



# HALF YEARLY REPORT

Six months to  
31 December 2005





## INTERIM OVERVIEW

Group work in hand  
**\$840.0 million**

Loss attributable to shareholders  
**\$16.7 million**

Group turnover  
**\$426.0 million**

Shareholders' equity  
**\$164.1 million**

Total Company assets  
**\$551.3 million**

Cash at bank  
**\$41.3 million**

Market capitalisation  
**\$191.3 million**

Earnings/(Loss) per share  
**(3.42) cents**

Net tangible asset backing per share  
**29.31 cents**

Number of issued shares  
**510,232,225**

Number of issued options  
**12,105,000**

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Dear Shareholder,

**Clough Limited has recorded a net loss of \$16.7 million for the 6 months to 31 December 2005. As a result, the Board at this time does not consider it prudent to pay an interim dividend to shareholders.**

Group turnover is up 66% to \$426.0 million for the period, as compared to \$257.1 million for the previous corresponding period. This trend is on the back of a number of encouraging achievements in implementing key strategic changes that have enhanced the Company's risk management processes.

In particular, during the period, Clough's specialist engineering services, engineering, procurement and construction management (EPCM), and asset management business areas have attained contract awards with blue chip clients in line with our strategy. In conjunction, sustained performances from Clough Property and Petrosea, and contributions from negotiated and alliance type contracts have supported our objective to achieve income streams that balance the risk profile within the Group.

### BassGas

The Clough Limited Board remains committed to its shareholders in achieving the best possible result from the ongoing dispute over the BassGas Project. The arbitration process between Clough and Origin and its BassGas Joint Venture partners is continuing. The arbitrator will hand down a decision following the final hearing, which is scheduled for October 2006.

### Clough – Murray & Roberts

Clough Limited continues to enjoy strong support from its major shareholder, Murray & Roberts. At the Company's Annual General Meeting on 9 November 2005, shareholders approved the transaction for Murray & Roberts to increase its shareholding in Clough by:

- i) Sale of 60 million existing shares from McRae to Murray & Roberts.
- ii) First Placement of 30 million new shares by Clough Limited to Murray & Roberts.
- iii) Second Placement of 30 million new shares by Clough Limited to Murray & Roberts following resolution of the BassGas arbitration.



**Jock M. Clough** Chairman

As a result, Murray & Roberts now hold 46.1% and will hold 49.1% following the Second Placement, leaving McRae with approximately 20% of Clough Limited.

I would like to thank Murray & Roberts directors Mr Brian Bruce and Mr Norbert Jorek for their valued contribution to the Board since they became Directors of the Company. In addition, I would like to also welcome another Murray & Roberts director, Mr Roger Rees, who was appointed to the Clough Limited Board, following shareholder approval at last year's Annual General Meeting.

The combined capability of the Clough and Murray & Roberts strategic alliance has proven successful with the recent award of work on the Boddington Gold Mine Joint Venture Project, in Western Australia.

## Looking Ahead

We are now on track with our plans to achieve 50% of earnings from non-EPC (engineering, procurement and construction) project activities in the markets in which we operate. The process of developing and growing a sustainable profitable business will continue.

On the back of ongoing strong global commodity prices, particularly the oil and gas and minerals markets, good opportunities exist for Clough to capitalise and perform quality work that will add value to our Company.

I thank the Group's committed senior executive team and all our proficient and energetic staff for remaining resolute as we move forward. Thank you to our shareholders and other stakeholders for your continued support.

**Jock M. Clough**  
Chairman of Clough Limited

**I have previously outlined the strategic approach Clough has taken to the way that it engages with the operational environment, and will therefore provide an update on the progress made in achieving these objectives.**

We have continued to focus on a reduction in our overall risk profile, whilst at the same time developing the market regionalisation of the Group. Closely linked with this was our announcement at our last AGM of the intent to deepen our strategic relationship with the successful South African headquartered construction group, Murray & Roberts, and I am pleased to report that this step was completed on 9 November 2005. On the other hand, during the period, we announced the need for significant financial provisioning of approximately \$26 million associated with our Indian EPC contracts. Negotiation of costs for scope changes in the two Indian contracts are progressing and it remains our aim to secure improvements against the current position through that process. However, our accounting policies are clear and we have had to recognise the impact of higher costs and additional work scope prior to securing any cost recoveries. The key challenge for the Group is to negotiate successful outcomes in all aspects of the Panna and G1 contracts, including Contract Scope, Schedule, Profitability and Cash Flow.

Returning to the issue of our strategic progress, I am pleased to advise that we have met our initial target of generating 50% of our future order book earnings from lower risk contracting styles and business. This action is, however, far from complete as we seek to strengthen that position. We are focussing on maximising the scale and returns from the long term support projects already announced, particularly those in Saudi Arabia and Australia. The nature of these contracts is primarily skilled engineering manpower focussed, and the volume of work will increase as we continue to deploy additional resources to these projects. In Saudi Arabia, we anticipated that it would take three to four years to reach our initial manning target objectives, and whilst we have made good progress, we are still only ten months into the initial nine year contract. Likewise, our contract with Woodside for the supply of Integrated Services has only just begun, and whilst we continue to see strong potential in the relationship with this key client, it will take time to fully develop.

Our decision to pursue a multi-market focus in specific countries in our region has proven to be correct given the current high demand and inflationary pressures on our resources in Australia. We were recently awarded the front end engineering design (FEED) for a new Gas Oil



**David P.A. Singleton** Chief Executive Officer  
and Managing Director

Separation Plant in Saudi Arabia, the first time such work has been carried out In-Kingdom. In November 2005, the Prime Minister of Australia, The Right Honourable John Howard MP, inaugurated our two Pakistan offices in Islamabad and Karachi, where we have recently won new engineering service contracts in the growing Oil and Gas sector.

The Petrosea business, in Indonesia, also continues to expand with their recent announcement of a contract with PT Mitra Internusa Persada for the development of the Sanga Sanga Coal Mine. Petrosea now has mining operations across four mine sites, whereas only two years ago it had operations at a single mine. In Thailand, our business is showing real promise and currently employs over 1,000 people in our fabrication facilities, and a growing level of activity in the Shedden engineering offices.

Our projects businesses have also had some notable successes in the last six months. The most significant of these is the signing of a Letter of Intent (LOI) by OMV of New Zealand, awarding Clough the design, fabrication and installation contract for offshore facilities at its Maari development. The DrillAce self-installing platform concept being used, clearly differentiates us with its innovative design, that has been successfully implemented previously by Clough in Australia. In addition, with our long term joint venture partner, Interbeton, we have negotiated the contract to construct a jetty extension for Woodside, to meet the requirements of the fifth LNG Train Expansion Project. Two further Oil and Gas contracts have been secured with the letting of a LOI by Woodside, for the installation of the topside module for the Angel project in Australia, and an important LOI in Indonesia with Santos for installation activities at the Maleo Field.

We have previously indicated that it is our intent to increase the number of vessels that we operate, to develop our offering in this important offshore Oil and Gas market. In December 2005, we made a long term commitment to lease the "Normand Clipper", which will be active in the SURF (Subsea, Umbilical, Riser and Flowline) business line. As a result, Clough has very recently been awarded a project in the Gulf of Mexico, USA, for which the "Normand Clipper" was a critical asset. In this project, Clough has been contracted on a rates basis by Apache to perform recovery and repair works to a number of oil facilities damaged during the recent hurricanes. This contract secures a cornerstone project, which supports the Company's strategic focus, in line with growing Clough's subsea construction business.

# CHIEF EXECUTIVE OFFICER'S REVIEW

Continued

## GROUP TURNOVER – BY LOCATION 31/12/05

Australia	\$129.0m	30%
Overseas	\$297.0m	70%
	<b>\$426.0m</b>	<b>100%</b>

## GROUP TURNOVER – BY BUSINESS SECTOR 31/12/05

Oil & Gas	\$235.3m	55%
Minerals & Infrastructure	\$160.5m	38%
Property	\$19.3m	5%
Other	\$10.9m	2%
	<b>\$426.0m</b>	<b>100%</b>

## GROUP WORK IN HAND – BY LOCATION 31/12/05

Australia	\$244.0m	29%
Overseas	\$596.0m	71%
	<b>\$840.0m</b>	<b>100%</b>

## Murray & Roberts

When we announced the original intent to form a strategic relationship with Murray & Roberts, it was in part justified on the basis of Clough expanding its involvement and offering to the minerals processing market in Australia. It was therefore gratifying to be able to report recently that in conjunction with our joint venture partner, Aker Kvaerner, we were awarded the initial engineering contract to develop the Boddington Gold Mine, near Perth. The continuing strength of the minerals market indicates that there will be more opportunities for the Clough Murray & Roberts JV in this important sector.

## People – Attraction and Retention

Fuelled by the resources sector, Clough is currently operating in one of the most competitive labour markets ever experienced nationally and internationally. Our focus is on the two key issues of attraction and retention.

We have a strong in-house recruitment capability, sourcing people both internationally and nationally. The recently initiated talent review process is focussing on performance of staff from a retention and development perspective, at both a Group and individual level. At a Group level, the focus is on developing and maintaining our project management capability, and individually through our talent review process. Additionally, the human resources team regularly monitors salary movements in the market to ensure we remain competitive with our peers.

## Health & Safety

Clough's record in health and safety continues to be at benchmark levels for our industry in Australia, as measured by the Australian Constructors' Association. In the last year, our Company's Lost Time Injury Frequency Rate (LTIFR) remained around record low levels of 0.4.



As at 31 December 2005, our Oil & Gas Business Unit recorded more than 12 million manhours lost time injury free, over the previous 26 months. This performance is on the back of strong contributions from the Clough Sino-Thai fabrication joint venture, and the G1-GS15 and Panna Field Developments, in India.

Clough's Indonesian business, PT Petrosea, has received for the third time a "Zero LTI Award" from the Indonesian Government's Manpower and Transmigration Ministry Department. Mining operations have continued to perform well with nearly 3.5 million manhours lost time injury free, on Petrosea's PT Gunungbayan Pratamacoal overburden stripping contract, and at the Bukit Baiduri Energy contract coal mining operation, both located in East Kalimantan.

These impressive results have been achieved due to a strong safety culture that has developed in our people over several years. In our business everyone takes responsibility for safety.

## Future Outlook

We have used the current strong market conditions primarily to change the risk profile in Clough and to meet our objective of 50% of our earnings being derived from non lump sum style contracting. This has clearly been in preference to simply building scale. This approach remains the major tenet of our strategy in repositioning Clough. We remain committed to our project business particularly where our focus on "Intelligent Engineering and Construction" skills differentiates Clough. We do however, focus very much on the risk profile in this area and believe that increasingly clients accept this need. In all of our markets the demands remain strong, although tempered by a combined tightening of resources, particularly in Australia, but also overseas. The business continues to have significant challenges and these will continue to be a focus of management attention over the future months.

A handwritten signature in black ink, appearing to read 'D Singleton'.

David P.A. Singleton  
Chief Executive Officer and  
Managing Director of Clough Limited

**Revenue from Group operations of \$333.6 million, is up 64% on the same reporting period last year mostly due to the increased activity on two Indian projects, for British Gas (Panna), and ONGC (G1). In addition, the Group carried out \$91.4 million worth of activity through associates and joint venture entities. Activity levels have increased in Petrosea, particularly in mining, and in the Services Business Unit, supporting new multi-year contracts won over the last 12 months.**

A reported loss of \$16.7 million for the period, includes a contract loss provision of \$26 million, recognising costs incurred on projects carried out in India. We have prepared claims which exceed the value of the losses. We are also negotiating changes to contract scope and schedule. The value of these claims cannot be recognised under our accounting policies until approved. The claims are now fully compiled and have been subjected to an independent review. However, our experience in resolving these matters is that the negotiation process is difficult to constrain to a predetermined timescale, and consequently may not be completed this financial year. In negotiation with the contracts, we consider a break even position across both contracts to be achievable and are committed to delivering this result.

Profits from the rest of the business were \$12.7 million before interest and tax, reflecting the positive contributions from the Services, Petrosea and the Property Business Units, in line with our internal business plans. Last year's result included losses on the BassGas Project, and an under recovery of fixed costs due to lower volumes, both of which do not impact the first 6 months results. Tax expenses relate to overseas entities where Group tax losses cannot be applied.

Order awards in the half year of \$413.0 million, sustained the June 05 order book, and does not yet include the full value of a number of key contracts, which were at Letter of Intent stage on 31 December 2005. These contracts include the recently commenced Maari platform project for OMV, and Woodside Energy's Angel topside floatover project, which will add \$250 million to the order intake value on finalisation of these contract awards.

### Balance Sheet

Cash holdings have reduced by \$19.0 million (excluding Petrosea), reflecting utilisation of advance contract payments, offset by the equity injection of \$15.0 million from Murray & Roberts. Bank borrowings,



**Andrew J. Walsh** Chief Financial Officer

including utilisation of lines of credit provided by Murray & Roberts, have increased to finance Clough Property acquisitions, expenditure on the Indian contracts, and to pay for legal costs and close out expenditure on the BassGas contract. Net movement in Petrosea cash and debt reflect investments in mining assets, to support contracts won over the last 12 months valued at approximately \$300 million.

## Acquisitions and Disposals

The Company sold its interest in Mermaid Marine Australia Limited at carrying value, during the reporting period. We remain in joint venture with Mermaid and will continue to look at shallow water construction opportunities through our joint ownership of the “Clough Challenge” barge.

Post the end of this reporting period discussions with Cement Australia to purchase their interest of MPA Energy Services have progressed. MPA provides an opportunity to further develop a power station and industrial plant maintenance business as part of the asset management services currently undertaken. Additionally, Clough is in discussion to sell its interest in Covus Corporation Pty Ltd to Geo ASA of Norway. Diving forms a large part of Covus’ activity, which is not seen as core to the Oil & Gas Business Unit.

## Australian Equivalents to International Financial Reporting Standards

These accounts are the first to be prepared under Australian Equivalents to International Financial Reporting Standards. Headline revenue, profit and loss, and cash flow have not been substantially impacted by the revised reporting requirements, although there has been some impact on the translation of some overseas assets, which have impacted net tangible assets. The changes are substantially in line with the guidance provided in the June 05 Full Financial Accounts.

A handwritten signature in black ink, appearing to read 'A Walsh', written in a cursive style.

**Andrew J. Walsh**  
Chief Financial Officer of Clough Limited

World exploration and investment remains buoyant in the oil and gas sector, with a historically high price of over US\$50 per barrel of oil.

## BUSINESS SECTOR REVIEW

# OIL & GAS

**This key market for the Company continues to create a number of important opportunities for Clough to deliver its high quality services at every stage of the project value-chain.**

In particular, through utilisation of the Company's *intellectual property*, the Services Business Unit is undertaking a range of new lower risk engineering, EPCM and asset management contracts. Innovative installation methodologies and Clough's specialist construction vessels were strategic in winning a number of new offshore contracts.

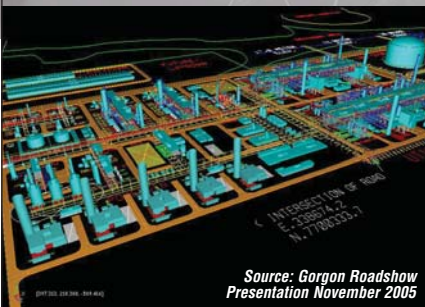
## Service Contracts

### **Services Business Unit Project Management Services, Saudi Arabia**

This landmark high-level engineering services contract for Saudi Aramco in Al Khobar is nearing its first year in operation. The contract is for an initial five year term with two, two year extension options and is being undertaken by Clough, with local consortium partner Zuhair Fayez Partnership. Current contracts include the upgrade of sulphur recovery units, a 100 thousand barrels per calendar day (MBCD) Gas Oil Separation Plant (GOSP) and installation of a TEG dehydration facility.

### **Services Business Unit Gorgon LNG Project, Australia**

The Kellogg Joint Venture – Gorgon (KJV-G) is contracted by Chevron Australia to undertake FEED and EPCM activities to develop the major downstream components of the Gorgon LNG Project. A site construction camp to accommodate some 2,500 people and associated utilities is envisaged for the project, which involves the establishment of two 5 million tonnes per annum LNG trains on Barrow Island, in Western Australia. Clough's Services Business Unit is a 20% equity holder in the KJV-G.



### **Services Business Unit** **Bayu-Undan Operations & Maintenance, Timor Sea**

This major operations and maintenance project for ConocoPhillips Australia is in the second year of a three year contract, with possible two one year extensions and covers all offshore field structures on the giant Bayu-Undan gas recycle project, in the Timor Sea. A strong performance by the Clough AMEC project team has been integral for the successful implementation of complex field operational activities.

### **Services Business Unit** **Clough Design Centres, Pakistan**

Clough is undertaking a range of engineering design and asset service contracts at its design house service centres, located in Karachi and Islamabad, Pakistan. Projects have included a three year commitment for design house services with BP Pakistan Exploration and Production for its onshore field assets, ongoing design services for OMV Pakistan's Sawan Gas Field Development including new well sites and plant debottlenecking, FEED services for Pakistan Petroleum's Kandhkot Wellhead Gas Compression Project, and Clough's first EPCM contract with Schlumberger to set up an Early Production Facility for MOL Pakistan.

### **Services Business Unit /** **Shedden Uhde** **Clean Fuels Engineering Services, Australia**

Downstream hydrocarbons specialist Shedden Uhde, jointly with Worley Parsons, is nearing completion of an EPCM contract involving major production modifications to Caltex's Kurnell Refinery in New South Wales and Lytton Refinery, in Queensland. Shedden Uhde has recently acquired the engineering offices of Uhde Thailand, which now is called Shedden Uhde Thailand and employs approximately 100 engineering personnel.

### **Services Business Unit** **Engineering Services Contract, Australia**

The Clough AMEC Joint Venture has been awarded a significant three year engineering services contract, with an option for a further five years, for all of Woodside Energy's oil assets. The contract involves the provision of project management, engineering services, operational maintenance and planning, process modification and supply chain integration services.

## BUSINESS SECTOR REVIEW

# OIL & GAS

## Project Execution

### **Oil & Gas Business Unit** **G1-GS15 Deepwater** **Development, India**

Onshore construction work is well advanced and offshore vessel spreads are mobilised to commence installation works on this major deepwater development. The contract workscope for Oil and Natural Gas Corporation entails the design, procurement, installation and commissioning of a new onshore gas receiveal and compression facility, shallow water wellhead platform and a five well subsea development.

### **Oil & Gas Business Unit** **Panna Field Development, India**

This significant development for British Gas includes the installation of three new platforms and associated pipelines in the shallow water Panna, Mukta and Tapti Fields, off the west coast of India. Jacket and platform fabrication activities are nearing completion in readiness for commencement of the offshore installation, pipe lay, hook-up and commissioning phases of the project.

### **Oil & Gas Business Unit /** **Petrosea** **Kerisi Development Project,** **Indonesia**

A joint Clough and Petrosea operation, utilising Clough's *Java Constructor* laybarge, has successfully completed, ahead of schedule, the installation of an offshore flowline system adjacent to the Belanak Field, in the Natuna Sea. The workscope for ConocoPhillips included laying 50km of oil and gas pipelines, plus fabrication and installation of five subsea structures weighing up to 150 tonnes.

### **Oil & Gas Business Unit** **Angel Field Topside Floatover,** **Australia**

The Clough Aker Kvaerner Joint Venture was recently awarded a contract to transport and install a 7,500 tonne topside module for Woodside Energy's Angel Gas Field Development, off Karratha in Western Australia. The Joint Venture will perform all engineering and construction activities including additional hook-up work for the topside module to a pre-installed jacket.



### **Oil & Gas Business Unit** **Maari Field Wellhead Platform,** **New Zealand**

Clough was recently awarded a major contract to undertake all engineering, procurement, construction and installation activities for a new wellhead platform on OMV's Maari Field Development, in New Zealand. Clough won a client design competition to be selected for this project based on the innovative, cost effective and lower risk self-elevating DrillAce platform concept.

### **Oil & Gas Business Unit /** **Petrosea** **Maleo Gas Field Project,** **Indonesia**

Scheduled for completion in mid 2006, this project is being undertaken by a joint Clough and Petrosea operation and is a key component of Santos' major Maleo Gas Field Development, in Indonesia. The contract entails engineering, procurement, construction and installation for 7.3km of gas pipelines, a subsea manifold, hot tapping and tie-ins to existing pipelines, a protection structure and pre-commissioning activities.

### **Infrastructure & Construction** **Business Unit** **LNG Jetty Expansion Project,** **Australia**

The Harbourworks Clough Joint Venture has been awarded a new contract to undertake construction of a 150 metre long jetty extension to Woodside Energy's existing LNG export marine terminal, in Western Australia. The brownfields project will provide an additional berth loading facility for LNG export tankers with a capacity up to 145,000 cubic metres.

## Relationship Contracting

### **Infrastructure & Construction** **Business Unit** **Hegigio Gorge Pipe Bridge,** **Papua New Guinea**

Clough has successfully undertaken the technically challenging construction of a 470 metre long cable-stayed suspension bridge for Oil Search PNG Limited, in the Southern Highlands of Papua New Guinea. Innovative installation methodologies were key to completing this demanding project which entailed supply, fabrication, assembly and erection of a single span bridge, and hydrocarbon transportation pipelines.

Strong global minerals commodity markets, particularly in gold, coal and base metals, are providing real opportunities for Clough to capitalise on new exciting project developments.

**BUSINESS SECTOR REVIEW**

# **MINERALS**

**Recently, Aker Kvaerner in joint venture with Clough and Murray & Roberts, were contracted by the Boddington Gold Mine Joint Venture to commence engineering services on what is regarded the largest gold and copper mine facility in Australia.**

Petrosea, the centre for the Group's mining operations, is developing growth strategies to geographically expand its business from Indonesia, to include Australia and the wider Asian region. The creation of permanent operating hubs in new markets and developing close relationships, as seen with the Tom's Gully alliance with Renison, are key to enhanced business opportunities.

## **Service Contracts**

**Services Business Unit**  
**Boddington Gold Mine Project, Australia**

A joint venture between Aker Kvaerner Australia and Clough Murray & Roberts has been engaged to undertake early engineering activities on this major development, located at Boddington in Western Australia. Subject to client approval, potential work involves the full EPCM project implementation of an open cut mine and associated 35 million tonnes per annum gold and copper ore processing facility.

**Petrosea**  
**Maruwai Coal Feasibility Study, Indonesia**

Petrosea, in conjunction with partners, have been awarded a contract to undertake a feasibility study for the development of BHP Billiton's new Maruwai Coal Project, located in Kalimantan, Indonesia.

## **Mining/Mine Services**

**Petrosea**  
**Contract Overburden Stripping, Indonesia**

Petrosea is in the second year of a four year contract extension to carry out overburden stripping operations for PT Gunungbayan Pratamacoal at the Muara Pahu coal mine, in East Kalimantan. Production activities have seen 16 million cubic metres of overburden removed in the past six months.



## **Petrosea**

### **Tom's Gully Underground Gold Mine, Australia**

Petrosea, in an alliance agreement with owners Renison, is jointly undertaking all site-based activities at the Tom's Gully underground gold mine, located 100 km south east of Darwin, in the Northern Territory. Petrosea is providing expertise in underground mining, maintenance, and health and safety to the project, with Renison providing general management, geology and mineral processing skills.

## **Petrosea**

### **Sanga Sanga Coal Project, Indonesia**

Petrosea is now progressing on a substantial new four year contract mining project for PT Mitra Internusa Persada's coal concession at Sanga Sanga in East Kalimantan, Indonesia. Since commencing operations in September 2005, some 2.3 million cubic metres of overburden and 124,000 tonnes of coal have been mined.

## **Petrosea**

### **Mine Support Services, Indonesia**

Petrosea continues to provide a wide range of infrastructure construction and mine support services to major developments in the region. Activities during the period included works for Kaltim Prima Coal at Sangatta and Darma Henwa at Bengalon, in East Kalimantan and at Freeport's huge copper and gold mine, in Papua.

## **Project Execution**

### **Thailand Project Execution & Fabrication Facility**

#### **Alcan Gove Module Fabrication Project, Thailand / Australia**

The Clough-Sino Thai fabrication joint venture, in partnership with client Alcan Gove, is well advanced on the fabrication and shipping of approximately 200 pre-assembled bauxite/alumina processing modules to Alcan's Third Stage Expansion Project at Gove, in the Northern Territory. This method of project development offers considerable time and cost savings to the client.

### **Infrastructure & Construction Business Unit**

#### **Cowal Gold Mine Project, Australia**

The Clough Seymour Whyte Joint Venture has recently completed a civil concrete construction contract for Barrick Gold Australia's gold mine processing facility at Cowal, in the central west region of New South Wales. The contract included the construction of 16,000 cubic metres of concrete foundations, including sag and ball mill pedestals, ore reclaim chambers, pre-cast conveyor tunnels, tank foundations and a 30 metre high crusher tower.

Investment generally remains strong in the Australian infrastructure market, in both the government public assets area and the booming private resources sector.

## BUSINESS SECTOR REVIEW

# INFRASTRUCTURE

**Clough's project delivery strategy in the infrastructure sector is focussed on developing relationship contracting models that deliver positive results for both our Company and clients.**

Clough is maintaining a selective project tendering process in a market that continues to be very competitive, with a particular emphasis on water, transport, power, marine facilities and minerals / gas processing.

## Relationship Contracting/ Service Contracts

### **Infrastructure & Construction Business Unit**

#### **Roe Highway Stage 7 Project, Australia**

Clough is a key participant in the innovative Roe 7 Alliance Project with Main Roads Western Australia, to carry out the design and construction of a 4.5 km freeway-standard road with three grade-separated intersections. Outstanding environmental management and community consultation has been a significant component of the project, which is now nearing completion and scheduled to open in the first quarter of 2006. The contract scope was extended with the award of an additional bridge and associated works, which are due to be operational by mid-year.

### **Services Business Unit** **Freeway Tunnel Operations & Maintenance, Australia**

The Baulderstone Clough Joint Venture is now in the sixth year of a 10 year contract to operate and maintain the Northbridge tunnel facility, around the clock, on behalf of client Main Roads Western Australia. During the past six months some 15 million vehicles have passed through the tunnel and an outstanding safety record has been maintained with no lost time injuries recorded since the contract began in 2000.



### **Petrosea** **Cikokol Water Treatment Plant, Indonesia**

Petrosea is undertaking its first owner-operator project in the infrastructure sector as head of the PT Tirta Kencana Cahaya Mandiri consortium. A 15 year licence has been granted to the consortium to rehabilitate, upgrade, operate and maintain the Cikokol public water treatment plant, which services around 350,000 consumers in the Tangerang City, near Jakarta.

### **Services Business Unit** **Power Station Integrated Operations & Maintenance, Australia**

MPA Energy Services, a partnership between Clough and Cement Australia, manages long-term operations and maintenance contracts with most of Australia's leading power station operators in New South Wales and Queensland. Clients include Delta Electricity, Macquarie Generation, Stanwell Corporation and Intergen Australia. Now in its thirteenth year, MPA continues to provide specialist capabilities in materials handling, water treatment, electrical and mechanical engineering.

## Project Execution

### **Infrastructure & Construction Business Unit** **Bunbury Piling and Wharf Project, Australia**

During the period, Clough successfully completed construction of Worsley Alumina's alumina loading and caustic unloading facility at Bunbury's Inner Harbour, in Western Australia. The project was undertaken without a lost time injury recorded and involved construction of 140 metres of radial shiploading beam, 4 berthing dolphins with an interconnecting wharf and 2 mooring dolphins.

Geographic diversity in Australia is proving a successful and important strategy for Clough Property's sustained performance, with established offices now located in Perth, Melbourne and Brisbane.

## BUSINESS SECTOR REVIEW

# PROPERTY

**Growth in property market prices and a booming resources industry provides an encouraging outlook for at least the next five years in Western Australia.**

Clough Property's national approach gives greater flexibility to identify the best investment opportunities in the residential, commercial and industrial areas. The *built form* development methodology is strategic to future business, where quality land is secured through joint venture partnering, a value added concept incorporated and then the project progresses with Clough Property as the development manager.

## Developments

### **Airlie Beach Development 2** **Queensland, Australia**

The 108 hectare site acquired for this project overlooks the picturesque Airlie Beach and Whitsunday Islands, a very popular tourism area of Northern Queensland. The site is being developed in joint venture with Mirvac and is expected to yield almost 1,000 residential lots over a ten year period.

### **The Groves in Plenty Valley** (previously named Mernda Residential Estate)

#### **Victoria, Australia**

Clough Property, in joint venture with Elderslie Property Group, are developing a 77 hectare greenfields site at Mernda, located some 30 minutes north of the Melbourne CBD. The approved development plan allows for 1,500 residential lots and 30,000 square metres of commercial floor space.



### **Southern River Shopping Centre** **Western Australia**

The Southern River Shopping Centre development was undertaken in conjunction with Elderslie Finance Corporation Limited. The 16,000 square metre suburban shopping centre, on Ranford Road, was officially opened in December 2005 and will service the expanding southern suburbs of Perth.

### **St Louis Estate Development** **Western Australia**

Clough Property, through Landrow Limited, is undertaking an exciting project to expand and enhance aged living facilities at the existing St Louis retirement village, in the prestigious Claremont suburb of Perth, Western Australia. Strong demand has been received for the new 24 luxury units under construction, with completion scheduled for mid 2006.

### **Brookwater Estate Development** **Queensland, Australia**

The Brookwater Development is an exclusive residential estate and part of a larger Greg Norman designed golfing complex in Queensland. The development's approval to proceed is in place and earthworks construction is planned to commence in the near future, with land and house package settlements to start in August 2006.

### **Malonga Heights Development** (previously named Burnie Development)

#### **Tasmania, Australia**

Construction has begun on this 247 lot residential subdivision, located at Burnie in northern Tasmania. The Malonga Heights Development is scheduled to take up to five years to complete and is expected to set a new benchmark in residential housing for the region.



## CONSOLIDATED INCOME STATEMENT

For the half-year ended 31 December 2005

	31 Dec 2005 \$'000	31 Dec 2004 \$'000
<b>Revenue</b>	<b>333,631</b>	203,143
Other income	950	11,389
Materials, plant and subcontractor costs	(257,120)	(140,142)
Labour costs	(61,634)	(81,602)
Depreciation and amortisation expense	(6,613)	(7,042)
Other expenses	(29,978)	(24,192)
Finance costs	(2,453)	(1,192)
Share of net profits of associates and joint venture entities accounted for using the equity method	8,656	3,083
<b>Loss before income tax</b>	<b>(14,561)</b>	(36,555)
Income tax expense	(1,603)	(2,819)
<b>Loss for the half-year</b>	<b>(16,164)</b>	(39,374)
Profit attributable to minority interest	(517)	(647)
<b>Loss attributable to members of Clough Limited</b>	<b>\$(16,681)</b>	\$(40,021)
	<b>Cents</b>	Cents
<b>Loss per share attributable to the ordinary equity holders of the company:</b>		
Basic loss per share	(3.42)	(9.16)
Diluted loss per share	(3.42)	(9.16)

## CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	31 Dec 2005 \$'000	30 June 2005 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	41,298	70,751
Receivables	204,406	169,693
Work in progress	154,147	67,920
Derivative financial instruments	2,498	-
<b>Total current assets</b>	<b>402,349</b>	<b>308,364</b>
<b>Non-current assets</b>		
Receivables	9,181	11,178
Available-for-sale financial assets	14,143	-
Investments accounted for using the equity method	29,321	21,012
Other financial assets	-	15,607
Other non-current assets	2,642	2,617
Property, plant and equipment	75,908	62,266
Intangible assets – computer software	2,761	3,204
Deferred tax assets	14,529	12,680
<b>Total non-current assets</b>	<b>148,485</b>	<b>128,564</b>
<b>Total assets</b>	<b>550,834</b>	<b>436,928</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	183,745	159,088
Amounts due to customers for contract work	53,634	18,818
Interest bearing liabilities	91,592	56,080
Current tax liabilities	147	139
Provisions	10,223	11,390
Derivative financial instruments	1,580	-
<b>Total current liabilities</b>	<b>340,921</b>	<b>245,515</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	19,365	6,944
Deferred tax liabilities	574	38
Provisions	6,544	8,992
<b>Total non-current liabilities</b>	<b>26,483</b>	<b>15,974</b>
<b>Total liabilities</b>	<b>367,404</b>	<b>261,489</b>
<b>Net assets</b>	<b>\$183,430</b>	<b>\$175,439</b>
<b>EQUITY</b>		
Contributed equity	130,255	115,512
Reserves	(2,216)	(9,472)
Retained profits	36,054	53,179
Parent entity interest	164,093	159,219
Minority interest	19,337	16,220
<b>Total equity</b>	<b>\$183,430</b>	<b>\$175,439</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2005

	31 Dec 2005 \$'000	31 Dec 2004 \$'000
<b>Total equity at the beginning of the half-year</b>	<b>175,439</b>	204,635
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:		
Reserves	<b>1,059</b>	-
Available-for-sale financial assets, net of tax	<b>1,438</b>	-
Cash flow hedges, net of tax	<b>(185)</b>	-
Exchange differences on translation of foreign operations	<b>4,921</b>	(11,982)
<b>Net income/(loss) recognised directly in equity</b>	<b>7,233</b>	(11,982)
<b>Loss for the half-year</b>	<b>(16,681)</b>	(40,021)
<b>Total recognised income and expense for the half-year</b>	<b>(9,448)</b>	(52,003)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	<b>14,743</b>	40,004
Employee share options	<b>23</b>	4
Reduction in retained profits on partial sale of interest in controlled entity	<b>(444)</b>	-
Total changes in minority interest	<b>3,117</b>	(2,290)
	<b>17,439</b>	37,718
<b>Total equity at the end of the half-year</b>	<b>\$183,430</b>	\$190,350
Total recognised income and expense for the half-year is attributable to:		
Members of Clough Limited	<b>(9,965)</b>	(52,650)
Minority interest	<b>517</b>	647
	<b>\$(9,448)</b>	\$(52,003)

## CONSOLIDATED CASH FLOW STATEMENT

For the half-year ended 31 December 2005

	31 Dec 2005 \$'000	31 Dec 2004 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	311,466	209,450
Payments to suppliers and employees (inclusive of goods and services tax)	(382,185)	(280,540)
	(70,719)	(71,090)
Dividends received from associates and joint venture entities	566	480
Dividends received from other persons	87	-
Interest received	653	1,070
Interest paid	(2,453)	(1,192)
Income taxes paid	(3,899)	(2,786)
<b>Net cash outflow from operating activities</b>	(75,765)	(73,518)
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(10,198)	(4,733)
Payments for available-for-sale financial assets	(1,000)	-
Payments for investments	-	(2,802)
Payments for investments in associates and joint venture entities	(150)	(685)
Loans (to)/from other persons	27	764
Loans (to)/from associates and joint venture entities	(3,581)	(1,224)
Proceeds from sale of property, plant and equipment	3,707	4,190
Proceeds from sale of available-for-sale financial assets	5,353	-
Proceeds from sale of investments	-	2,291
<b>Net cash outflow from investing activities</b>	(5,842)	(2,199)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	15,000	40,800
Share issue costs	(257)	(796)
Proceeds from borrowings	49,597	66,385
Repayment of borrowings	(12,890)	(48,595)
Dividends paid to minority interests in subsidiaries	(968)	(1,056)
<b>Net cash inflow from financing activities</b>	50,482	56,738
<b>Net decrease in cash and cash equivalents</b>	(31,125)	(18,979)
Cash and cash equivalents at the beginning of the half-year	70,751	82,389
Effects of exchange rate changes on cash and cash equivalents at the beginning of the half-year	1,672	(7,096)
<b>Cash and cash equivalents at the end of the half-year</b>	\$41,298	\$56,314

## SUPPLEMENTARY INFORMATION

For the half-year ended 31 December 2005

### Group Turnover

A significant proportion of the Clough Group's operations are performed through joint ventures.

The Clough Group operates through two types of joint ventures:

#### Joint Venture Operations

- these are unincorporated arrangements
- the proportionate interests in the assets, liabilities, expenses and revenues are consolidated in the financial statements under the appropriate headings

#### Joint Venture Entities

- these are incorporated arrangements such as jointly held companies and associate companies
- the share of profits or losses are equity accounted in the income statement

The Clough Group's turnover is made up of revenue from ordinary activities and its share of revenue from joint venture entities and associated companies.

### Consolidated Group Turnover

	31 Dec 2005 \$'000	31 Dec 2004 \$'000
Construction projects	250,224	180,512
Share of revenue from joint venture operations	81,837	20,536
Other	2,520	13,484
	<b>334,581</b>	214,532
Share of revenue from joint venture entities and associates	91,424	42,595
	<b>\$426,005</b>	\$257,127

## **REGISTERED OFFICE**

### **Clough Limited**

Level 6, 251 St Georges Terrace  
Perth, Western Australia 6000

Telephone: +61 8 9281 9281

Facsimile: +61 8 9481 6699

Email: [clough@clough.com.au](mailto:clough@clough.com.au)

Web: [www.clough.com.au](http://www.clough.com.au)

### **Share Registry**

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building

45 St Georges Terrace

Perth, Western Australia 6000

Telephone: +618 9323 2000

Facsimile: +618 9323 2033