

APPENDIX 4D

HALF-YEAR REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

(PREVIOUS CORRESPONDING PERIOD: HALF-YEAR ENDED 31 DECEMBER 2009)

CLOUGH LIMITED ABN 59 008 678 813
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RESULTS FOR ANNOUNCEMENT TO THE MARKET

				\$'000
Total Revenue from continuing operations including share of revenue from jointly controlled entities and associates	up	28.8%	to	# 524,932
Revenue from ordinary activities	down	37.5%	to	* 162,186
Profit/(loss) from ordinary activities after tax attributable to members	down	39.8%	to	15,253
Net profit/(loss) for the period attributable to members	down	39.8%	to	15,253
Dividends		Amount per security		Franked amount per security
Interim dividend		0.0 ¢		0.0 ¢
Previous corresponding period		0.0 ¢		0.0 ¢
Record date for determining entitlements to the dividend				N/A
<p># Excludes revenue from discontinued operations.</p> <p>* Includes revenue from discontinued operations and excludes share of revenue from jointly controlled entities and associates and other income.</p>				

Refer to the attached press release and interim financial report for further information on the results for the half-year ended 31 December 2010.

Dividends

No dividend is payable for the current period.

Amount per security		Amount per security	Franked amount per security at 30% tax rate	Amount per security of foreign source dividend
Interim dividend:	Current period	- ¢	- ¢	- ¢
	Previous period	- ¢	- ¢	- ¢
Final dividend:	Current period	2.2¢	0.20¢	- ¢
	Previous period	2¢	0.15¢	- ¢

Dividend Plans

The Company has suspended the dividend reinvestment plan.

Net Tangible Assets per Security	31 December 2010	31 December 2009
Net tangible asset backing per ordinary security	32.91¢	30.93¢

Interests in entities which are not controlled entities

Equity accounted associates and jointly controlled entities

Percentage of ownership interest held

31 December 2010	31 December 2009
%	%

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	50
Boulderstone Clough Joint Venture	50	50
CBI Clough Joint Venture	35	35
CBI Clough JV Pte Ltd	35	35
Clough Aker Joint Venture - Angel	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
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
Forge Group Limited	33.37	-
Henry Walker Eltin - Clough Joint Venture	50	50
Kellogg Joint Venture - Gorgon	20	20
Kvaerner Clough Joint Venture	33.3	33.3
Maretlink Joint Venture	50	50

Equity accounted associates and jointly controlled entities

Percentage of ownership interest held

	31 December 2010 %	31 December 2009 %
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Mashhor Clough Sdn Bhd	50	50
Mernda (Lot 6) Joint Venture	50	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

The contribution to net profit/(loss) from the above associates and jointly controlled entities was \$39,794,000 (2009 : \$20,425,000).



JOHN SMITH
Chief Executive Officer

16 February 2011

SUPPLEMENTARY INFORMATION
For the Half-Year Ended 31 December 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.

	31 December 2010 \$'000	31 December 2009 \$'000
CONSOLIDATED GROUP TOTAL REVENUE #		
Construction projects	112,000	245,481
Other revenue *	40,753	9,650
	152,753	255,131
Share of revenue from jointly controlled entities and associates	372,179	152,422
	524,932	407,553

Excludes discontinued operations.

* Includes interest income.

Clough Limited

ABN 59 008 678 813

**Interim financial report
for the half-year ended 31 December
2010**

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DIRECTORS' REPORT

The Directors of Clough Limited ABN 59 008 678 813 present the financial statements of the Clough Group, the consolidated entity, for the half-year ended 31 December 2010 and in accordance with a resolution of the Directors report as follows:

1. DIRECTORS

The Directors of Clough Limited at the date of this report are:

Director	Qualifications	Main Duties
K Spence	BSc(Geophysics)(Hons), FAIM	Chairman
J Smith	BSc (Mech.Eng), C.Eng, M.I.Mech.E(UK)	Chief Executive Officer & Managing Director
BC Bruce	PrEng, BSc Eng(Civil), DEng(hc), Hon FSAICE	Director
NWR Harvey	BSc(Building)	Director
NE Siford	BSc(Geography)(Hons), ACA	Chief Financial Officer & Executive Director
ER Stein	BSc(Physics)(Hons), MBA, FAICD	Director
RW Rees	BSc(Econ)(Hons), FCA	Director & Deputy Chairman

All Directors held office during the whole of the half-year and up to the date of this report except for:

- NE Siford was appointed as an Executive Director on 19 August 2010.
- RM Harding resigned as Chairman and Non-Executive Director on 26 October 2010.
- K Spence was appointed as Chairman on 26 October 2010.

2. REVIEW OF OPERATIONS AND DEVELOPMENTS

Total revenue from Continuing Operations (including a share of revenue from jointly controlled entities and associates) for the half-year ended 31 December 2010 at \$524.9m was significantly ahead of the comparative period reflecting increased project activity, primarily in the Capital Projects business line.

This period saw a changing shape to the business with an increased contribution to Clough's earnings from joint ventures and from the Forge Group, in which Clough had a 33.4% interest at 31 December 2010. Forge reported strong earnings growth with Clough's share of Forge's post tax profits in the period at \$7.1 million.

The net profit after interest and taxation from Continuing Operations was \$19.5 million with profit held back as a result of a loss in the period of \$7.6 million from the Marine Construction business line and start up costs associated with a number of organic growth initiatives.

After including a further impairment in the property business (a discontinued operation) of \$4.0 million, the net profit attributable to members of Clough Limited for the half-year was \$15.3 million.

3. AUDITOR INDEPENDENCE

A copy of the auditors' independence declaration required under section 307C of the Corporations Act 2001 is set out on page 4.

DIRECTORS' REPORT (Continued)

4. ROUNDING OF AMOUNTS

Clough Limited is a company of the kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission, relating to the "rounding" of amounts in the Directors' Report and Financial Report. All amounts have been rounded to the nearest thousand dollars, unless otherwise stated.

For and on behalf of the Board

PERTH

16 February 2011



John Smith
Director



Keith Spence
Director

Board of Directors
Clough Limited
Level 15
58 Mounts Bay Road
Perth WA 6000

16 February 2011

Dear Board Members

Auditor's Independence Declaration to Clough Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Clough Limited.

As lead audit partner for the review of the financial statements of Clough Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



A T Richards

Partner

Chartered Accountants

Clough Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2010

	Half-year ended	
	2010	2009
	\$'000	\$'000
Revenue from continuing operations	152,753	255,131
Other income	8,990	2,231
Materials, plant and subcontractor costs	(31,008)	(100,836)
Labour costs	(105,957)	(100,765)
Depreciation and amortisation expense	(4,899)	(3,737)
Other expenses	(36,434)	(32,445)
Finance costs	(2,235)	(4,729)
Share of net profits of associates and jointly controlled entities accounted for using the equity method	39,794	20,425
Profit before income tax	21,004	35,275
Income tax expense	(1,535)	(4,861)
Profit from continuing operations	19,469	30,414
Loss from discontinued operations	(3,989)	(4,335)
Profit for the half-year	15,480	26,079
Other comprehensive income		
Cash flow hedges	(4,967)	(1,437)
Exchange differences on translation of foreign operations	(4,299)	7,915
Income tax relating to components of other comprehensive income	1,490	683
Other comprehensive income for the half-year, net of tax	(7,776)	7,161
Total comprehensive income for the half-year	7,704	33,240
Profit for the half-year is attributable to:		
Owners of Clough Limited	15,253	25,333
Non-controlling interests	227	746
	15,480	26,079
Total comprehensive income for the half-year is attributable to:		
Owners of Clough Limited	7,637	32,519
Non-controlling interests	67	721
	7,704	33,240
	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent entity:		
Basic earnings per share	2.50	4.36
Diluted earnings per share	2.49	4.00
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:		
Basic earnings per share	1.98	3.71
Diluted earnings per share	1.97	3.42

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

Clough Limited
Consolidated balance sheet
As at 31 December 2010

	Notes	31 December 2010 \$'000	30 June 2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		68,515	106,990
Receivables		44,525	37,344
Work in progress		4,400	13,933
Derivative financial instruments		<u>-</u>	<u>7,020</u>
		117,440	165,287
Assets classified as held for sale	4	<u>39,909</u>	<u>43,774</u>
Total current assets		<u>157,349</u>	<u>209,061</u>
Non-current assets			
Receivables		14,298	12,019
Investments accounted for using the equity method		97,361	73,425
Other non-current assets		820	856
Property, plant and equipment		116,222	128,241
Intangible assets		8,275	10,035
Deferred tax assets		<u>34,717</u>	<u>31,571</u>
Total non-current assets		<u>271,693</u>	<u>256,147</u>
Total assets		<u>429,042</u>	<u>465,208</u>
LIABILITIES			
Current liabilities			
Payables		29,951	50,212
Amounts due to customers for contract work		-	1,847
Borrowings		9,143	7,488
Current tax liabilities		3,297	1,110
Provisions		21,323	27,444
Derivative financial instruments		<u>4,998</u>	<u>30</u>
		68,712	88,131
Liabilities directly associated with assets classified as held for sale	4	<u>7,872</u>	<u>8,652</u>
Total current liabilities		<u>76,584</u>	<u>96,783</u>
Non-current liabilities			
Payables		12,121	11,771
Borrowings		38,906	47,856
Deferred tax liabilities		1	866
Provisions		<u>4,494</u>	<u>3,182</u>
Total non-current liabilities		<u>55,522</u>	<u>63,675</u>
Total liabilities		<u>132,106</u>	<u>160,458</u>
Net assets		<u>296,936</u>	<u>304,750</u>
EQUITY			
Contributed equity		230,819	229,728
Reserves	5(a)	(15,854)	(8,925)
Retained earnings	5(b)	<u>80,969</u>	<u>82,696</u>
Capital and reserves attributable to owners of Clough Limited		<u>295,934</u>	<u>303,499</u>
Non-controlling interests		<u>1,002</u>	<u>1,251</u>
Total equity		<u>296,936</u>	<u>304,750</u>

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

Clough Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2010

Attributable to members of Clough Limited

Consolidated - 2009	Notes	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	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 July 2009		194,636	394	817	2,741	-	(16,567)	720	(11,895)	46,010	228,751	17,840	246,591
Total comprehensive income for the half-year		-	-	(754)	-	-	7,940	-	7,186	25,333	32,519	721	33,240
Transactions with owners in their capacity as owners:													
Contributions of equity, net of transaction costs	3	36,993	-	-	-	-	-	-	-	-	36,993	-	36,993
Employee share options		-	-	-	937	-	-	-	937	-	937	-	937
Minority buyback reserve arising on acquisition of a subsidiary		-	-	-	-	(9,825)	-	-	(9,825)	-	(9,825)	-	(9,825)
Non-controlling interest on acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	530	530
Non-controlling interest on disposal of subsidiary		-	-	-	-	-	-	-	-	-	-	(17,970)	(17,970)
Dividends provided for or paid	6	-	-	-	-	-	-	-	-	(13,404)	(13,404)	-	(13,404)
Balance at 31 December 2009		231,629	394	63	3,678	(9,825)	(8,627)	720	(13,597)	57,939	275,971	1,121	277,092

Clough Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2010
(continued)

Consolidated - 2010	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		
Balance at 1 July 2010		229,728	394	(21)	4,209	(7,952)	(6,275)	720	(8,925)	82,696	303,499	1,251	304,750
Total comprehensive income for the half-year		-	-	(3,477)	-	-	(4,139)	-	(7,616)	15,253	7,637	67	7,704
Transactions with owners in their capacity as owners:													
Contributions of equity, net of transaction costs	3	1,091	-	-	-	-	-	-	-	-	1,091	-	1,091
Employee share options		-	-	-	687	-	-	-	687	-	687	-	687
Dividend paid to non-controlling interest by subsidiary		-	-	-	-	-	-	-	-	-	-	(316)	(316)
Dividends provided for or paid	6	-	-	-	-	-	-	-	-	(16,980)	(16,980)	-	(16,980)
Balance at 31 December 2010		230,819	394	(3,498)	4,896	(7,952)	(10,414)	720	(15,854)	80,969	295,934	1,002	296,936

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

Clough Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2010

	Half-year ended	
	2010	2009
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	167,568	267,794
Payments to suppliers and employees (inclusive of goods and services tax)	(202,330)	(236,846)
	(34,762)	30,948
Dividends and distributions received from equity accounted entities	29,186	12,338
Interest received	734	1,359
Interest paid	(2,121)	(3,781)
Income taxes paid	(357)	(5,735)
Net cash inflow (outflow) from operating activities	(7,320)	35,129
Cash flows from investing activities		
Payments for property, plant and equipment	(4,228)	(11,900)
Payments for purchase of subsidiary, net of cash acquired	-	(9,780)
Payment for exercise of options in equity accounted entity	(1,050)	-
Loans to equity accounted entities	(2,345)	-
Loans from equity accounted entities	1,029	310
Repayment of loans from equity accounted entities	(1,907)	(2,836)
Proceeds from sale of property, plant and equipment	238	242
Proceeds from sale of investments in equity accounted entities	-	2,895
Proceeds from sale of subsidiaries, net of cash disposed of	(349)	101,804
Repayment of loans by other persons	500	33
Repayment of loans by equity accounted entities	1,264	-
Net cash inflow (outflow) from investing activities	(6,848)	80,768
Cash flows from financing activities		
Proceeds from conversion of options	1,801	45
Shares bought back by Clough Limited	(710)	-
Proceeds from borrowings	-	15,065
Repayment of borrowings	(5,054)	(10,495)
Dividend paid to non-controlling interest in subsidiary	(316)	-
Dividends paid	(16,980)	(13,404)
Net cash inflow (outflow) from financing activities	(21,259)	(8,789)
Net increase (decrease) in cash and cash equivalents	(35,427)	107,108
Cash and cash equivalents at the beginning of the half-year	106,990	44,198
Effects of exchange rate changes on cash and cash equivalents	(3,048)	(4,956)
Cash and cash equivalents at end of the half-year	68,515	146,350

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

(a) Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Clough Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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.

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 investment in Forge Group Limited.

Other

This includes corporate recharges and certain central costs which have not been allocated to business segments such as foreign exchange gains/losses on corporate bank accounts and the cost of share based payments.

2 Segment information (continued)

Discontinued Segments

The property business is classified as a discontinued operation. Further information about this discontinued segment is disclosed in note 4.

PT Petrosea Tbk and related entities (Petrosea) was sold on 6 July 2009. Information about this discontinued segment is disclosed in note 4.

(b) Segment information provided to the CODM

The segment information provided to the CODM for the reportable segments for the half-year ended 31 December 2010 is as follows:

31 December 2010	Capital Projects \$'000	Marine Construction \$'000	Asset Support \$'000	Forge \$'000	Other \$'000	Total \$'000
Total segment revenue *	378,517	28,137	32,099	67,973	16,778	523,504
Revenue from external customers	378,517	28,137	32,099	67,973	16,778	523,504
Underlying earnings before interest and tax	18,999	(7,606)	1,658	10,075	(2,999)	20,127

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

The segment information provided to the CODM for the reportable segments for the half-year ended 31 December 2009 is as follows:

31 December 2009	Capital Projects \$'000	Marine Construction \$'000	Asset Support \$'000	Other \$'000	Total \$'000
Total segment revenue *	225,368	151,321	24,716	2,561	403,966
Revenue from external customers	225,368	151,321	24,716	2,561	403,966
Underlying earnings before interest and tax	17,652	23,874	2,010	(1,987)	41,549

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

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

(i) Segment revenue

Segment revenue reconciles to revenue from continuing operations as follows:

	Half-year ended	
	2010 \$'000	2009 \$'000
Total segment revenue	523,504	403,966
Segment revenue from jointly controlled entities and associates	(372,179)	(152,422)
Interest revenue	1,428	1,358
Other	-	2,229
Revenue from continuing operations	152,753	255,131

2 Segment information (continued)

(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 in the prior corresponding period 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 EBIT to operating profit before income tax from continuing operations is provided as follows:

	Half-year ended	
	2010 \$'000	2009 \$'000
Underlying EBIT	20,126	41,549
Interest revenue	1,428	1,358
Finance costs	(2,235)	(4,729)
Fair value gain on Forge Group Limited options	4,987	-
Amortisation arising from business acquisitions, net of tax	(2,651)	-
Share of Forge Group Limited's tax included in equity accounted profit	(3,000)	-
Net impact arising from disposal of businesses	2,424	-
Legacy project costs	-	(1,967)
Other	(75)	(936)
Profit before income tax from continuing operations	<u>21,004</u>	<u>35,275</u>

(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 Equity securities issued

	2010 Shares	2009 Shares	2010 \$'000	2009 \$'000
Issues of ordinary shares during the half-year				
Balance at start of period	768,776,269	670,116,757	229,728	194,636
Conversion of 36,948,766 \$1 convertible notes into 100,404,512 new shares at a conversion price of 36.8 cents per share	-	100,404,512	-	36,948
Exercise of 145,000 options with an exercise price of 31 cents per share	-	145,000	-	45
Exercise of 50,000 options with an exercise price of 31 cents per share	50,000	-	15	-
Exercise of 80,000 options with an exercise price of 57 cents per share	80,000	-	46	-
Exercise of 3,000,000 options with an exercise price of 58 cents per share	3,000,000	-	1,740	-
Share buyback	(1,000,000)	-	(710)	-
Balance at end of period	<u>770,906,269</u>	<u>770,666,269</u>	<u>230,819</u>	<u>231,629</u>

Share buyback

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 buyback of \$710,000, including \$3,000 of after tax transaction costs, was deducted from contributed equity.

There is no current on-market share buyback.

4 Discontinued operations

(a) Description

Property

During the year ended 30 June 2009, the Company determined that it was going to exit from the property business and an active sales process was commenced. 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.

The property business recorded a net loss after tax of \$3,989,000 (2009: \$5,531,000) for the period. The result for the period ended 31 December 2010 included the impairment of property developments of \$4,646,000 (2009: \$7,350,000) and an income tax benefit of \$1,394,000 (2009: \$2,205,000).

The property business recorded net cash outflows from operating activities of \$470,000 (2009: \$4,616,000), net cash outflows from investing activities of \$280,000 (2009: \$nil) and net cash outflows from financing activities of \$nil (2009: \$574,000) for the period.

As at 31 December 2010, the property business has assets classified as held for sale of \$39,909,000 (30 June 2010: \$43,774,000) and liabilities directly associated with assets classified as held for sale of \$7,872,000 (30 June 2010: \$8,652,000).

Petrosea

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 results of Petrosea to the date that it was sold 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

The financial performance and cash flows of Petrosea for the period ended 31 December 2009 are detailed below.

	Half-year ended	
	2010	2009
	\$'000	\$'000
Profit for the period from Petrosea		
Revenue	-	4,020
Other income	-	99
Share of net profits of associates and jointly controlled entities accounted for using the equity method	-	6
Expenses	-	(3,125)
Profit before income tax	-	1,000
Income tax expense	-	(279)
Profit after income tax of Petrosea	-	721
Gain on sale of Petrosea (see (d) below)	-	475
Profit from Petrosea	-	1,196
Cash flows of Petrosea (including sale)		
Net cash inflow (outflow) from operating activities	-	535
Net cash inflow (outflow) from investing activities	-	109,595
Net cash inflow (outflow) from financing activities	-	(240)
Net increase in cash generated by Petrosea	-	109,890

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 from 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.

4 Discontinued operations (continued)

(c) Carrying amounts of assets and liabilities of Petrosea

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

	6 July 2009 \$'000	30 June 2009 \$'000
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
Total assets	277,114	275,840
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)
Total liabilities	(157,222)	(156,669)
Net assets	119,892	119,171
Amounts recognised directly in equity as at 6 July 2009 and 30 June 2009		
Hedging reserve, net of tax	(838)	(838)
Foreign currency translation reserve	(12,047)	(12,264)
Non-controlling interests	17,970	17,840
Net equity	5,085	4,738

(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.

	Half-year ended	
	2010 \$'000	2009 \$'000
Consideration received or receivable:		
Cash	-	103,496
Forward exchange contracts	-	11,267
Total disposal consideration	-	114,763
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)
Gain on sale before income tax	-	475
Income tax expense	-	-
Gain on sale after income tax	-	475

5 Reserves and retained earnings

	31 December 2010 \$'000	30 June 2010 \$'000
(a) Reserves		
Convertible note premium reserve	394	394
Hedging reserve - cash flow hedges	(3,498)	(21)
Share-based payments reserve	4,896	4,209
Foreign currency translation reserve	(10,414)	(6,275)
Minority buyback reserve	(7,952)	(7,952)
Capital reserve	<u>720</u>	<u>720</u>
	<u>(15,854)</u>	<u>(8,925)</u>

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 the acquisition in August 2009.

(b) Retained earnings

Movements in retained earnings were as follows:

	31 December 2010 \$'000	30 June 2010 \$'000
Balance start of period	82,696	46,010
Profit for the period attributable to members of Clough Limited	15,253	50,090
Dividends	<u>(16,980)</u>	<u>(13,404)</u>
Balance end of period	<u>80,969</u>	<u>82,696</u>

6 Dividends

	Half-year ended	
	2010 \$'000	2009 \$'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2010 of 2.2 cents (2009 - 2 cents) per fully paid share paid on 6 October 2010		
Franked to 9% based on tax paid @ 30% (2009 - franked to 25%)	<u>16,980</u>	<u>13,404</u>

7 Contingencies

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.

8 Events occurring after the balance sheet date

No matters or circumstances have arisen since the end of the financial period, 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 period ended 31 December 2010.

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

John Smith
Director

Keith Spence
Director

PERTH
16 February 2011

The image shows two handwritten signatures in black ink. The signature on the left is for John Smith, and the signature on the right is for Keith Spence. Both signatures are stylized and cursive.

Independent Auditor's Review Report to the Members of Clough Limited

We have reviewed the accompanying half-year financial report of Clough Limited, which comprises the balance sheet as at 31 December 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 17.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Clough Limited's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Clough Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Clough Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Clough Limited's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



A T Richards

Partner

Chartered Accountants

Perth, 16 February 2011