

**Clough Limited**  
**ASX Preliminary financial report**  
**for the year ended 30 June 2011**

**Clough Limited** ABN 59 008 678 813  
**ASX Preliminary final report - 30 June 2011**

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

**Contents**

	Page
Results for Announcement to the Market	1
Preliminary consolidated statement of comprehensive income	2
Preliminary consolidated balance sheet	3
Preliminary consolidated statement of changes in equity	4
Preliminary consolidated cash flow statement	6
Notes to the preliminary consolidated financial statement	7

**Clough Limited**  
**For the year ended 30 June 2011**  
(Previous corresponding period: Year ended 30 June 2010)

**Results for Announcement to the Market**  
**30 June 2011**

				\$'000
<b>Total revenue</b> from operations including share of revenue from jointly controlled entities and associates #	up	25 %	to	1,008,482
<b>Total Revenue</b> from continuing operations including share of revenue from jointly controlled entities and associates ^	up	52 %	to	931,276
<b>Revenue</b> from ordinary activities * (Appendix 4E item 2.1)	up	4 %	to	248,566
<b>Profit / (loss)</b> from ordinary activities after tax attributable to members (Appendix 4E item 2.2)	down	33 %	to	33,345
<b>Net profit / (loss)</b> for the period attributable to members (Appendix 4E item 2.3)	down	33 %	to	33,345
<b>Dividends / distributions</b> (Appendix 4E item 2.4)	Amount per security		Franked amount per security	
Final dividend	2.2 cents		1 cent	
Interim dividend	-		-	

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

15 September 2011
-------------------

Date the final dividend is payable

6 October 2011
----------------

# Excludes revenue from the Property business and Petrosea and interest income.

^ Excludes revenue from discontinued operations comprising the Marine Construction business, the Property business and Petrosea and interest income.

\* 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 2011.

**Clough Limited**  
**Preliminary consolidated statement of comprehensive income**  
**For the year ended 30 June 2011**

		<b>Consolidated</b>	
	Notes	2011 \$'000	2010 \$'000
<b>Revenue from continuing operations</b>	3	<b>248,566</b>	238,469
Other income	4	<b>4,692</b>	2,994
Depreciation and amortisation expense	5	<b>(3,739)</b>	(3,066)
Other expenses		<b>(54,693)</b>	(71,954)
Materials, plant and subcontractor costs		<b>(37,265)</b>	(12,135)
Labour costs		<b>(173,881)</b>	(174,584)
Finance costs	5	<b>(169)</b>	(2,083)
Share of net profit of associates and jointly controlled entities accounted for using the equity method		<b>68,323</b>	53,456
<b>Profit before income tax</b>		<b>51,834</b>	31,097
Income tax expense	6	<b>(2,219)</b>	(1,101)
Profit from continuing operations		<b>49,615</b>	29,996
Profit (loss) from discontinued operations	7	<b>(16,719)</b>	21,242
<b>Profit for the year</b>		<b>32,896</b>	51,238
<b>Other comprehensive income (expense)</b>			
Cash flow hedges	10	<b>(5,733)</b>	(2,395)
Exchange differences on translation of foreign operations		<b>(6,727)</b>	(1,605)
Income tax relating to components of other comprehensive income	10	<b>1,720</b>	719
<b>Other comprehensive income (expense) for the year, net of tax</b>		<b>(10,740)</b>	(3,281)
<b>Total comprehensive income for the year</b>		<b>22,156</b>	47,957
Profit for the year is attributable to:			
Owners of Clough Limited		<b>33,345</b>	50,090
Non-controlling interests		<b>(449)</b>	1,148
		<b>32,896</b>	51,238
Total comprehensive income for the year is attributable to:			
Owners of Clough Limited		<b>22,788</b>	46,765
Non-controlling interests		<b>(632)</b>	1,192
		<b>22,156</b>	47,957
		<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	17	<b>6.44</b>	4.13
Diluted earnings per share	17	<b>6.40</b>	4.02
<b>Earnings per share for profit attributable to the ordinary equity holders of the parent entity:</b>			
Basic earnings per share	17	<b>4.33</b>	6.90
Diluted earnings per share	17	<b>4.30</b>	6.61

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

**Clough Limited**  
**Preliminary consolidated balance sheet**  
**As at 30 June 2011**

	Notes	Consolidated 2011 \$'000	2010 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	64,555	106,990
Receivables		45,709	37,344
Work in progress		8,699	13,933
Derivative financial instruments		<u>1,439</u>	<u>7,020</u>
		<b>120,402</b>	<b>165,287</b>
Assets classified as held for sale	7	33,772	43,774
Assets of a disposal group held for sale	7	<u>139,475</u>	<u>-</u>
Total current assets		<u><b>293,649</b></u>	<u><b>209,061</b></u>
<b>Non-current assets</b>			
Receivables		7,690	12,019
Investments accounted for using the equity method		104,150	73,425
Other non-current assets		736	856
Property, plant and equipment		22,152	128,241
Intangible assets		690	10,035
Deferred tax assets		<u>36,184</u>	<u>31,571</u>
Total non-current assets		<u><b>171,602</b></u>	<u><b>256,147</b></u>
<b>Total assets</b>		<u><b>465,251</b></u>	<u><b>465,208</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		27,598	50,212
Amounts due to customers for contract work		6,603	1,847
Borrowings		1,236	7,488
Current tax liabilities		4,531	1,110
Provisions		13,905	27,444
Derivative financial instruments		<u>5,562</u>	<u>30</u>
		<b>59,435</b>	<b>88,131</b>
Liabilities directly associated with assets classified as held for sale	7	5,416	8,652
Liabilities directly associated with a disposal group held for sale	7	<u>79,308</u>	<u>-</u>
Total current liabilities		<u><b>144,159</b></u>	<u><b>96,783</b></u>
<b>Non-current liabilities</b>			
Payables		5,789	11,771
Borrowings		-	47,856
Deferred tax liabilities		-	866
Provisions		<u>4,702</u>	<u>3,182</u>
Total non-current liabilities		<u><b>10,491</b></u>	<u><b>63,675</b></u>
<b>Total liabilities</b>		<u><b>154,650</b></u>	<u><b>160,458</b></u>
<b>Net assets</b>		<u><b>310,601</b></u>	<u><b>304,750</b></u>
<b>EQUITY</b>			
Contributed equity	9	229,792	229,728
Reserves	10(a)	(18,570)	(8,925)
Retained earnings	10(b)	<u>99,061</u>	<u>82,696</u>
Capital and reserves attributable to owners of Clough Limited		<u><b>310,283</b></u>	<u><b>303,499</b></u>
Non-controlling interests		<u>318</u>	<u>1,251</u>
<b>Total equity</b>		<u><b>310,601</b></u>	<u><b>304,750</b></u>

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

**Clough Limited**  
**Preliminary consolidated statement of changes in equity**  
**For the year ended 30 June 2011**

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	9	37,322	-	-	-	-	-	-	-	-	37,322	-	37,322
Share buy back	9	(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	10	-	-	-	-	(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
Dividends paid to non-controlling interest by a subsidiary		-	-	-	-	-	-	-	-	-	-	(341)	(341)
Dividends provided for or paid	11	-	-	-	-	-	-	-	-	(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>		<u>229,728</u>	<u>394</u>	<u>(21)</u>	<u>4,209</u>	<u>(7,952)</u>	<u>(6,275)</u>	<u>720</u>	<u>(8,925)</u>	<u>82,696</u>	<u>303,499</u>	<u>1,251</u>	<u>304,750</u>

**Clough Limited**  
**Preliminary consolidated statement of changes in equity**  
**For the year ended 30 June 2011**  
(continued)

Consolidated	Notes	Attributable to members of Clough Limited										Non-controlling interests	Total equity
		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 2010</b>		229,728	394	(21)	4,209	(7,952)	(6,275)	720	(8,925)	82,696	303,499	1,251	304,750
<b>Total comprehensive income for the year</b>		-	-	(4,013)	-	-	(6,544)	-	(10,557)	33,345	22,788	(632)	22,156
<b>Transactions with owners in their capacity as owners:</b>													
Contributions of equity, net of transaction costs	9	1,894	-	-	-	-	-	-	-	-	1,894	-	1,894
Share buy back	9	(1,830)	-	-	-	-	-	-	-	-	(1,830)	-	(1,830)
Employee share options		-	-	-	937	-	-	-	937	-	937	-	937
Removed on disposal of subsidiaries during the year		-	-	-	-	-	(25)	-	(25)	-	(25)	-	(25)
Dividend paid to non-controlling interests by a subsidiary		-	-	-	-	-	-	-	-	-	-	(301)	(301)
Dividends provided for or paid	11	-	-	-	-	-	-	-	-	(16,980)	(16,980)	-	(16,980)
		<u>64</u>	<u>-</u>	<u>-</u>	<u>937</u>	<u>-</u>	<u>(25)</u>	<u>-</u>	<u>912</u>	<u>(16,980)</u>	<u>(16,004)</u>	<u>(301)</u>	<u>(16,305)</u>
<b>Balance at 30 June 2011</b>		<b><u>229,792</u></b>	<b><u>394</u></b>	<b><u>(4,034)</u></b>	<b><u>5,146</u></b>	<b><u>(7,952)</u></b>	<b><u>(12,844)</u></b>	<b><u>720</u></b>	<b><u>(18,570)</u></b>	<b><u>99,061</u></b>	<b><u>310,283</u></b>	<b><u>318</u></b>	<b><u>310,601</u></b>

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

**Clough Limited**  
**Preliminary consolidated cash flow statement**  
**For the year ended 30 June 2011**

		<b>Consolidated</b>	
	Notes	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		<b>327,256</b>	651,363
Payments to suppliers and employees (inclusive of goods and services tax)		<u><b>(365,346)</b></u>	<u>(593,703)</u>
		(38,090)	57,660
Interest received		<b>2,538</b>	3,220
Dividends and distributions received from equity accounted entities		<b>55,352</b>	47,763
Interest paid		<b>(4,065)</b>	(8,098)
Income taxes received (paid)		<b>600</b>	(3,155)
<b>Net cash inflow from operating activities</b>	16	<u><b>16,335</b></u>	<u>97,390</u>
<b>Cash flows from investing activities</b>			
Payment for purchase of subsidiary, net of cash acquired	13	-	(9,780)
Payments for property, plant and equipment		<b>(6,792)</b>	(20,504)
Payments for intangible assets - computer software		<b>(381)</b>	(457)
Payments for investments in equity accounted entities		<b>(1,255)</b>	(51,055)
Payments for options in equity accounted entity		-	(5,250)
Loans to equity accounted entities		<b>(3,640)</b>	(7,404)
Loans to other persons		-	(150)
Repayment of loans provided by equity accounted entities		<b>(2,402)</b>	(14,197)
Proceeds from sale of property, plant and equipment		<b>639</b>	1,763
Proceeds from sale of investments in equity accounted entities		-	2,895
Loans from equity accounted entities		<b>4,779</b>	6,545
Repayment of loans made to other persons		<b>3,238</b>	10
Repayment of loans made to equity accounted entities		<b>1,264</b>	-
Proceeds from disposal of subsidiaries, net of cash disposed	7,13	<u><b>(349)</b></u>	<u>101,804</u>
<b>Net cash (outflow) inflow from investing activities</b>		<u><b>(4,899)</b></u>	<u>4,220</u>
<b>Cash flows from financing activities</b>			
Proceeds from conversion of options		<b>1,894</b>	374
Shares bought back by Clough Limited	9	<b>(1,830)</b>	(2,230)
Redemption of convertible notes on maturity		-	(217)
Proceeds from borrowings		<b>4,821</b>	16,382
Repayment of borrowings		<b>(10,212)</b>	(37,697)
Dividends paid	11	<b>(16,980)</b>	(13,404)
Dividends paid to non-controlling interests in subsidiaries		<b>(301)</b>	(341)
<b>Net cash outflow from financing activities</b>		<u><b>(22,608)</b></u>	<u>(37,133)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>			
		<b>(11,172)</b>	64,477
Cash and cash equivalents at the beginning of the financial year		<b>106,990</b>	44,198
Effects of exchange rate changes on cash and cash equivalents		<b>(5,368)</b>	(1,685)
<b>Cash and cash equivalents at end of year</b>	7,8	<u><b>90,450</b></u>	<u>106,990</u>

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

## **1 Summary of significant accounting policies**

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 2011 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 2010.

## **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 five 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.

The Marine Construction business has been classified as a discontinued operation as at 30 June 2011. For further details, refer to note 7.

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.

#### **Forge**

This comprises Clough's interest in Forge Group Limited which was acquired during the year ended 30 June 2010. For further details on Clough's interest in the Forge Group Limited refer to note 14.

#### **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.

## 2 Segment information (continued)

### Other 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.

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

The segment information provided to the CODM for the reportable segments for the year ended 30 June 2011 is as follows:

2011	Capital Projects	Asset support	Forge	Other	Marine Construction #	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue *	733,616	47,631	141,586	8,443	77,206	1,008,482
<b>Revenue from external customers</b>	<b>733,616</b>	<b>47,631</b>	<b>141,586</b>	<b>8,443</b>	<b>77,206</b>	<b>1,008,482</b>
<b>Underlying earnings (loss) from operations</b>	<b>38,667</b>	<b>2,504</b>	<b>18,920</b>	<b>(5,388)</b>	<b>(7,507)</b>	<b>47,196</b>
<b>Depreciation and amortisation</b>	<b>2,781</b>	<b>5</b>	<b>-</b>	<b>953</b>	<b>6,191</b>	<b>9,930</b>

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

2010	Capital Projects	Asset Support	Forge	Other	Marine Construction #	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue *	517,731	59,915	22,379	11,024	193,973	805,022
<b>Revenue from external customers</b>	<b>517,731</b>	<b>59,915</b>	<b>22,379</b>	<b>11,024</b>	<b>193,973</b>	<b>805,022</b>
<b>Underlying earnings (loss) from operations</b>	<b>34,164</b>	<b>4,458</b>	<b>3,128</b>	<b>(2,296)</b>	<b>24,127</b>	<b>63,581</b>
<b>Depreciation and amortisation</b>	<b>2,467</b>	<b>73</b>	<b>-</b>	<b>526</b>	<b>6,299</b>	<b>9,365</b>

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

# The Marine Construction business has been reclassified as being a discontinued operation during the current year.

## 2 Segment information (continued)

### (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	
	2011 \$'000	2010 \$'000
<b>Total segment revenue</b>	<b>1,008,482</b>	805,022
Segment revenue from jointly controlled entities and associates	<b>(685,506)</b>	(375,673)
Revenue from the Marine Construction business	<b>(77,206)</b>	(193,973)
Interest income	<b>2,796</b>	3,093
<b>Total revenue from continuing operations (note 3)</b>	<b><u>248,566</u></b>	<b><u>238,469</u></b>

The entity is domiciled in Australia. The amount of its segment revenue from external customers in Australia is \$511,414,000 (2010: \$530,840,000), and the total of segment revenue from external customers in other countries is \$497,068,000 (2010: \$274,182,000) and includes \$429,062,000 (2010: \$165,442,000) from Papua New Guinea. Segment revenues are allocated based on the country in which the work is performed.

#### (ii) Underlying earnings from operations

The CODM assesses the performance of the operating segments based on a measure of underlying earnings. 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 earnings 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 legacy 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 earnings from operations to operating profit before income tax from continuing operations is provided as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Underlying earnings from operations</b>	<b>47,196</b>	63,581
Underlying loss (earnings) from the discontinued Marine Construction business	<b>7,507</b>	(24,127)
Interest income	<b>2,796</b>	3,093
Finance costs	<b>(169)</b>	(2,083)
Share of finance costs of equity accounted entities	<b>(438)</b>	-
Tax expense included in share of net profit of equity accounted entities	<b>(4,684)</b>	-
Fair value gain on Forge Group Limited options	<b>4,987</b>	1,770
Fair value loss on Forge Option Securities	<b>(455)</b>	-
Amortisation arising from business acquisitions	<b>(4,300)</b>	(2,400)
Net impact arising from disposal of businesses	-	1,691
Other adjustments including legacy project costs	<b>(606)</b>	(3,060)
Overheads allocated to Marine Construction business on a direct basis rather than a revenue basis *	-	(7,368)
<b>Profit before income tax from continuing operations</b>	<b><u>51,834</u></b>	<b><u>31,097</u></b>

\* Clough allocates overheads to its business segments based on revenue. As a result of the reclassification of the Marine Construction business to discontinued operations, it has been necessary to reallocate overheads to this business on a directly attributable basis. The comparative underlying earnings from operations in the segment note has not been restated for this change.

#### (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

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>From continuing operations</b>		
<i>Revenue</i>		
Construction projects	<u>191,886</u>	<u>225,849</u>
<i>Other revenue</i>		
Rental income	4,018	183
Interest income	2,796	3,093
Other revenue	<u>49,866</u>	<u>9,344</u>
	<u>56,680</u>	<u>12,620</u>
<b>Total revenue</b>	<u>248,566</u>	<u>238,469</u>
<b>From discontinued operations (note 7)</b>		
<i>Revenue</i>		
Construction projects	<u>52,581</u>	<u>286,796</u>
<i>Other revenue</i>		
Interest income	1,079	127
Other revenue	<u>26,705</u>	<u>15,834</u>
	<u>27,784</u>	<u>15,961</u>
	<u>80,365</u>	<u>302,757</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.

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>From continuing operations</b>		
<b>Revenue - Group and jointly controlled entities and associates</b>		
Revenue - Group	191,886	225,849
Revenue - Jointly controlled entities and associates	<u>685,506</u>	<u>375,673</u>
	<u>877,392</u>	<u>601,522</u>
Other revenue	<u>56,680</u>	<u>12,620</u>
	<u>934,072</u>	<u>614,142</u>

#### 4 Other income

	Consolidated	
	2011 \$'000	2010 \$'000
Net gain on disposal of property, plant and equipment	160	-
Net gain on disposal of other non-current assets	-	32
Net gain on disposal of controlled entities	-	108
Net gain on disposal of interests in jointly controlled entity	-	1,063
Fair value gains on derivative financial instruments held for trading at fair value through profit or loss	4,532	1,770
Other income	-	21
	<u>4,692</u>	<u>2,994</u>

#### 5 Expenses

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Plant and equipment	1,684	2,003
Freehold land and buildings	<u>41</u>	<u>68</u>
Total depreciation	<u>1,725</u>	<u>2,071</u>
<i>Amortisation</i>		
Leasehold improvements	1,181	143
Computer software	<u>833</u>	<u>852</u>
Total amortisation	<u>2,014</u>	<u>995</u>
Total depreciation and amortisation	<u>3,739</u>	<u>3,066</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>169</u>	<u>2,083</u>
Finance costs expensed	<u>169</u>	<u>2,083</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>23,330</u>	<u>16,879</u>
<i>Foreign exchange gains and losses</i>		
Net foreign exchange losses	<u>1,160</u>	<u>79</u>

#### 6 Income tax expense

	Consolidated	
	2011 \$'000	2010 \$'000
<b>(a) Income tax expense</b>		
Current tax	7,412	8,340
Deferred tax	(4,600)	(3,809)
(Over) under provided in prior years	<u>(955)</u>	<u>89</u>
	<u>1,857</u>	<u>4,620</u>

## 6 Income tax expense (continued)

	<b>Consolidated</b>	
	<b>2011</b>	2010
	<b>\$'000</b>	\$'000
Income tax expense is attributable to:		
Profit from continuing operations	2,219	1,101
Profit (loss) from discontinued operations	<u>(362)</u>	<u>3,519</u>
Aggregate income tax expense	<u><b>1,857</b></u>	<u><b>4,620</b></u>
Deferred income tax (benefit) expense included in income tax expense comprises:		
Increase in deferred tax assets	(3,734)	(4,546)
Increase (decrease) in deferred tax liabilities	<u>(866)</u>	<u>737</u>
	<u><b>(4,600)</b></u>	<u><b>(3,809)</b></u>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	51,834	31,097
Profit (loss) from discontinued operations before income tax expense	<u>(17,081)</u>	<u>24,761</u>
	<b>34,753</b>	<b>55,858</b>
Tax at the Australian tax rate of 30% (2010 - 30%)	10,426	16,758
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	281	440
Entertainment	104	45
Sale of subsidiary	-	13,453
Other sundry items	<u>(2,767)</u>	<u>3,011</u>
	<b>8,044</b>	<b>33,707</b>
Difference in overseas tax rates including withholding tax on foreign revenue	(22)	(11,675)
(Over) under provision in prior years	(955)	89
Deferred tax assets (liabilities) previously not recognised now brought into account	(2,296)	1,843
Deferred tax assets not recognised arising from temporary differences	444	-
Losses utilised in current period not previously brought into account	(6,524)	(11,248)
Tax losses previously brought into account now derecognised (not previously recognised now brought into account)	710	(8,670)
Tax losses not brought into account	<u>2,456</u>	<u>574</u>
Total income tax expense	<u><b>1,857</b></u>	<u><b>4,620</b></u>

## 7 Discontinued operations

### Discontinued operation - Marine Construction business

#### (a) Description

The Company having undertaken a strategic review of its operations during the year, resolved to exit the asset owning Marine Construction business and focus on core activities being that of an Engineering led EPC company in the oil and gas and minerals sectors.

Following discussions with SapuraCrest Petroleum Berhad, a listed Malaysian entity, a conditional Master Sale and Purchase Agreement was entered into on 8 August 2011. For further details, refer to note 15.

The results of the Marine Construction business have been recorded in these financial statements as being a discontinued operation and the assets and liabilities of the Marine Construction business have been recorded as assets of a disposal group held for sale and liabilities directly associated with a disposal group held for sale respectively. Financial information relating to the Marine Construction business for the year is set out below. Further information is set out in note 2 - segment information and note 15 - events occurring after the reporting period.

## 7 Discontinued operations (continued)

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

The financial performance and cash flow information of the Marine Construction business for the years ended 30 June 2011 and 30 June 2010 are detailed below.

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>(Loss) profit for year of the Marine Construction business</b>		
Revenue	37,631	182,769
Other revenue	27,727	15,567
Other income	3,702	3,678
Share of net profit (loss) of associates and jointly controlled entities accounted for using the equity method	1,191	(5,400)
Expenses	<u>(80,264)</u>	<u>(170,076)</u>
(Loss) profit before income tax	(10,013)	26,538
Income tax expense	<u>(408)</u>	<u>(5,445)</u>
<b>(Loss) profit after income tax of the Marine Construction business</b>	<u>(10,421)</u>	<u>21,093</u>
<b>Cash flows of the Marine Construction business</b>		
Net cash inflow (outflow) from operating activities	14,582	22,817
Net cash inflow (outflow) from investing activities	(5,520)	(26,641)
Net cash inflow (outflow) from financing activities	<u>(5,935)</u>	<u>(1,490)</u>
<b>Net increase (decrease) in cash generated by the Marine Construction business</b>	<u>3,127</u>	<u>(5,314)</u>

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

The carrying amounts of assets and liabilities of the Marine Construction business as at 30 June 2011 were:

	Consolidated	
	30 June 2011	30 June 2010
	\$'000	\$'000
<b>Assets</b>		
Cash and cash equivalents	25,895	-
Receivables	14,113	-
Work in progress	3,390	-
Property, plant and equipment	88,306	-
Intangible assets	6,930	-
Deferred tax assets	841	-
<b>Total assets</b>	<u>139,475</u>	<u>-</u>
<b>Liabilities</b>		
Payables	(13,846)	-
Amounts due to customers for contract work	(18,499)	-
Borrowings *	(39,266)	-
Tax liabilities	(1,924)	-
Provisions	<u>(5,773)</u>	<u>-</u>
<b>Total liabilities</b>	<u>(79,308)</u>	<u>-</u>
<b>Net assets</b>	<u>60,167</u>	<u>-</u>
<b>Amounts recognised directly in equity as at 30 June 2011</b>		
Foreign currency translation reserve	(7,618)	-
Non-controlling interest	318	-
<b>Net equity</b>	<u>(7,300)</u>	<u>-</u>

\* The borrowings will be repaid out of the proceeds of the sale of the Marine Construction business.

## 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 2011 and 2010 are detailed below.

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Loss for year from the property business</b>		
Revenue	14,950	100,007
Other revenue	57	394
Other income	45	533
Share of net profit of jointly controlled entities accounted for using the equity method	873	4,917
Impairment of property development inventory *	(4,646)	(7,350)
Expenses	<u>(17,295)</u>	<u>(101,753)</u>
Loss before income tax	(6,016)	(3,252)
Income tax benefit	<u>770</u>	<u>2,205</u>
<b>Loss after income tax of the property business</b>	<b><u>(5,246)</u></b>	<b><u>(1,047)</u></b>
<b>Cash flows of the property business</b>		
Net cash inflow (outflow) from operating activities	(4,114)	12,620
Net cash inflow (outflow) from investing activities	5,464	(5,348)
Net cash inflow (outflow) from financing activities	<u>-</u>	<u>(20,702)</u>
<b>Net increase (decrease) in cash generated by the property business</b>	<b><u>1,350</u></b>	<b><u>(13,430)</u></b>

#### (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:

	<b>Consolidated</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets classified as held for sale</b>		
Interests in jointly controlled entities	6,128	10,955
Property development inventories *	<u>27,644</u>	<u>32,819</u>
<b>Total assets</b>	<b><u>33,772</u></b>	<b><u>43,774</u></b>
<b>Liabilities directly associated with assets classified as held for sale</b>		
Loans from jointly controlled entity	<u>(5,416)</u>	<u>(8,652)</u>
<b>Total liabilities</b>	<b><u>(5,416)</u></b>	<b><u>(8,652)</u></b>
<b>Net assets</b>	<b><u>28,356</u></b>	<b><u>35,122</u></b>

\* During the year ended 30 June 2011, a property development was valued by Frank Knight Valuations resulting in a reduction in the carrying value of the property development of \$3,662,000 (2010: \$7,350,000). Additional impairments on other property developments of \$984,000 were also taken during the year.

## 7 Discontinued operations (continued)

### 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 is set out below.

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

During the year ended 30 June 2011, Clough received a claim from PT Indika in relation to a warranty included in the Petrosea sales agreement. As a result of this claim, Clough has recorded a loss of \$1,052,000 in the current year which has been included in discontinued operations.

The financial performance and cash flow information of Petrosea for the comparative period to the date of sale on 6 July 2009 are detailed below.

	<b>Consolidated</b> Period to 6 July 2009 \$'000
<b>Profit for comparative period from Petrosea</b>	
Revenue	4,020
Other income	99
Share of net profit of associates and jointly controlled entities accounted for using the equity method	6
Expenses	<u>(3,125)</u>
Profit before income tax	1,000
Income tax expense	<u>(279)</u>
Profit after income tax of Petrosea	721
Gain on sale of Petrosea (see (d) below)	<u>475</u>
<b>Profit from Petrosea</b>	<u><b>1,196</b></u>
<b>Cash flows of Petrosea (including sale)</b>	
Net cash inflow from operating activities	535
Net cash inflow from investing activities	109,595
Net cash outflow from financing activities	<u>(240)</u>
<b>Net increase in cash generated by Petrosea</b>	<u><b>109,890</b></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 were as follows:

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

	<b>Consolidated</b> 2010 \$'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>

## 8 Current assets - Cash and cash equivalents

	Consolidated	
	2011 \$'000	2010 \$'000
Cash at bank and on hand	34,555	100,262
Deposits at call	<u>30,000</u>	<u>6,728</u>
	<u><b>64,555</b></u>	<u><b>106,990</b></u>

The cash and cash equivalents balance at 30 June 2011 above excludes the cash and cash equivalents balance of the Marine Construction business. The Marine Construction business has cash at bank and on hand of \$25,895,000 at 30 June 2011 which is included in the assets of a disposal group held for sale. For further details, refer to note 7.

## 9 Contributed equity

	Parent entity		Parent entity	
	2011 Shares	2010 Shares	2011 \$'000	2010 \$'000
<b>(a) Share capital</b>				
Ordinary shares				
Fully paid	<u><b>769,801,269</b></u>	<u>768,776,269</u>	<u><b>229,792</b></u>	<u>229,728</u>

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

Date	Details	Number of shares	Issue price	\$'000
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><b>768,776,269</b></u>		<u><b>229,728</b></u>

## 9 Contributed equity (continued)

1 July 2010	Opening balance	768,776,269		229,728
12 August 2010	Exercise of 30,000 options with an exercise price of 57 cents per share	30,000	\$0.57	17
9 September 2010	Exercise of 3,000,000 options with an exercise price of 58 cents per share	3,000,000	\$0.58	1,740
30 September 2010	Exercise of 50,000 options with an exercise price of 31 cents per share	50,000	\$0.31	16
30 September 2010	Exercise of 50,000 options with an exercise price of 57 cents per share	50,000	\$0.57	28
7 - 27 October 2010	Share buyback - refer note (c)	(1,000,000)	\$0.71	(710)
18 January 2011	Exercise of 10,000 options with an exercise price of 57 cents per share	10,000	\$0.57	6
3 - 10 March 2011	Share buyback - refer note (c)	(1,300,000)	\$0.862	(1,120)
9 March 2011	Exercise of 20,000 options with an exercise price of 57 cents per share	20,000	\$0.57	11
18 March 2011	Exercise of 10,000 options with an exercise price of 31 cents per share	10,000	\$0.31	3
18 March 2011	Exercise of 50,000 options with an exercise price of 57 cents per share	50,000	\$0.57	28
29 March 2011	Exercise of 30,000 options with an exercise price of 57 cents per share	30,000	\$0.57	17
31 March 2011	Exercise of 60,000 options with an exercise price of 31 cents per share	60,000	\$0.31	19
31 March 2011	Exercise of 10,000 options with an exercise price of 57 cents per share	10,000	\$0.57	6
13 April 2011	Exercise of 5,000 options with an exercise price of 57 cents per share	5,000	\$0.57	3
30 June 2011	Balance	<u>769,801,269</u>		<u>229,792</u>

### (c) Share buy-backs

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.

During October 2010, the Company purchased on-market and cancelled 1,000,000 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 71 cents per share, with prices ranging from 61 cents to 80.5 cents. The total cost of the share buy-back of \$710,000, including \$3,000 of after tax transaction costs, was deducted from contributed equity.

During March 2011, the Company purchased on-market and cancelled 1,300,000 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 86 cents per share, with prices ranging from 82.5 cents to 87.5 cents. The total cost of the share buy-back of \$1,120,000, including \$5,000 of after tax transaction costs, was deducted from contributed equity.

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

## 10 Reserves and retained earnings

	Consolidated	
	2011 \$'000	2010 \$'000
<b>(a) Reserves</b>		
Convertible note premium reserve	394	394
Hedging reserve - cash flow hedges	(4,034)	(21)
Share-based payments reserve	5,146	4,209
Minority buyback reserve	(7,952)	(7,952)
Foreign currency translation reserve	(12,844)	(6,275)
Capital reserve	<u>720</u>	<u>720</u>
	<u>(18,570)</u>	<u>(8,925)</u>

	Consolidated	
	2011 \$'000	2010 \$'000

### Movements:

#### *Hedging reserve - cash flow hedges*

Balance 1 July	(21)	817
Revaluation - gross	(5,763)	(30)
Deferred tax	1,729	9
Removed on disposal of a controlled entity	-	838
Transfer to asset - gross	-	(2,365)
Transfer to P&L - gross	30	-
Deferred tax	(9)	710
Balance 30 June	<u>(4,034)</u>	<u>(21)</u>

#### *Share-based payments reserve*

Balance 1 July	4,209	2,741
Option expense	<u>937</u>	<u>1,468</u>
Balance 30 June	<u>5,146</u>	<u>4,209</u>

#### *Minority buyback reserve*

Balance 1 July	(7,952)	-
Buyback reserve arising on acquisition of a subsidiary	-	(7,952)
Balance 30 June	<u>(7,952)</u>	<u>(7,952)</u>

#### *Foreign currency translation reserve*

Balance 1 July	(6,275)	(16,567)
Currency translation differences arising during the year	(6,544)	(1,649)
Transferred to P&L on disposal of controlled and jointly controlled entities during the year	<u>(25)</u>	<u>11,941</u>
Balance 30 June	<u>(12,844)</u>	<u>(6,275)</u>

### (b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
Balance 1 July	82,696	46,010
Net profit for the year	33,345	50,090
Dividends	<u>(16,980)</u>	<u>(13,404)</u>
Balance 30 June	<u>99,061</u>	<u>82,696</u>

## 10 Reserves and retained earnings (continued)

### (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 cumulative amount is reclassified to profit or loss when the net investment in a foreign entity is disposed of.

## 11 Dividends

Parent entity	
2011	2010
\$'000	\$'000

### (a) Ordinary shares

Final dividend for the year ended 30 June 2010 of 2.2 cents (2009 - 2 cent) per fully paid ordinary share paid on 6 October 2010

    Franked to 9% based on tax paid at 30% (2009 - franked to 25%)

<b>16,980</b>	13,404
<b>16,980</b>	13,404

Parent entity	
2011	2010
\$'000	\$'000

### (b) Dividends not recognised at the end of the reporting period

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 45%, (2010 - 2.2 cents franked to 9%) based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 6 October 2011, but not recognised as a liability at year end, is

<b>16,936</b>	16,914
---------------	--------

## 12 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.

## 13 Acquisition and disposal of subsidiaries

### Acquisition of subsidiary

#### Prior year

#### (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.

Ocean Flow International LLC is part of the Marine Construction business and has been included in the disposal group held for sale at 30 June 2011 as detailed in note 7.

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

	\$'000
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

	Consolidated	
	2011 \$'000	2010 \$'000
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	<u>-</u>	<u>10,848</u>
Less: Balances acquired		
Cash	<u>-</u>	<u>1,068</u>
Outflow of cash	<u>-</u>	<u>9,780</u>

#### (c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition on 14 August 2009 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)		<u>(1,213)</u>
Add: Goodwill		<u>8,019</u>
Net assets acquired		<u>10,848</u>

### **13 Acquisition and disposal of subsidiaries (continued)**

*(i) Acquisition-related costs*

Acquisition-related costs of \$148,000 are included in other expenses in profit or loss in the year ended 30 June 2010.

*(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 at 30 June 2011 that it will pay additional consideration of approximately US\$6,382,000 for acquiring the balance of Ocean Flow International LLC based on current forecasts for the business. The liability for the estimated additional consideration payable has been recorded in the liabilities directly associated with a disposal group held for sale.

#### **Disposal of subsidiaries**

##### **Current year**

###### **(a) Loss of control of the Peritus entities**

During the year, Clough reduced its interest in Peritus International Pty Ltd, Peritus International Limited and Peritus International Inc. (the Peritus entities) from 100% to 54.45%.

As a result of sell down, Clough no longer has control over these entities and they have been classified as being associated entities of Clough and have been equity accounted.

Clough recorded a gain on the deconsolidation of the Peritus entities of \$2,424,000 which has been included as part of other income in discontinued operations of the Marine Construction business in note 7.

Clough recorded a net cash outflow of \$349,000 on the partial sale and deconsolidation of the Peritus entities.

##### **Prior year**

###### **(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 in the year ended 30 June 2010.

## 14 Investments in associates

### (a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest		2011 \$'000	2010 \$'000
		2011 %	2010 %		
<i>Listed</i>					
Forge Group Limited #	Engineering and construction	33.34	31.29	72,529	51,579
<i>Unlisted</i>					
Peritus International Inc. ^ *	Advanced subsea engineering services	54.25	100	-	-
Peritus International Limited ^ *	Advanced subsea engineering services	54.25	100	-	-
Peritus International Pty Ltd ^ *	Advanced subsea engineering services	54.25	100	-	-
				<b>72,529</b>	<b>51,579</b>

# The initial interest in Forge Group Limited was acquired during the year ended 30 June 2010 - refer to note (c) below for further details.

^ This entity is an associated entity due to the provisions of a shareholder agreement.

\* Peritus International Inc., Peritus International Limited and Peritus International Pty Ltd are part of the Marine Construction business and have been included in the disposal group held for sale at 30 June 2011.

Consolidated	
2011 \$'000	2010 \$'000

### (b) Fair value of listed investments in associates

Forge Group Limited	<b>150,930</b>	<b>66,289</b>
---------------------	----------------	---------------

### (c) Acquisition of interests in associates

#### 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.

## **14 Investments in associates (continued)**

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

During the year ended 30 June 2011, Clough exercised the 3 million unlisted options in Forge, acquiring a total of 3 million shares in Forge for an exercise amount of \$1,050,000. Clough recorded a fair value gain on these options in the current year of \$4,987,000 (2010: \$1,770,000) which has been included in other income in note 4.

As at 30 June 2011, Clough held a total of 27,642,933 (2010: 24,642,933) shares in Forge, representing an interest in Forge of 33.34% (2010: 31.29%).

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.

During the year ended 30 June 2011, Clough and Forge established an incorporated jointly controlled entity, Clough Forge Pty Ltd, in order to pursue opportunities arising in the engineering and construction sector.

On 15 March 2011, Clough entered into a Put Option agreement (Agreement) with certain Forge management (Takers of the Put Option). Under the terms of the Agreement, the Takers of the Put Option are able to require Clough to purchase Option Securities (in total 750,000 Forge shares and 2,500,000 Forge options) at an agreed price (\$5.60 per Forge share and \$5.25 per Forge option) during specific time periods in 2012.

Under the terms of the Agreement, Forge management agreed to certain conditions in relation to a Board and Management Transition Plan. These conditions included Peter Hutchinson agreeing to act as Executive Chairman of Forge and to step down from the role within three months after the appointment of a new Chief Executive Officer of Forge, and Andrew Ellison and Greg McRostie agreeing to extend their employment contracts with Forge through to 31 December 2011 and to resign as directors of Forge, if requested, following the appointment of a new non-executive director. It was also agreed that Clough appoint a second director to the Forge Board.

The Put Option arrangement has been accounted for by Clough as being a derivative financial instrument held at fair value through P&L. At 30 June 2011, a derivative liability and a fair value loss of \$455,000 has been recorded.

Neil Siford was appointed as a non-executive director of Forge on 8 August 2011.

## **15 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 2011, apart from the matters noted below.

On 8 August 2011, Clough announced that it had signed a conditional Master Sale and Purchase Agreement to sell its Marine Construction business to SapuraCrest Petroleum Berhad ("SapuraCrest"), a listed Malaysian entity. The gross proceeds from the sale of the Marine Construction Business is \$127 million (of which \$50 million will be paid in US dollars) subject to an adjustment amount which is calculated by an "adjustment statement mechanism" based on the final net asset position of the Marine Construction business at completion.

The finalisation of the sale is subject to satisfaction of a range of conditions precedent including SapuraCrest obtaining Malaysian Central Bank and shareholders' approval, the consent of relevant clients and partners, the transfer of certain Marine Construction business staff, and Clough receiving approval from its debt funders. It is anticipated that it will take up to three months to satisfy these conditions.

Clough expects to make a one-off profit from the sale of approximately \$8 million subject to movements in future exchange rates, the final costs of the transaction, the finalisation of tax matters relating to the sale and the final net asset position of the Marine Construction business at completion.

## 15 Events occurring after the reporting period (continued)

The sale of the Marine Construction business includes the Java Constructor vessel and associated marine construction equipment. It also includes Clough's interest in the Clough Helix Joint Venture Pty Ltd, which operates the chartered Normand Clough vessel, and its investments in specialist engineering businesses, Ocean Flow International LLC and the Peritus entities. Relevant contracts including the Chevron Gorgon Domestic Gas pipeline projects are proposed to be novated.

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 45%. For further details, refer to note 11.

## 16 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2011	2010
	\$'000	\$'000
Profit for the year	32,896	51,238
Depreciation and amortisation	9,930	9,369
Write off of trade receivables	-	35
Non-cash employee benefits expense - share-based payments	937	1,468
Net (gain) loss on disposal of property, plant and equipment	(422)	2,484
Net gain on sale of other non-current assets	-	(32)
Net gain on acquisition of balance of jointly controlled entity	-	(33)
Fair value gain on derivative financial assets	(4,987)	(1,770)
Fair value loss of put option securities	455	-
Net gain on disposal of jointly controlled entities	-	(1,063)
Net gain on disposal of controlled entities	(2,424)	(583)
Impairment of property development inventories classified as held for sale	4,646	7,350
Difference between equity accounted profits of associates and jointly controlled entities and dividends or distributions received	(9,335)	(5,709)
Net exchange differences and other non-cash items	(4,741)	8,965
Change in operating assets and liabilities, net of effects from sale/purchase of controlled entities		
Decrease (increase) in receivables	(22,345)	2,606
Decrease (increase) in work in progress	2,129	54,247
Decrease (increase) in deferred tax assets	(5,455)	(5,265)
Increase (decrease) in payables	(8,588)	(5,429)
Increase (decrease) in amounts due to customers for contract work	23,255	(14,732)
Increase (decrease) in provision for income taxes payable	5,345	(4,050)
Increase (decrease) in deferred tax liabilities	(866)	737
Increase (decrease) in other provisions	(4,095)	(2,443)
Net cash inflow from operating activities	<u>16,335</u>	<u>97,390</u>

## 17 Earnings per share

	Consolidated	
	2011 Cents	2010 Cents
<b>(a) Basic earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the Company	6.44	4.13
From discontinued operations	<u>(2.11)</u>	<u>2.77</u>
Total basic earnings per share attributable to the ordinary equity holders of the Company	<u>4.33</u>	<u>6.90</u>

### (b) Diluted earnings per share

From continuing operations attributable to the ordinary equity holders of the Company	6.40	4.02
From discontinued operations	<u>(2.10)</u>	<u>2.59</u>
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<u>4.30</u>	<u>6.61</u>

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

	Consolidated	
	2011 \$'000	2010 \$'000
Profit from continuing operations	49,615	29,996
(Loss) profit from discontinued operations	(16,719)	21,242
Loss (profit) from discontinued operations attributable to non-controlling interests	<u>449</u>	<u>(1,148)</u>
	<u>33,345</u>	<u>50,090</u>

#### *Diluted earnings per share*

Profit from continuing operations after non-controlling interests attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	49,615	29,996
Interest savings on convertible notes, after tax	<u>-</u>	<u>1,284</u>
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	49,615	31,280
(Loss) profit from discontinued operations	(16,719)	21,242
Loss (profit) from discontinued operations attributable to non-controlling interests	<u>449</u>	<u>(1,148)</u>
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	<u>33,345</u>	<u>51,374</u>

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

	Consolidated	
	2011 Number	2010 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	770,247,128	725,733,921
Adjustments for calculation of diluted earnings per share:		
Options	4,422,559	7,095,206
Convertible notes	<u>-</u>	<u>44,524,264</u>
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<u>774,669,687</u>	<u>777,353,391</u>

## 18 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 2011 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¢	1.0¢	- ¢
Previous year	2.2¢	0.2¢	- ¢
<b>Interim dividend:</b> Current year	- ¢	- ¢	- ¢

### Dividend Plans

The Company has suspended the dividend reinvestment plan.

Net Tangible Assets per Security	30 June 2011	30 June 2010
Net tangible asset backing per ordinary security	<b>34.60¢</b>	34.22¢

### Interests in entities which are not controlled entities

#### Equity accounted associates and jointly controlled entities

#### Percentage of ownership interest held

	30 June 2011 %	30 June 2010 %
Aker Kvaerner Clough Murray & Roberts Joint Venture	19.5	19.5
Al Bilad S&B Clough, Ltd	50	50
BAM Clough Contracting Pty Ltd	51	51
BAM Clough Joint Venture	50	50
BAM Clough (PNG) Joint Venture	50	-
Boulderstone Clough Joint Venture	50	50
CBI Clough Joint Venture	35	35
CBI Clough JV Pte Ltd	35	35
Clough Aker Joint Venture	50	50
Clough Amec Joint Venture – CoP	50	50
Clough Amec Pty Ltd	50	50
Clough Amec Sea Pte Ltd	50	-
Clough Forge Pty Ltd	50	-
Clough Curtain Joint Venture	65	65
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
Clough Helix Joint Venture Pty Ltd	50	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
Forge Group Limited	33.34	31.29
Henry Walker Eltin - Clough Joint Venture	50	50
JTC Joint Venture - Arrow	10	-
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**

	30 June 2011 %	30 June 2010 %
Maretlink Joint Venture	33.3	33.3
Mashhor Clough Sdn Bhd	50	50
Mernda (Lot 6) Joint Venture	-	50
Peritus International Inc.	54.25	100
Peritus International Limited	54.25	100
Peritus International Pty Ltd	54.25	100
Petrosea Clough Joint Operation	50	50
St Quentin's Claremont Pty Ltd	50	50
St Quentin's Claremont Unit Trust	50	50
Streicher Clough Joint Venture	50	-

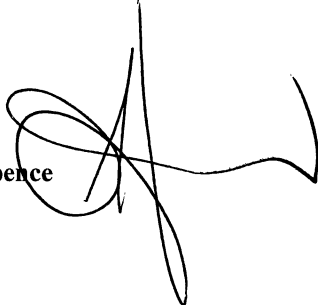
The contribution to net profit/(loss) from the above associates and jointly controlled entities was \$68,400,000 (2010 : \$52,978,000).

**Annual Meeting**

The Annual General Meeting will be held at 10 am on Tuesday 18 October 2011 at the University Club of Western Australia, located at Hackett Drive, Crawley. The Annual Report will be available in mid September 2011.

  
John Smith  
Director

24 August 2011

  
Keith Spence  
Director