

Clough Limited
ASX Preliminary final report
for the year ended 30 June 2006

Clough Limited ABN 59 008 678 813
ASX Preliminary final report - 30 June 2006

Lodged with the ASX under listing Rule 4.3A

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Clough Limited
For the year ended 30 June 2006
(Previous corresponding period: For the year ended 30 June 2005)

Results for announcement to the market

				\$'000
Revenue	up	38%	to	*641,140
Loss after tax attributable to members		-		(15,077)
Net loss attributable to members		-		(15,077)

Dividends / distributions	Amount per security	Franked amount per security
Final dividend	-	-
Interim dividend	-	-

Record date for determining entitlements to the interim dividend -

N/A

* Excludes share of revenue from jointly controlled entities and associates

Clough Limited
Preliminary consolidated income statement
For the year ended 30 June 2006

	Notes	Consolidated 2006 \$'000	2005 \$'000
Revenue	3	641,140	464,466
Other income	4	12,659	12,503
Materials, plant and subcontractor costs		(476,435)	(358,404)
Labour costs		(141,746)	(130,248)
Other expenses		(61,496)	(40,377)
Depreciation and amortisation expense	5	(15,123)	(12,573)
Finance costs	5	(6,431)	(3,046)
Shares of net profits of associates and jointly controlled entities accounted for using the equity method		36,715	13,627
Loss before income tax		(10,717)	(54,052)
Income tax expense	6	(2,624)	(2,410)
Loss for the year		(13,341)	(56,462)
Profit attributable to minority interest		(1,736)	(1,176)
Loss attributable to members of Clough Limited		(15,077)	(57,638)
		Cents	Cents
Earnings (loss) per share for profit (loss) attributable to the ordinary equity holders of the company:			
Basic earnings (loss) per share	13	(3.02)	(12.57)
Diluted earnings (loss) per share	13	(3.02)	(12.57)

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

Clough Limited
Preliminary consolidated balance sheet
As at 30 June 2006

	Notes	Consolidated 2006 \$'000	2005 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		53,636	64,908
Receivables		192,418	159,969
Work in progress		145,439	56,784
Derivative financial instruments		286	-
Total current assets		<u>391,779</u>	<u>281,661</u>
Non-current assets			
Receivables		11,455	11,178
Available-for-sale financial assets		11,279	-
Investments accounted for using the equity method		44,257	30,709
Other financial assets		-	15,607
Other non-current assets		7,617	2,617
Property, plant and equipment		84,335	62,242
Intangible assets - computer software		5,713	3,204
Deferred tax assets		16,429	12,680
Total non-current assets		<u>181,085</u>	<u>138,237</u>
Total assets		<u>572,864</u>	<u>419,898</u>
LIABILITIES			
Current liabilities			
Payables		219,285	146,652
Amounts due to customers for contract work		12,902	17,729
Interest bearing liabilities		73,719	52,632
Current tax liabilities		506	139
Provisions		15,342	11,376
Total current liabilities		<u>321,754</u>	<u>228,528</u>
Non-current liabilities			
Payables		15,515	-
Interest bearing liabilities		40,357	6,944
Deferred tax liabilities		248	38
Provisions		7,308	8,949
Total non-current liabilities		<u>63,428</u>	<u>15,931</u>
Total liabilities		<u>385,182</u>	<u>244,459</u>
Net assets		<u>187,682</u>	<u>175,439</u>
EQUITY			
Contributed equity	7	130,232	115,512
Reserves	8(a)	(1,493)	(9,472)
Retained profits	8(b)	<u>38,506</u>	<u>53,179</u>
Parent entity interest		167,245	159,219
Minority interest		<u>20,437</u>	<u>16,220</u>
Total equity		<u>187,682</u>	<u>175,439</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 2006

	Notes	Consolidated	
		2006 \$'000	2005 \$'000
Total equity at the beginning of the financial year		<u>175,439</u>	<u>204,635</u>
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:			
Reserves	8	<u>1,059</u>	<u>-</u>
Restated total equity at the beginning of the financial year		<u>176,498</u>	<u>204,635</u>
Changes in the fair value of available-for-sale financial assets, net of tax	8	2,625	-
Changes in the fair value of cash flow hedges, net of tax	8	(965)	-
Transferred to profit or loss on sale of available-for-sale investment	8	106	-
Exchange differences on translation of foreign entities	8	<u>5,500</u>	<u>(11,642)</u>
Net income/(loss) recognised directly in equity		<u>7,266</u>	<u>(11,642)</u>
Loss for the year		<u>(13,341)</u>	<u>(56,462)</u>
Total recognised income and expense for the year		<u>(6,075)</u>	<u>(68,104)</u>
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	7	14,720	40,004
Employee share options	8	111	8
Increase in retained profits arising from transactions with minority interests	8	404	-
Increase in the minority interests share of net assets arising from equity transactions		2,992	-
Dividends paid to minority interests in subsidiaries		<u>(968)</u>	<u>(1,104)</u>
		<u>17,259</u>	<u>38,908</u>
Total equity at the end of the financial year		<u>187,682</u>	<u>175,439</u>
Total recognised income and expense for the year is attributable to:			
Members of Clough Limited		(8,268)	(67,844)
Minority interest		<u>2,193</u>	<u>(260)</u>
		<u>(6,075)</u>	<u>(68,104)</u>

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 2006

		Consolidated	
	2006	2005	
Notes	\$'000	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)	651,586	473,251	
Payments to suppliers and employees (inclusive of goods and services tax)	(710,279)	(545,799)	
	(58,693)	(72,548)	
Interest received	1,225	2,013	
Dividends and distributions received from equity accounted entities	9,253	5,817	
Dividends received from other persons	88	-	
Interest paid	(6,431)	(3,046)	
Income taxes paid	(5,850)	(4,122)	
Net cash inflow (outflow) from operating activities	12 (60,408)	(71,886)	
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	280	(192)	
Payments for property, plant and equipment	(22,631)	(15,245)	
Payments for intangible assets - computer software	(3,614)	-	
Payments for available-for-sale financial assets	(1,000)	-	
Payments for investments in equity accounted entities	(6,672)	(659)	
Payments for investments	-	(1,898)	
Loans (to)/from equity accounted entities	(1,832)	(4,209)	
Loans (to)/from other persons	(95)	994	
Proceeds from sale of property, plant and equipment	8,575	2,841	
Proceeds from sale of available-for-sale financial assets	8,998	-	
Proceeds from sale of investments in equity accounted entities	14,354	29,117	
Proceeds from sale of investments	-	2,860	
Proceeds from partial sale of interest in listed subsidiary	467	-	
Net cash inflow (outflow) from investing activities	(3,170)	13,609	
Cash flows from financing activities			
Proceeds from issue of shares	15,000	40,800	
Share issue costs	(280)	(796)	
Payments to minorities for shares bought back by listed subsidiary	(918)	-	
Proceeds from borrowings	58,348	96,208	
Loans (to)/from controlled entities	-	-	
Repayment of borrowings	(20,548)	(82,250)	
Dividends paid to minority interests in subsidiaries	(968)	(1,056)	
Net cash inflow (outflow) from financing activities	50,634	52,906	
Net increase (decrease) in cash and cash equivalents			
	(12,944)	(5,371)	
Cash and cash equivalents at the beginning of the financial year	64,908	76,306	
Effects of exchange rate changes on cash and cash equivalents	1,672	(6,027)	
Cash and cash equivalents at end of year	53,636	64,908	

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

1 Summary of significant accounting policies

(a) Basis of preparation

This report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The audit report, which was unqualified, will be made available with the Company's financial report.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Clough Limited financial statements to be prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Clough Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Clough Limited 2006 financial statements, management has amended certain accounting and valuation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The company has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in note 14.

Recently issued or amended Australian Accounting Standards not yet effective and not adopted for the year ended 30 June 2006, are not expected to result in significant accounting policy changes or have a material financial impact on the Group or parent entity.

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.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Clough Limited ("company" or "parent entity") as at 30 June 2006 and the results of all subsidiaries for the year then ended. Clough Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Clough Limited's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) *Group entities*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) *Land development and resale*

Land is not sold until the development work is completed, and revenue is recognised where there is a signed unconditional contract of sale.

(ii) *Construction contracting*

Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

The Directors do not consider it appropriate to recognise profits earned on contracts during the establishment and initial stages and accordingly recognition of profit is deferred during that period. For such contracts the difference between the progress claims rendered (less contract retentions held by the client in cash or bonds) and direct costs (including an appropriate proportion of fixed and variable overheads) is carried forward as either construction work in progress (amounts due from customers for contract work) or amounts due to customers for contract work. Where a contract has progressed beyond the early stages contract revenue and expenses are recognised on a percentage completion basis as noted above.

1 Summary of significant accounting policies (continued)

For fixed price contracts the stage of completion is measured by reference to contract costs for work performed to date as a percentage of estimated total contract costs for each contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned. Percentage of fees earned is measured by the proportion of total costs incurred compared to the estimated total costs of the contract.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Clough Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The Head entity, Clough Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

In addition to its own current and deferred tax amounts, Clough Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits (in the event that such deferred tax assets were recognised) assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable or payable to other entities within the group.

Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

1 Summary of significant accounting policies (continued)

(g) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the business acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of impairment at each reporting date.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are generally settled within 30 days.

1 Summary of significant accounting policies (continued)

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) Work in progress and spare parts

(i) Spare parts

Spare parts are stated at the lower of cost and net realisable value.

(ii) Work in progress

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings and the net amounts are presented in assets as amounts due from customers for contract work. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented in liabilities as amounts due to customers for contract work.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the Group's construction activities in general.

(iii) Property Developments

Property developments are stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

(m) Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(n) Joint ventures

(i) Jointly controlled entities

Interests in jointly controlled entities are accounted for using the equity method in the consolidated financial statements and, if applicable, the cost method in the parent entity. Under the equity method, the share of the profits or losses of jointly controlled entities is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the jointly controlled entity and transactions with the jointly controlled entity are eliminated to the extent of the Group's ownership interest until such time as they are realised by the jointly controlled entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

1 Summary of significant accounting policies (continued)

(o) Investments and other financial assets

From 1 July 2004 to 30 June 2005

The company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The company has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, interests in listed and unlisted securities, other than subsidiaries and associates, are brought to account at cost and dividend income is recognised in the income statement when receivable.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

For further information concerning the adjustments on transition date reference should be made to the following notes:

- Reserves and retained profits - note 8
- Explanation of transition to AIFRS - note 14: section 4 of this note discloses the adjustment to each line item in the financial statements on transition date.

From 1 July 2005

The company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) *Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

1 Summary of significant accounting policies (continued)

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(p) Derivatives

From 1 July 2004 to 30 June 2005

The company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The company has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

The following sets out how derivatives are accounted for under previous AGAAP.

Forward foreign exchange contracts

Gains or costs arising from entering into a contract intended to hedge the purchase or sale of goods or services, together with the subsequent exchange gains or losses resulting from remeasurement of those contracts by reference to movements in spot exchange rates are deferred in the balance sheet from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

For further information concerning the adjustments on transition date reference should be made to:

- Reserves and retained profits - note 8
- Explanation of transition to AIFRS - note 14: section 4 of this note discloses the adjustment to each line item in the financial statements on transition date.

From 1 July 2005

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements in the hedging reserve in shareholders' equity are shown in note 8.

1 Summary of significant accounting policies (continued)

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(q) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(r) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

All property, plant and equipment, other than freehold land, is depreciated or amortised at rates appropriate to the estimated useful life of the assets. The expected useful lives are as follows:

- Buildings	40 years
- Plant and equipment	5-15 years

1 Summary of significant accounting policies (continued)

Plant and equipment is depreciated using the reducing balance method except for certain overseas items that are depreciated using the straight line method. Contract mining equipment located overseas is depreciated on an hours utilisation basis. Buildings are depreciated using the straight line method.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(s) Intangible assets

Intangible assets comprise capitalised computer software. Computer software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the computer software over their estimated useful lives, which vary from 4 to 5 years.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(w) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Clough Limited Executive Option Plan.

Shares options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Shares options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the Clough Limited Executive Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

1 Summary of significant accounting policies (continued)

The fair value at grant date is independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(x) Contributed equity

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(y) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(z) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(aa) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ab) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

2 Segment information

(a) Description of segments

Business segments

The consolidated entity comprises the following main business segments:

Oil & Gas

Provides both onshore and offshore turnkey services including complex design, procurement, construction, commissioning, operations and maintenance. Onshore capabilities incorporate processing facilities, pipelines, refineries and petrochemical plants. Offshore activities include installations in deep or shallow water and marginal fields ranging from moorings, flowlines, subsea systems and offshore platforms.

Minerals and Infrastructure

Provides engineering, construction, procurement, operations and maintenance services. Includes infrastructure capabilities in water, power, pipelines, transport, harbour works, buildings, waste management facilities and mine infrastructure. Other services and capabilities provided include contract mining, ore preparation, materials handling systems, process plant and equipment hire capabilities.

Property

Includes property development from residential land subdivision to commercial buildings.

Other

Includes costs for continuing businesses, net of other income and unallocated costs, assets and liabilities.

Geographical segments

The group operates in the main geographical areas of Australia and Asia.

2 Segment information (continued)

(b) Primary reporting format - business segments

2006	Oil & Gas \$'000	Minerals & Infrastructure \$'000	Property \$'000	Other \$'000	Total \$'000
Sales to external customers	416,344	203,515	12,266	-	632,125
Shares of net profits of associates and jointly controlled entities	9,225	13,244	13,855	391	36,715
Other revenue/income	<u>8,361</u>	<u>3,036</u>	<u>7,500</u>	<u>2,777</u>	<u>21,674</u>
Total segment revenue/income	<u>433,930</u>	<u>219,795</u>	<u>33,621</u>	<u>3,168</u>	<u>690,514</u>
Segment result	<u>(48,603)</u>	<u>25,656</u>	<u>15,425</u>	<u>(3,195)</u>	<u>(10,717)</u>
Segment assets	<u>261,672</u>	<u>163,739</u>	<u>93,571</u>	<u>53,882</u>	<u>572,864</u>
Segment liabilities	<u>189,636</u>	<u>57,345</u>	<u>37,453</u>	<u>100,748</u>	<u>385,182</u>
Investments in associates and jointly controlled entities	<u>14,191</u>	<u>12,996</u>	<u>17,070</u>	<u>-</u>	<u>44,257</u>
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	<u>6,192</u>	<u>30,973</u>	<u>36</u>	<u>4,917</u>	<u>42,118</u>
Depreciation and amortisation expense	<u>2,980</u>	<u>9,975</u>	<u>10</u>	<u>2,158</u>	<u>15,123</u>
Other non-cash expenses	<u>12,230</u>	<u>74</u>	<u>-</u>	<u>711</u>	<u>13,015</u>
2005	Oil & Gas \$'000	Minerals & Infrastructure \$'000	Property \$'000	Other \$'000	Total \$'000
Sales to external customers	288,113	154,555	17,501	-	460,169
Shares of net profits of associates and jointly controlled entities	5,248	1,805	6,040	534	13,627
Other revenue/income	<u>865</u>	<u>2,123</u>	<u>965</u>	<u>12,847</u>	<u>16,800</u>
Total segment revenue/income	<u>294,226</u>	<u>158,483</u>	<u>24,506</u>	<u>13,381</u>	<u>490,596</u>
Segment result	<u>(82,088)</u>	<u>7,137</u>	<u>9,143</u>	<u>11,756</u>	<u>(54,052)</u>
Segment assets	<u>204,271</u>	<u>122,415</u>	<u>38,111</u>	<u>55,101</u>	<u>419,898</u>
Segment liabilities	<u>134,879</u>	<u>40,987</u>	<u>3,227</u>	<u>65,366</u>	<u>244,459</u>
Investments in associates and jointly controlled entities	<u>13,271</u>	<u>2,021</u>	<u>14,906</u>	<u>511</u>	<u>30,709</u>
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	<u>1,027</u>	<u>21,232</u>	<u>28</u>	<u>1,359</u>	<u>23,646</u>
Depreciation and amortisation expense	<u>2,020</u>	<u>8,500</u>	<u>11</u>	<u>2,042</u>	<u>12,573</u>
Other non-cash expenses	<u>8,616</u>	<u>(748)</u>	<u>-</u>	<u>196</u>	<u>8,064</u>

(c) Secondary reporting format - geographical segments

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non- current segment assets	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Australia	102,096	118,409	227,712	184,868	7,701	1,674
Asia	500,888	332,187	341,340	230,561	34,395	21,954
Other countries	<u>29,141</u>	<u>9,573</u>	<u>3,812</u>	<u>4,469</u>	<u>22</u>	<u>18</u>
	<u>632,125</u>	<u>460,169</u>	<u>572,864</u>	<u>419,898</u>	<u>42,118</u>	<u>23,646</u>

3 Revenue

	Consolidated	
	2006	2005
	\$'000	\$'000
From continuing operations		
<i>Sales revenue</i>		
Construction projects	619,859	442,668
Property development	12,266	17,501
	<u>632,125</u>	<u>460,169</u>
<i>Other revenue</i>		
Rents	5	28
Interest income	1,225	2,013
Dividends	88	-
Other revenue	7,697	2,256
	<u>9,015</u>	<u>4,297</u>
	<u>641,140</u>	<u>464,466</u>

4 Other income

	Consolidated	
	2006	2005
	\$'000	\$'000
Net gain on disposal of property, plant and equipment	2,655	575
Net gain on disposal of other non-current assets	8,685	11,928
Foreign exchange gains (net)	771	-
Other income	548	-
	<u>12,659</u>	<u>12,503</u>

5 Expenses

	Consolidated	
	2006	2005
	\$'000	\$'000
Profit (loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	10,729	11,497
Freehold and leasehold land and buildings	<u>135</u>	<u>92</u>
Total depreciation	<u>10,864</u>	<u>11,589</u>
<i>Amortisation</i>		
Plant and equipment under finance leases	3,154	99
Computer software	<u>1,105</u>	<u>885</u>
Total amortisation	<u>4,259</u>	<u>984</u>
<i>Write down of investments to recoverable amount</i>	<u>-</u>	<u>284</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>6,431</u>	<u>3,046</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>16,456</u>	<u>3,355</u>
<i>Foreign exchange gains and losses (net gain in 2006 - see note 4)</i>		
Net foreign exchange losses	<u>-</u>	<u>1,594</u>

6 Income tax expense

	Consolidated	
	2006	2005
	\$'000	\$'000
(a) Income tax expense		
Current tax	6,294	3,319
Deferred tax	(3,655)	(1,092)
Under (over) provided in prior years	<u>(15)</u>	<u>183</u>
	<u>2,624</u>	<u>2,410</u>
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets	(3,749)	91
(Decrease) increase in deferred tax liabilities	<u>94</u>	<u>(1,183)</u>
	<u>(3,655)</u>	<u>(1,092)</u>

6 Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit (loss) before income tax expense	<u>(10,717)</u>	<u>(54,052)</u>
	(10,717)	(54,052)
Tax at the Australian tax rate of 30% (2005 - 30%)	(3,215)	(16,216)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Accounting profit on sale	(2,770)	(2,202)
Capital gain on sale	640	2,901
Dividends from share buy back	4,912	-
Exempt dividends received from overseas	-	(1,608)
Profits from incorporated equity accounted investments	(7,429)	(597)
Exchange loss translation adjustment	1,468	(733)
Rebateable dividends	-	(931)
Other sundry items	<u>(248)</u>	<u>(1,293)</u>
	<u>(6,642)</u>	<u>(20,679)</u>
Difference in overseas tax rates including withholding tax on foreign revenue	405	2,506
Under (over) provision in prior years	(15)	183
Deferred tax asset not recognised arising from tax losses	7,118	20,400
Deferred tax asset not recognised arising from temporary differences	1,200	-
Deferred tax assets/liabilities previously not recognised now brought into account	<u>558</u>	<u>-</u>
Income tax expense attributable to profit (loss) from ordinary activities	<u>2,624</u>	<u>2,410</u>

7 Contributed equity

	Parent		Parent	
	2006	2005	2006	2005
	Shares	Shares	\$'000	\$'000

(a) Share capital

Ordinary shares				
Fully paid	<u>510,232,225</u>	<u>480,232,225</u>	<u>130,232</u>	<u>115,512</u>

Date	Details	Number of shares	Issue price	\$'000
1 July 2004	Opening balance	420,232,225		75,508
11 November 2004	Shares issued to Murray & Roberts, net of issue costs	<u>60,000,000</u>	\$0.68	<u>40,004</u>
30 June 2005	Balance	<u>480,232,225</u>		<u>115,512</u>
1 July 2005	Opening balance	480,232,225		115,512
11 November 2005	Shares issued to Murray & Roberts	30,000,000	\$0.50	<u>15,000</u>
				130,512
30 June 2006	Less: Transaction costs arising on share issue			(280)
	Balance	<u>510,232,225</u>		<u>130,232</u>

8 Reserves and retained profits

	Consolidated	
	2006 \$'000	2005 \$'000
(a) Reserves		
Available-for-sale investments revaluation reserve	2,625	-
Hedging reserve - cash flow hedges	200	-
Share-based payments reserve	125	14
Foreign currency translation reserve	(5,163)	(10,206)
Capital reserve	720	720
	<u>(1,493)</u>	<u>(9,472)</u>

	Consolidated	
	2006 \$'000	2005 \$'000
Movements:		
<i>Available-for-sale investments revaluation reserve</i>		
Balance 1 July	-	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	(106)	-
Revaluation - gross	2,655	-
Deferred tax	(30)	-
Transfer to net profit - gross	151	-
Deferred tax	(45)	-
Balance 30 June	<u>2,625</u>	<u>-</u>

	Consolidated	
	2006 \$'000	2005 \$'000
Movements:		
<i>Hedging reserve - cash flow hedges</i>		
Balance 1 July	-	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	1,165	-
Revaluation - gross	286	-
Deferred tax	(86)	-
Transfer to asset - gross	(1,664)	-
Deferred tax	499	-
Balance 30 June	<u>200</u>	<u>-</u>

	Consolidated	
	2006 \$'000	2005 \$'000
Movements:		
<i>Share-based payments reserve</i>		
Balance 1 July	14	6
Option expense	111	8
Balance 30 June	<u>125</u>	<u>14</u>

8 Reserves and retained profits (continued)

Consolidated	
2006	2005
\$'000	\$'000

Movements:

Foreign currency translation reserve

Balance 1 July	(10,206)	-
Currency translation differences arising during the year	<u>5,043</u>	<u>(10,206)</u>
Balance 30 June	<u>(5,163)</u>	<u>(10,206)</u>

(b) Retained profits

Movements in retained profits were as follows:

Consolidated	
2006	2005
\$'000	\$'000

Balance 1 July	53,179	110,817
Net profit (loss) for the year	(15,077)	(57,638)
Increase in retained profits arising from transactions with minority interests	<u>404</u>	<u>-</u>
Balance 30 June	<u>38,506</u>	<u>53,179</u>

(i) Available-for-sale investments revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 1(o). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

(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 directly in equity, as described in note 1(p). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(iii) Share-based payments reserve

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

(iv) Foreign currency translation reserve

Exchange differences arising on translation of foreign entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment in a foreign entity is disposed of.

9 Dividends

No dividends were paid or declared during the year or subsequent to the year end (2005: Nil).

10 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 involved litigation or arbitration. At this stage it is not possible to reliably estimate the maximum exposures under these claims.

The Directors do not consider the outcome of these claims will have any material adverse effect on the financial position of the consolidated entity.

Origin and its Joint Venture partners have raised a claim of \$90 million against the Group. The Group has a counter claim against Origin and its Joint Venture partners for an amount of \$96 million. The Directors believe that they have adequately provided for any potential losses arising as a result of this dispute, which is expected to be determined through arbitration. The arbitration is scheduled to commence in the second half of calendar year 2006 and is expected to be concluded in 2007.

11 Events occurring after the balance sheet date

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 2006, apart from the matter noted below.

Subsequent to 30 June 2006, the Company has announced its intention to divest of the Clough Property business segment. Clough Property is considered to be a non core activity of the Group and its sale will allow the Company to concentrate on its core business. It is expected that the disposal will be completed within the next twelve months.

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

	Consolidated	
	2006	2005
	\$'000	\$'000
Profit (loss) for the year	(13,341)	(56,462)
Depreciation and amortisation	15,123	12,573
Non-cash employee benefits expense - share-based payments	111	8
Net (gain) loss on disposal of property, plant and equipment	(2,655)	(575)
Net (gain) loss on sale of other non-current assets	(8,685)	(11,928)
Write down of investments to recoverable amount	-	284
Share of profits of associates and jointly controlled entities not received as dividends or distributions	(27,461)	(7,809)
Net exchange differences and other non-cash items	4,931	(1,153)
Decrease (increase) in receivables	(10,465)	(545)
Decrease (increase) in work in progress	(88,655)	(26,240)
Decrease (increase) in deferred tax assets	(3,418)	91
Decrease (increase) in other assets	(4,703)	(3,069)
Increase (decrease) in payables	82,161	41,021
Increase (decrease) in amounts due to customers for contract work	(4,827)	(14,724)
Increase (decrease) in provision for income taxes payable	(37)	(621)
Increase (decrease) in provision for deferred income tax	229	(1,182)
Increase (decrease) in other provisions	1,284	(1,555)
Net cash inflow (outflow) from operating activities	(60,408)	(71,886)

13 Earnings (loss) per share

	Consolidated	
	2006	2005
	Cents	Cents
(a) Basic earnings (loss) per share		
Loss attributable to the ordinary equity holders of the company	(3.02)	(12.57)
(b) Diluted earnings (loss) per share		
Loss attributable to the ordinary equity holders of the company	(3.02)	(12.57)
(c) Reconciliations of earnings used in calculating earnings (loss) per share		
	Consolidated	
	2006	2005
	\$'000	\$'000
<i>Basic and diluted earnings (loss) per share</i>		
Loss for the year	(13,341)	(56,462)
Profit attributable to minority interests	(1,736)	(1,176)
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings (loss) per share	(15,077)	(57,638)
(d) Weighted average number of shares used as the denominator		
	Consolidated	
	2006	2005
	Number	Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings (loss) per share</i>	499,218,526	458,369,211

14 Explanation of transition to Australian equivalents to IFRS

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Consolidated		AIFRS \$'000
		Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	
ASSETS				
Current assets				
Cash and cash equivalents	b	82,389	(6,083)	76,306
Receivables	b	177,405	(3,255)	174,150
Work in progress	b	<u>36,597</u>	<u>(6,053)</u>	<u>30,544</u>
Total current assets		<u>296,391</u>	<u>(15,391)</u>	<u>281,000</u>
Non-current assets				
Receivables		1,984	-	1,984
Investments accounted for using the equity method	b,c,e	29,751	4,326	34,077
Other financial assets	e	8,595	-	8,595
Other non-current assets	f	-	3,011	3,011
Property, plant and equipment	a,b,d,f	70,363	(13,963)	56,400
Intangible assets - computer software	d	-	3,945	3,945
Deferred tax assets		<u>12,771</u>	<u>-</u>	<u>12,771</u>
Total non-current assets		<u>123,464</u>	<u>(2,681)</u>	<u>120,783</u>
Total assets		<u>419,855</u>	<u>(18,072)</u>	<u>401,783</u>
LIABILITIES				
Current liabilities				
Payables	b	110,716	(5,150)	105,566
Amounts due to customers for contract work	b	33,741	(1,302)	32,439
Interest bearing liabilities		37,162	-	37,162
Current tax liabilities		760	-	760
Provisions	b	<u>9,705</u>	<u>(14)</u>	<u>9,691</u>
Total current liabilities		<u>192,084</u>	<u>(6,466)</u>	<u>185,618</u>
Non-current liabilities				
Interest bearing liabilities	b	3,433	(3,433)	-
Deferred tax liabilities		1,220	-	1,220
Provisions	b	<u>10,345</u>	<u>(35)</u>	<u>10,310</u>
Total non-current liabilities		<u>14,998</u>	<u>(3,468)</u>	<u>11,530</u>
Total liabilities		<u>207,082</u>	<u>(9,934)</u>	<u>197,148</u>
Net assets		<u>212,773</u>	<u>(8,138)</u>	<u>204,635</u>

14 Explanation of transition to Australian equivalents to IFRS (continued)

	Notes	Consolidated		
		Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
EQUITY				
Contributed equity		75,508	-	75,508
Reserves	a,g	(14,128)	14,854	726
Retained earnings	a,c,e,f, g	<u>133,733</u>	<u>(22,916)</u>	<u>110,817</u>
Parent entity interest		195,113	(8,062)	187,051
Minority interest	f	<u>17,660</u>	<u>(76)</u>	<u>17,584</u>
Total equity		<u><u>212,773</u></u>	<u><u>(8,138)</u></u>	<u><u>204,635</u></u>

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Consolidated		
		Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current assets				
Cash and cash equivalents	b	70,751	(5,843)	64,908
Receivables	b	169,693	(9,724)	159,969
Work in progress	b	<u>67,920</u>	<u>(11,136)</u>	<u>56,784</u>
Total current assets		<u><u>308,364</u></u>	<u><u>(26,703)</u></u>	<u><u>281,661</u></u>
Non-current assets				
Receivables		11,178	-	11,178
Investments accounted for using the equity method	b,c,e	24,614	6,095	30,709
Other financial assets	e	15,607	-	15,607
Other non-current assets	f	-	2,617	2,617
Property, plant and equipment	a,b,d,f	74,190	(11,948)	62,242
Intangible assets - computer software	d	-	3,204	3,204
Deferred tax assets		<u>12,680</u>	<u>-</u>	<u>12,680</u>
Total non-current assets		<u><u>138,269</u></u>	<u><u>(32)</u></u>	<u><u>138,237</u></u>
Total assets		<u><u>446,633</u></u>	<u><u>(26,735)</u></u>	<u><u>419,898</u></u>
LIABILITIES				
Current liabilities				
Payables	b	159,088	(12,436)	146,652
Amounts due to customers for contract work	b	18,818	(1,089)	17,729
Interest bearing liabilities	b	56,080	(3,448)	52,632
Current tax liabilities		139	-	139
Provisions	b	<u>11,390</u>	<u>(14)</u>	<u>11,376</u>
Total current liabilities		<u><u>245,515</u></u>	<u><u>(16,987)</u></u>	<u><u>228,528</u></u>

14 Explanation of transition to Australian equivalents to IFRS (continued)

	Notes	Consolidated		
		Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
Non-current liabilities				
Interest bearing liabilities		6,944	-	6,944
Deferred tax liabilities		38	-	38
Provisions	b	<u>8,992</u>	<u>(43)</u>	<u>8,949</u>
Total non-current liabilities		<u>15,974</u>	<u>(43)</u>	<u>15,931</u>
Total liabilities		<u>261,489</u>	<u>(17,030)</u>	<u>244,459</u>
Net assets		<u>185,144</u>	<u>(9,705)</u>	<u>175,439</u>
EQUITY				
Contributed equity		115,512	-	115,512
Reserves	a,f,g	(20,801)	11,329	(9,472)
Retained earnings	a,c,e,f, g	<u>74,095</u>	<u>(20,916)</u>	<u>53,179</u>
Parent entity interest		168,806	(9,587)	159,219
Minority interest	f	<u>16,338</u>	<u>(118)</u>	<u>16,220</u>
Total equity		<u>185,144</u>	<u>(9,705)</u>	<u>175,439</u>

(2) Reconciliation of profit/(loss) for the year ended 30 June 2005

	Notes	Consolidated		
		Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
Revenue	b,i	549,316	(84,850)	464,466
Other income	i	-	12,503	12,503
Materials, plant and subcontractor costs	b	(400,741)	42,337	(358,404)
Labour costs	b,g	(134,111)	3,863	(130,248)
Other expenses	a,b,f,i	(46,487)	6,110	(40,377)
Written down value of non-current assets sold	i	(16,208)	16,208	-
Depreciation and amortisation expense	b	(12,616)	43	(12,573)
Finance costs		(3,046)	-	(3,046)
Share of net profits of associates and joint venture entities accounted for using the equity method	b,c,e	<u>7,841</u>	<u>5,786</u>	<u>13,627</u>
Profit/(loss) before income tax		<u>(56,052)</u>	<u>2,000</u>	<u>(54,052)</u>
Income tax expense		<u>(2,410)</u>	-	<u>(2,410)</u>
Profit/(loss) for the year		<u>(58,462)</u>	<u>2,000</u>	<u>(56,462)</u>
Profit attributable to minority interest		<u>(1,176)</u>	-	<u>(1,176)</u>
Profit/(loss) attributable to members of Clough Limited		<u>(59,638)</u>	<u>2,000</u>	<u>(57,638)</u>

14 Explanation of transition to Australian equivalents to IFRS (continued)

(a) Foreign currency translation

The company has elected to apply the exemption in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve are deemed to be zero at the date of transition to AIFRS.

In addition under AIFRS, the assets and liabilities of foreign operations with a functional currency other than Australian Dollars are now required to be translated into Australian Dollars using the closing exchange rate at the date of the balance sheet and resulting exchange differences are recognised as a separate component of equity. Exchange differences arising from the translation of any net investment in foreign operations are also required to be taken to shareholders' equity in the consolidated financial statements. Under previous AGAAP, exchange differences on translation of integrated operations were included in profit or loss for the period. The effect of the above is as follows:

(i) At 1 July 2004

For the Group, the debit balance of \$14,848,000 in the foreign currency translation reserve is reduced to zero and retained earnings is reduced by this amount. In addition, there is a reduction in property, plant and equipment previously translated at historical exchange rates of \$4,383,000 and a corresponding decrease in retained earnings.

(ii) At 30 June 2005

For the Group, there is a credit to the foreign currency translation reserve of \$11,509,000 and retained earnings is reduced by this amount. In addition, there is a reduction in property, plant and equipment previously translated at historical exchange rates of \$5,277,000 and a corresponding decrease in retained earnings.

(iii) For the year ended 30 June 2005

For the Group, there is a credit to other expenses of \$2,445,000 in relation to exchange losses on the translation of foreign operations and net investments in foreign operations recorded in the income statement under AGAAP.

(b) Correction of error made under previous AGAAP - Unincorporated joint ventures

The Group has interests in a number of unincorporated joint ventures. Under previous AGAAP, these unincorporated joint ventures were classified as joint venture operations and were proportionally consolidated. As a result of further review of the nature of these joint venture arrangements and consideration of industry practise, it is now considered that the Group's unincorporated joint ventures should have been classified as joint venture entities under AASB 1006 Interests in Joint Ventures and equity accounted.

Under previous AGAAP, this error would have been corrected in the period that it was discovered (the year ended 30 June 2006). Under AIFRS, the 2005 comparatives have been adjusted to reflect the correction of the error, the effect of which is:

(i) At 1 July 2004

For the Group, there is an increase in investments accounted for using the equity method of \$7,649,000 and a reduction in cash and cash equivalents of \$6,083,000, current receivables of \$3,255,000, work in progress of \$6,053,000, property, plant and equipment of \$2,192,000, payables of \$5,150,000, amounts due to customers for contract work of \$1,302,000, current provisions of \$14,000, non-current interest bearing liabilities of \$3,433,000 and non-current provisions of \$35,000. There is no impact on the net assets of the Group.

(ii) At 30 June 2005

For the Group, there is an increase in investments accounted for using the equity method of \$9,697,000 and a reduction in cash and cash equivalents of \$5,843,000, current receivables of \$9,724,000, work in progress of \$11,136,000, property, plant and equipment of \$24,000, payables of \$12,436,000, amounts due to customers for contract work of \$1,089,000, current interest bearing liabilities of \$3,448,000, current provisions of \$14,000 and non-current provisions of \$43,000. There is no impact on the net assets of the Group.

(iii) For the year ended 30 June 2005

For the Group, there is an increase in the share of net profits of associates and jointly controlled entities accounted for using the equity method of \$6,065,000 and a reduction in revenue of \$53,912,000, materials, plant and subcontractor costs of \$42,337,000, labour costs of \$3,871,000, depreciation and amortisation expense of \$43,000 and other expenses of \$1,596,000. There is no impact on the net loss of the Group.

14 Explanation of transition to Australian equivalents to IFRS (continued)

(c) Associates

The Group has an interest in Landrow Limited which is an associated entity and is equity accounted in the consolidated financial statements. As a result of the impact of the introduction of AIFRS on Landrow Limited, in particular the recognition of deferred tax, the carrying value of the equity accounted investment in Landrow Limited has been impacted as follows:

(i) At 1 July 2004

For the Group, there is a decrease of \$1,325,000 in investments accounted for using the equity method and a decrease in retained earnings of \$1,325,000.

(ii) At 30 June 2005

For the Group, there is a decrease of \$1,764,000 in investments accounted for using the equity method and a decrease in retained earnings of \$1,764,000.

(iii) For the year ended 30 June 2005

For the Group, there is a decrease in the share of net profits of associates and joint venture entities accounted for using the equity method of \$439,000.

(d) Computer software

Under previous AGAAP, computer software was included as part of property, plant and equipment. In accordance with AASB 138 Intangible Assets, computer software now falls within the definition of an intangible asset and as a result, computer software included in property, plant and equipment under AGAAP has been reclassified to intangible assets as a result of the introduction of AIFRS. The effect of this is as follows:

(i) At 1 July 2004

For the Group, computer software with a carrying value of \$3,945,000 has been reclassified from property, plant and equipment to intangible assets.

(ii) At 30 June 2005

For the Group, computer software with a carrying value of \$3,204,000 has been reclassified from property, plant and equipment to intangible assets.

(iii) For the year ended 30 June 2005

There is no impact on the Group.

(e) Impairment

A recoverable amount assessment was performed on the equity accounted investment in Covus Corporation Pty Ltd, a joint venture entity, as at 1 July 2004 on the transition to AIFRS as a result of its performance being below expectations. When this assessment was made under previous AGAAP, the recoverable amount was estimated on an undiscounted basis. Using a pre-tax discount rate of 13.65 % to arrive at the value-in-use of this investment, an impairment of \$1,998,000 existed at 1 July 2004.

Goodwill was included in the carrying value of the equity accounted investment in Covus Corporation Pty Ltd under previous AGAAP and was being amortised over a period of 10 years. Under AIFRS, the goodwill will no longer be amortised and will instead be tested for impairment on an annual basis. As a result of the impairment review performed as at 1 July 2004 on the transition to AIFRS, the goodwill totalling \$1,186,000 was found to be impaired as part of the total impairment of \$1,998,000 as detailed above. In addition, the goodwill which was amortised during the year ended 30 June 2005 under previous AGAAP totalling \$160,000 is required to be reversed under AIFRS.

The effect of the above is as follows:

(i) At 1 July 2004

For the Group, there is a decrease in investments accounted for using the equity method of \$1,998,000 and a decrease in retained earnings of \$1,998,000.

(ii) At 30 June 2005

For the Group, there is a decrease in investments accounted for using the equity method of \$1,838,000 and a decrease in retained earnings of \$1,838,000.

14 Explanation of transition to Australian equivalents to IFRS (continued)

(iii) For the year ended 30 June 2005

For the Group, the share of net profits of associates and joint venture entities accounted for using the equity method has increased by \$160,000.

(f) Indonesian Land

An Indonesian subsidiary, PT Petrosea Tbk, has various land (land with Hak Guna Bangunan (HGB) title) where the right to use the land has been granted by the Indonesian Government. Under AGAAP, this land was recorded as land at cost and was not being amortised but under AIFRS, it is considered to be an operating lease and the cost of acquiring the right to use the land is required to be amortised over the duration of the HGB title. The effect of this is as follows:

(i) At 1 July 2004

For the Group, there is a decrease of \$3,443,000 in freehold and leasehold land in property, plant and equipment, an increase in other non-current assets of \$3,011,000, a decrease in retained earnings of \$356,000 and a decrease in minority interests in equity of \$76,000.

(ii) At 30 June 2005

For the Group, there is a decrease of \$3,443,000 in freehold and leasehold land in property, plant and equipment, an increase in other non-current assets of \$2,617,000, a decrease in retained earnings of \$514,000, a decrease in the foreign currency translation reserve of \$194,000 and a decrease in minority interests in equity of \$118,000.

(iii) For the year ended 30 June 2005

For the Group, there is an increase in other expenses of \$158,000.

(g) Share-based payments

Under AASB 2 *Share-based Payment*, from 1 July 2004 the Group is required to recognise an expense for those options that were issued to employees after 7 November 2002 but that had not vested by 1 January 2005. The effect of this is as follows:

(i) At 1 July 2004

For the Group, there is a decrease in retained earnings of \$6,000 and a corresponding increase in reserves (share-based payments reserve).

(ii) At 30 June 2005

For the Group, there is a decrease in retained earnings of \$14,000 and a corresponding increase in reserves (share-based payments reserve).

(iii) For the year ended 30 June 2005

For the Group, there is an increase in employee benefits expense of \$8,000.

(h) Financial instruments

The company has elected to apply the exemption from restatement of comparatives for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. It has therefore continued to apply the previous AGAAP rules to derivatives, financial assets and financial liabilities and also to hedge relationships for the year ended 30 June 2005. The adjustments required for differences between previous AGAAP and AASB 132 and AASB 139 have been determined and recognised at 1 July 2005. Refer to section 4 of this note and note 1 for further details.

(i) Sale of non-current assets

Under AASB 118 *Revenue*, the net gain or loss on the sale of non-current assets is included in other income or other expense as appropriate. Under previous AGAAP, the gross proceeds from the sale of non-current assets were recognised as revenue and the carrying amount of the assets sold as an expense. The effect of this is as follows:

(i) At 1 July 2004

There is no effect on the Group.

(ii) At 30 June 2005

There is no effect on the Group.

14 Explanation of transition to Australian equivalents to IFRS (continued)

(iii) For the year ended 30 June 2005

For the Group, revenue is reduced by \$30,938,000, the written down value of non-current assets sold expense is reduced by \$16,208,000, other expenses are reduced by \$2,227,000 and other income is increased by \$12,503,000.

(j) Income tax

Under previous AGAAP, income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of AIFRS has resulted in a change in accounting policy. The application of AASB 112 *Income Taxes* has resulted in the recognition of deferred tax assets and liabilities where the carrying value of assets and liabilities differs from their tax base. The effects of this are as follows:

(i) At 1 July 2004

For the Group, a deferred tax liability of \$877,890 is recognised as a result of the difference between the tax and accounting cost bases of the equity accounted investments. A deferred tax asset of \$877,890 is recognised as a result of tax losses that are now probable. These amounts have been netted off and thus no deferred tax asset or deferred tax liability is recognised in the accounts.

(ii) At 30 June 2005

For the Group, a deferred tax liability of \$2,016,063 is recognised as a result of the difference between the tax and accounting cost bases of the equity accounted investments. A deferred tax asset of \$2,016,063 is recognised as a result of tax losses that are now probable. These amounts have been netted off and thus no deferred tax asset or deferred tax liability is recognised in the accounts.

(iii) For the year ended 30 June 2005

There is no effect on the Group.

(3) Other effects of the transition to AIFRS

Statement of cash flows

The Group's unincorporated joint ventures were previously treated as being joint venture operations and were proportionally consolidated. As detailed in note (b) above, these unincorporated joint ventures are now required to be equity accounted under AIFRS. As a result, the consolidated statement of cash flows for the year ended 30 June 2005 has been impacted as follows:

Cash held at 1 July 2004 has decreased by \$6,083,000. Net cash outflow from operating activities has decreased by \$3,238,000, net cash inflow from investing activities has decreased by \$2,983,000, net cash inflow from financing activities has decreased by \$15,000 and there has been a net increase in cash for the year of \$240,000. As at 30 June 2005, the cash held has decreased by \$5,843,000.

14 Explanation of transition to Australian equivalents to IFRS (continued)

(4) Adjustments on transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*: 1 July 2005

	Consolidated		
	30 June 2005 \$'000	Adjustment \$'000	1 July 2005 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	64,908	-	64,908
Trade and other receivables	159,969	(2,013)	157,956
Work in progress	56,784	-	56,784
Derivative financial instruments	-	2,482	2,482
Total current assets	<u>281,661</u>	<u>469</u>	<u>282,130</u>
Non-current assets			
Receivables	11,178	-	11,178
Available-for-sale financial assets	-	15,456	15,456
Investments accounted for using the equity method	30,709	-	30,709
Other financial assets	15,607	(15,607)	-
Other non-current assets	2,617	-	2,617
Property, plant and equipment	62,242	-	62,242
Intangible assets - computer software	3,204	-	3,204
Deferred tax assets	12,680	(454)	12,226
Total non-current assets	<u>138,237</u>	<u>(605)</u>	<u>137,632</u>
Total assets	<u>419,898</u>	<u>(136)</u>	<u>419,762</u>
LIABILITIES			
Current liabilities			
Trade and other payables	146,652	(2,013)	144,639
Amounts due to customers for contract work	17,729	-	17,729
Borrowings	52,632	-	52,632
Current tax liabilities	139	-	139
Provisions	11,376	-	11,376
Derivative financial instruments	-	818	818
Total current liabilities	<u>228,528</u>	<u>(1,195)</u>	<u>227,333</u>
Non-current liabilities			
Borrowings	6,944	-	6,944
Deferred tax liabilities	38	-	38
Provisions	8,949	-	8,949
Total non-current liabilities	<u>15,931</u>	<u>-</u>	<u>15,931</u>
Total liabilities	<u>244,459</u>	<u>(1,195)</u>	<u>243,264</u>
Net assets	<u>175,439</u>	<u>1,059</u>	<u>176,498</u>

14 Explanation of transition to Australian equivalents to IFRS (continued)

	Consolidated		
	30 June 2005 \$'000	Adjustment \$'000	1 July 2005 \$'000
EQUITY			
Contributed equity	115,512	-	115,512
Reserves	(9,472)	1,059	(8,413)
Retained earnings	<u>53,179</u>	<u>-</u>	<u>53,179</u>
Parent entity interest	159,219	1,059	160,278
Minority interest	<u>16,220</u>	<u>-</u>	<u>16,220</u>
Total equity	<u><u>175,439</u></u>	<u><u>1,059</u></u>	<u><u>176,498</u></u>

Refer to notes 1(o), 1(p) and 1 for further information on the transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* on 1 July 2005.

Clough Limited
Supplementary Appendix 4E information

Additional dividend information

Details of dividends declared or paid during or subsequent to the year ended 30 June 2006 are as follows:

	Final	0.0 cents	\$ -	0.0 cents	-
	Interim	0.0 cents	\$ -	0.0 cents	-

Dividend reinvestment plans

The company has implemented a dividend reinvestment plan. This enables shareholders to reinvest all or part of their dividends in additional shares.

The last date for the receipt of an election notice for participation in the dividend/distribution reinvestment plan is - N/A.

NTA Backing

	2006	2005
Net tangible asset backing per ordinary share (cents)	29.56	30.51

Controlled entities acquired or disposed of

Acquired	MPA Energy Services Pty Ltd
Date control gained	1 January 2006
Contribution to profit after tax in current period, where material	not material
Profit after tax during the whole of the previous corresponding period, where material	not material

Associates and Jointly Controlled Entities

Name	Ownership interest	
	2006 %	2005 %
Airlie Beach Joint Venture	50	50
Aker Clough Joint Venture	50	50
Aker Kvaerner Clough Murray & Roberts Joint Venture	19.5	-
Al Bilad S&B Clough, Ltd	50	50
Baulderstone Clough Joint Venture	50	50
Clough Aker Joint Venture	50	50
Clough Amec Joint Venture – CoP	50	50
Clough Amec Joint Venture - WEL	50	50
Clough Amec Pty Ltd	50	-
Clough Demol Joint Venture	80	80
Clough Downer Joint Venture	50	50
Clough Lucas Joint Venture	50	50
Clough Lucas (Bundeena) Joint Venture	80	80
Clough Murray & Roberts Joint Venture	50	-
Clough Seymour Whyte Joint Venture	50	50
Clough Seymour Whyte Joint Venture – Lake Cowal	50	50
Clough Shedden Uhde Joint Venture	-	50
Clough Sino Thai Co Ltd	50	50
Covus Corporation Pty Ltd	-	72.73
Elclough Pty Ltd	50	50
Harbourworks Clough Contracting Pty Ltd	51	-
Harbourworks Clough Joint Venture	50	-
Henry Walker Eltin – Clough Joint Venture	-	50
HR Connect Pty Ltd	-	33.3
Kellogg Joint Venture – Train 4	17.5	17.5

Clough Limited
Supplementary Appendix 4E information

Associates and Jointly Controlled Entities (continued)

Kellogg Joint Venture - Gorgon	20	20
Kvaerner Clough Joint Venture	33.3	33.3
Landrow Limited	-	49.5
Mashhor Clough Sdn Bhd	50	50
Mermaid Clough Pty Ltd	50	50
Mernda (Lot 6) Joint Venture	50	-
Moltoni Clough Joint Venture	-	50
Moltoni Clough (No. 2) Joint Venture	50	-
MPA Energy Services Pty Ltd (remainder of entity was acquired on 1 January 2006)	100	50
Nambeelup Joint Venture	50	-
Nisconi Petrosea Joint Operation	-	50
Pama Petrosea Joint Operation	-	50
Petrosea Calibre Roberts & Schaeffer Joint Operation	33.3	-
PT Petrosea Tbk – PT Barclay Mowlem Indonesia Joint Operation	50	-
PT Tirta Kencana Cahaya Mandiri	47	47
PTSC Clough Joint Venture	50	50
Rapley Clough Joint Venture	50	50
Shedden Uhde Pty Ltd	50	50
Sonsub Clough Partnership	50	50
Trophy Assets Rapley Clough Joint Venture	-	25
Yunderup Joint Venture	50	-

The contribution to net profit/(loss) from the above associates and jointly controlled entities was \$36,715,000 (2005: \$13,627,000)

Annual Meeting

The Annual General Meeting will be held at 10 am on Wednesday 8 November 2006 at the Perth Parmelia Hilton Hotel. The Annual Report will be available early October 2006.



David Patrick Alexander Singleton
Chief Executive Officer & Managing Director

22 August 2006

Supplementary Information
For the year ended 30 June 2006

Group Turnover

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 income statement

Joint Venture Entities

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

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

	2006	2005
	\$'000	\$'000
CONSOLIDATED GROUP TURNOVER		
Construction projects	632,125	460,169
Other revenue	9,015	4,297
Revenue	641,140	464,466
Share of revenue from jointly controlled entities and associates	280,826	165,044
	921,966	629,510