980

17. CASH AND CASH EQUIVALENTS

	2010 $	2009 $
Current		
Cash on hand and at bank	932,378	2,351,903

Cash and cash equivalents in the statement of cash flows

	2010 $	2009 $
Cash on hand and at bank	932,378	2,351,903
Bank overdrafts repayable on demand	(15,952,465)	(12,750,704)
	(15,020,087)	(10,398,801)

18. TRADE AND OTHER RECEIVABLES

	Notes	2010	2009
Current		$	$
Trade receivables	32	5,445,582	15,195,420
Less: impairment losses	32	(279,883)	(4,094,551)
		5,165,699	11,100,869
Construction work in progress	*(i)*	996,812	421,072
Derivatives		1,068	39,823
Other receivables and prepayments		7,797,752	4,560,947
Amounts receivable from:			
⅄ Joint ventures and associates	32	1,727,011	1,728,126
⅄ Other related parties	32	61,896	61,896
		10,584,539	6,811,864
Less: impairment losses	32	(423,291)	(422,391)
		10,161,248	6,389,473
		15,326,947	17,490,342
Non-current			
Other receivables and prepayments		1,300,791	871,096
Amounts receivable from:			
⅄ Joint ventures and associates	32	1,060,000	133,858
		2,360,791	1,004,954

(i) Construction work in progress

	Notes	2010	2009
Construction work in progress comprises:			
Construction costs incurred to date		90,628,244	132,106,884
Profit recognised to date		11,965,032	19,064,934
Less: provision for losses		(898,461)	(1,786,218)
		101,694,815	149,385,600
Less: progress billings		(101,972,305)	(150,417,184)
Net construction work in progress		(277,490)	(1,031,584)
Net construction work in progress comprises:			
Amounts due from customers:			
– trade and other receivables		996,812	421,072
Amounts due to customers:			
– trade and other payables	28	(1,274,302)	(1,452,656)
		(277,490)	(1,031,584)

19. INVENTORIES

	2010	2009
		Restated
	$	$
Current		
Land held for resale	96,460,193	97,613,312
Less: Provision for inventory write downs	(25,862,064)	(18,255,356)
	70,598,129	79,357,956
Building held for sale	1,686,934	8,085,144
Less: Provision for inventory write downs	(109,554)	(1,055,481)
	1,577,380	7,029,663
Raw materials and consumables	1,852,758	2,287,668
Work in progress	24,687	3,428
	74,052,954	88,678,715
Non-current		
Land held for resale	-	13,560,495
Less: Provision for inventory write downs	-	(1,832,484)
	-	11,728,011
Carrying amount of inventories measured at net realisable value:	73,109,118	63,813,987
Write down of inventories to net realisable value included in cost of sales:	9,565,813	16,744,103
Carrying amount of inventories subject to retention of title clauses:	-	-
Borrowing costs (including interest expense) capitalised at a weighted average interest rate of 6.45% (2009: 6.78%):	9,259,175	7,873,818
Amount of inventories recognised as an expense and included in cost of sales during the year:	22,088,053	54,765,090

Refer to note 29 for details of inventories pledged as security for interest-bearing loans and borrowings.

In line with management's business restructure strategy discussed in note 2(f), all of the Group's land held for resale has been classified as current at 30 June 2010 on the basis that the Board has resolved to realise all land held for resale and it is expected to be realised within 12 months of the reporting date. Major property realisations are expected to be to joint ventures of which CEC will have an interest.

20. BIOLOGICAL ASSETS

	2010 $	2009 $
Current		
Balance as at 1 July	312,944	429,716
Net movement	(72,944)	(116,772)
Balance as at 30 June	240,000	312,944

Sugar cane crops are planted and subsequently harvested on land purchased by the Group until such time as this land is required for future development.

21. CURRENT TAX ASSETS AND LIABILITIES

	2010 $	2009 $
Assets		
Income tax refundable	-	-
Liabilities		
Income tax payable	157,853	147,998

The current tax assets for the Group represents the amount of income taxes recoverable in respect of prior periods and that arise from the payment of tax in excess of the amounts due to the Australian Taxation Office. The current tax liability for the Group represents the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability or asset initially recognised by the members in the tax-consolidated group.

22. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

(a) Investments in incorporated joint ventures

In the financial statements of the Company, investments in jointly controlled entities (joint ventures) are accounted for at cost and included with investments (see note 42). The Group accounts for investments in incorporated joint ventures using the equity method.

The Group has the following investments in incorporated joint ventures at 30 June 2010:

(i) Incorporated joint ventures non-financial particulars

Joint venture	*Principal activities*	*Country*	*Reporting date*	*Ownership 2010 %*	*Ownership 2009 %*
CEC Commercial Pty Ltd *	Commercial property investment	Australia	30 June	60	60
CEC/Flying Fish Point Developments Pty Ltd	Property development	Australia	30 June	50	50
Cleveland Bay Views Pty Ltd □	Property development	Australia	30 June	50	50
DJW Enterprises (QLD) Pty Ltd ∞	Property development	Australia	30 June	64	-
Freshwater Future Pty Ltd □	Property development	Australia	30 June	25	25
Kubirri Holdings Pty Ltd	Property development	Australia	30 June	50	50
Montserrat Holdings Pty Ltd ◊	Property development	Australia	30 June	-	50
Pioneer North Queensland Pty Ltd ☼	Supply of construction materials	Australia	30 June	-	50
Property North (Mackay) Pty Ltd#	Property development	Australia	30 June	100	100

* The Group holds an equal voting interest with the other joint venture partner and does not control the entity.

◊ The Group sold its 50% interest in Montserrat Holdings Pty Ltd on 25 Feb 2010.

☼ The Group sold its 50% interest in Pioneer North Queensland Pty Ltd on 13 May 2010.

The Group purchased the remaining 50% share in Property North (Mackay) Pty Ltd on 25 May 2009, after which it became a controlled entity (see note 36).

∞ The Group acquired its interest in DJW Enterprises (QLD) Pty Ltd on 24 December 2009. As the Group has an equal voting interest with the other joint venture partner and does not control the entity, the Group's investment in this entity is accounted for using the equity method.

□ Cleveland Bay Views Pty Ltd and Freshwater Future Pty Ltd were dormant during the year ended 30 June 2010 and 30 June 2009.

22. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (continued)

(i) Investments in incorporated joint ventures (continued)

(ii) Incorporated joint ventures financial particulars

Joint venture	Year	Revenues (100%)	Profit/(loss) after tax (100%)	Share of joint venture net profit/(loss) recognised	Total current assets (100%)	Total non-current assets (100%)	Total current liabilities (100%)	Total non-current liabilities (100%)	Net assets as reported by joint venture (100%)	Share of joint venture net assets equity accounted
CEC Commercial Pty Ltd	2010	-	-	-	-	-	-	-	-	-
	2009	-	112,600	67,499	-	-	-	-	-	-
CEC/Flying Fish Point Developments Pty Ltd	2010	-	(2,727)	-	109,634	-	235,860	-	(126,226)	-
	2009	(119,354)	(123,699)	(674)	109,966	-	233,465	-	(123,499)	-
DJW Enteprises (QLD) Pty Ltd	2010	-	(6,510)	(4,161)	3,097	7,774,071	5,024,136	1,060,000	1,693,032	1,071,884
	2009	-	-	-	-	-	-	-	-	-
Kubirri Holdings Pty Ltd	2010	11	(606)	-	25,047	1,927	253,717	-	(226,743)	12
	2009	-	(4,762)	-	25,605	1,927	253,670	-	(226,138)	12
Montserrat Holdings Pty Ltd	2010	-	-	-	-	-	-	-	-	-
	2009	-	(22,300)	(11,114)	138,193	1,511,543	19,096	628,542	1,002,098	263,486
Pioneer North Queensland Pty Ltd	2010	44,107,000	1,541,000	768,110	-	-	-	-	-	-
	2009	51,304,247	3,705,987	1,813,032	14,882,758	20,866,793	10,514,585	9,061,959	16,173,007	8,088,844
Property North (Mackay) Pty Ltd	2010	-	-	-	-	-	-	-	-	-
	2009	-	(38,404)	-	-	-	-	-	-	-
Totals	2010	44,107,011	1,531,158	763,949	137,778	7,775,998	5,513,713	1,060,000	1,340,063	1,071,896
	2009	51,184,893	3,629,422	1,868,743	15,156,522	22,380,263	11,020,816	9,690,501	16,825,468	8,352,342

22. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (continued)

(b) Reconciliation of share of incorporated joint ventures net profit accounted for using the equity method

	2010 $	2009 $
Share of incorporated joint ventures net profit - as disclosed by joint ventures		
Equity accounted share of joint venture profit before income tax	1,171,949	2,640,704
Share of income tax expense	(408,000)	(771,961)
Share of incorporated joint ventures net profit accounted for using the equity method	763,949	1,868,743

23. INTERESTS IN UNINCORPORATED JOINT VENTURE OPERATIONS

The Group has a 50% (2009: 50%) interest in one (2009: one) unincorporated property development joint venture named Parkridge Estates Joint Venture.

For the year ended 30 June 2010, the contribution of the joint venture to operating profit of Group was $1,222 (2009: $275,612).

Included in the assets and liabilities of the Group are the following items which represent the Group's interests in the assets and liabilities employed in the joint venture.

	2010 $	2009 $
Assets		
Cash and cash equivalents	69,893	1,610
Trade and other receivables	1,052	103,382
Inventories	523,007	548,497
Total current assets	593,952	653,489
Total assets	593,952	653,489
Liabilities		
Trade and other payables	680,740	686,950
Loans and borrowings	1,000,000	1,050,000
Total current liabilities	1,680,740	1,736,950
Total liabilities	1,680,740	1,736,950

24. INVESTMENT PROPERTY

	2010 $	2009 $
(a) Non-current assets		
Balance as at 1 July	475,000	1,300,000
Disposals	(475,000)	-
Transfers to other asset classes	-	(385,668)
Fair value adjustments	-	(439,332)
Balance as at 30 June	-	475,000
(b) Investment property information		
(i) Investment properties		
"Jackson Drive"	-	475,000
(ii) Net income from investments		
Total revenue	62,333	68,000
Total expenses	(51,373)	(56,176)
Net income from investments	10,960	11,824
"Jackson Drive" investment property		
Revenue	62,333	68,000
Commercial bill interest	(44,759)	(49,832)
Rates and taxes	(6,614)	(4,844)
Valuation fee	-	(1,500)
Net income from *"Jackson Drive"*	10,960	11,824

25. DEFERRED TAX

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2010			2009 *Restated*		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	$	$	$	$	$	$
Property, plant and equipment	1,313,983	(1,435,964)	(121,981)	645,664	(1,946,311)	(1,300,647)
Intangible assets	115,202	-	115,202	5,993	(48)	5,945
Other investments	137,426	-	137,426	166,449	90,410	256,859
Inventories	921,113	(7,167)	913,946	1,303,737	(151,299)	1,152,438
Loans and borrowings	154,049	-	154,049	97,190	(3,502,099)	(3,404,909)
Employee benefits	1,000,617	-	1,000,617	295,014	-	295,014
Provisions	2,621,339	-	2,621,339	5,556,811	(110)	5,556,701
Tax losses and other items	21,569,646	(847,824)	20,721,822	21,336,099	(1,627,309)	19,708,790
Tax assets / (liabilities)	27,833,375	(2,290,955)	25,542,420	29,406,957	(7,136,766)	22,270,191
Set off of tax	(2,290,955)	2,290,955	-	(7,136,766)	7,136,766	-
Net tax assets / (liabilities)	25,542,420	-	25,542,420	22,270,191	-	22,270,191

The recognition of deferred tax assets in the Group's financial statements at 30 June 2010 contemplates the Group generating future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The Group's forecasts project that these profits will be forthcoming in future financial periods as a consequence of the strategies set out in note 2(f).

The Directors have assessed the Group's forecasts and considered the potential impact of an increase in value of land bank properties as the economic cycle improves. Based on this evidence and the strategies described in note 2(f), the Directors have concluded that the deferred tax assets are recoverable in the short to medium term.

25. DEFERRED TAX (continued)

	2010 $	2009 $
(b) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Capital losses	-	1,219,551

26. PROPERTY, PLANT AND EQUIPMENT

(a) Movement during the year

	2010				2009			
	Land and buildings	*Plant and equipment*	*Leased plant and equipment*	*Total*	*Land and buildings*	*Plant and equipment*	*Leased plant and equipment*	*Total*
	$	$	$	$	$	$	$	$
Cost *								
Balance at 1 July	3,968,352	60,715,931	3,140,057	67,824,340	3,899,542	59,773,850	3,060,202	66,733,594
Additions	127,039	1,068,872	-	1,195,911	68,784	2,891,956	-	2,960,740
Reclassification between asset classes	(26)	51,609	-	51,583	26	(119,881)	119,855	-
Disposals	(1,046,147)	(1,247,257)	(135,500)	(2,428,904)	-	(1,829,994)	(40,000)	(1,869,994)
Balance at 30 June	3,049,218	60,589,155	3,004,557	66,642,930	3,968,352	60,715,931	3,140,057	67,824,340
Depreciation and impairment losses								
Balance at 1 July	756,227	22,543,479	2,328,937	25,628,643	468,587	18,254,201	2,121,420	20,844,208
Depreciation charge for the year	164,830	5,745,261	140,759	6,050,850	287,640	5,412,602	175,633	5,875,875
Reclassification between asset classes	-	21,655	-	21,655	-	(64,305)	64,305	-
Disposals	-	(529,260)	(101,134)	(630,394)	-	(1,491,165)	(32,421)	(1,523,586)
Impairment	-	259,646	-	259,646	-	432,146	-	432,146
Balance at 30 June	921,057	28,040,781	2,368,562	31,330,400	756,227	22,543,479	2,328,937	25,628,643
Carrying amount at 1 July	3,212,125	38,172,452	811,120	42,195,697	3,430,955	41,519,649	938,782	45,889,386
Carrying amount at 30 June	2,128,161	32,548,374	635,995	35,312,530	3,212,125	38,172,452	811,120	42,195,697

* During the year the Group acquired property plant and equipment with an aggregate value of $1,056,731 (2009: $898,987) by means of hire purchase and finance lease agreements.

26. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Leased plant and equipment

The Group leases equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 30 June 2010, the net carrying amount of leased plant and machinery for the Group was $635,995 (2009: $811,120) The leased equipment secures lease obligations (see note 29).

(c) Security

At 30 June 2010, properties of the Group with a carrying amount of $54,423,009 (2009: $58,275,599) are subject to a first registered mortgage debenture to secure bank overdrafts, bank loans and bank guarantee facilities (see note 29).

(d) Impairment

During the year ended 30 June 2010 the Group tested various entities with intangibles for impairment (see note 27). At this time the Group also assessed the carrying amounts of property, plant and equipment for those entities and recognised impairment losses of $259,646 (2009: $432,146) with respect to plant and equipment.

27. INTANGIBLE ASSETS

(a) Movement during the year

	Note	Year ended 30 June 2010				Year ended 30 June 2009			
		Goodwill	*Patents and trademarks*	*Other intangibles*	*Total*	*Goodwill*	*Patents and trademarks*	*Other intangibles*	*Total*
		$	$	$	$	$	$	$	$
Cost									
Balance at 1 July		13,436,129	39,303	2,326,056	15,801,488	13,433,927	39,303	2,325,653	15,798,883
Other acquisitions		-	-	-	-	2,202	-	403	2,605
Balance at 30 June		13,436,129	39,303	2,326,056	15,801,488	13,436,129	39,303	2,326,056	15,801,488
Amortisation and impairment losses									
Balance at 1 July		4,359,043	33,339	1,565,806	5,958,188	1,677,939	32,418	899,819	2,610,176
Amortisation for the year	#	-	918	40,050	40,968	-	921	20,508	21,429
Impairment losses	*	857,084	-	-	857,084	2,681,104	-	645,479	3,326,583
Balance at 30 June		5,216,127	34,257	1,605,856	6,856,240	4,359,043	33,339	1,565,806	5,958,188
Carrying amount at 1 July		9,077,086	5,964	760,250	9,843,300	11,755,988	6,885	1,425,834	13,188,707
Carrying amount at 30 June		8,220,002	5,046	720,200	8,945,248	9,077,086	5,964	760,250	9,843,300

Note: Recognition in the statement of comprehensive income

in cost of sales and administration expenses

* in administration expenses

27. INTANGIBLE ASSETS (continued)

(b) Impairment tests for cash generating units ("CGUs") having significant carrying amounts of goodwill and other intangibles at 30 June 2010

		2010 $	2009 $
Goodwill			
CEC Bitumen Services CGU	*(i)*	4,964,674	4,964,674
CEC Mt Isa CGU	*(i)*	1,890,870	2,747,954
Machinery and Truck Maintenance CGU		1,364,458	1,364,458
		8,220,002	9,077,086
Other intangibles			
Bedminster Resources CGU		709,510	709,510

(i) During the 2009 year, the CEC Bitumen Services CGU took over the bitumen spraying division of the CEC Mt Isa CGU. This division represented approximately 45 percent of the CEC Mt Isa CGU business. The Group has assigned goodwill from the CEC Mt Isa CGU to the CEC Bitumen Services CGU on this basis.

Key assumptions common to each CGU

For the purposes of impairment testing, goodwill is allocated to those CGUs representing the lowest level at which goodwill is monitored for internal management purposes. The recoverable amount of cash-generating units has been based on value in use. These calculations use cash flow projections based on management forecasts of two years plus three years of extrapolations (2009: one year plus extrapolations or varying periods) as detailed below. A growth rate of 2.5 percent (2009: 2.5 percent) has been applied to extrapolate the forecasts. The pre-tax discount rates used to discount the projected cash flows to determine recoverable amounts are set out in the table below. Each CGU's discount rates were estimated with reference to the Group's weighted average cost of capital which was based on an optimal, long term target capital structure of sixty percent capital and forty percent debt. Not all CGUs are business units.

The values assigned to the key assumptions represent management's assessment of the future trends in the construction and property development industries and are sourced from both external sources and internal sources.

27. INTANGIBLE ASSETS (continued)

(b) Impairment tests for CGUs having significant carrying amounts of goodwill and other intangibles at 30 June 2010 (continued)

Key assumptions - specific to individual CGUs (continued)

CGU	*Intangible*	*Forecast period*		*Pre-tax discount rate*		*Reason for impairment*	*Impairment charges*		*Carrying amount at June 2010*	*Segment*
		2010	*2009*	*2010*	*2009*		*2010*	*2009*		
		Yrs	*Yrs*	*%*	*%*		*$*	*$*	*$*	
CEC Bitumen Services – road sealing	Goodwill	5	5	18.1	16.8	Not applicable.	-	-	4,964,674	Construction materials
CEC Mt Isa - quarry and concrete operations	Goodwill	5	21	17.7	17.5	A downturn in the economic environment, which was not anticipated at time of purchase, has necessitated a reduction in the scale of operations.	857,084	2,681,104	1,890,870	Construction materials
Machinery and Truck Maintenance - heavy machinery and truck maintenance	Goodwill	5	5	18.4	15.7	Not applicable.	-	-	1,364,458	Machinery maintenance
Bedminster Resources – waste disposal technology royalties	Technology licence	5	20	17.8	17.6	Actual revenue levels have been below those anticipated at the time of purchase and as a result revised forecasts have been prepared, necessitating a revision of the carrying amount.	-	645,479	709,510	Group operations
							857,084	**3,326,583**	**8,929,512**	

27. INTANGIBLE ASSETS (continued)

(b) Impairment tests for CGUs having significant carrying amounts of goodwill and other intangibles at 30 June 2010 (continued)

Sensitivity to changes in assumptions

The table below provides the required movement in isolation in pre-tax discount rate, growth rate and budgeted EBITDA for each CGU with a significant balance of intangibles at 30 June 2010 in order for the CGU's estimated recoverable amount to equal to the carrying value.

	Pre-tax discount rate	Growth rate	Budgeted EBITDA
	%	%	%
30 June 2010			
CEC Bitumen Services CGU	12.3	(14.7)	(34.5)
CEC Mt Isa CGU	2.5	(2.6)	(9.3)
Machinery and Truck Maintenance CGU	12.1	(16.4)	(32.3)
Bedminster Resources CGU	10.3	(11.5)	(37.2)
	%	%	%
30 June 2009			
CEC Bitumen Services CGU	6.3	(4.9)	(26.5)
Machinery and Truck Maintenance CGU	34.1	(21.0)	(71.7)

28. TRADE AND OTHER PAYABLES INCLUDING DERIVATIVES

	Note	2010	2009
		$	$
Current			
Amounts payable to:			
⅄ Joint venturers		3,344,060	4,809,621
⅄ Other related parties		64,785	-
Deferred revenue		600,000	600,000
Derivatives		2,266,518	3,542,878
Other payables and accrued expenses		7,147,820	7,465,949
Creditor commitments	*18 (i)*	1,274,302	1,452,656
Trade creditors		15,507,396	12,884,819
		30,204,881	30,755,923
Non-current			
Amounts payable to:			
⅄ Joint venturers		660,000	-
⅄ Other related parties		7,326,897	7,300,503
Derivatives		4,835,143	5,086,495
		12,822,040	12,386,998

29. LOANS AND BORROWINGS

(a) Balances at year end

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Groups' exposure to interest rate (see note 32).

	2010	2009
Current liabilities	$	$
Commercial bills	1,955,000	1,955,000
Finance lease liabilities	588,810	504,750
Hire purchase liabilities	5,737,400	7,432,760
Secured bank loans	52,463,016	26,051,763
Secured non-bank loans	4,187,596	5,013,100
Vendor finance	462,404	13,743,938
	65,394,226	54,701,311
Non-current liabilities		
Finance lease liabilities	881,424	578,918
Hire purchase liabilities	4,415,509	8,509,138
Secured bank loans	-	40,000,000
Vendor finance	152,249	210,957
	5,449,182	49,299,013

29. LOANS AND BORROWINGS (continued)

(b) Financing facilities

	2010 $	2009 $
Total financing facilities		
Bank overdraft facility	15,952,465	13,125,480
Commercial bill facilities	1,955,000	1,955,000
Finance lease facilities	1,470,234	1,083,668
Hire purchase facilities	10,152,910	15,941,898
Secured bank loans	52,463,016	66,430,974
Bank guarantee facility	4,548,154	6,754,366
Credit card facility	120,000	120,000
	86,661,779	105,411,386
Financing facilities utilised at reporting date		
Bank overdraft facility	15,952,465	12,750,704
Commercial bill facilities	1,955,000	1,955,000
Finance lease facilities	1,470,234	1,083,668
Hire purchase facilities	10,152,910	15,941,898
Secured bank loans	52,463,016	66,051,763
Bank guarantee facility	4,290,434	6,585,023
Credit card facility	114,639	98,450
	86,398,698	104,466,506
Financing facilities not utilised at reporting date		
Bank overdraft facility	-	374,776
Commercial bill facilities	-	-
Finance lease facilities	-	-
Hire purchase facilities	-	-
Secured bank loans	-	379,211
Bank guarantee facility	257,720	169,343
Credit card facility	5,361	21,550
	263,081	944,880

29. LOANS AND BORROWINGS (continued)

(c) Financing arrangements

Banking facilities

The Group, in common with many companies in Australia, is reliant on the ongoing debt facility provided by its principal financier to continue to operate in the normal course of business.

The Group's "multi-option" bank debt facility (comprising overdraft, secured loan facilities and bank guarantees) matures on 31 January 2011. During the year, the Group negotiated additional short-term debt advances of $4 million and $3.8 million, and repaid $25.3 million of bank debt through stepped reductions. The reduction of debt with the Group's principal financier is consistent with the Group's debt management strategy.

Following a further property realisation in July 2010 the Group's total indebtedness with its principal financier has been reduced to under $65 million. Under the Group's debt reduction program as detailed in note 2(f), it is expected that the amount of indebtedness can be reduced further to approximately $45 million. The amounts referred to include the Group's bank guarantee facility and credit card facility.

The Group's principal bank debt facility matures at the end of January 2011. The Group is currently undertaking negotiations with financiers to establish a longer term facility with a target debt level of $45 million.

Covenants under the facility agreement have been in place since 1 July 2009 and have been reported to the financier on a quarterly basis thereafter. During the year ended 30 June 2010 the Group did not meet some of these applicable covenants. The financier is aware of these breaches and has not waived its rights under the facility agreement. During the year, the Group has been closely liaising with its financier regarding meeting the covenants and the revised debt repayments discussed above in the context of the major transactions undertaken by the Group during the year and those forming part of the business restructure strategy as discussed in note 2(f).

Bank overdrafts

Interest on bank overdrafts is charged at prevailing market rates. The bank overdrafts are payable on demand and are subject to annual review. The bank overdrafts of subsidiaries are secured by a guarantee from the Company. The total bank overdraft of the Group is secured by a floating charge over the Group's assets.

Bank loans

All bank loans are denominated in Australian dollars. The bank loans amount in current liabilities comprises the portion of bank loans payable within one year.

The bank loans are secured by registered first mortgages over certain land held for resale by the Group. The bank loans are subject to annual review.

The majority of bank loans comprise of a cash advance facility with the principal financier at an interest rate of 5.65% at balance date, which includes a margin of 2.50%.

Interest rate hedge agreements

The Group has entered into interest rate hedge agreements to effectively fix the interest rate on the banking facilities at 8.17%. Details of these hedging agreements are disclosed in note 32.

Security

Security for the Group's bank overdraft, bank loans and bank guarantee facilities comprises a first registered mortgage debenture and a fixed and floating charge over the Group's assets together with an interlinking guarantee and indemnity provided by the entities in the Group.

Finance lease and hire purchase facility

The Group's lease and hire purchase liabilities are secured by the financed assets, as in the event of default, the financed assets revert to the financier.

During the year ended 30 June 2010 the Group did not make some of the monthly repayments under the terms of its finance leases and hire purchase agreements. The Group is working with its financers to catch up on the missed payments and is negotiating to refinance the existing finance leases and hire purchase arrangements as discussed in note 2(f).

30. EMPLOYEE BENEFITS

	2010 $	2009 $
Current		
Accruals for:		
Annual leave	2,227,378	2,480,868
Rostered days off	46,247	48,079
Salaries and wages	2,405,473	1,122,966
Superannuation	81,575	261,984
Provision for:		
Long service leave	702,797	812,976
	5,463,470	4,726,873
Non-current		
Provision for:		
Long service leave	354,366	384,793
	354,366	384,793

Superannuation plans

The Group makes contributions to superannuation funds for the benefit of employees as prescribed by the Superannuation Guarantee legislation. The amount recognised as an expense for the financial year ended 30 June 2010 was $1,766,048 (2009: $2,361,623).

The Group does not make any contributions to funds that provide defined benefit amounts for employees upon retirement.

31. PROVISIONS

	2010 $	2009 $
Current		
Provision for rehabilitation	50,000	30,000
Provision for warranty	-	200,000
	50,000	230,000

32. FINANCIAL INSTRUMENTS

	Note	2010 $	2009 $
(a) Credit risk			
(i) Exposure to credit risk			
The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:			
Cash and cash equivalents	*17*	932,378	2,351,903
Derivatives	*18*	1,068	39,823
Trade and other receivables*	*18*	5,445,582	15,195,420
Amounts receivable from joint ventures and other related parties**	*18*	2,848,907	1,923,881
		9,227,935	19,511,027

	2010 $	2009 $
**** Trade receivables credit risk exposure***		
Group operations	48,310	861,681
Civil construction	1,941,926	9,631,585
Construction materials	1,957,765	4,511,755
Residential and remote housing	1,497,581	190,399
	5,445,582	15,195,420

***** Joint ventures and other related parties receivables credit risk exposure***

Credit risk exposure is within the property development segment.

32. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)
(ii) Impairment losses

Trade receivables

The ageing of trade receivables at the reporting date was:

		Gross $	Impairment $
2010			
Not past due		2,074,506	-
Past due 0-30 days		629,333	-
Past due 31-60 days		390,265	-
More than 60 days past due		2,351,478	(279,883)
	18	5,445,582	(279,883)
2009			
Not past due		6,384,304	(30,305)
Past due 0-30 days		2,994,195	(68,295)
Past due 31-60 days		313,203	(26,113)
More than 60 days past due		5,503,718	(3,969,838)
	18	15,195,420	(4,094,551)

	2010 $	2009 $
Reconciliation of accumulated impairment		
Opening balance	(4,094,551)	(3,111,106)
Impairment losses (provided for)/reversed	3,814,668	(983,445)
Closing balance	(279,883)	(4,094,551)

Factors taken into account when assessing impairment:

The entity has assessed a number of trade receivables to be impaired at balance date. Factors that are taken into account in determining impairment include:

- Length of time past due
- Delays in payments of amounts due
- Correspondence with the debtor
- The nature and financial standing of the debtor
- Reports in the financial press regarding debtors financial standing

The largest amount provided for as at balance date relates to a project debtor where the debtor was advised by its financier that the financier was not in a position to be able to continue to provide finance to the debtor for that project. The amount impaired at balance date is $nil (2009: $2,751,060).

During the year ended 30 June 2010 there were no instances of renegotiated terms for trade receivables (2009: $nil).

32. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

(ii) Impairment losses (continued)

Joint ventures and other related parties receivables

The ageing of receivables from joint ventures and other related parties at the reporting date was:

		Gross $	Impairment $
2010			
Not past due	18	2,848,907	(423,291)
Past due 0-30 days		-	-
Past due 31-60 days		-	-
More than 60 days past due		-	-
		2,848,907	(423,291)
2009			
Not past due	18	1,790,022	(422,391)
Past due 0-30 days		-	-
Past due 31-60 days		-	-
More than 60 days past due	18	133,858	-
		1,923,879	(422,391)

	2010 $	2009 $
Reconciliation of accumulated impairment		
Opening balance	(422,391)	(246,514)
Additional impairment losses provided	(900)	(175,877)
Closing balance	(423,291)	(422,391)

32. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

(ii) Impairment losses (continued)

Factors taken into account when assessing impairment:

The entity has assessed a number of joint venture and other related parties receivables to be impaired at balance date. Factors that are taken into account in determining impairment include:

- Length of time past due
- Delays in payments of amounts due
- Correspondence with the debtor
- The nature and financial standing of the debtor
- Reports in the financial press regarding debtors financial standing

During the year ended 30 June 2010 there were no instances of renegotiated terms for receivables from joint ventures and other related parties (2009: $nil).

- ***Collective impairment***

At 30 June 2010 the Group does not have any collective impairment on its trade receivables and receivables from joint ventures and other related parties (2009: $nil).

(b) Liquidity risk

The following tables detail the Group's contractual maturities for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The tables for non-derivative financial liabilities include principal cash flows only. The tables for derivative financial instruments included all expected cash flows.

Information concerning the Group's loans and borrowings, including balances, drawn and un-drawn finance facilities and specific details of financing facilities are disclosed in note 29.

32. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

(i) *Non derivative financial liabilities*

	Note	*Effective Interest Rate*	*Carrying amount*	*Contractual cash flows*	*12 months or less*	*1-2 years*	*More than 2 years*
		%	$	$	$	$	$
2010							
Trade and other payables (including accured employee benefits)		-	33,621,148	33,621,148	33,294,251	326,897	-
Other related party loans		4.19	7,064,785	7,064,785	64,785	7,000,000	-
Bank overdrafts	*17*	12.89	15,952,465	15,952,465	15,952,465	-	-
Commercial bills	*29*	7.22	1,955,000	1,955,000	1,955,000	-	-
Finance lease liabilities	*29*	9.27	1,470,234	1,470,234	588,810	324,668	556,756
Hire purchase liabilities	*29*	9.27	10,152,910	10,152,910	5,737,401	3,125,758	1,289,751
Secured bank loans	*29*	6.45	52,463,016	52,463,016	52,463,016	-	-
Secured non-bank loans	*29*	19.64	4,187,596	4,187,596	4,187,596	-	-
Vendor finance	*29*	-	614,653	614,653	614,653	-	-
			127,481,807	127,481,807	114,857,977	10,777,323	1,846,507

32. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

(i) *Non derivative financial liabilities*

	Note	*Effective Interest Rate*	*Carrying amount*	*Contractual cash flows*	*12 months or less*	*1-2 years*	*More than 2 years*
		%	$	$	$	$	$
2009							
Trade and other payables (including accured employee benefits)		-	31,427,445	31,427,445	31,126,942	300,503	-
Other related party loans		3.52	7,000,000	7,000,000	-	7,000,000	-
Bank overdrafts	17	11.39	12,750,704	12,750,704	12,750,704	-	-
Commercial bills	29	8.04	1,955,000	1,955,000	1,955,000	-	-
Finance lease liabilities	29	9.27	1,083,668	1,083,668	504,750	504,750	74,168
Hire purchase liabilities	29	9.27	15,941,898	15,941,898	7,432,761	7,432,761	1,076,376
Secured bank loans	29	5.65	66,051,763	66,051,763	26,051,763	40,000,000	-
Secured non-bank loans	29	12.13	5,013,100	5,013,100	5,013,100	-	-
Vendor finance	29	-	13,954,894	13,954,894	13,743,937	210,957	-
			155,178,472	155,178,472	98,578,957	55,448,971	1,150,544

32. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

(ii) *Derivative financial liabilities*

	Note	*Effective interest rate*	*Carrying amount*	*Contractual cash flows*	*12 months or less*	*1-2 years*	*2-5 years*	*More than 5 years*
		%	$	$	$	$	$	$
2010								
Derivatives (see note 32(c) below)	*29*	8.17	7,101,661	8,264,008	2,446,589	1,859,780	3,957,639	-
2009								
Derivatives (see note 32(c) below)	*29*	8.17	8,629,373	9,831,584	3,895,192	2,505,155	2,876,325	554,912

32. FINANCIAL INSTRUMENTS (continued)

(c) Market risk

(i) Interest rate risk

Derivatives

Details	*Transaction #1*	*Transaction #2*
Transaction type:	Interest rate swap (Floating to fixed)	Cap rate transaction
Notional amount:	AUD 80,000,000	AUD 20,000,000
Effective date:	15 February 2008	15 February 2008
Termination date:	15 February 2015	15 February 2013
Cap rate	n/a	8.17%
MTM valuation @ 30 June 2010	AUD 72,898,339	AUD 20,001,068
Variance to notional amount (ineffective portion)	AUD (7,101,661)	AUD 1,068

The change in the fair value of the derivatives from 1 July 2009 to 30 June 2010 has been recognised in profit or loss. No amounts have been either recognised in equity or removed from equity and recognised in the income statement for the year ended 30 June 2010.

(ii) Profile

At the reporting date the Group's interest-bearing financial instruments profile was:

	Carrying amount	
	2010	**2009**
	$	**$**
Fixed rate instruments	16,425,392	34,774,533
Floating rate instruments	54,418,016	69,225,790
	70,843,408	104,000,323

(iii) Sensitivity analysis for floating rate instruments

Costs capitalised to inventory

The interest costs for secured and unsecured loans for the Group directly related to property development projects are capitalised in accordance with the accounting policy at note 3(h)(i).

The sensitivity analyses below has been determined based on property development projects for which interest costs are being capitalised or expensed as at 30 June 2010. At reporting date, if interest rates had been 100 basis points lower or higher and all other variables were held constant the Group's property development inventories would increase / (decrease) by $1,435,531 (2009: $580,665).

32. FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

(iii) Sensitivity analysis for floating rate instruments (continued)

Other interest costs

The interest costs relating to secured and unsecured loans for the Group that are not directly related to property development projects are expenses in accordance with the accounting policy at note 3(p).

The sensitivity analyses below has been determined based on the finance cost included within the statement of comprehensive income (see note 11). At reporting date, if interest rates had been 100 basis points lower or higher and all other variables were held constant the Group's net profit before tax would increase / (decrease) by $1,172,890 (2009: $489,555).

(iv) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

32. FINANCIAL INSTRUMENTS (continued)

(d) FAIR VALUES

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Note	*Carrying amount* 2010 $	*Fair value* 2010 $	*Carrying amount* 2009 $	*Fair value* 2009 $
Financial assets					
Cash and cash equivalents	*17*	932,378	932,378	2,351,903	2,351,903
Trade and other receivables including derivatives	*18*	17,687,738	17,687,738	18,495,296	18,495,296
		18,620,116	18,620,116	20,847,199	20,847,199
Financial liabilities					
Trade and other payables including derivatives	*28*	43,026,921	43,026,921	43,142,921	43,142,921
Bank overdrafts	*17*	15,952,465	15,952,465	12,750,704	12,750,704
Commercial bills	*29*	1,955,000	1,955,000	1,955,000	1,955,000
Finance lease liabilities	*29*	1,470,234	1,440,607	1,083,668	1,070,034
Hire purchase liabilities	*29*	10,152,910	10,031,420	15,941,898	15,709,398
Secured bank loans	*29*	52,463,016	52,463,016	66,051,763	66,051,763
Secured non-bank loans	*29*	4,187,596	4,187,596	5,013,100	5,013,100
Vendor finance	*29*	614,653	614,653	13,954,895	13,954,894
		129,822,795	129,671,678	159,893,949	159,647,814
Unrecognised (losses) / gains			(151,117)		(246,135)

(e) Fair value hierachy

The Group analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- **Level 1**

  Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- **Level 2**

  Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- **Level 3**

  Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has only one level of financial instruments carried at fair value, that being Level 2. Details of the financial instruments contained in that level are as follows:

	2010 $	2009 $
Derivative financial assets	1,068	39,823
Derivative financial liabilities	(7,101,661)	(3,542,878)
	(7,100,593)	(3,503,055)

33. COMMITMENTS

(a) Operating lease commitments

(i) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2010 $	2009 $
Less than one year	921,380	1,002,267
Between one and five years	1,337,490	1,340,763
More than five years	-	-
	2,258,870	2,343,030

The Group leases a number of vehicles under operating leases. The leases typically run for a period of two to six years with an agreed kilometre usage factor. Lease payments are reviewed when new leases are entered into to reflect market rentals. None of the leases include contingent rentals.

The Group leases a number of properties under operating leases. The leases typically run for a period of one to five years. Lease payments are reviewed when new leases are entered into to reflect market rentals. None of the leases include contingent rentals.

During the financial year ended 30 June 2010, $765,799 (2009: $1,029,414) was recognised as an expense in profit or loss in respect of operating leases. During the financial year ended 30 June 2010 $362,189 (2009: $264,260) was recognised as income in profit or loss in respect of subleases.

(ii) Leases as lessor

The Group leased out its investment property (see note 24) under two informal operating leases to a subsidiary and a joint venture entity. The Group disposed of this investment during the year.

The future minimum lease payments are not disclosed for the investment property for the prior year as no formal lease agreement was in place and therefore the agreement could be cancelled by either party at any time.

During the financial year ended 30 June 2010, $62,333 (2009: $68,000) was recognised as rental income in profit or loss and $nil (2009: $nil) in respect of repairs and maintenance was recognised as an expense in profit or loss relating to investment properties.

33. COMMITMENTS (continued)

(b) Finance lease commitments

	Minimum lease payments $	Interest $	Principal $
2010			
Less than one year	682,734	93,924	588,810
Between one and five years	1,038,686	157,261	881,424
More than five years	-	-	-
	1,721,420	251,186	1,470,234
2009			
Less than one year	546,251	41,501	504,750
Between one and five years	595,685	16,767	578,918
More than five years	-	-	-
	1,141,936	58,268	1,083,668

The Group leases plant and equipment under finance leases expiring from 1 to 5 years. At the end of the lease term, the Group has the option to purchase the equipment at an agreed market value.

(c) Hire purchase commitments

	Minimum payments $	Interest $	Principal $
2010			
Less than one year	6,465,168	727,767	5,737,401
Between one and five years	4,819,622	404,113	4,415,509
More than five years	-	-	-
	11,284,790	1,131,880	10,152,910
2009			
Less than one year	8,592,453	1,159,692	7,432,761
Between one and five years	9,303,190	794,053	8,509,137
More than five years	-	-	-
	17,895,643	1,953,745	15,941,898

34. CONTINGENCIES

Contingent liabilities not considered remote

(i) Litigation

In the ordinary course of business, the Company, its subsidiaries and its associated entities become involved in litigation pertaining to normal design liability in relation to completed design and construction projects, normal contractor's liability in relation to construction contracts, workplace health and safety, public liability, etc the majority of which falls within the Group's insurance arrangements. Whilst the outcomes are uncertain, contingent liabilities exist which, based on legal advice, the directors do not expect to have a material effect on the Group's financial position.

(ii) Guarantees

Contingent liabilities and contingent assets exist in respect of guarantees issued to clients and guarantees received by the Group from its subcontractors in lieu of cash retentions. All of the guarantees are received and issued in the Group's ordinary course of business.

In the ordinary course of business, the Company is called upon to give guarantees and indemnities in respect of the performance of subsidiaries, associates and related parties of their contractual and financial obligations. The value of these guarantees and indemnities is indeterminate in amount.

The Company and its subsidiaries have entered into joint venture arrangements under which the Company or a controlled entity may be jointly and severally liable for the liabilities of the joint venture arrangement. The assets of each joint venture are sufficient to meet any joint venture liabilities.

Bank guarantees given by the Group in respect of customers amounted to $4,290,434 (2009: $6,585,023).

Under the terms of a deed of interlocking guarantee and indemnity provided to the principal financier of the Company and its subsidiaries, the Company, together with 25 (2009: 32) subsidiaries, has cross - guaranteed to the financier payment in full of borrowings up to $71,785,530 (2009: $79,434,177) in the event of the default or winding up of the Company or any of the 25 (2009: 32) subsidiaries.

(iii) "Completion Payment" pursuant to the agreement for the purchase of shares in Pavex Construction Pty Ltd

CEC Group Limited is required pursuant to the contract for the purchase of the shares in Pavex Construction Pty Ltd (now renamed CEC Mt Isa Pty Ltd) to either make or receive a payment for the difference in working capital of this entity at 30 June 2007 when compared to that at 31 March 2007.

This determination of this Completion Working Capital was expected to be completed by 30 September 2007 and the Completion Payment was required to be made within five business days of that date. The final amount payable (or receivable) is still subject to litigation and had not been determined at 30 June 2010 nor at the date of this report.

35. GROUP ENTITIES

	Country of incorporation	Ownership interest 2010 %	Ownership interest 2009 %
Parent entity			
CEC Group Limited	Australia		
Subsidiaries			
Trading entities			
Bedminster Resources Pty Ltd	Australia	100	100
CEC Bitumen Services Pty Ltd	Australia	100	100
CEC Building Pty Ltd	Australia	100	100
CEC Concrete Pty Ltd	Australia	100	100
CEC Constructions Pty Ltd	Australia	100	100
CEC Mackay Pty Ltd	Australia	100	100
CEC Mt Isa Pty Ltd	Australia	100	100
Far North Trading Limited	Australia	100	100
Kuranda Springs Unit Trust	Australia	100	100
Mac Homes Pty Ltd	Australia	100	100
Machinery and Truck Maintenance Pty Ltd	Australia	100	100
Palmyra Unit Trust	Australia	70	70
Pinnacle Quarry Pty Ltd	Australia	100	100
Property North (Mackay) Pty Ltd	Australia	100	100
Rapid Build Pty Ltd	Australia	100	100
Vamgold Pty Ltd	Australia	100	100
Non-trading entities			
Betagamma 19 Pty Ltd**	Australia	-	-
Cairns Earthmoving Contractors Pty Ltd	Australia	100	100
Cairns Pipeline Contractors Pty Ltd**	Australia	-	-
Cape Construction Materials Pty Ltd*	Australia	100	100
CEC Design and Construct Pty Ltd*	Australia	100	100
CEC Developments Unit Trust**	Australia	-	-
CEC Draper Road Pty Ltd ***	Australia	-	100
CEC Library Site Unit Trust ***	Australia	-	100
CEC Mining Services Limited**	Australia	-	-
CEC Plant Hire Pty Ltd (formerly Keenfine Pty Ltd)	Australia	100	100
CEC Realty Pty Ltd	Australia	100	100
Djaragu Pty Ltd**	Australia	-	-
Edmonton Projects Pty Ltd	Australia	100	100
Far North Trust	Australia	100	100
Gordonvale Developments Pty Ltd (formerly Boulevarde Property Management Pty Ltd) ***	Australia	-	100
Mac Homes (Townsville) Pty Ltd ***	Australia	-	100
Riverstone Developments Pty Ltd ***	Australia	-	100
Rockdandy Pty Ltd**	Australia	-	-
Trackgate Pty Ltd	Australia	100	100

35. GROUP ENTITIES (Continued)

	Country of incorporation	Ownership interest 2010 %	Ownership interest 2009 %
Trustee companies			
CEC Developments Pty Ltd **	Australia	-	100
CEC Library Site Pty Ltd ***	Australia	-	100
Kuranda Springs Pty Ltd	Australia	100	100

* *Newly incorporated during the year.*

** *Derecognised/wound up during the year ended 30 June 2009.*

*** *Derecognised/wound up during the year ended 30 June 2010.*

36. ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(i) During the current year

There have been no acquisitions of subsidiaries or non-controlling interests during the year ending 30 June 2010.

(ii) During the prior year

Property North (Mackay) Pty Ltd

On 25 May 2009 the Group acquired the remaining shares in Property North (Mackay) Pty Ltd for $500 in cash, increasing its ownership to 100 percent.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

Description	*Pre-acquisition carrying amounts*	*Fair value adjustments*	*Recognised values on acquisition*
	$	$	$
Trade and other receivables including derivatives	(2,390,566)	-	(2,390,566)
Inventories	7,638,759	111,843	7,750,602
Deferred tax assets	-	(33,553)	(33,553)
Trade and other payables including derivatives	(131,623)	-	(131,623)
Loans and borrowings	(5,175,000)	-	(5,175,000)
Net identifiable assets and liabilities	(58,430)	78,290	19,860
Negative goodwill on acquisition			(19,360)
Consideration paid, satisfied in cash			500
Overdraft acquired			4,025
Net cash outflow			4,525

37. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2010	2009
			Restated
		$	$
Profit / (Loss) for the year		(11,383,105)	(24,761,532)
Adjustments for:			
Items classified as investing/financing activities			
Interest expensed	11	7,565,139	6,638,365
Net (gain)/loss on disposal of investments	8	(7,143,046)	2,428,194
Net (gain)/loss on derivatives	11	(1,488,956)	6,919,680
Net (gain)/loss on sale of property, plant and equipment	8	(2,856,607)	(105,494)
Non-cash items:			
- Amortisation of intangibles	27	40,968	21,429
- Change in value of biological asset	20	(72,944)	(116,772)
- Movement in provisions		(180,000)	(349,816)
- Change in value of investment properties	9	-	439,332
- Depreciation of property, plant and equipment	26	6,050,850	5,875,875
- Impairment losses		10,849,748	21,887,888
- Income tax expense	13	(3,276,991)	(15,652,546)
- Share of profit of joint ventures net of dividends received	12	(763,949)	(1,868,743)
Operating profit before changes in working capital and provisions		(2,658,893)	1,355,860
(Increase)/decrease in:			
- Inventories		20,594,142	29,228,188
- Trade and other receivables		807,561	11,552,303
(Decrease)/increase in:			
- Employee benefits		706,168	606,482
- Trade and other payables		(7,985,063)	(9,741,856)
		11,463,915	33,000,977
Income taxes paid		-	(975,000)
Net cash from operating activities		11,463,915	32,025,977

38. RELATED PARTIES

(a) Key management personnel names

The following were key management personnel (KMP) of the Group at any time during the reporting period.

Name	Position	Appointment date / resignation date
(i) Non-executive directors		
Current non-executive directors		
Steven Lavis	Director	Appointed 24 November 2005
Former non-executive directors		
Anthony Hartnell	Chairperson	Resigned 17 March 2010
Warren Entsch	Chariperson	Appointed Chairperson 22 March 2010 Resigned 8 July 2010
Greg Kern	Director	Resigned 10 October 2008
Robert Borbidge	Chariperson	Resigned 26 September 2008
(ii) Executive directors		
Current executive directors		
Roy Lavis	Director and CEO	Appointed 20 May 1977
(iii) Executives		
Current executives		
CEC Group Limited		
Allan Widdows	General manager – Finance Company secretary	Appointed 11 August 2008
CEC Constructions Pty Ltd		
Michael Phillips	General manager – CEC Constructions	Appointed 5 January 2010
Former executives		
CEC Group Limited		
Kevin Lubbe	Company secretary	Resigned 31 March 2010
Darren Smith	Chief financial officer	Resigned 15 August 2008
CEC Constructions Pty Ltd		
Brendan Rogina	General manager – CEC Constructions	Resigned 5 January 2010

(b) Key management personnel compensation

Key management personnel compensation included in 'personnel expenses' (see note 10) is as follows:

	2010 $	2009 $
Short-term employee benefits	2,143,911	2,058,310
Post-employment benefits	127,029	210,124
Other long term benefits	5,860	7,823
	2,276,800	2,276,257

38. RELATED PARTIES (continued)

(c) Loans

There were no loans made to, guaranteed or secured by any entity in the Group to key management personnel and their related parties during the year ended 30 June 2010 (2009: $nil).

(d) Other key management personnel transactions with the Group

(i) General commentary

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities.

(ii) Specific transactions

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

- **Professional services**

The aggregate amounts recognised during the year for professional services provided by key management personnel and their related parties were as follows:

Note	*Key management persons*	*Transaction*	2010 $	2009 $
(i)	Anthony Hartnell	Legal services	7,530	30,337
(ii)	Greg Kern	Consulting services	-	350,905

(i) The Group used the legal services of Atanoskovic Hartnell (a firm which is significantly influenced by Anthony Hartnell) in relation to a number of legal matters. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

(ii) The Group used the services of Kern Consulting Group Pty Ltd (a firm controlled by Gregory Kern) in relation to a number of matters including forecasting and budgeting, financial advice and due diligence. Amounts were billed based on that firm's normal market rates for such services and were due and payable under normal payment terms. Gregory Kern ceased being a key management personnel on 10 October 2008, therefore any transactions with him or his related parties after that date are not disclosed.

38. RELATED PARTIES (continued)

(d) Other key management personnel transactions with the Company or its controlled entities

(iii) Specific transactions (continued)

Transactions with Roy Lavis

The aggregate amounts recognised during the year for transactions with Roy Lavis and his related parties were as follows:

Note	Transaction	2010 $	2009 $
(iii)	Rental payments	99,264	323,057

(iii) The Group rents various properties owned by a company related to Roy Lavis for the purpose of carrying on its business. Rental amounts are based on normal market rates for similar properties and are due and payable under normal rental terms.

(iv) The Lavis Family Trust advanced monies to the Company during a prior period on an unsecured, interest bearing basis. There were no principal transactions in relation to the advances during the current period (2009: $nil). Fees and charges payable by the Lavis Family Trust to their principal banker are recharged to CEC Group Limited on an arm's length basis. Interest and other fees paid on these advances totalled $504,652 (2009: $411,285).

(iv) Assets and liabilities arising from the above transactions

	2010 $	2009 $
Current liabilities		
Trade and other payables – Anthony Hartnell	35,194	26,912
Trade and other payables – Roy Lavis	1,264,043	627,303
Trade and other payables – Steven Lavis	64,785	-
	1,364,022	654,215
Non-current liabilities		
Trade and other payables – Roy Lavis	7,000,000	7,000,000

From time to time, key management personnel of the Company or its subsidiaries, or their related entities, may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and other than those specific transactions discussed above, are trivial or domestic in nature.

(e) Options and rights over equity instruments granted

There were no options issued over ordinary shares in CEC Group Limited to any key management personnel, including their related parties.

38. RELATED PARTIES (continued)

(f) Movements in shares

There is no movement during the reporting period in the number of ordinary shares in CEC Group Limited held directly, indirectly or beneficially by each key management person, including their related parties.

The key management personnel mentioned in note 38 (a) hold the following ordinary shares in CEC Group Limited at 30 June 2010:

Roy Lavis 20,651,892 shares (2009: 20,651,892 shares);

Steve Lavis 17,783 shares (2009: 17,783 shares);

Anthony Hartnell 10,643 shares (2009: 10,643 shares);

Brendan Rogina 28,092 shares (2009: 28,092).

(g) Other related parties disclosures

Identity of other related parties

The Group also has related party relationships with parties other than key management personnel.

The Group has a related party relationship with its subsidiaries (see note 35), equity accounted associates and incorporated joint ventures (see note 22), unincorporated joint ventures (see note 23) and "other related parties" as defined by Australian Accounting Standards and the Corporations Act and Regulations 2001.

Significant transactions with related parties other than key management personnel

During the financial years ended 30 June 2010 and 2009 CEC Group Limited advanced and repaid loans, sold to and purchased goods and services from and provided accounting and administrative assistance to its controlled entities. Additionally controlled entities within the Group sold to and purchased goods and services from other controlled entities within the Group. Dividends were also declared and paid between controlled entities and CEC Group Limited.

The above transactions between the members of the Group are referred to as intra-group transactions.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

CEC Group Limited and its controlled entities also advanced and repaid loans, sold to and purchased goods and services from associates and incorporated joint ventures.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity with adjustments made to the 'Investment accounted for using the equity method' and 'Share of the profit or loss of associates and joint ventures accounted for using the equity method'.

'Other related parties' may sell to and purchase goods and services from the Group.

Details regarding the above transactions and outstanding balances are disclosed by class of related party as follows.

Subsidiaries

Details of the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements are as follows.

Details of aggregate amounts of receivables are shown in note 18.

Details of aggregate amounts of payables are shown in note 28.

There were no significant revenue transactions, interest revenue, and interest expense and impairment losses with respect to subsidiaries during the period other than those disclosed in the financial statements.

Details of aggregate amounts of dividend revenue are shown in note 11.

38. RELATED PARTIES (continued)

(g) Other related parties disclosures (continued)

Incorporated joint ventures

Details of the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements are as follows.

Details of aggregate amounts of receivables are shown in note 18.

Details of aggregate amounts of payables are shown in note 28.

Details of aggregate amounts of dividend revenue are shown in note 11.

Details of the percentage of equity held in each joint venture and the carrying amount of that investment are shown in note 23.

Significant transactions with related parties other than key management personnel (continued)

Other related party transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

The term related party is defined to include 'close family members of an individual' and specifically refers to family members of individuals who are key management personnel.

A number of these close family members transacted with the Group or its related parties in the reporting period. The terms and conditions of the transactions with these close family members were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel entities on an arm's length basis. The volume and value of these transactions are trivial or domestic in nature and therefore are not disclosed.

39. SUBSEQUENT EVENTS

Subsequent to 30 June 2010, the Group disposed of one of its land bank properties to a third party. The transaction settled on 2 July 2010 and $4.667 million of the proceeds from the transaction were applied towards reducing the Group's principal bank debt. The transaction is consistent with the Group's debt reduction strategies and as a consequence of the transaction and other minor lot sales, the Group has reduced its principal bank debt to under $65 million.

On 6 October 2010 the Queensland Building Services Authority (BSA) suspended the building licences held by four companies within the Group. The Group is liaising with BSA in order to have its building licences reinstated in the immediate future, albeit subject to agreed conditions.

There are no other subsequent events requiring disclosure at the date of this report.

40. CAPITAL AND RESERVES

(a) Share capital – the Company

(i) Number of shares on issue

	Ordinary shares	
	2010	2009
	#	#
On issue at 1 July	79,662,662	79,662,662
Issued at 30 June	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

No dividends declared or paid during the year (2009: $nil).

(ii) Dividends proposed after balance date

The directors have not proposed the payment of a dividend after the reporting date.

(iii) Dividend franking account

	2010	2009
	$	$
30 per cent franking credits available to shareholders of	6,120,573	6,120,573

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. As a dividend is not proposed after the reporting date there will be no impact on the dividend franking account.

41. PRIOR PERIOD ERROR

The Group has corrected a prior period error by retrospective restatement relating to the overstatement of the carrying value of a property held for sale. Comparative amounts for the 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.

The Group has corrected an error by restating the understatement of the goodwill carrying value relating to the CEC Mt Isa CGU at the half-year ended 31 December 2009. The error was the result of a mistake in the impairment calculations and not the result of a change in circumstances or underlying CGU's cashflows. Comparative amounts for the half-year ended 31 December 2009 will be restated in the Group's half year financial report for the period ending 31 December 2010 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:

- ***Year ended 30 June 2009***

  Inventories decreased by $2,360,014;

  Deferred tax asset increased by $708,004;

  Retained earnings decreased by $1,652,010;

  Cost of sale increased by $2,360,014; and

  Income tax benefit increased by $708,004.

- ***Half-year ended 31 December 2009***

  Accumulated impairment on goodwill decreased by $1,206,497; and

  Impairment losses – intangibles decreased by $1,206,497.

(b) Affect on basic and diluted earnings per share

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

- ***Year ended 30 June 2009***

  The basic and diluted earnings per share decreased by 2.08 cents per share.

- ***Half-year ended 31 December 2009***

  The basic and diluted earnings per share increased by 1.51 cents per share.

42. PARENT ENTITY

As at, and throughout, the financial year ended 30 June 2010 the parent company of the Group was CEC Group Limited.

	2010	2009
	$	$
Result of the parent entity		
Profit / (loss) for the period	(2,790,106)	(33,948,514)
Other comprehensive income	-	-
Total comprehensive income for the period	(2,790,106)	(33,948,514)
Financial position of the parent entity at year end		
Current assets	58,018,780	82,725,107
Total assets	114,645,447	139,561,342
Current liabilities	89,331,951	73,384,151
Total liabilities	104,041,512	126,167,307
Net assets	10,603,935	13,394,035
Equity		
Share capital	64,899,647	64,899,647
Retained (loss) / earnings	(54,295,712)	(51,505,612)
Total equity attributable to equity holders of the parent	10,603,935	13,394,035
Non-controlling interest	-	-
Total equity	10,603,935	13,394,035

Details of the Company's contingencies at the reporting date are set out in note 34.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

For the year ended 30 June 2010

1. In the opinion of the directors of CEC Group Limited (the "Company"):

   (a) the consolidated financial statements and notes set out on pages 27 to 103, and the Remuneration report included in Section 4.3 of the directors' report, are in accordance with the *Corporations Act 2001,* including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and general manager – finance for the financial year ended 30 June 2010.

3. The directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Cairns this 15th day of October 2010.

Brian Norwood	Roy Lavis
Director	Director

KPMG

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

Report on the financial report

We have audited the accompanying financial report of the Group comprising CEC Group Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 42 and the directors' declaration.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the 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 control relevant to the preparation and fair presentation of the 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. In Note 2(a) the Directors also state, in accordance with the Australian Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Basis for qualified auditor's opinion

Included in the consolidated statement of financial position is a deferred tax asset of $25,542,420. In our opinion, this asset does not meet the necessary recognition criteria set out in Australian Accounting Standard AASB 112 *Income Taxes* as we do not consider it probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

Accordingly, in our opinion, the consolidated financial statements of the Group should be adjusted by:

- reducing the deferred tax asset at 30 June 2010 by $25,542,420;
- increasing retained losses at 30 June 2010 by $25,542,420;
- increasing income tax expense for the year ended 30 June 2010 by $25,542,420; and
- increasing the loss for the year and total comprehensive loss for the year ended 30 June 2010 by $25,542,420.

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

Report on the financial report (continued)

Qualified auditor's opinion

Whilst we draw attention to the material uncertainty as detailed below, in our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraphs:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001,* including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Material uncertainty regarding going concern

Without further qualifying our opinion, we draw attention to the contents of Notes 2(f), 29(c) and 39 of the financial report which set out the Directors' restructuring strategy and plans to improve the financial position and performance of the Group, and to reduce total indebtedness. The successful and timely completion of the Directors' restructuring strategy and plans cannot presently be determined with certainty. Accordingly, those matters detailed in Notes 2(f), 29(c) and 39 indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

Report on the remuneration report

We have audited the remuneration report included in Section 4.3 of the directors' report for the year ended 30 June 2010. The directors for the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of CEC Group Limited for the year ended 30 June 2010 complies with Section 300A of the *Corporations Act 2001*.

KPMG

Gerry Mier
Partner

Cairns
15 October 2010

KPMG

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 audit for the financial year ended 30 June 2010 there have been:

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

KPMG

Gerry Mier
Partner

Cairns
15 October 2010

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES
SHAREHOLDER INFORMATION

(a) Shareholdings (as at 21 September, 2010)

Number of shareholders

There were 1,801 shareholders as at 31 August 2010. There is one class of share: ordinary fully paid shares. All issued shares carry voting rights on a one-for-one basis.

Distribution of equity security holders

The number of shares held by substantial shareholders and their associates are set out below:

Category	Number of shareholders	Number of shares	% of total holding
1 - 1,000	172	69,521	.09
1,001 - 5,000	395	1,197,634	1.50
5,001 - 10,000	316	2,447,582	3.07
10,001-50,000	525	11,662,005	14.64
50,001- 100,000	86	6,371,241	8.00
100,001 and over	76	57,914,679	72.70
	1,570	79,662,662	100.00

The number of shareholders holding less than a marketable parcel of 6330 ordinary shares is 640 and they hold 1,685,036 ordinary shares.

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Alma Lavis	10,325,997	12.96
Roy Lavis	10,325,895	12.96
ANZ Nominees Limited <Cash Income A/C>	6,785,806	8.52
Mrs Jean Marion Barry and Mr David Richard Barry <JM and DR Barry Family Account>	4,446,135	5.58
RD Catelan Investments Pty Ltd <RDC A/C>	4,015,774	5.04
Marnatro Pty Ltd	3,396,450	4.26
National Nominees Limited	1,249,013	1.57
UBS Nominees Limited	1,210,604	1.52
Asia Union Investments Pty Limited	715,499	0.90
Darrell James Holdings Pty Ltd <Superannuation Fund A/C>	700,000	0.88
Mr John Haddon Mitchell	561,551	0.70
Mr Geoffrey Max Derrin and Mrs Kerrie Ann Derrin <Paria Super Fund A/C>	520,805	0.65
Captube Pty Ltd <B H B S F AACOUNT>	500,000	0.63
Captube Pty Ltd	500,000	0.63
Mr John Forbes + Mrs Madaline Forbes <J W Forbes Super A/C>	500,000	0.63
Mrs Rachel Venning Tys	450,000	0.56
Berwick View Estate Pty Ltd <Berwick View Super Fund A/C>	447,989	0.56
Privat (Australia) Pty Ltd <Amber Super Fund A/C>	444,126	0.56
Darrell James Pty Ltd <Investment A/C>	400,000	0.50
Mrs Mary Dorahy < Superannuation Fund>	399,954	0.50
Total	47,895,598	60.12
Total issued shares	79,662,662	100.00

(a) Shareholdings (as at 21 September 2010) (continued)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Name	Number of ordinary shares held	Percentage of capital held
Alma Lavis	10,325,997	12.96
Roy Lavis	10,325,895	12.96
ANZ Nominees Limited <Cash Income A/C>	6,785,806	8.52
Mrs Jean Marion Barry and Mr David Richard Barry <JM and DR Barry Family Account>	4,446,135	5.58
RD Catelan Investments Pty Ltd <RDC A/C>	4,015,774	5.04

(b) Other shareholder information

Company Secretary

Mr Allan Widdows, MComm, MBA, GradDipBusLaw, BBus, FCPA, ACA, AICD, ACFE

Principal Registered Office

CEC Group Limited
401 Spence Street
CAIRNS QLD 4870
Ph + 61 7 4035 3500
Fax + 61 7 4035 3976

Stock Exchange

The Company is listed on the Australian Securities Exchange. The home exchange is Brisbane.

Locations of Share Registries

Brisbane
Link Market Services Limited
Level 12
300 Queen Street
BRISBANE QLD 4000
Telephone: +61 2 8280 7454
Facsimile: +61 2 9287 0309

Other information

CEC Group Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

CEC GROUP LIMITED AND ITS CONTROLLED ENTITIES

CORPORATE DIRECTORY

DIRECTORS

Brain Norwood, Chairperson
Roy Lavis, CEO
Steven Lavis

COMPANY SECRETARY

Allan Widdows

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

CEC Group Limited
ACN 010 025 831
ABN 84 010 025 831

401 Spence Street
Cairns QLD 4870 Australia

Telephone: +61 7 4035 3500
Facsimile: +61 7 4035 3976
Internet: www.cecgroup.com.au

SHARE REGISTRY

CEC Group Share Registry
Link Market Services Limited
Level 12, 300 Queen Street
BRISBANE QLD 4000

Telephone: +61 7 8280 7454
Facsimile: +61 7 9287 0309
Internet: www.linkmarketservices.com.au

AUDITORS

KPMG
15 Lake Street
CAIRNS QLD 4870
Telephone: +61 7 4046 8888
Facsimile: +61 7 4051 0116
Internet: www.kpmgcairns.com.au

STOCK EXCHANGE LISTING

CEC Group Limited shares are quoted on the Australian Securities Exchange.

ANNUAL REVIEW AND FULL FINANCIAL REPORT

Both the 2010 Annual Review and the Full Financial Report are available on the CEC Group website www.cecgroup.com.au or by calling +61 7 4035 3500.

CEC GROUP REGISTERED TRADEMARKS

Rapidbuild™

FINANCIAL CALENDAR

Date	Event
On or before 27 October 2010	Annual review mailed to shareholders.
26 November 2010	Annual general meeting for 2010.
31 December 2010	Financial half year ends.