

## ASX/MEDIA RELEASE

19 August 2010

### Clough Full Year Results Announced

Engineering and construction company Clough Limited (ASX:CLO) today announced a strong performance for the 2009/10 financial year, recording improved financial results. Underlying earnings before interest and tax increased by 13% to \$63.6m, total revenue from continuing operations increased by 26% to \$805.0m, and order book closed at \$1bn. Cash holdings increased in the year to end at \$107m.

#### 2009/10 Highlights:

- Continuing operations:
  - Total revenue increased 26% to \$805.0m.
  - Underlying earnings before interest and tax, up 13% to \$63.6m.
  - Net profit after interest and tax (NPAT) continuing operations up 4% to \$51.1m.
- Statutory NPAT of \$50.1m compared to \$52.4m in 2008/09.
- Work in hand at 30 June 2010 totalled \$1.0b.
- Acquisition of 31.3% Forge shareholding completed; cash investment of \$55m in April 2010. Strategic Alliance implemented.
- Completion of Petrosea sale in July 2009.
- Final settlement achieved with the Oil and Natural Gas Corporation in December 2009, cash collected.
- Strategic investment in Ocean Flow International, Peritus, Clough Helix Joint Venture and Clough Seam Gas.
- Cash holdings increased to \$107m; net cash of \$51.6m.
- Continued improvement of HSE performance, LTIF of 0.36.

Commenting on the performance, Clough's CEO, John Smith stated:

"In the past year Clough has achieved a strong operational result whilst continuing to build our order book with world class LNG projects. Major awards in the period include the EPCM contract on Chevron's Gorgon LNG Project (as part of the Kellogg Joint Venture) and the Upstream Infrastructure and EPC4 contracts on Exxon's PNG LNG project. In the same period we resolved our dispute with ONGC and made significant progress in the implementation of our strategy as an engineering-led EPC contractor to the oil and gas industry".

A number of key acquisitions and investments were made during the period, the most high profile being a major shareholding and strategic alliance with the Forge Group, formalised in April 2010.

Clough Seam Gas, established in May 2010, sees Clough enter the coal seam gas market with a team of industry experts dedicated to providing EPC services to the promising coal seam gas industry in Queensland.

Investments to strengthen Clough's participation in the subsea and marine construction sector included the acquisition of Ocean Flow International, a Houston based deepwater engineering specialist, and investment in Peritus International, a subsea, pipelines and floating structures engineering specialist, established in January 2010. Both businesses are currently performing to plan.

The Clough Helix Joint Venture, announced in February 2010, offers a wide range of subsea services from well intervention to subsea construction and the Normand Clough has mobilised for the JV's first project for China National Offshore Oil Corporation in the South China Sea.

Looking to the future, Mr Smith commented "Current oil prices and recovery in the financial markets will, we expect, stimulate offshore oil and gas projects and return the subsea sector to growth. The prospect for Australian gas to provide an increasing proportion of world LNG supply looks bright. We will continue to work hard to equip Clough to deliver in these two important sectors."

Ends

For further information, please contact:

John Smith, Chief Executive Officer	+61 8 9281 9407
Kristy McGrath, Manager Marketing	+61 8 9281 9344/ 0448 877 298

### **About Clough**

Clough delivers an integrated Engineering, Procurement and Construction service to projects in the oil and gas, mineral and infrastructure sectors in Australia, South East Asia and the USA. The Group's services range from concept development through design, construction, installation, commissioning, operations and maintenance.

We deploy a first class suite of integrated management systems and are committed to the concept of zero harm and the wellbeing of our people and to the sustainability of the environment and communities in which we work.

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

## CLOUGH LIMITED FINANCIAL SUMMARY

	FY 2009/10		FY 2008/09		Year on Year Change
	Revenue \$m	EBIT \$m	Revenue \$m	EBIT \$m	
Marine Construction	194.0	24.1	196.0	27.0	
Capital Projects	517.7	34.2	377.3	28.9	
Asset Support	59.9	4.5	42.2	2.9	
Other	33.4	0.8	22.2	(2.8)	
<b>Total Underlying - Revenue</b>	<u>805.0</u>		<u>637.7</u>		+26.0%
<b>- EBIT</b>	*	<u>63.6</u>		<u>56.0</u>	+13.5%
Percentage Margin		7.9%		8.8%	
<b>Adjusting items:</b>					
Business Disposals	*	1.6		4.5	
Amortisation (Forge)	*	(2.4)			
Revaluation of Options	*	1.8			
G1 legacy contract costs	*	(3.1)		(0.2)	
Earnings Before Interest & Tax - Continuing Operations		<u>61.5</u>		<u>60.3</u>	+2.0%
Interest	*	(3.9)		(6.1)	
Tax		(6.5)		(5.2)	
<b>Net Profit After Interest &amp; Tax- Continuing Operations</b>		<u>51.1</u>		<u>49.0</u>	+4.0%
Discontinued Operations and Non-controlling Interest		<u>(1.0)</u>		<u>3.4</u>	
<b>Net Profit Attributable to Clough Shareholders</b>		<u>50.1</u>		<u>52.4</u>	-4.5%
Profit Before Tax – Continuing Operations per Statutory Accounts	*	= 57.6		54.2	

**Clough Limited**  
**ASX Preliminary financial report**  
**for the year ended 30 June 2010**

**Clough Limited** ABN 59 008 678 813  
**ASX Preliminary final report - 30 June 2010**

**Lodged with the ASX under listing Rule 4.3A**

**Contents**

	Page
Results for Announcement to the Market	1
Preliminary statement of comprehensive income	2
Preliminary balance sheet	3
Preliminary statement of changes in equity	5
Preliminary statement of cash flows	7
Notes to the preliminary financial statements	8
Supplementary Appendix 4E information	26

**Clough Limited**  
**For the year ended 30 June 2010**  
(Previous corresponding period: Year ended 30 June 2009)

**Results for Announcement to the Market**  
**30 June 2010**

				\$'000
<b>Total Revenue</b> from continuing operations including share of revenue from jointly controlled entities and associates #	up	27 %	to	808,238
<b>Revenue</b> from ordinary activities * (Appendix 4E item 2.1)	down	5 %	to	436,804
<b>Profit / (loss)</b> from ordinary activities after tax attributable to members (Appendix 4E item 2.2)	down	4 %	to	50,090
<b>Net profit / (loss)</b> for the period attributable to members (Appendix 4E item 2.3)	down	4 %	to	50,090
<b>Dividends / distributions</b> (Appendix 4E item 2.4)	Amount per security		Franked amount per security	
Final dividend	2.2 cents		0.2 cents	
Interim dividend	-		-	

**Record date** for determining entitlements to the final dividend

15 September 2010
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Date the final dividend is payable

6 October 2010
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# Excludes revenue from discontinued operations comprising Petrosea and the property business.

\* Excludes share of revenue from jointly controlled entities and associates.

Refer to the attached press release and ASX preliminary final report for further information on the results for the year ended 30 June 2010.

**Clough Limited**  
**Preliminary statement of comprehensive income**  
**For the year ended 30 June 2010**

		<b>Consolidated</b>	
	Notes	2010 \$'000	2009 \$'000
<b>Revenue from continuing operations</b>	3	<b>436,804</b>	459,655
Other income	4	<b>6,593</b>	4,606
Depreciation and amortisation expense	5	<b>(9,365)</b>	(7,699)
Other expenses		<b>(83,390)</b>	(82,439)
Materials, plant and subcontractor costs		<b>(135,965)</b>	(120,636)
Labour costs		<b>(197,934)</b>	(205,906)
Finance costs	5	<b>(7,163)</b>	(7,708)
Share of net profit of associates and jointly controlled entities accounted for using the equity method		<b>48,055</b>	14,326
<b>Profit before income tax</b>		<b>57,635</b>	54,199
Income tax expense	6	<b>(6,546)</b>	(5,179)
Profit from continuing operations		<b>51,089</b>	49,020
Profit from discontinued operations	7	<b>149</b>	3,754
<b>Profit for the year</b>		<b>51,238</b>	52,774
<b>Other comprehensive income</b>			
Cash flow hedges	9	<b>(2,395)</b>	1,253
Exchange differences on translation of foreign operations	9	<b>(1,605)</b>	14,883
Income tax relating to components of other comprehensive income		<b>719</b>	(683)
<b>Other comprehensive income for the year, net of tax</b>		<b>(3,281)</b>	15,453
<b>Total comprehensive income for the year</b>		<b>47,957</b>	68,227
Profit for the year is attributable to:			
Owners of Clough Limited		<b>50,090</b>	52,426
Non-controlling interest		<b>1,148</b>	348
		<b>51,238</b>	52,774
Total comprehensive income for the year is attributable to:			
Owners of Clough Limited		<b>46,765</b>	65,461
Non-controlling interest		<b>1,192</b>	2,766
		<b>47,957</b>	68,227
		<b>Cents</b>	Cents
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent entity:</b>			
Basic earnings per share	16	<b>6.90</b>	7.33
Diluted earnings per share	16	<b>6.61</b>	6.73
<b>Earnings per share for profit attributable to the ordinary equity holders of the parent entity:</b>			
Basic earnings per share	16	<b>6.90</b>	7.84
Diluted earnings per share	16	<b>6.61</b>	7.17

*The above preliminary statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Clough Limited**  
**Preliminary balance sheet**  
**As at 30 June 2010**

		<b>Consolidated</b>	
	Notes	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		106,990	36,587
Other current assets		-	2,474
Receivables		37,344	38,806
Work in progress		13,933	57,855
Derivative financial instruments		<u>7,020</u>	<u>2,735</u>
		<b>165,287</b>	<b>138,457</b>
Assets classified as held for sale	7	43,774	56,773
Assets of a disposal group held for sale	7	<u>-</u>	<u>275,840</u>
Total current assets		<u><b>209,061</b></u>	<u><b>471,070</b></u>
<b>Non-current assets</b>			
Receivables		12,019	4,475
Investments accounted for using the equity method		73,425	12,982
Other non-current assets		856	-
Property, plant and equipment		128,241	128,182
Intangible assets		10,035	1,782
Deferred tax assets		<u>31,571</u>	<u>26,306</u>
Total non-current assets		<u><b>256,147</b></u>	<u><b>173,727</b></u>
<b>Total assets</b>		<u><b>465,208</b></u>	<u><b>644,797</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		50,212	61,868
Amounts due to customers for contract work		1,847	13,558
Borrowings		7,488	43,080
Current tax liabilities		1,110	5,160
Provisions		27,444	29,211
Derivative financial instruments		<u>30</u>	<u>370</u>
		<b>88,131</b>	<b>153,247</b>
Liabilities directly associated with assets classified as held for sale	7	8,652	31,043
Liabilities directly associated with a disposal group held for sale	7	<u>-</u>	<u>156,669</u>
Total current liabilities		<u><b>96,783</b></u>	<u><b>340,959</b></u>
<b>Non-current liabilities</b>			
Payables		11,771	-
Borrowings		47,856	53,837
Deferred tax liabilities		866	129
Provisions		<u>3,182</u>	<u>3,281</u>
Total non-current liabilities		<u><b>63,675</b></u>	<u><b>57,247</b></u>
<b>Total liabilities</b>		<u><b>160,458</b></u>	<u><b>398,206</b></u>
<b>Net assets</b>		<u><b>304,750</b></u>	<u><b>246,591</b></u>

**Clough Limited**  
**Preliminary balance sheet**  
**As at 30 June 2010**  
(continued)

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
<b>EQUITY</b>			
Contributed equity	8	229,728	194,636
Reserves	9(a)	(8,925)	(11,895)
Retained earnings	9(b)	<u>82,696</u>	<u>46,010</u>
Capital and reserves attributable to owners of Clough Limited		<u><b>303,499</b></u>	<u><b>228,751</b></u>
Non-controlling interests		<u><b>1,251</b></u>	<u>17,840</u>
<b>Total equity</b>		<u><b>304,750</b></u>	<u><b>246,591</b></u>

*The above preliminary balance sheet should be read in conjunction with the accompanying notes.*

Clough Limited  
Preliminary statement of changes in equity  
For the year ended 30 June 2010

Consolidated	Notes	Attributable to members of Clough Limited										Non-controlling interests \$'000	Total equity \$'000
		Contributed equity \$'000	Convertible note premium reserve \$'000	Hedging reserve - cash flow hedges \$'000	Share-based payments reserve \$'000	Minority buyback reserve \$'000	Foreign currency translation reserve \$'000	Capital reserve \$'000	Total reserves \$'000	Retained earnings \$'000	Total \$'000		
<b>Balance at 1 July 2008</b>		193,885	394	62	1,066	-	(28,847)	720	(26,605)	264	167,544	15,332	182,876
<b>Total comprehensive income for the year</b>		-	-	755	-	-	12,280	-	13,035	52,426	65,461	2,766	68,227
<b>Transactions with owners in their capacity as owners</b>													
Contributions of equity, net of transaction costs	8	751	-	-	-	-	-	-	-	-	751	-	751
Employee share options		-	-	-	1,675	-	-	-	1,675	-	1,675	-	1,675
Change in non-controlling interest on acquisition of additional interest in a subsidiary		-	-	-	-	-	-	-	-	-	-	(258)	(258)
Dividends provided for or paid	10	-	-	-	-	-	-	-	-	(6,680)	(6,680)	-	(6,680)
<b>Balance at 30 June 2009</b>		<u>194,636</u>	<u>394</u>	<u>817</u>	<u>2,741</u>	<u>-</u>	<u>(16,567)</u>	<u>720</u>	<u>(11,895)</u>	<u>46,010</u>	<u>228,751</u>	<u>17,840</u>	<u>246,591</u>

**Clough Limited**  
**Preliminary statement of changes in equity**  
**For the year ended 30 June 2010**  
(continued)

Consolidated	Notes	Attributable to members of Clough Limited										Non-controlling interests \$'000	Total equity \$'000
		Contributed equity \$'000	Convertible note premium reserve \$'000	Hedging reserve - cash flow hedges \$'000	Share-based payments reserve \$'000	Minority buyback reserve \$'000	Foreign currency translation reserve \$'000	Capital reserve \$'000	Total reserves \$'000	Retained earnings \$'000	Total \$'000		
<b>Balance at 1 July 2009</b>		194,636	394	817	2,741	-	(16,567)	720	(11,895)	46,010	228,751	17,840	246,591
<b>Total comprehensive income for the year</b>		-	-	(1,676)	-	-	(1,649)	-	(3,325)	50,090	46,765	1,192	47,957
<b>Transactions with owners in their capacity as owners</b>													
Contributions of equity, net of transaction costs	8	37,322	-	-	-	-	-	-	-	-	37,322	-	37,322
Share buy back	8	(2,230)	-	-	-	-	-	-	-	-	(2,230)	-	(2,230)
Employee share options		-	-	-	1,468	-	-	-	1,468	-	1,468	-	1,468
Minority buyback reserve arising on acquisition of a subsidiary	9	-	-	-	-	(7,952)	-	-	(7,952)	-	(7,952)	-	(7,952)
Non-controlling interest on acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	-	530	530
Non-controlling interest on disposal of a subsidiary		-	-	-	-	-	-	-	-	-	-	(17,970)	(17,970)
Removed on disposal of subsidiaries and jointly controlled entities during the year		-	-	838	-	-	11,941	-	12,779	-	12,779	-	12,779
Dividend paid to non-controlling interest by subsidiary		-	-	-	-	-	-	-	-	-	-	(341)	(341)
Dividends provided for or paid	10	-	-	-	-	-	-	-	-	(13,404)	(13,404)	-	(13,404)
		<u>35,092</u>	<u>-</u>	<u>838</u>	<u>1,468</u>	<u>(7,952)</u>	<u>11,941</u>	<u>-</u>	<u>6,295</u>	<u>(13,404)</u>	<u>27,983</u>	<u>(17,781)</u>	<u>10,202</u>
<b>Balance at 30 June 2010</b>		<b><u>229,728</u></b>	<b><u>394</u></b>	<b><u>(21)</u></b>	<b><u>4,209</u></b>	<b><u>(7,952)</u></b>	<b><u>(6,275)</u></b>	<b><u>720</u></b>	<b><u>(8,925)</u></b>	<b><u>82,696</u></b>	<b><u>303,499</u></b>	<b><u>1,251</u></b>	<b><u>304,750</u></b>

The above preliminary statement of changes in equity should be read in conjunction with the accompanying notes.

**Clough Limited**  
**Preliminary statement of cash flows**  
**For the year ended 30 June 2010**

		<b>Consolidated</b>	
		<b>2010</b>	<b>2009</b>
Notes		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
	Receipts from customers (inclusive of goods and services tax)	<b>651,363</b>	729,025
	Payments to suppliers and employees (inclusive of goods and services tax)	<b>(593,703)</b>	<b>(775,365)</b>
		<b>57,660</b>	(46,340)
	Interest received	<b>3,220</b>	2,739
	Dividends and distributions received from equity accounted entities	<b>47,763</b>	17,537
	Interest paid	<b>(8,098)</b>	(14,821)
	Income taxes paid	<b>(3,155)</b>	<b>(12,200)</b>
	<b>Net cash inflow (outflow) from operating activities</b>	<b>97,390</b>	<b>(53,085)</b>
		15	
<b>Cash flows from investing activities</b>			
	Payment for purchase of subsidiary, net of cash acquired	<b>(9,780)</b>	-
	Payments for property, plant and equipment	<b>(20,504)</b>	(73,703)
	Payments for intangible assets - computer software	<b>(457)</b>	(258)
	Payments for acquisition of non-current assets	-	(2,474)
	Payments for investments in equity accounted entities	<b>(51,055)</b>	-
	Payments for options in equity accounted entity	<b>(5,250)</b>	-
	Loans to equity accounted entities	<b>(7,404)</b>	(1,754)
	Loans to other persons	<b>(150)</b>	(4,227)
	Repayment of loans from equity accounted entities	<b>(14,197)</b>	(15)
	Proceeds from sale of property, plant and equipment	<b>1,763</b>	1,684
	Proceeds from sale of available-for-sale financial assets	-	1,478
	Proceeds from sale of investments in equity accounted entities	<b>2,895</b>	-
	Proceeds from sale of other non-current assets	-	3,643
	Proceeds from sale of assets classified as held for sale	-	6,435
	Loans from equity accounted entities	<b>6,545</b>	5,872
	Repayment of loans made to other persons	<b>10</b>	4,161
	Proceeds from disposal of subsidiaries, net of cash disposed	<b>101,804</b>	<b>5,000</b>
	<b>Net cash inflow (outflow) from investing activities</b>	<b>4,220</b>	<b>(54,158)</b>
		7,12	
<b>Cash flows from financing activities</b>			
	Proceeds from conversion of options	<b>374</b>	22
	Shares bought back by Clough Limited	<b>(2,230)</b>	-
	Redemption of convertible notes on maturity	<b>(217)</b>	-
	Proceeds from borrowings	<b>16,382</b>	45,458
	Repayment of borrowings	<b>(37,697)</b>	(15,701)
	Dividends paid	<b>(13,404)</b>	(6,680)
	Dividends paid to non-controlling interests in subsidiaries	<b>(341)</b>	-
	<b>Net cash inflow (outflow) from financing activities</b>	<b>(37,133)</b>	<b>23,099</b>
		10	
	<b>Net increase (decrease) in cash and cash equivalents</b>	<b>64,477</b>	(84,144)
	Cash and cash equivalents at the beginning of the financial year	<b>44,198</b>	120,629
	Effects of exchange rate changes on cash and cash equivalents	<b>(1,685)</b>	7,713
	<b>Cash and cash equivalents at end of year</b>	<b>106,990</b>	<b>44,198</b>

*The above preliminary cash flow statement should be read in conjunction with the accompanying notes.*

## **1 Basis of preparation of preliminary final report**

This preliminary financial report has been prepared in accordance with the Australian Stock Exchange Listing rules as they relate to Appendix 4E and in accordance with the measurement requirements of Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

As such, this preliminary financial report does not include all the notes of the type included in an annual financial report and accordingly, should be read in conjunction with the annual report for the year ended 30 June 2010 and with any public announcements made by Clough Limited during the reporting period in accordance with the disclosure requirements of the Corporations Act 2001.

The audit report, which was unqualified, will be made available with the Company's financial report.

The accounting policies adopted are consistent with those disclosed in the annual financial report for the year ended 30 June 2009, except as set out below:

### *Adoption of new and revised Accounting Standards*

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in a change to the Group's accounting policies in the following areas:

- *AASB 3 Business Combinations (revised)*

AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes.

Acquisition related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition by acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets.

The changes were implemented prospectively from 1 July 2009 and affected the accounting for the acquisition of Ocean Flow International LLC disclosed in note 12.

- *AASB 7 Financial Instruments: Disclosures*

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

- *AASB 8 Operating Segments*

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change to the reportable segments presented, as the previously reported segments of Oil & Gas, Minerals & Infrastructure, Petrosea and Property have been replaced by Capital Projects, Asset Support, Marine Construction and Other.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

- *AASB 101 Presentation of Financial Statements (revised)*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement. Comparative information has been restated where necessary to conform with the revised standard.

## 1 Basis of preparation of preliminary final report (continued)

### *Early adoption of standard*

The Group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2009:

- *AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

This includes minor changes to disclosures required by AASB 8 Operating Segments and applying the revised pronouncement to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. None of the items in the financial statements had to be restated as a result of applying this standard.

## 2 Segment information

### (a) Description of segments

Management has determined the operating segments based on reports reviewed by its chief operating decision maker that are used to make strategic decisions. The chief operating decision maker has been identified as comprising of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Board of Directors (the CODM).

The CODM considers the business from a Business Line perspective and has identified four reportable segments as follows:

#### **Capital Projects**

This comprises the delivery of an engineering, procurement and construction (EPC) service.

The primary market is LNG and domestic gas projects in Australia and South East Asia. The secondary market is infrastructure projects including water and mineral infrastructure in Australia.

Capital Projects comprises a number of separate projects that are combined to form the Capital Projects Business Line. The Capital Projects business has been determined as both an operating segment and a reportable segment.

#### **Marine Construction**

This comprises engineering, procurement, installation and commissioning (EPIC) service for small and medium oil and gas projects across Australia with marine construction as a key element.

This business includes pipelay and facilities installation with the Java Constructor and subsea construction, umbilicals, risers and flowlines (SURF) globally with the Normand Clough and Normand Clipper.

Marine Construction comprises a number of separate projects and assets that are combined to form the Marine Construction Business Line. The Marine Construction business has been determined as both an operating segment and a reportable segment.

#### **Asset Support**

This comprises engineering led service to enable the operation, maintenance and upgrade of existing upstream oil & gas infrastructure both offshore and onshore in Australia and South East Asia.

Asset Support comprises a number of separate projects that are combined to form the Asset Support Business Line. The Asset Support business has been determined as both an operating segment and a reportable segment.

#### **Other**

This includes fabrication and assembly services and certain central costs and legacy items which have not been allocated to business segments such as central foreign exchange gains/losses.

Other also includes Clough's interest in Forge Group Limited which was acquired during the year.

#### **Discontinued Segments**

PT Petrosea Tbk and related entities (Petrosea) was sold on 6 July 2009. Information about this discontinued segment is disclosed in note 7.

The property business is also classified as a discontinued operation. Further information about this discontinued segment is disclosed in note 7.

## 2 Segment information (continued)

### (b) Segment information provided to the CODM

The segment information provided to the CODM for the reportable segments for the year ended 30 June 2010 is as follows:

2010	Capital Projects	Marine Construction	Asset Support	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue *	517,731	193,973	59,915	33,403	805,022
<b>Revenue from external customers</b>	<b>517,731</b>	<b>193,973</b>	<b>59,915</b>	<b>33,403</b>	<b>805,022</b>
<b>Underlying earnings before interest and tax</b>	<b>34,164</b>	<b>24,127</b>	<b>4,458</b>	<b>832</b>	<b>63,581</b>
<b>Depreciation and amortisation</b>	<b>1,773</b>	<b>6,993</b>	<b>73</b>	<b>526</b>	<b>9,365</b>

The segment information provided to the CODM for the reportable segments for the year ended 30 June 2009 is as follows:

2009	Capital Projects	Marine Construction	Asset Support	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue *	377,302	196,042	42,250	22,158	637,752
<b>Revenue from external customers</b>	<b>377,302</b>	<b>196,042</b>	<b>42,250</b>	<b>22,158</b>	<b>637,752</b>
<b>Underlying earnings before interest and tax</b>	<b>28,847</b>	<b>27,038</b>	<b>2,936</b>	<b>(2,796)</b>	<b>56,025</b>
<b>Depreciation and amortisation</b>	<b>1,655</b>	<b>5,217</b>	<b>56</b>	<b>771</b>	<b>7,699</b>

\* Includes share of revenue from jointly controlled entities and associates.

### (c) Notes to, and forming part of, the segment information

#### (i) Segment revenue

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated	
	2010	2009
	\$'000	\$'000
<b>Total segment revenue</b>	<b>805,022</b>	637,752
Segment revenue from jointly controlled entities and associates	(371,434)	(178,023)
Interest revenue	3,216	1,624
Other revenue	-	(1,698)
<b>Revenue from continuing operations (note 3)</b>	<b>436,804</b>	<b>459,655</b>

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is \$530,840,000 (2009: \$459,478,000), and the total of revenue from external customers in other countries is \$274,182,000 (2009: \$178,274,000) and includes \$165,442,000 (2009: \$764,000) from Papua New Guinea. Segment revenues are allocated based on the country in which the work is performed.

## 2 Segment information (continued)

Significant revenues have been derived from a number of external customers. Revenues of \$102,137,000 (2009: \$47,418,000) and \$165,442,000 (2009: \$764,000) have been derived from single customers in the Capital Projects segment. Revenue of \$113,558,000 (2009: \$10,570,000) has been derived from a single customer in the Marine Construction segment.

### (ii) Underlying EBIT

The CODM assesses the performance of the operating segments based on a measure of underlying EBIT. Overheads are allocated to each business segment on a proportionate basis linked to segment revenue, to determine a segment result. The measurement basis of underlying EBIT excludes the effects of non-recurring or distorting expenditure from the operating segments relating to one-off impacts arising from the acquisition or disposal of businesses and from the costs incurred in settling the G1 contract. Interest income and expenditure are not allocated to segments as the financing function of the Group is centralised through the Group's treasury function.

A reconciliation of underlying EBIT to operating profit before income tax from continuing operations is provided as follows:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Underlying EBIT</b>	<b>63,581</b>	56,025
Interest income	<b>3,216</b>	1,624
Finance costs	<b>(7,163)</b>	(7,708)
Legacy project costs	<b>(3,060)</b>	516
Fair value gain on Forge Group Limited options	<b>1,770</b>	-
Amortisation arising from business acquisitions	<b>(2,400)</b>	-
Net impact arising from disposal of businesses	<b>1,691</b>	4,480
Tax expense included in share of net profit of equity accounted entities	-	(340)
Other	-	(398)
<b>Profit before income tax from continuing operations</b>	<b><u>57,635</u></b>	<b><u>54,199</u></b>

### (iii) Segment assets and liabilities

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. The total assets and liabilities are provided for the Group as a whole and are not allocated to each operating segment.

### 3 Revenue

	Consolidated	
	2010 \$'000	2009 \$'000
<b>From continuing operations</b>		
<i>Revenue</i>		
Construction projects	<u>408,618</u>	<u>447,858</u>
<i>Other revenue</i>		
Rents	183	-
Interest income	3,216	1,624
Other revenue	<u>24,787</u>	<u>10,173</u>
	<u>28,186</u>	<u>11,797</u>
<b>Total revenue</b>	<u><b>436,804</b></u>	<u><b>459,655</b></u>

#### From discontinued operations (note 7)

<i>Revenue</i>		
Construction projects	<u>104,027</u>	<u>224,459</u>
<i>Other revenue</i>		
Interest income	4	1,115
Other revenue	<u>390</u>	<u>4,831</u>
	<u>394</u>	<u>5,946</u>
	<u>104,421</u>	<u>230,405</u>

#### Revenue - Group and jointly controlled entities and associates

The consolidated entity's share of revenue from jointly controlled entities and associates is excluded from Revenue noted above and from the statement of comprehensive income in accordance with Accounting Standards. The delivery of a number of projects by the consolidated entity is through various joint venture arrangements. Details of the consolidated entity's share of jointly controlled entities and associates revenue is provided as additional information below as Revenue - Group and jointly controlled entities and associates.

	Consolidated	
	2010 \$'000	2009 \$'000
<b>From continuing operations</b>		
<b>Revenue - Group and jointly controlled entities and associates</b>		
Revenue - Group	408,618	447,858
Revenue - jointly controlled entities and associates	<u>371,434</u>	<u>178,023</u>
	<u>780,052</u>	<u>625,881</u>
Other revenue	<u>28,186</u>	<u>11,797</u>
	<u><b>808,238</b></u>	<u><b>637,678</b></u>

#### 4 Other income

	Consolidated	
	2010 \$'000	2009 \$'000
Net gain on disposal of other non-current assets	32	59
Net gain on disposal of controlled entity (note 12)	108	4,480
Net gain on disposal of interests in jointly controlled entity	1,063	-
Fair value gains on derivative financial assets held for trading at fair value through profit or loss	1,770	-
Net foreign exchange gains (net loss in 2009 - see note 5)	2,700	-
Other income	920	67
	<u>6,593</u>	<u>4,606</u>

#### 5 Expenses

	Consolidated	
	2010 \$'000	2009 \$'000
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Plant and equipment	7,847	6,113
Freehold land and buildings	68	76
Total depreciation	<u>7,915</u>	<u>6,189</u>
<i>Amortisation</i>		
Leasehold improvements	143	-
Plant and equipment under finance leases	103	338
Computer software	852	1,172
Other intangibles	352	-
Total amortisation	<u>1,450</u>	<u>1,510</u>
Total depreciation and amortisation	<u>9,365</u>	<u>7,699</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	7,163	9,776
Amount capitalised	-	(2,068)
Finance costs expensed	<u>7,163</u>	<u>7,708</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>52,998</u>	<u>36,225</u>
<i>Foreign exchange gains and losses (net gain in 2010 - see note 4)</i>		
Net foreign exchange losses	-	<u>1,110</u>
<i>Defined contribution superannuation expense</i>	<u>10,288</u>	<u>14,061</u>
<i>Impairment losses - financial assets</i>		
Trade receivables	<u>35</u>	<u>1,946</u>

## 6 Income tax expense

	Consolidated	
	2010	2009
	\$'000	\$'000
<b>(a) Income tax expense</b>		
Current tax	8,340	15,044
Deferred tax	(3,809)	(12,603)
Over (under) provided in prior years	<u>89</u>	<u>(172)</u>
	<u><b>4,620</b></u>	<u><b>2,269</b></u>
Income tax expense (benefit) is attributable to:		
Profit from continuing operations	6,546	5,179
Profit from discontinued operations	<u>(1,926)</u>	<u>(2,910)</u>
Aggregate income tax expense	<u><b>4,620</b></u>	<u><b>2,269</b></u>
Deferred income tax (benefit) expense included in income tax expense comprises:		
Increase in deferred tax assets	(4,546)	(12,685)
Increase in deferred tax liabilities	<u>737</u>	<u>82</u>
	<u><b>(3,809)</b></u>	<u><b>(12,603)</b></u>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	57,635	54,199
Profit (loss) from discontinuing operations before income tax expense	<u>(2,252)</u>	<u>844</u>
	<b>55,383</b>	<b>55,043</b>
Tax at the Australian tax rate of 30% (2009 - 30%)	16,615	16,513
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Profits from incorporated equity accounted investments	-	115
Share based payment	440	503
Benefit in kind	-	1,631
Entertainment	45	34
Sale of subsidiary	13,500	-
Other sundry items	<u>3,011</u>	<u>(2,392)</u>
	<b>33,611</b>	<b>16,404</b>
Difference in overseas tax rates including withholding tax on foreign revenue	(11,579)	292
Under (over) provision in prior years	89	(172)
Deferred tax assets previously not recognised now brought into account	1,843	(635)
Losses utilised in current period not previously brought to account	(11,248)	(9,557)
Tax losses not previously recognised now brought to account	(8,670)	(4,419)
Tax losses not brought to account	<u>574</u>	<u>356</u>
Total income tax expense	<u><b>4,620</b></u>	<u><b>2,269</b></u>

## 7 Discontinued operations

### Discontinued Operation - PT Petrosea Tbk and related entities

#### (a) Description

The Company, having undertaken a strategic review of its operations during the year ended 30 June 2009, confirmed its intent to concentrate activities within the Oil and Gas market, resulting in the decision to dispose of its 82% holding in PT Petrosea Tbk and related entities (Petrosea), which was almost entirely focused on the Indonesian coal sector.

On 26 February 2009, the Company announced that it had entered into a binding Heads of Agreement to sell its shareholding in Petrosea to PT Indika Energy Tbk (PT Indika) for cash consideration of US\$83.8 million. The sale of Petrosea was completed on 6 July 2009.

The balances and results of Petrosea have been recorded in these financial statements as being a discontinued operation. Financial information relating to Petrosea for the period is set out below.

#### (b) Financial performance and cash flow information of Petrosea

The financial performance and cash flow information of Petrosea for the period to 6 July 2009 and the year ended 30 June 2009 are detailed below.

	<b>Consolidated</b>	
	<b>Period to 6</b>	<b>Year ended 30</b>
	<b>July 2009</b>	<b>June 2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit for period from Petrosea</b>		
Revenue	4,020	229,823
Other income (comparative includes gain on forward exchange contracts)	99	14,296
Share of net profit of associates and jointly controlled entities accounted for using the equity method	6	1,002
Expenses	<u>(3,125)</u>	<u>(234,959)</u>
Profit before income tax	1,000	10,162
Income tax (expense) benefit	<u>(279)</u>	<u>1,739</u>
Profit after income tax of Petrosea	721	11,901
Gain on sale of Petrosea (see (d) below)	<u>475</u>	-
<b>Profit from Petrosea</b>	<u>1,196</u>	<u>11,901</u>
<b>Cash flows of Petrosea (including sale)</b>		
Net cash inflow (outflow) from operating activities	535	(18,856)
Net cash inflow (outflow) from investing activities	109,595	(2,847)
Net cash inflow (outflow) from financing activities	<u>(240)</u>	<u>(2,116)</u>
<b>Net increase (decrease) in cash generated by Petrosea</b>	<u>109,890</u>	<u>(23,819)</u>

#### Net cash inflow on disposal of Petrosea

The net cash inflow on disposal of Petrosea was \$101,689,000. This was made up of total disposal consideration of \$114,763,000 (including cash received from forward exchange contracts used to protect part of the proceeds of the sale from adverse foreign exchange movements) less cash costs associated with the disposal of \$5,168,000, net of cash held by Petrosea at the date of disposal of \$7,906,000.

## 7 Discontinued operations (continued)

### (c) Carrying amounts of assets and liabilities of Petrosea

The carrying amounts of assets and liabilities of Petrosea as at 6 July 2009 and 30 June 2009 are as follows:

	Consolidated	
	6 July 2009	30 June 2009
	\$'000	\$'000
<b>Assets</b>		
Cash and cash equivalents	7,906	7,611
Receivables	53,320	56,131
Work in progress	39,869	35,750
Investments accounted for using the equity method	929	923
Other assets	362	377
Property, plant and equipment	152,106	152,426
Deferred tax assets	11,355	11,355
Derivative financial instruments	11,267	11,267
<b>Total assets</b>	<u>277,114</u>	<u>275,840</u>
<b>Liabilities</b>		
Payables	(46,211)	(45,623)
Amounts due to customers for contract work	(3,021)	(3,021)
Borrowings	(102,293)	(102,533)
Provisions	(4,261)	(3,982)
Derivative financial instruments	(1,436)	(1,510)
<b>Total liabilities</b>	<u>(157,222)</u>	<u>(156,669)</u>
<b>Net assets</b>	<u>119,892</u>	<u>119,171</u>
<b>Amounts recognised directly in equity as at 6 July 2009 and 30 June 2009</b>		
Hedging reserve, net of tax	(838)	(838)
Foreign currency translation reserve	(12,047)	(12,264)
Non-controlling interests	17,970	17,840
<b>Net equity</b>	<u>5,085</u>	<u>4,738</u>

### (d) Details of the sale of Petrosea

The sale of Petrosea was completed on 6 July 2009 and cash consideration of US\$83,834,850 was received. In addition, Clough entered into forward exchange contracts in order to protect approximately 75% of the US dollar proceeds of the sale from adverse fluctuations in foreign exchange rates. The forward exchange contracts were delivered on receipt of the Petrosea proceeds and resulted in the receipt of additional cash of \$11,267,000.

	Consolidated	
	2010	2009
	\$'000	\$'000
Consideration received or receivable:		
Cash	103,496	-
Forward exchange contracts	11,267	-
Total disposal consideration	<u>114,763</u>	-
Carrying amount of net assets sold	(119,892)	-
Less: Amount owed to Clough Group recorded on deconsolidation of Petrosea	7,727	-
Less: Non-controlling interests	17,970	-
Less: Hedging reserve	(838)	-
Less: Foreign currency translation reserve	(12,047)	-
Less: Costs associated with the disposal	(7,208)	-
<b>Gain on sale before income tax</b>	<u>475</u>	-
Income tax expense	-	-
<b>Gain on sale after income tax</b>	<u>475</u>	-

## 7 Discontinued operations (continued)

### Discontinued Operation - Property business

#### (a) Description

During the year ended 30 June 2009, the Company determined that it was going to exit from the property business altogether and an active sales process was commenced. During the current year, a number of sales have taken place and it is expected that these disposals will be completed in the next 12 months. As a result, the property business has been reported in this financial report as a discontinued operation. The assets of the property business have been presented in the balance sheet as assets classified as held for sale and the associated liabilities have been presented as liabilities directly associated with assets classified as held for sale.

#### (b) Financial performance and cash flow information of the property business

The financial performance and cash flows of the property business for the years ended 30 June 2010 and 2009 are detailed below.

	Consolidated	
	2010 \$'000	2009 \$'000
<b>Profit (loss) for year from the property business</b>		
Revenue	100,401	582
Other income	533	-
Share of net profit (loss) of jointly controlled entities accounted for using the equity method	4,917	(58)
Impairment of property development inventory and investments *	(7,350)	(6,754)
Expenses	<u>(101,753)</u>	<u>(3,088)</u>
Profit (loss) before income tax	(3,252)	(9,318)
Income tax (expense) benefit	<u>2,205</u>	<u>1,171</u>
<b>Profit (loss) after income tax of the property business</b>	<u>(1,047)</u>	<u>(8,147)</u>
<b>Cash flows of the property business</b>		
Net cash inflow (outflow) from operating activities	12,620	(8,715)
Net cash inflow (outflow) from investing activities	(5,348)	5,916
Net cash inflow (outflow) from financing activities	<u>(20,702)</u>	<u>1,653</u>
<b>Net increase (decrease) in cash generated by the property business</b>	<u>(13,430)</u>	<u>(1,146)</u>

#### (c) Carrying amounts of assets and liabilities of the property business

The carrying amounts of assets and liabilities of the property business are as follows:

	Consolidated	
	30 June 2010 \$'000	30 June 2009 \$'000
<b>Assets classified as held for sale</b>		
Interests in jointly controlled entities	10,955	5,669
Property development inventories *	<u>32,819</u>	<u>51,104</u>
<b>Total assets</b>	<u>43,774</u>	<u>56,773</u>
<b>Liabilities directly associated with assets classified as held for sale</b>		
Bank loans	-	(17,193)
Loans from jointly controlled entity	<u>(8,652)</u>	<u>(13,850)</u>
<b>Total liabilities</b>	<u>(8,652)</u>	<u>(31,043)</u>
<b>Net assets</b>	<u>35,122</u>	<u>25,730</u>

\* During the year ended 30 June 2010, a property development was valued by Frank Knight Valuations resulting in a reduction in the carrying value of the property development of \$7,350,000.

## 8 Contributed equity

	Parent entity		Parent entity	
	2010	2009	2010	2009
	Shares	Shares	\$'000	\$'000
<b>(a) Share capital</b>				
Ordinary shares				
Fully paid	<u>768,776,269</u>	<u>670,116,757</u>	<u>229,728</u>	<u>194,636</u>

### (b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$'000
1 July 2008	Opening balance	667,941,092		193,885
30 September 2008	Conversion of 35,560 \$1 convertible notes into 96,638 new shares at a conversion price of 36.8 cents per share	96,638	\$0.368	36
28 November 2008	Exercise of 50,000 options with an exercise price of 31 cents per share	50,000	\$0.31	16
31 December 2008	Conversion of 350,578 \$1 convertible notes into 952,665 new shares at a conversion price of 36.8 cents per share	952,665	\$0.368	351
18 February 2009	Exercise of 800,000 options with an exercise price of 31 cents per share	800,000	\$0.31	248
31 March 2009	Conversion of 3,121 \$1 convertible notes into 8,482 new shares at a conversion price of 36.8 cents per share	8,482	\$0.368	3
15 June 2009	Exercise of 20,000 options with an exercise price of 31 cents per share	20,000	\$0.31	6
30 June 2009	Conversion of 91,216 \$1 convertible notes into 247,880 new shares at a conversion price of 36.8 cents per share	<u>247,880</u>	\$0.368	<u>91</u>
30 June 2009	Balance	<u>670,116,757</u>		<u>194,636</u>
1 July 2009	Opening balance	670,116,757		194,636
14 August 2009	Exercise of 15,000 options with an exercise price of 31 cents per share	15,000	\$0.31	5
11 September 2009	Exercise of 80,000 options with an exercise price of 31 cents per share	80,000	\$0.31	25
30 September 2009	Conversion of 3,464,304 \$1 convertible notes into 9,413,911 new shares at a conversion price of 36.8 cents per share	9,413,911	\$0.368	3,464
14 December 2009	Exercise of 50,000 options with an exercise price of 31 cents per share	50,000	\$0.31	15
15 December 2009	Conversion of 33,484,462 \$1 convertible notes into 90,990,601 new shares at a conversion price of 36.8 cents per share	90,990,601	\$0.368	33,484
8 March 2010	Exercise of 50,000 options with an exercise price of 31 cents per share	50,000	\$0.31	15
18 - 25 March 2010	Share buyback - refer note (c)	(2,500,000)	\$0.892	(2,230)
30 April 2010	Exercise of 20,000 options with an exercise price of 31 cents per share	20,000	\$0.31	6
30 April 2010	Exercise of 15,000 options with an exercise price of 57 cents per share	15,000	\$0.57	9
14 May 2010	Exercise of 165,000 options with an exercise price of 57 cents per share	165,000	\$0.57	94
31 May 2010	Exercise of 5,000 options with an exercise price of 31 cents per share	5,000	\$0.31	2
31 May 2010	Exercise of 15,000 options with an exercise price of 57 cents per share	15,000	\$0.57	9
11 June 2010	Exercise of 20,000 options with an exercise price of 57 cents per share	20,000	\$0.57	11
28 June 2010	Exercise of 320,000 options with an exercise price of 57 cents per share	<u>320,000</u>	\$0.57	<u>183</u>
30 June 2010	Balance	<u>768,776,269</u>		<u>229,728</u>

## 8 Contributed equity (continued)

### (c) Share buy-back

During March 2010, the Company purchased on-market and cancelled 2,500,000 ordinary shares in order to offset shares expected to be issued as a result of the exercise of options under the Clough Limited Employee Option Plan. The shares were acquired at an average price of 89 cents per share, with prices ranging from 86.5 cents to 92.5 cents. The total cost of the share buy-back of \$2,230,000, including \$10,000 of after tax transaction costs, was deducted from contributed equity.

There is no current on-market share buy-back.

## 9 Reserves and retained earnings

	Consolidated	
	2010 \$'000	2009 \$'000
<b>(a) Reserves</b>		
Convertible note premium reserve	394	394
Hedging reserve - cash flow hedges	(21)	817
Share-based payments reserve	4,209	2,741
Minority buyback reserve	(7,952)	-
Foreign currency translation reserve	(6,275)	(16,567)
Capital reserve	720	720
	<u>(8,925)</u>	<u>(11,895)</u>
	Consolidated	
	2010 \$'000	2009 \$'000
<b>Movements:</b>		
<i>Hedging reserve - cash flow hedges</i>		
Balance 1 July	817	62
Revaluation - gross	(30)	1,527
Deferred tax	9	(710)
Removed on disposal of a controlled entity	838	-
Transfer to asset - gross	(2,365)	(89)
Deferred tax	710	27
Balance 30 June	<u>(21)</u>	<u>817</u>
<i>Share-based payments reserve</i>		
Balance 1 July	2,741	1,066
Option expense	1,468	1,675
Balance 30 June	<u>4,209</u>	<u>2,741</u>
<i>Minority buyback reserve</i>		
Balance 1 July	-	-
Buyback reserve arising on acquisition of a subsidiary (see note 12)	(7,952)	-
Balance 30 June	<u>(7,952)</u>	<u>-</u>
<i>Foreign currency translation reserve</i>		
Balance 1 July	(16,567)	(28,847)
Currency translation differences arising during the year	(1,649)	12,280
Transferred to P&L on disposal of controlled and jointly controlled entities during the year	11,941	-
Balance 30 June	<u>(6,275)</u>	<u>(16,567)</u>

## 9 Reserves and retained earnings (continued)

### (b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated	
	2010 \$'000	2009 \$'000
Balance 1 July	46,010	264
Net profit for the year	50,090	52,426
Dividends	<u>(13,404)</u>	<u>(6,680)</u>
Balance 30 June	<u>82,696</u>	<u>46,010</u>

### (c) Nature and purpose of reserves

#### (i) Convertible note premium reserve

The convertible note premium reserve is used to record the equity conversion component of the convertible notes issued on 15 December 2006 and the associated deferred tax liability.

#### (ii) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

#### (iii) Share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

#### (iv) Minority buyback reserve

The minority buyback reserve comprises the fair value of the estimated consideration for acquiring the non-controlling interest (30%) in Ocean Flow International LLC from the minority shareholder at the date of acquisition.

#### (v) Foreign currency translation reserve

Exchange differences arising on translation of foreign entities are taken to the foreign currency translation reserve. The reserve is recognised in profit and loss when the net investment in a foreign entity is disposed of.

## 10 Dividends

Parent entity	
2010 \$'000	2009 \$'000

### (a) Ordinary shares

Final dividend for the year ended 30 June 2009 of 2 cents (2008 - 1 cent) per fully paid ordinary share paid on 7 October 2009

Franked to 25% based on tax paid at 30% (2008 - fully franked)	<u>13,404</u>	<u>6,680</u>
Total dividends provided for or paid	<u>13,404</u>	<u>6,680</u>

### (b) Dividends not recognised at year end

In addition to the above dividend, since the year end the directors have recommended the payment of a final dividend of 2.2 cents per fully paid ordinary share franked to 9%, (2009 - 2 cents franked to 25%) based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 6 October 2010, but not recognised as a liability at year end, is

	<u>16,914</u>	<u>13,404</u>
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## 11 Contingencies

### (a) Contingent liabilities

#### *Claims*

Certain claims arising out of engineering and construction contracts have been made by or against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration. The Directors do not consider the outcome of any of these claims will have a material adverse impact on the financial position of the consolidated entity.

During the year, Clough and ONGC settled their dispute arising from the G1 Development Project on a full and final basis and executed a formal Settlement Agreement on 9 December 2009. This settlement has not had a material impact on the results for the year.

## 12 Acquisition and disposal of subsidiaries

### Acquisition of subsidiary

#### (a) Acquisition of Ocean Flow International LLC

On 14 August 2009, the Group acquired a 70% interest in Ocean Flow International LLC, a SURF engineering company based in Houston, USA for consideration of US\$9.1 million.

Details of the purchase consideration, the net assets and liabilities acquired and goodwill are as follows:

	<b>\$'000</b>
Purchase consideration	
Cash paid	<u>10,848</u>
Total purchase consideration	<u>10,848</u>
Fair value of net identifiable assets acquired after non-controlling interests (refer to (c) below)	<u>2,829</u>
Goodwill (refer to (c) below)	<u>8,019</u>

The goodwill is attributable to Ocean Flow International LLC's position and profitability in the Houston SURF market, its skilled workforce and expertise and synergies expected to arise from the acquisition.

#### (b) Cash flow information

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	<u>10,848</u>	-
Less: Balances acquired		
Cash	<u>1,068</u>	-
Outflow of cash	<u>9,780</u>	-

## 12 Acquisition and disposal of subsidiaries (continued)

### (c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash and cash equivalents	1,068	1,068
Inventories	1,137	1,137
Other assets	61	61
Customer relationships	-	2,118
Payables	<u>(342)</u>	<u>(342)</u>
Net identifiable assets acquired	<u>1,924</u>	<u>4,042</u>
Less: Non-controlling interests (measured at the proportionate share of the acquiree's net identifiable assets)		(1,213)
Add: Goodwill		<u>8,019</u>
Net assets acquired		<u>10,848</u>

#### (i) Acquisition-related costs

Acquisition-related costs of \$148,000 are included in other expenses in profit or loss.

#### (ii) Purchase of remaining interest in Ocean Flow International LLC

In accordance with the terms of the Membership Purchase Agreement, Clough will acquire the balance of Ocean Flow International LLC in early 2013. The purchase price payable for acquiring the remaining 30% will be based on a multiple of 1.5 times the average EBITDA achieved by Ocean Flow International LLC during the years ended 31 December 2009 to 2012, reduced by 30% of the value of the profit share scheme paid out over this period.

Clough has estimated that it will pay additional consideration of approximately US\$7,432,000 for acquiring the balance of Ocean Flow International LLC based on current forecasts for the business. The fair value of this consideration at the date of acquisition was calculated to be US\$6,671,000. The liability for the estimated additional consideration payable has been recorded as a non-current payable.

#### (iii) Revenue and profit contribution

Ocean Flow International LLC has contributed revenues of \$11,025,000 and net profit of \$1,397,000 (after tax and non-controlling interests) to the consolidated entity for the period from 14 August 2009 to 30 June 2010.

## Disposal of subsidiaries

### (a) Disposal of PT Petrosea Tbk and related entities

On 6 July 2009, Clough sold its 82% shareholding in PT Petrosea Tbk to PT Indika Energy Tbk for cash consideration of US\$83.8 million. For further details, refer to note 7.

### (b) Disposal of Clough Engineering & Integrated Solutions Pakistan (Private) Limited

On 29 October 2009, Clough sold its shareholding in Clough Engineering & Integrated Solutions Pakistan (Private) Limited for cash consideration of US\$100,000. The Group has recognised an after-tax gain of \$108,000 on this sale.

### 13 Investments in associates

#### (a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest		2010 \$'000	2009 \$'000
		2010 %	2009 %		
<i>Listed</i>					
Forge Group Limited *	Engineering and construction	31.3	-	<u>51,579</u>	<u>-</u>
				<u>51,579</u>	<u>-</u>

\* The interest in Forge Group Limited was acquired during the current year - refer to note (b) below for further details.

#### (b) Acquisition of interest in Forge Group Limited

On 23 February 2010, Clough announced that it had agreed to create a Strategic Alliance with Forge Group Limited (Forge) which provides the foundation for a long-term strategic co-operation between the companies.

The key transaction components included:

- Clough to invest approximately \$19.5 million via a 15% share placement (Placement) subject to Forge shareholder approval.
- On Placement approval and completion, Clough to make a proportional cash takeover offer at \$2.10 per share to all existing Forge shareholders for 50% of their shares in Forge (Offer).
- Clough to become a cornerstone investor in Forge.
- Strategic Alliance Agreement between the two companies to be triggered in various circumstances, including when Clough's interest in Forge reaches 31% or the Offer is declared unconditional by Clough.

Forge shareholders approved the Placement on 6 April 2010 and Clough subscribed for a total of 10,257,262 shares in Forge at a price of \$1.90 per share.

Clough made the proportional takeover offer for 50% of the shares in Forge on 9 April 2010. The Offer was declared unconditional by Clough on 20 April 2010 on reaching a 31.24 % interest in Forge, triggering the Strategic Alliance between the two companies. The Offer closed on 11 May 2010 and resulted in Clough acquiring a total of 14,385,671 shares in Forge at a price of \$2.10 per share.

As at 30 June 2010, Clough holds a total of 24,642,933 shares in Forge, representing an interest in Forge of 31.3%.

In addition to the Forge shares, Clough also holds a total of 3 million unlisted options in Forge that were acquired from certain Forge directors at a price of \$1.75 per option on 16 April 2010. These options have an exercise price of \$0.35 per option, are currently exercisable and expire on 30 May 2012. These options are included in derivative financial assets.

As part of the Strategic Alliance, Clough's Chief Executive Officer, John Smith, has been appointed to the Forge Board as a non-executive director and a senior Clough executive has been appointed to Forge's executive management team. The Strategic Alliance will target joint project opportunities in the LNG and oil and gas sectors and provide a platform to support the continuation of Forge's anticipated growth trajectory.

### 14 Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial year, which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in periods subsequent to the year ended 30 June 2010, apart from the matter noted below.

Subsequent to the year end, the Directors have recommended the payment of a final dividend of 2.2 cents per fully paid ordinary share franked to 9%. For further details, refer to note 10.

## 15 Reconciliation of profit after income tax to net cash inflow (outflow) from operating activities

	Consolidated	
	2010	2009
	\$'000	\$'000
Profit for the year	51,238	52,774
Depreciation and amortisation	9,369	17,145
Write off of trade receivables	35	32,893
Non-cash employee benefits expense - share-based payments	1,468	1,675
Net loss on disposal of property, plant and equipment	2,484	214
Net gain on sale of other non-current assets	(32)	(1,929)
Net gain on acquisition of balance of jointly controlled entity	(33)	-
Fair value gain on derivative financial assets	(1,770)	-
Net loss on disposal of assets classified as held for sale	-	33
Net gain on disposal of jointly controlled entities	(1,063)	-
Net gain on disposal of controlled entities	(583)	(4,480)
Impairment of investment classified as held for sale	-	3,000
Impairment of property development inventories classified as held for sale	7,350	3,754
Difference between equity accounted profits of associates and jointly controlled entities and dividends or distributions received	(5,709)	2,640
Net exchange differences and other non-cash items	8,965	(40,383)
Change in operating assets and liabilities, net of effects from sale/purchase of controlled entities		
Decrease (increase) in receivables	2,606	(13,043)
Decrease (increase) in work in progress	54,247	(10,458)
Decrease (increase) in deferred tax assets	(5,265)	(13,395)
Decrease (increase) in other assets	-	5,861
Increase (decrease) in payables	(5,429)	(53,405)
Increase (decrease) in amounts due to customers for contract work	(14,732)	(42,650)
Increase (decrease) in provision for income taxes payable	(4,050)	3,409
Increase (decrease) in deferred tax liabilities	737	55
Increase (decrease) in other provisions	(2,443)	3,205
Net cash inflow (outflow) from operating activities	<u>97,390</u>	<u>(53,085)</u>

## 16 Earnings per share

	Consolidated	
	2010	2009
	Cents	Cents
<b>(a) Basic earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the Company	6.90	7.33
From discontinued operations	-	0.51
Total basic earnings per share attributable to the ordinary equity holders of the Company	<u>6.90</u>	<u>7.84</u>
<b>(b) Diluted earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the Company	6.61	6.73
From discontinued operations	-	0.44
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<u>6.61</u>	<u>7.17</u>

## 16 Earnings per share (continued)

### (c) Reconciliations of earnings used in calculating basic and diluted earnings per share

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>\$'000</b>	\$'000
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share		
Profit from continuing operations	51,089	49,020
Profit from continuing operations attributable to non-controlling interests	(1,018)	-
Profit from discontinued operations	149	3,754
Profit from discontinued operations attributable to non-controlling interests	(130)	(348)
	<b>50,090</b>	<b>52,426</b>
<i>Diluted earnings per share</i>		
Profit from continuing operations after non-controlling interests attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	50,071	49,020
Interest savings on convertible notes, after tax	1,284	2,904
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	51,355	51,924
Profit from discontinued operations	149	3,754
Profit from discontinued operations attributable to non-controlling interests	(130)	(348)
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	<b>51,374</b>	<b>55,330</b>

### (d) Weighted average number of shares used as the denominator

	<b>Consolidated</b>	
	<b>2010</b>	2009
	<b>Number</b>	Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	<b>725,733,921</b>	668,807,356
Adjustments for calculation of diluted earnings per share:		
Options	7,095,206	1,252,188
Convertible notes	44,524,264	101,751,764
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<b>777,353,391</b>	<b>771,811,308</b>

## 17 Ultimate parent entity

The ultimate parent entity is Murray & Roberts Holdings Limited, a company incorporated in South Africa.

### Additional dividend information

Details of dividends declared or paid during or subsequent to the year ended 30 June 2010 are as follows:

Amount per security		Amount per security	Franked amount per security at 30% tax rate	Amount per security of foreign source dividend
<b>Final dividend:</b>	Current year	2.2 ¢	0.2¢	- ¢
	Previous year	2¢	0.15¢	- ¢
<b>Interim dividend:</b>	Current year	- ¢	- ¢	- ¢

### Dividend Plans

The Company has suspended the dividend reinvestment plan.

Net Tangible Assets per Security	30 June 2010	30 June 2009
Net tangible asset backing per ordinary security	34.22¢	28.52¢

### Interests in entities which are not controlled entities

Equity accounted associates and jointly controlled entities	Percentage of ownership interest held	
	30 June 2010 %	30 June 2009 %

Aker Kvaerner Clough Murray & Roberts Joint Venture	19.5	19.5
Al Bilad S&B Clough, Ltd	50	50
Asia Offshore Services Pte Ltd	-	50
Boulderstone Clough Joint Venture	50	50
CBI Clough JV	35	-
CBI Clough JV Pte Ltd	35	-
Clough Aker Joint Venture	50	50
Clough Amec Joint Venture – CoP	50	50
Clough Amec Pty Ltd	50	50
Clough Curtain Joint Venture	65	65
Clough Demol Joint Venture	100	80
Clough Diversified Joint Venture	50	50
Clough Diversified Northern Pipeline Joint Venture	50	50
Clough Diversified United Joint Venture	33.3	33.3
Clough Downer Joint Venture	50	50
Clough Helix Joint Venture Pty Ltd	50	-
Clough Murray & Roberts Joint Venture	50	50
Clough Sandwell Joint Venture	50	50
Clough Seymour Whyte Joint Venture – Lake Cowal	50	50
Elclough Pty Ltd	50	50
Forge Group Limited	31.3	-
Harbourworks Clough Contracting Pty Ltd	51	51
Harbourworks Clough Joint Venture	50	50
Henry Walker Eltin - Clough Joint Venture	50	50
Kellogg Joint Venture - Gorgon	20	20
Kvaerner Clough Joint Venture	33.3	33.3

**Equity accounted associates and jointly controlled entities** **Percentage of ownership interest held**

	<b>30 June 2010 %</b>	<b>30 June 2009 %</b>
Maretlink Joint Venture	50	50
Mashhor Clough Sdn Bhd	50	50
Mernda (Lot 6) Joint Venture	50	50
Petrosea Calibre Roberts & Schaeffer Joint Operation	-	33.3
Petrosea Clough Joint Operation	50	100
PT LOR Indonesia Joint Operation	-	50
PT Santan Batubara	-	50
PT Tirta Kencana Cahaya Mandiri	-	47
St Quentin's Claremont Pty Ltd	50	50
St Quentin's Claremont Unit Trust	50	50

The contribution to net profit/(loss) from the above associates and jointly controlled entities was \$52,978,000 (2009 : \$15,270,000).

**Annual Meeting**

The Annual General Meeting will be held at 12 noon on Tuesday 26 October 2010 at the Perth Parmelia Hilton Hotel. The Annual Report will be available in late September 2010.

  
**John Smith**  
Director

**18 August 2010**

  
**RM Harding**  
Director

**SUPPLEMENTARY INFORMATION**  
**For the Year Ended 30 June 2010**

**GROUP TOTAL REVENUE**

A significant proportion of the Clough Group's operations are performed through jointly controlled entities.

The Clough Group operates through two types of jointly controlled entities:

**Unincorporated Joint Ventures**

- these are unincorporated arrangements.
- the share of profits or losses are equity accounted in the statement of comprehensive income.

**Joint Venture Entities**

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

The Clough Group's total revenue is made up of revenue and its share of revenue from jointly controlled entities and associated companies.

	<b>30 June 2010</b>	30 June 2009
	<b>\$'000</b>	\$'000
<b>CONSOLIDATED GROUP TOTAL REVENUE</b>		
Construction projects	<b>512,645</b>	<b>672,317</b>
Other revenue *	<b>28,580</b>	<b>17,743</b>
	<b>541,225</b>	<b>690,060</b>
<b>Share of revenue from jointly controlled entities and associates</b>	<b>371,434</b>	<b>194,246</b>
	<b>912,659</b>	<b>884,306</b>
<b>CONSOLIDATED GROUP TOTAL REVENUE</b>		
<b>From continuing operations *</b>	<b>808,238</b>	<b>637,678</b>
<b>From discontinued operations *</b>	<b>104,421</b>	<b>246,628</b>
	<b>912,659</b>	<b>884,306</b>

\* Includes interest income.