

Clough Limited
Annual financial report
for the year ended 30 June 2007

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This financial report covers both Clough Limited as an individual entity and the consolidated entity consisting of Clough Limited and its subsidiaries. The financial report is presented in the Australian currency.

Clough Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Clough Limited
6th Floor, 251 St George's Terrace
Perth WA 6000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report contained in the concise financial report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 27 August 2007. The Company has the power to amend and reissue the financial report.

Clough Limited
Income statements
For the year ended 30 June 2007

		Consolidated		Parent	
	Notes	2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Revenue	5	579,656	641,140	9,669	4,855
Other income	6	6,024	12,659	2	-
Materials, plant and subcontractor costs		(449,620)	(488,105)	-	(9)
Labour costs		(160,982)	(141,746)	-	-
Impairment of investments in controlled entities		-	-	(47,153)	(21,427)
Provision for non-recoverability of amounts due from controlled entities		-	-	(87,959)	-
Other expenses		(62,799)	(49,826)	(171)	-
Depreciation and amortisation expense	7	(17,547)	(15,123)	-	(1)
Finance costs	7	(11,130)	(6,431)	(9,498)	(4,855)
Share of net profits of associates and jointly controlled entities accounted for using the equity method		17,438	36,715	-	-
Loss before income tax		(98,960)	(10,717)	(135,110)	(21,437)
Income tax (expense) / benefit	8	(4,959)	(2,624)	15,144	11,418
Loss for the year		(103,919)	(13,341)	(119,966)	(10,019)
Profit attributable to minority interest		(1,341)	(1,736)	-	-
Loss attributable to members of Clough Limited		(105,260)	(15,077)	(119,966)	(10,019)
		Cents	Cents		
Loss per share attributable to the ordinary equity holders of the Company:					
Basic loss per share	47	(20.63)	(3.02)		
Diluted loss per share	47	(20.63)	(3.02)		

The above income statements should be read in conjunction with the accompanying notes.

Clough Limited
Balance sheets
As at 30 June 2007

	Notes	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	9	82,947	53,636	18	11
Receivables	10	137,439	192,418	77,472	56,742
Work in progress	11	116,622	145,439	-	-
Derivative financial instruments	12	1,530	286	-	-
		<u>338,538</u>	<u>391,779</u>	<u>77,490</u>	<u>56,753</u>
Non-current assets classified as held for sale	13	12,579	-	-	-
Total current assets		<u>351,117</u>	<u>391,779</u>	<u>77,490</u>	<u>56,753</u>
Non-current assets					
Receivables	14	711	11,455	66,096	139,212
Available-for-sale financial assets	16	1,789	11,279	-	2
Investments accounted for using the equity method	15	26,965	44,257	-	-
Other financial assets	17	-	-	20,000	52,009
Other non-current assets	21	7,281	7,617	-	-
Property, plant and equipment	18	85,312	84,335	-	-
Intangible assets - computer software	20	4,206	5,713	-	-
Deferred tax assets	19	18,604	16,429	2	2
Total non-current assets		<u>144,868</u>	<u>181,085</u>	<u>86,098</u>	<u>191,225</u>
Total assets		<u>495,985</u>	<u>572,864</u>	<u>163,588</u>	<u>247,978</u>
LIABILITIES					
Current liabilities					
Payables	22	153,940	219,285	-	-
Amounts due to customers for contract work	26	76,538	12,902	-	-
Interest bearing liabilities	23	106,883	73,719	77,472	56,742
Current tax liabilities	25	1,806	506	-	-
Provisions	24	14,940	15,342	-	-
Derivative financial instruments	12	843	-	-	-
Total current liabilities		<u>354,950</u>	<u>321,754</u>	<u>77,472</u>	<u>56,742</u>
Non-current liabilities					
Payables	27	4,346	15,515	-	-
Interest bearing liabilities	28	55,596	40,357	38,245	22,500
Non interest bearing liabilities	29	13,854	-	2,979	4,553
Deferred tax liabilities	30	230	248	110	-
Provisions	31	3,599	7,308	-	-
Total non-current liabilities		<u>77,625</u>	<u>63,428</u>	<u>41,334</u>	<u>27,053</u>
Total liabilities		<u>432,575</u>	<u>385,182</u>	<u>118,806</u>	<u>83,795</u>
Net assets		<u>63,410</u>	<u>187,682</u>	<u>44,782</u>	<u>164,183</u>
EQUITY					
Contributed equity	32	130,232	130,232	130,232	130,232
Reserves	33(a)	(18,570)	(1,493)	1,167	602
Retained profits/(accumulated losses)	33(b)	(66,880)	38,506	(86,617)	33,349
Parent entity interest		44,782	167,245	44,782	164,183
Minority interest	34	18,628	20,437	-	-
Total equity		<u>63,410</u>	<u>187,682</u>	<u>44,782</u>	<u>164,183</u>

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

Clough Limited
Statements of changes in equity
For the year ended 30 June 2007

	Notes	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Total equity at the beginning of the financial year		<u>187,682</u>	<u>175,439</u>	<u>164,183</u>	<u>159,369</u>
Adjustment on change in accounting policy					
Retained profits	1(f)	-	-	-	2
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:					
Reserves	33	-	1,059	-	-
Restated total equity at the beginning of the financial year		<u>187,682</u>	<u>176,498</u>	<u>164,183</u>	<u>159,371</u>
Changes in the fair value of available-for-sale financial assets, net of tax		(2,942)	2,731	-	-
Changes in fair value of cash flow hedges, net of tax		281	(965)	-	-
Exchange differences on translation of foreign entities		(17,696)	5,500	-	-
Net income/(loss) recognised directly in equity		<u>(20,357)</u>	<u>7,266</u>	<u>-</u>	<u>-</u>
Loss for the year		<u>(103,919)</u>	<u>(13,341)</u>	<u>(119,966)</u>	<u>(10,019)</u>
Total recognised income and expense for the year		<u>(124,276)</u>	<u>(6,075)</u>	<u>(119,966)</u>	<u>(10,019)</u>
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	32	-	14,720	-	14,720
Employee share options	33	112	111	112	111
Convertible note premium reserve, net of tax	33	453	-	453	-
Increase/(decrease) in retained profits due to change in interest in controlled entity	33	(126)	404	-	-
Total changes in minority interest		(435)	2,992	-	-
Dividends paid to minority interests in subsidiaries		-	(968)	-	-
		<u>4</u>	<u>17,259</u>	<u>565</u>	<u>14,831</u>
Total equity at the end of the financial year		<u>63,410</u>	<u>187,682</u>	<u>44,782</u>	<u>164,183</u>
Total recognised income and expense for the year is attributable to:					
Members of Clough Limited		(122,902)	(8,268)	(119,966)	(10,019)
Minority interest		(1,374)	2,193	-	-
		<u>(124,276)</u>	<u>(6,075)</u>	<u>(119,966)</u>	<u>(10,019)</u>

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

Clough Limited
Cash flow statements
For the year ended 30 June 2007

	Notes	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		634,905	651,586	9,669	4,921
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(660,025)</u>	<u>(710,279)</u>	<u>(9,301)</u>	<u>(319)</u>
		(25,120)	(58,693)	368	4,602
Interest received		2,265	1,225	-	-
Dividends and distributions received from equity accounted entities		28,707	9,253	-	-
Dividends received from other persons		-	88	-	-
Interest paid		(12,894)	(6,431)	-	(4,855)
Income taxes paid		<u>(5,852)</u>	<u>(5,850)</u>	<u>-</u>	<u>-</u>
Net cash inflow/(outflow) from operating activities	45	<u>(12,894)</u>	<u>(60,408)</u>	<u>368</u>	<u>(253)</u>
Cash flows from investing activities					
Payment for purchase of subsidiary, net of cash acquired		(550)	280	-	-
Payments for property, plant and equipment		(19,850)	(22,631)	-	-
Payments for intangible assets - computer software		(38)	(3,614)	-	-
Payments for available-for-sale financial assets		(1,760)	(1,000)	4	-
Payments for investments in equity accounted entities		(6,736)	(6,672)	-	-
Loans (to)/from equity accounted entities		657	(1,832)	-	1,250
Loans (to)/from other persons		(2,845)	(95)	6	23
Proceeds from sale of property, plant and equipment		3,629	8,575	-	-
Proceeds from sale of available-for-sale financial assets		1,138	8,998	-	-
Proceeds from sale of investments in equity accounted entities		16,000	14,354	-	-
Proceeds from partial sale of interest in listed subsidiary		-	467	-	-
Proceeds from disposal of subsidiary, net of cash disposed		<u>3,221</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash inflow/(outflow) from investing activities		<u>(7,134)</u>	<u>(3,170)</u>	<u>10</u>	<u>1,273</u>
Cash flows from financing activities					
Proceeds from issue of shares		-	15,000	-	15,000
Share issue costs		-	(280)	-	(280)
Proceeds from convertible note issue		39,248	-	39,248	-
Convertible note issue costs		(637)	-	(637)	-
Payments to minorities for shares bought back by listed subsidiary		(649)	(918)	-	-
Proceeds from borrowings		43,889	58,348	31,957	36,955
Loans (to)/from controlled entities		-	-	(37,212)	(46,409)
Repayment of borrowings		(27,730)	(20,548)	(33,727)	(8,984)
Dividends paid to minority interests in subsidiaries		<u>-</u>	<u>(968)</u>	<u>-</u>	<u>-</u>
Net cash inflow/(outflow) from financing activities		<u>54,121</u>	<u>50,634</u>	<u>(371)</u>	<u>(3,718)</u>

Clough Limited
Cash flow statements
For the year ended 30 June 2007
(continued)

	Notes	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net increase/(decrease) in cash and cash equivalents		34,093	(12,944)	7	(2,698)
Cash and cash equivalents at the beginning of the financial year		53,636	64,908	11	2,709
Effects of exchange rate changes on cash and cash equivalents		(4,782)	1,672	-	-
Cash and cash equivalents at end of year	9	<u>82,947</u>	<u>53,636</u>	<u>18</u>	<u>11</u>
Financing arrangements	28				
Non-cash financing and investing activities	46				

The above cash flow statements should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Clough Limited as an individual entity and the consolidated entity consisting of Clough Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Clough Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Disclosure and Presentation*.

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 or equity.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(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 2007 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 (refer to note 1(h)).

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

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 amounts collected on behalf of third parties. 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 when risks and rewards have passed to the buyer.

(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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

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 from or payable to other entities within the Group. Details about the tax funding agreement are disclosed in note 8.

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.

Change in accounting policy

The policy of measuring current and deferred tax amounts as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right was adopted for the first time in the current financial year. In previous reporting periods, current and deferred tax amounts arising from temporary differences of the members of the tax consolidated group were recognised in the financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach under which adjustments are made to each entity in relation to transactions that do not give rise to a tax consequence for the Group or that have a different tax consequence at a Group level.

The change in accounting policy was considered necessary because the stand-alone tax payer approach is considered to be more practical and is in alignment with the group entities' accounting records. The new policy has been applied retrospectively and comparative information in relation to the 2006 financial year has been restated accordingly. The following adjustments were made as at 30 June 2006 and 1 July 2005:

1 Summary of significant accounting policies (continued)

Parent	30 June 2006 \$'000	Increase/ (Decrease) \$'000	30 June 2006 \$'000	30 June 2005 \$'000	Increase/ (Decrease) \$'000	1 July 2005 \$'000
Investments in subsidiaries	40,000	12,009	52,009	60,000	-	60,000
Deferred tax assets	2	-	2	2	4,232	4,234
Non current liabilities - non interest bearing liabilities - amounts due to controlled entities	<u>(2,537)</u>	<u>(2,016)</u>	<u>(4,553)</u>	<u>(48,189)</u>	<u>(4,230)</u>	<u>(52,419)</u>
Net assets	<u>154,190</u>	<u>9,993</u>	<u>164,183</u>	<u>159,369</u>	<u>2</u>	<u>159,371</u>
Retained earnings	<u>23,356</u>	<u>9,993</u>	<u>33,349</u>	<u>43,366</u>	<u>2</u>	<u>43,368</u>
Total equity	<u>154,190</u>	<u>9,993</u>	<u>164,183</u>	<u>159,369</u>	<u>2</u>	<u>159,371</u>

For the parent entity, profit for the year ended 30 June 2006 increased by \$9,991,000, reflecting a credit to income tax expense of \$11,418,000 and an impairment of an investment in a subsidiary company of \$1,427,000.

There was no impact on the consolidated financial statements of the Group or the earnings per share disclosed in note 47.

The previous accounting policy was adopted on 1 July 2005 and thus there was no impact to earlier accounting periods.

(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 (note 18). 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 cost. 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 (note 39). 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) Business combinations

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 Group's share of the fair value of the identifiable net assets of the subsidiary 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.

1 Summary of significant accounting policies (continued)

(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

For cash flow statement presentation purposes, 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, using the effective interest method less provision for impairment. Trade receivables are generally settled within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group 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 original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. 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 (refer to note 42).

1 Summary of significant accounting policies (continued)

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. Details of the jointly controlled entities are set out in note 43.

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.

(o) Investments and other financial assets

The Group 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, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.

(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 Group 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 (notes 10 and 14).

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group'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.

Regular purchases and sales of investments are recognised on trade-date - the date on which the Group 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 carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group 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. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

(p) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group 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 the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group 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.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 12. Movements in the hedging reserve in shareholders' equity are shown in note 33.

(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. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within other income or other expense together with the gain or loss relating to the ineffective portion and changes in the fair value of the hedge fixed rate borrowings attributable to interest rate 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 within other income or other expense.

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). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'. 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 and are included in other income or other expenses.

1 Summary of significant accounting policies (continued)

(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

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 (note 1(i)).

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 Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1 Summary of significant accounting policies (continued)

(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. Fees paid on the establishment of loan facilities, which are not incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

(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.

(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. Information relating to these schemes is set out in note 48.

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.

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 is adjusted to reflect market vesting conditions, but 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 and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(x) Contributed equity

Ordinary shares are classified as equity (note 32).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options 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.

1 Summary of significant accounting policies (continued)

(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) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

Revised AASB 101 Presentation of Financial Statements

AASB 101 has been amended to delete the Australian specific financial report structure and reinstate the IFRS financial report structure and is applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not elected to adopt the amendments early. Application of this standard will have no direct impact on the amounts included in the Group's and the parent entity's financial statements, however the revised standard may result in changes in disclosure.

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

AASB Interpretation 10 Interim Financial Reporting and Impairment

AASB Interpretation 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore currently have no impact on the Group's or the parent entity's financial statements.

AASB Interpretation 11 Group and Treasury Share Transactions and AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]

AASB Interpretation 11 and AASB 2007-1 are applicable to annual reporting periods beginning on or after 1 March 2007. The Group has not adopted the standards early. AASB Interpretation 11 specifies that a share-based payment transaction in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled. The amending standard is issued as a consequence of AASB Interpretation 11. This is consistent with the Group's existing accounting policies for share-based payments so will have no impact on the Group's or the parent entity's financial statements.

1 Summary of significant accounting policies (continued)

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]

AASB 8 and AASB 2007-3 are applicable to annual reporting periods beginning on or after 1 January 2009. The Group has not adopted the standards early. The amending standard is issued as a consequence of AASB 8 Operating Segments. AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the new standard is expected to have an impact on the Group's segment disclosures as segment information based on management reports are more detailed than those currently reported under AASB 114. Application of the standards will have no direct impact on the amounts or disclosures included in the parent entity's financial statements.

AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments

AASB 2007-4 is applicable to annual reporting periods ending on or after 1 July 2007. The Group has not adopted the amendments early. The amendment is issued to delete the Australian specific financial report structure and reinstate the IFRS financial report structure. The amending standard provides accounting policy options, disclosure and presentation requirements which were previously restricted by the Australian Accounting Standards Board. Application of the amendments will have no direct impact on the amounts included in the Group's and the parent entity's financial statements as the Group does not anticipate changing any of its accounting policy choices as a result of the issue of AASB 2007-4. However the new standard may have an impact on the disclosures included in the Group's and the parent entity's financial statements.

Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

AASB 123 and AASB 2007-6 are applicable to annual reporting periods beginning on or after 1 January 2009. The Group has not adopted the standards early. AASB 123 previously permitted choices between expensing all borrowing costs and capitalising those that were attributable to the acquisition, construction or production of a qualifying asset. The amendments principally remove references to expensing borrowing costs on qualifying assets, as AASB 123 was revised to require such borrowing costs to be capitalised. This is consistent with the Group's existing accounting policies for borrowing costs on qualifying assets so will have no impact on the Group's or the parent entity's financial statements.

AASB 2007-7 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]

The amending standard is issued to delete the Australian specific financial report structure and reinstate the IFRS financial report structure and is applicable to annual reporting periods beginning on or after 1 July 2007. The Group has not adopted the amendments early. Application of the amendments will not affect any of the amounts recognised in the financial statements. Unless the Group elects to adopt allowable options in future reporting periods, these amendments are not expected to have any impact on the Group's and the parent entity's financial statements.

(ac) 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.

(ad) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

1 Summary of significant accounting policies (continued)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(ae) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to various currencies. Generally, forward exchange contracts are used to manage foreign exchange risk. Alternatively, this risk is managed by naturally hedging the project by matching the currencies in which revenues are received against the currencies in which costs are incurred.

(ii) Fair value interest rate risk

Refer to (d) below.

(b) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash and committed credit facilities to meet the Group's commitments as they arise. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

2 Financial risk management (continued)

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Accounting for construction contracts

The Group accounts for construction contracts in accordance with AASB 111 Construction Contracts. The detailed accounting policy can be found in Note 1(e)(ii).

Accounting for construction contracts involves the continuous use of prudently assessed estimates based on a number of detailed assumptions consistent with the project scope and schedule, contract and risk management processes. These contracts may span several accounting periods requiring estimates and assumptions to be updated on a regular basis.

Details of the estimation procedures followed in accounting for the Group's construction contracts are detailed below.

- **Forecast costs at completion**

The estimates of the forecast costs at completion of all construction contracts are regularly updated in accordance with the agreed work scope and schedule under the respective contracts. Forecast costs are based on rates expected to apply when the related activity is expected to be undertaken. Appropriate contingencies are included in the forecast costs to completion in order to cover risks inherent in those forecasts. Any additional contractual obligations, including liquidated damages, are also assessed to the extent that these are due and payable under the contract recognising the contractual status from both the Group's and the client's viewpoints.

- **Revenues**

Revenues reflect the contract price agreed in the contract and variations where it is probable that the client will approve those variations or are due under the contract (schedule of rates type contracts would fall under this latter category for example). Claims are included in contract revenue only where negotiations have reached an advanced stage such that it is probable that the client will accept the claim and recovery of the amount involved is probable.

- **Contracts materially impacted by a client's actions**

In limited circumstances, contracts may be materially impacted by a client's actions such that the Group is unable to complete the contracted works at all or in the manner originally forecast. This may involve dispute resolution procedures under the relevant contract and/or litigation. In these circumstances the assessment of the project outcome, whilst following the basic principles noted above, becomes more judgemental.

Forecast costs at completion are based on a similar approach to that noted above. Revenues include a prudent assessment of the likely outcome of reaching agreement with the client which is generally arrived at by assessing the probabilities of a number of different commercial outcomes including an estimate of the costs, (which would include legal costs for example) to reach that agreement and the impact of customers calling bank guarantees where viewed to be probable. Profits would not be recognised on a contract in these circumstances. Similarly, where the project outcome cannot be reliably measured because of the particular features of the dispute, revenues are recognised to the extent of costs incurred that are probable of recovery from the client. Costs that are not probable of recovery are expensed.

The Group has recognised certain contract loss provisions in the financial statements at 30 June 2007 on the above basis.

3 Critical accounting estimates and judgements (continued)

(ii) Contract claims and disputes

Certain claims arising out of engineering and construction contracts have been made against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration.

Estimates and assumptions regarding the likely outcome of these claims have been made and these have been recognised in the carrying value of assets and liabilities recorded in the financial report. In making these estimates and assumptions, legal opinion has been obtained as appropriate.

Although the Directors do not consider the outcome of these claims will have a material adverse affect on the financial position of the Group, there remains uncertainty until the final outcome of the litigation or arbitration is determined.

(b) Critical judgements in applying the entity's accounting policies

(i) Profit recognition on construction contracts

Accounting for construction contracts involves making regular judgements due to the nature of construction contracts themselves. These judgements include the determination of the point at which a contract has progressed beyond its establishment and initial stages, and that it is appropriate to start recognising profits earned on the contract.

Refer to the Group's accounting policy note on construction contracts in Note 1(e)(ii) for further details.

(ii) Recoverability of deferred tax assets

The Group recognises deferred tax assets arising from unused tax losses and timing differences of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

To estimate the ability for the Group to recover the deferred tax assets, the following items are taken into account:

- Forecast taxable results with appropriate risk weighting;
- Analysis of the past taxable results; and
- Existence of significant and non-recurrent income and expenses, included in the past tax results, which should not repeat in the future.

4 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.

4 Segment information (continued)

(b) Primary reporting format - business segments

2007	Oil & Gas \$'000	Minerals & Infrastructure \$'000	Property \$'000	Other \$'000	Consolidated \$'000
Sales to external customers	338,764	192,463	32,194	-	563,421
Share of net profits of associates and jointly controlled entities	6,334	10,838	266	-	17,438
Other revenue/income	9,131	9,767	1,716	1,645	22,259
Total segment revenue/income	354,229	213,068	34,176	1,645	603,118
Segment result	(110,767)	16,419	1,447	(6,059)	(98,960)
Segment assets	159,888	162,812	105,760	67,525	495,985
Segment liabilities	170,618	69,324	59,879	132,754	432,575
Investments in associates and jointly controlled entities	18,413	4,332	4,220	-	26,965
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	3,859	26,809	-	1,342	32,010
Depreciation and amortisation expense	3,073	12,204	9	2,261	17,547
Other non-cash expenses	31,527	291	3,641	-	35,459
2006	Oil & Gas \$'000	Minerals & Infrastructure \$'000	Property \$'000	Other \$'000	Consolidated \$'000
Sales to external customers	416,344	203,515	12,266	-	632,125
Share of net profits of associates and jointly controlled entities	9,225	13,244	13,855	391	36,715
Other revenue/income	8,361	3,036	7,500	2,777	21,674
Total segment revenue/income	433,930	219,795	33,621	3,168	690,514
Segment result	(48,603)	25,656	15,425	(3,195)	(10,717)
Segment assets	261,672	163,739	93,571	53,882	572,864
Segment liabilities	189,636	57,345	37,453	100,748	385,182
Investments in associates and jointly controlled entities	14,191	12,996	17,070	-	44,257
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	6,192	30,973	36	4,917	42,118
Depreciation and amortisation expense	2,980	9,975	10	2,158	15,123
Other non-cash expenses	12,230	74	-	711	13,015

(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	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Australia	177,796	102,096	256,037	227,712	3,768	7,701
Asia	231,748	500,888	226,429	341,340	28,059	34,395
New Zealand	110,589	12,266	12,381	1,841	-	-
Other countries	43,288	16,875	1,138	1,971	183	22
	563,421	632,125	495,985	572,864	32,010	42,118

5 Revenue

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
From continuing operations				
<i>Sales revenue</i>				
Construction projects	531,227	619,859	-	-
Property development	32,194	12,266	-	-
	<u>563,421</u>	<u>632,125</u>	<u>-</u>	<u>-</u>
<i>Other revenue</i>				
Rents	608	5	-	-
Interest income	2,265	1,225	-	-
Dividends	-	88	-	-
Fees from controlled entities	-	-	9,669	4,855
Other revenue	13,362	7,697	-	-
	<u>16,235</u>	<u>9,015</u>	<u>9,669</u>	<u>4,855</u>
	<u>579,656</u>	<u>641,140</u>	<u>9,669</u>	<u>4,855</u>

6 Other income

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net gain on disposal of property, plant and equipment	864	2,655	-	-
Net gain on disposal of other non-current assets	1,533	8,685	2	-
Net gain on disposal of controlled entities	2,860	-	-	-
Foreign exchange gains (net)	-	771	-	-
Other income	767	548	-	-
	<u>6,024</u>	<u>12,659</u>	<u>2</u>	<u>-</u>

7 Expenses

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Loss before income tax includes the following specific expenses:				
<i>Depreciation</i>				
Plant and equipment	10,265	10,729	-	1
Freehold and leasehold land and buildings	254	135	-	-
Total depreciation	<u>10,519</u>	<u>10,864</u>	<u>-</u>	<u>1</u>
<i>Amortisation</i>				
Plant and equipment under finance leases	5,483	3,154	-	-
Computer software	1,545	1,105	-	-
Total amortisation	<u>7,028</u>	<u>4,259</u>	<u>-</u>	<u>-</u>

7 Expenses (continued)

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Write down of investments to recoverable amount</i>				
Impairment of investment classified as held for sale	<u>3,641</u>	-	-	-
<i>Finance costs</i>				
Interest and finance charges paid/payable	13,091	6,840	9,498	4,855
Amount capitalised	<u>(1,961)</u>	(409)	-	-
Finance costs expended	<u>11,130</u>	<u>6,431</u>	<u>9,498</u>	<u>4,855</u>
<i>Rental expense relating to operating leases</i>				
Minimum lease payments	<u>26,686</u>	<u>16,456</u>	-	-
<i>Foreign exchange losses (net gain in 2006 - see note 6)</i>				
Net foreign exchange losses	<u>1,332</u>	-	-	-
<i>Write off of assets</i>				
Trade receivables	<u>32,533</u>	-	-	-

8 Income tax expense

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) Income tax expense				
Current tax	6,862	6,294	(15,144)	(11,418)
Deferred tax	(2,283)	(3,655)	-	-
Under (over) provided in prior years	<u>380</u>	(15)	-	-
	<u>4,959</u>	<u>2,624</u>	<u>(15,144)</u>	<u>(11,418)</u>
Deferred income tax (revenue) expense included in income tax expense comprises:				
Increase in deferred tax assets (note 19)	(2,175)	(3,749)	-	-
(Decrease) increase in deferred tax liabilities (note 30)	<u>(108)</u>	<u>94</u>	-	-
	<u>(2,283)</u>	<u>(3,655)</u>	-	-

8 Income tax expense (continued)

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss before income tax expense	<u>(98,960)</u>	<u>(10,717)</u>	<u>(135,110)</u>	<u>(21,437)</u>
Tax at the Australian tax rate of 30% (2006 - 30%)	(29,688)	(3,215)	(40,533)	(6,431)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Accounting profit on sale	(1,021)	(2,770)	-	-
Capital gain on sale	-	640	-	-
Dividends from share buy back	-	4,912	-	-
Profits from incorporated equity accounted investments	(1,399)	(7,429)	-	-
Exchange loss translation adjustment	-	1,468	-	-
Other sundry items	(235)	(248)	(1)	-
	<u>(32,343)</u>	<u>(6,642)</u>	<u>(40,534)</u>	<u>(6,431)</u>
Difference in overseas tax rates including withholding tax on foreign revenue	214	405	-	-
Under (over) provision in prior years	380	(15)	-	-
Deferred tax asset not recognised arising from tax losses	20,982	7,118	-	3
Overseas profits not taxable due to carried forward tax losses	(221)	-	-	-
Deferred tax asset not recognised arising from temporary differences	15,947	1,200	40,534	6,428
Deferred tax assets/liabilities previously not recognised now brought into account	-	558	-	-
Tax losses assumed from wholly-owned tax consolidated entities	-	-	(15,144)	(11,418)
Total income tax expense	<u>4,959</u>	<u>2,624</u>	<u>(15,144)</u>	<u>(11,418)</u>
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax - debited (credited) directly to equity (notes 19 and 30)	<u>90</u>	<u>116</u>	<u>110</u>	<u>-</u>
	<u>90</u>	<u>116</u>	<u>110</u>	<u>-</u>
(d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	<u>192,640</u>	<u>174,450</u>	<u>171,316</u>	<u>147,340</u>
Potential tax benefit at appropriate tax rate	<u>57,617</u>	<u>53,521</u>	<u>51,395</u>	<u>44,202</u>

8 Income tax expense (continued)

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(e) Unrecognised temporary differences				
Temporary differences for which deferred tax balances have not been recognised				
Deferred tax assets for which future utilisation is not probable	53,157	-	135,113	21,427
Deferred tax liabilities in relation to investments in foreign subsidiaries	<u>(2,030)</u>	<u>(2,030)</u>	<u>-</u>	<u>-</u>
	<u>51,127</u>	<u>(2,030)</u>	<u>135,113</u>	<u>21,427</u>
Net unrecognised deferred tax asset/(liability) relating to the above temporary differences	<u>15,338</u>	<u>(609)</u>	<u>40,534</u>	<u>6,428</u>

(f) Tax consolidation legislation

Clough Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 1.

On adoption of the tax consolidation legislation the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Clough Limited.

For 30 June 2007, the entities have also entered into a draft tax funding agreement under which the wholly owned entities fully compensate Clough Limited for any current tax payable assumed and are compensated by Clough Limited for any current tax receivable and deferred tax assets (that are recognised) relating to unused tax losses or unused tax credits that are transferred to Clough Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current inter-company receivables (see note 40(f)).

9 Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash at bank and on hand	56,888	34,860	18	11
Deposits at call	<u>26,059</u>	<u>18,776</u>	<u>-</u>	<u>-</u>
	<u>82,947</u>	<u>53,636</u>	<u>18</u>	<u>11</u>

(a) Cash at bank and on hand

Cash at bank includes an amount of \$41,096,000 (2006: \$29,562,000) bearing floating interest rates with a weighted average rate of 4.37% (2006: 3.51%).

(b) Deposits at call

The deposits are bearing floating interest rates with a weighted average rate of 3.80% (2006 - 3.94%).

9 Current assets - Cash and cash equivalents (continued)

(c) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

10 Current assets - Receivables

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net trade receivables				
Trade receivables	93,660	119,746	-	-
Provision for doubtful receivables	(3,404)	(2,798)	-	-
	<u>90,256</u>	<u>116,948</u>	<u>-</u>	<u>-</u>
Loans to controlled entities	-	-	77,472	56,742
Loans to associates and jointly controlled entities	433	1,817	-	-
Other debtors	16,618	39,571	-	-
Loans to other persons	3,073	-	-	-
Prepayments and deposits	27,059	34,082	-	-
	<u>137,439</u>	<u>192,418</u>	<u>77,472</u>	<u>56,742</u>

(a) Bad and doubtful trade receivables

The Group has recognised a loss of \$32,533,000 (2006: \$nil) in respect of bad and doubtful trade receivables written off during the year ended 30 June 2007. The loss has been included in 'other expenses' in the income statement.

(b) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in the non-current receivables note (note 14).

11 Current assets - Work in progress

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Construction work in progress</i>				
Amounts due from customers for contract work	63,545	100,950	-	-
<i>Other inventories - Property developments</i>				
- at cost	47,463	38,609	-	-
<i>Spare parts</i>				
- at cost	5,614	5,880	-	-
	<u>116,622</u>	<u>145,439</u>	<u>-</u>	<u>-</u>

(a) Inventory expense

Property development inventories recognised as an expense during the year ended 30 June 2007 amounted to \$23,365,000 (2006: \$12,880,000). These expenses have been included in 'materials, plant and subcontractor costs'.

(b) Construction contracts

Retentions on construction contracts in progress included in trade debtors total \$nil (2006 - \$5,210,000). Total advances received in relation to construction contracts in progress amount to \$1,738,000 (2006 - \$nil).

Amounts due to customers for contract work is detailed in note 26.

12 Derivative financial instruments

	Consolidated		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current assets				
Forward foreign exchange contracts - cash flow hedges (a)(i)	<u>1,530</u>	<u>286</u>	<u>-</u>	<u>-</u>
Total derivative financial instrument assets	<u>1,530</u>	<u>286</u>	<u>-</u>	<u>-</u>
Current liabilities				
Forward foreign exchange contracts - cash flow hedges ((a)(i))	<u>843</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total derivative financial instrument liabilities	<u>843</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>687</u>	<u>286</u>	<u>-</u>	<u>-</u>

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 2).

(i) Forward exchange contracts - cash flow hedges

These contracts are hedging highly probable forecast receipts for the ensuing financial year. The contracts are timed to mature when receipts are due under construction contracts.

The cash flows are expected to occur at various dates within one year from the balance date. At balance date, the details of outstanding contracts are:

Buy US dollars	Sell Thai Baht (THB '000's)		Average exchange rate	
	2007	2006	2007	2006
Maturity				
0 - 6 months	291,110	-	34.2000	-
Sell US Dollars	Buy Thai Baht (THB'000's)		Average exchange rate	
	2007	2006	2007	2006
Maturity				
0 - 6 months	446,667	-	34.9385	-
Sell Thai Baht	Buy Australian dollars (AUD'000's)		Average exchange rate	
	2007	2006	2007	2006
Maturity				
0 - 6 months	254	-	26.8100	-
Sell US dollars	Buy GBP Sterling (GBP'000's)		Average exchange rate	
	2007	2006	2007	2006
Maturity				
0 - 6 months	-	2,285	-	1.7590

Amounts disclosed above represent currency sold/bought measured at the contracted rate.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

Group

At balance date these contracts were assets of \$1,530,000 (2006 - \$286,000) and liabilities of \$843,000 (2006 - \$nil).

12 Derivative financial instruments (continued)

During the year ended 30 June 2007 \$286,000 (2006 - \$1,664,000) was removed from equity and included in work in progress.

Parent entity

There was no impact on the parent entity.

(b) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises with amounts receivable from unrealised gains on derivative financial instruments. At balance date \$1,530,000 is receivable (Australian dollar equivalents) for the Group from forward foreign exchange contracts (2006 - \$286,000).

13 Current assets - Non-current assets classified as held for sale

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Unlisted investment #	3,000	-	-	-
Jointly controlled entities	9,579	-	-	-
	<u>12,579</u>	<u>-</u>	<u>-</u>	<u>-</u>

During the year, the Company announced its intention to divest of the Clough Property business as it is considered to be a non-core activity. The Company determined that this would be achieved through a combination of individual asset disposals and the completion of certain projects by the Company. Through this process, the Company has identified a number of property projects and related entities for disposal and an active sales process is currently underway. It is expected that these disposals will be completed within the next 12 months. The non-current assets related to these projects have been classified as held for sale and are detailed above. They are included in the Property segment in note 4.

As the remaining projects of this business segment are expected to be completed by the Company, the related assets are included in the relevant balance sheet classifications.

The Group has recognised an impairment loss of \$3,641,000 as at 30 June 2007 to reduce the carrying amount of an unlisted investment to its fair value less costs to sell. The loss has been included in 'other expenses' in the income statement.

14 Non-current assets - Receivables

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade receivable	-	10,516	-	-
Loans to controlled entities	-	-	154,028	139,179
Provision for non-recoverability of amounts due from controlled entities	-	-	(87,959)	-
Receivables from associates and jointly controlled entities	659	906	-	-
Other loans	52	33	27	33
	<u>711</u>	<u>11,455</u>	<u>66,096</u>	<u>139,212</u>

The parent entity has recognised a provision of \$87,959,000 (2006: \$nil) for the non-recoverability of amounts due from controlled entities during the year ended 30 June 2007. The loss has been included as a separate line item in the income statement.

14 Non-current assets - Receivables (continued)

(a) Fair values

The fair values and carrying values of non-current receivables of the Group are as follows:

	2007		2006	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Trade receivables	-	-	10,516	10,516
Loans to associates and jointly controlled entities	659	659	906	906
Other receivables	52	52	33	33
	<u>711</u>	<u>711</u>	<u>11,455</u>	<u>11,455</u>

The Group's current and non-current receivables are non-interest bearing.

There is no significant concentration of credit risk with respect to current and non-current receivables.

15 Non-current assets - Investments accounted for using the equity method

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Shares in associates (note 42)	521	516	-	-
Interests in jointly controlled entities (note 43)	26,444	43,741	-	-
	<u>26,965</u>	<u>44,257</u>	<u>-</u>	<u>-</u>

16 Non-current assets - Available-for-sale financial assets

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At beginning of year	11,279	-	2	-
Adjustment on adoption of AASB 132 and AASB 139	-	15,456	-	2
Additions	2,924	2,027	-	-
Disposals (sale and redemption)	(2,864)	(8,699)	(2)	-
Transfer to held-for-sale classification	(6,641)	-	-	-
Revaluation surplus/(deficit) transfer to equity	(2,909)	2,495	-	-
At end of year	<u>1,789</u>	<u>11,279</u>	<u>-</u>	<u>2</u>

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Listed securities				
Equity securities	1,789	4,638	-	2
Unlisted securities				
Equity securities	-	6,641	-	-
	<u>1,789</u>	<u>11,279</u>	<u>-</u>	<u>2</u>

(a) Listed securities

Listed securities include convertible notes with a face value of \$1,760,000 and a fair value of \$1,600,000. The convertible notes have a fixed interest rate of 10% on the face amount and have a maturity date of 1 October 2007.

16 Non-current assets - Available-for-sale financial assets (continued)

(b) Unlisted securities

Unlisted securities are traded in inactive markets. The unlisted securities have been carried at cost as the fair value cannot be reliably determined.

(c) Non-current assets pledged as security

Refer to note 28 for information on non-current assets pledged as security by the parent entity or its controlled entities.

17 Non-current assets - Other financial assets

	Consolidated		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Other unlisted securities				
Shares in subsidiaries * (note 41)	-	-	20,000	52,009

* The parent entity has recognised an impairment of investments in controlled entities of \$47,153,000 (2006: \$21,427,000) as a result of contract losses made by subsidiary companies. The impairment loss has been included as a separate line item in the income statement.

18 Non-current assets - Property, plant and equipment

Consolidated	Freehold land and buildings \$'000	Plant and equipment \$'000	Leased plant & equipment \$'000	Total \$'000
At 1 July 2005				
Cost	1,469	166,915	8,350	176,734
Accumulated depreciation	<u>(928)</u>	<u>(113,465)</u>	<u>(99)</u>	<u>(114,492)</u>
Net book amount	<u>541</u>	<u>53,450</u>	<u>8,251</u>	<u>62,242</u>
Year ended 30 June 2006				
Opening net book amount	541	53,450	8,251	62,242
Additions	3,405	19,225	15,874	38,504
Acquisition of subsidiary	113	711	-	824
Disposals	(7)	(5,913)	-	(5,920)
Depreciation charge	(135)	(10,729)	(3,154)	(14,018)
Exchange differences	<u>25</u>	<u>2,439</u>	<u>239</u>	<u>2,703</u>
Closing net book amount	<u>3,942</u>	<u>59,183</u>	<u>21,210</u>	<u>84,335</u>
At 30 June 2006				
Cost	5,327	163,726	24,383	193,436
Accumulated depreciation	<u>(1,385)</u>	<u>(104,543)</u>	<u>(3,173)</u>	<u>(109,101)</u>
Net book amount	<u>3,942</u>	<u>59,183</u>	<u>21,210</u>	<u>84,335</u>
Year ended 30 June 2007				
Opening net book amount	3,942	59,183	21,210	84,335
Additions	8,679	11,172	10,293	30,144
Subsidiary sold	(292)	(3)	-	(295)
Disposals	(67)	(3,121)	-	(3,188)
Depreciation charge	(254)	(10,265)	(5,483)	(16,002)
Exchange differences	<u>(956)</u>	<u>(5,361)</u>	<u>(3,365)</u>	<u>(9,682)</u>
Closing net book amount	<u>11,052</u>	<u>51,605</u>	<u>22,655</u>	<u>85,312</u>
At 30 June 2007				
Cost	12,157	146,911	30,867	189,935
Accumulated depreciation	<u>(1,105)</u>	<u>(95,306)</u>	<u>(8,212)</u>	<u>(104,623)</u>
Net book amount	<u>11,052</u>	<u>51,605</u>	<u>22,655</u>	<u>85,312</u>
Parent				
	Plant and equipment \$'000			
At 1 July 2005				
Cost	38			
Accumulated depreciation	<u>(15)</u>			
Net book amount	<u>23</u>			
Year ended 30 June 2006				
Opening net book amount	23			
Disposals	(22)			
Depreciation charge	<u>(1)</u>			
Closing net book amount	<u>-</u>			
At 30 June 2006				
Cost	-			
Accumulated depreciation	<u>-</u>			
Net book amount	<u>-</u>			

18 Non-current assets - Property, plant and equipment (continued)

(a) Non-current assets pledged as security

Refer to note 28 for information on non-current assets pledged as security by the parent entity and its controlled entities.

(b) Construction in progress

Included in consolidated plant and equipment are assets under construction totalling \$9,095,000 (2006: \$8,388,000).

19 Non-current assets - Deferred tax assets

	Consolidated		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Doubtful debts	7,233	221	26,388	-
Employee benefits	4,197	6,085	-	-
Provision for warranties and legal costs	-	1,641	-	-
Deferred revenue	79	77	-	-
Depreciable assets	114	326	2	2
Provision for audit fees	119	43	-	-
Unrealised foreign exchange gains/losses	942	2,168	-	-
Borrowing costs	203	123	-	-
Project accruals/provisions	21,422	5,734	-	-
Other accrued expenses	2,080	1,521	-	-
Provision for stock and raw materials	864	757	-	-
Assets impaired for accounting purposes	1,092	-	14,146	6,428
Tax losses	-	1,944	-	-
	<u>38,345</u>	<u>20,640</u>	<u>40,536</u>	<u>6,430</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 30)	(3,794)	(4,211)	-	-
Deferred tax assets not booked	<u>(15,947)</u>	<u>-</u>	<u>(40,534)</u>	<u>(6,428)</u>
Net deferred tax assets	<u>18,604</u>	<u>16,429</u>	<u>2</u>	<u>2</u>
Movements:				
Opening balance at 1 July	16,429	12,680	2	2
Credited to the income statement (note 8)	<u>2,175</u>	<u>3,749</u>	<u>-</u>	<u>-</u>
Closing balance at 30 June	<u>18,604</u>	<u>16,429</u>	<u>2</u>	<u>2</u>

20 Non-current assets - Intangible assets

Consolidated	Computer software \$'000
At 1 July 2005	
Cost	4,666
Accumulated amortisation	<u>(1,462)</u>
Net book amount	<u>3,204</u>
Year ended 30 June 2006	
Opening net book amount	3,204
Additions	3,614
Amortisation charge	<u>(1,105)</u>
Closing net book amount	<u>5,713</u>
At 30 June 2006	
Cost	8,280
Accumulated amortisation	<u>(2,567)</u>
Net book amount	<u>5,713</u>
Year ended 30 June 2007	
Opening net book amount	5,713
Additions	38
Amortisation charge	<u>(1,545)</u>
Closing net book amount	<u>4,206</u>
At 30 June 2007	
Cost	8,318
Accumulated amortisation	<u>(4,112)</u>
Net book amount	<u>4,206</u>

21 Non-current assets - Other non-current assets

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Other assets	<u>7,281</u>	<u>7,617</u>	-	-

22 Current liabilities - Payables

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade creditors, advances and accruals	153,308	218,735	-	-
Amounts due to associates and jointly controlled entities	632	-	-	-
Other payables	<u>-</u>	<u>550</u>	<u>-</u>	<u>-</u>
	<u>153,940</u>	<u>219,285</u>	<u>-</u>	<u>-</u>

23 Current liabilities - Interest bearing liabilities

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Secured				
Bank loans	74,601	62,741	52,056	50,924
Lease liabilities (note 39)	6,442	4,960	-	-
Other loans - related party *	7,500	1,286	7,500	1,286
Other loans	424	200	-	-
Total secured current interest bearing liabilities	<u>88,967</u>	<u>69,187</u>	<u>59,556</u>	<u>52,210</u>
Unsecured				
Other loans - related party *	15,000	-	15,000	-
Other interest bearing loans	2,916	4,532	2,916	4,532
Total unsecured current interest bearing liabilities	<u>17,916</u>	<u>4,532</u>	<u>17,916</u>	<u>4,532</u>
Total current interest bearing liabilities	<u>106,883</u>	<u>73,719</u>	<u>77,472</u>	<u>56,742</u>

* Further information relating to loans from related parties is set out in note 40.

(a) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 28.

(b) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in note 28.

(c) Security

Details of the security relating to each of the secured liabilities and further information on the bank loans are set out in note 28.

24 Current liabilities - Provisions

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee benefits	13,807	15,342	-	-
Other provisions	1,133	-	-	-
	<u>14,940</u>	<u>15,342</u>	<u>-</u>	<u>-</u>

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Other provisions \$'000
Consolidated - 2007	
Carrying amount at start of year	-
Charged/(credited) to the income statement	
- additional provisions recognised	1,133
Carrying amount at end of year	<u>1,133</u>

25 Current liabilities - Current tax liabilities

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Income tax	<u>1,806</u>	<u>506</u>	<u>-</u>	<u>-</u>

26 Current liabilities - Amounts due to customers for contract work

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Amounts due to customers for contract work	<u>76,538</u>	<u>12,902</u>	<u>-</u>	<u>-</u>

27 Non-current liabilities - Payables

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Other payables	<u>4,346</u>	<u>15,515</u>	<u>-</u>	<u>-</u>

The fair value of other payables is equal to their carrying value.

Other payables relate to a deferred contracted payment which is payable in September 2008. This payable has been discounted using a discount rate of 8.68%, being the incremental cost of borrowing.

28 Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Secured				
Bank loans	-	1,100	-	-
Convertible notes	38,245	-	38,245	-
Lease liabilities (note 39)	17,351	16,333	-	-
Other loans - related party *	-	7,500	-	7,500
Other loans	-	424	-	-
Total secured non-current interest bearing liabilities	<u>55,596</u>	<u>25,357</u>	<u>38,245</u>	<u>7,500</u>
Unsecured				
Other loans - related party *	-	15,000	-	15,000
Total unsecured non-current interest bearing liabilities	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total non-current interest bearing liabilities	<u>55,596</u>	<u>40,357</u>	<u>38,245</u>	<u>22,500</u>

* Further information relating to loans from related parties is set out in note 40.

28 Non-current liabilities - Interest bearing liabilities (continued)

(a) Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Bank loans	74,601	63,841	52,056	50,924
Convertible notes	38,245	-	38,245	-
Lease liabilities	23,793	21,293	-	-
Other loans - related parties	7,500	8,786	7,500	8,786
Other loans	424	624	-	-
Total secured liabilities	<u>144,563</u>	<u>94,544</u>	<u>97,801</u>	<u>59,710</u>

(b) Assets pledged as security

Bank loans are provided by a syndicate of banks. Bank overdrafts and bank loans are secured by fixed, floating and mortgage charges over some of the consolidated entity's assets as well as legal assignment of certain revenues. Secured borrowings are repayable immediately if the consolidated entity defaults on payments of interest or principal, or is in breach of a financial undertaking for which no rectification period is granted. Financial undertakings differ between financial institutions and facilities.

Details on the security provided on loans from related parties is set out in note 40.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

28 Non-current liabilities - Interest bearing liabilities (continued)

	Notes	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current					
<i>First mortgage, fixed and floating charge</i>					
Cash and cash equivalents	9	73,523	46,672	18	11
Receivables	10	89,785	156,954	77,472	56,742
Work in progress	11	68,012	121,730	-	-
Derivative financial instruments		1,530	286	-	-
Total current assets pledged as security		<u>232,850</u>	<u>325,642</u>	<u>77,490</u>	<u>56,753</u>
Non-current					
<i>Finance lease</i>					
Plant and equipment	18	22,655	21,210	-	-
<i>First mortgage, fixed and floating charge</i>					
Receivables - non-current	14	689	11,455	66,096	139,212
Available-for-sale financial assets	16	-	103	-	2
Other financial assets	17	-	-	20,000	52,009
Investments accounted for using the equity method	15	21,731	31,482	-	-
Other non-current assets	21	2,060	2,914	-	-
Property, plant and equipment	18	61,984	59,399	-	-
Intangible assets - computer software	20	4,206	5,713	-	-
		<u>90,670</u>	<u>111,066</u>	<u>86,096</u>	<u>191,223</u>
Total non-current assets pledged as security		<u>113,325</u>	<u>132,276</u>	<u>86,096</u>	<u>191,223</u>
Total assets pledged as security		<u>346,175</u>	<u>457,918</u>	<u>163,586</u>	<u>247,976</u>

(c) Convertible notes

On 15 December 2006, Clough Limited issued 39,248,633 unsecured convertible notes, with a face value of \$1 each, under a non renounceable Entitlements Offer. The Offer raised a total of \$39,248,633. The convertible notes carry a coupon rate of 10% per annum paid quarterly in arrears and have a term of 3 years unless previously redeemed or converted into shares. The conversion price is set at \$0.368 per ordinary share. The convertible notes may be converted into ordinary shares at quarterly intervals from 31 December 2007 to maturity, being 15 December 2009. Unless previously converted, the convertible notes will be redeemed at par. The convertible notes are presented in the balance sheet as follows:

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Face value of convertible notes issued	39,249	-	39,249	-
Other equity securities - value of conversion rights	(563)	-	(563)	-
Less: costs of the raising	<u>(637)</u>	-	<u>(637)</u>	-
	<u>38,049</u>	-	<u>38,049</u>	-
Interest expense *	2,325	-	2,325	-
Interest paid	<u>(2,129)</u>	-	<u>(2,129)</u>	-
Non-current liability	<u>38,245</u>	-	<u>38,245</u>	-

* Interest expense is calculated by applying the effective interest rate of 11% to the liability component.

28 Non-current liabilities - Interest bearing liabilities (continued)

(d) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Credit standby arrangements				
Total facilities				
Borrowings	203,023	139,457	119,777	83,363
Bonds and guarantees	<u>176,302</u>	<u>183,339</u>	<u>141,000</u>	<u>141,000</u>
	<u>379,325</u>	<u>322,796</u>	<u>260,777</u>	<u>224,363</u>
Used at balance date				
Borrowings	162,055	114,076	117,077	79,242
Bonds and guarantees	<u>74,058</u>	<u>93,081</u>	<u>70,472</u>	<u>93,081</u>
	<u>236,113</u>	<u>207,157</u>	<u>187,549</u>	<u>172,323</u>
Unused at balance date				
Borrowings	40,968	25,381	2,700	4,121
Bonds and guarantees	<u>102,244</u>	<u>90,258</u>	<u>70,528</u>	<u>47,919</u>
	<u>143,212</u>	<u>115,639</u>	<u>73,228</u>	<u>52,040</u>
	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Bank loan facilities				
Total facilities	88,198	80,050	54,756	54,000
Used at balance date	<u>74,601</u>	<u>63,841</u>	<u>52,056</u>	<u>50,924</u>
Unused at balance date	<u>13,597</u>	<u>16,209</u>	<u>2,700</u>	<u>3,076</u>

The weighted average interest rate on the bank loans is 7.97% (2006: 7.54%).

The banking facilities provided to Clough Limited by the Banking Syndicate are revolving debt facilities with no specific end date and are interest-only.

Each party to the Banking Syndicate reviews the facilities provided to Clough Limited at least annually in accordance with their own internal policies and procedures.

Bank Covenants

Clough Limited has breached a number of its banking covenants as a direct consequence of the financial implications of the BassGas and G1 disputes. Clough Limited's Banking Syndicate has been kept continuously informed of the status of the Company's non compliance and has acknowledged the breaches at the quarterly reporting dates throughout the year. The Banking Syndicate has remained supportive of the Company throughout this time.

(e) Interest rate risk exposures

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

28 Non-current liabilities - Interest bearing liabilities (continued)

2007	Floating interest rate \$'000	Fixed interest rate			Total \$'000
		1 year or less \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000	
Bank loans (notes 23 and 28)	74,601	-	-	-	74,601
Other loans (note 23)	7,924	17,916	-	-	25,840
Lease liabilities (notes 23 and 28)	-	6,442	17,351	-	23,793
Convertible notes (note 28)	-	-	38,245	-	38,245
	<u>82,525</u>	<u>24,358</u>	<u>55,596</u>	<u>-</u>	<u>162,479</u>
Weighted average interest rate	8.20 %	9.42 %	9.62 %	-	%

2006	Floating interest rate \$'000	Fixed interest rate			Total \$'000
		1 year or less \$'000	Over 1 to 5 years \$'000	Over 5 years \$'000	
Bank loans (notes 23 and 28)	60,653	3,188	-	-	63,841
Other loans (notes 23 and 28)	9,410	4,532	15,000	-	28,942
Lease liabilities (notes 23 and 28)	-	4,960	16,333	-	21,293
	<u>70,063</u>	<u>12,680</u>	<u>31,333</u>	<u>-</u>	<u>114,076</u>
Weighted average interest rate	7.49 %	9.53 %	9.45 %	-	%

(f) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	2007		2006	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
On-balance sheet				
<i>Non-traded financial liabilities</i>				
Bank loans	74,601	74,601	63,841	63,841
Other loans	25,840	25,840	28,942	28,942
Lease liabilities	23,793	23,793	21,293	21,293
Convertible notes	38,245	38,245	-	-
	<u>162,479</u>	<u>162,479</u>	<u>114,076</u>	<u>114,076</u>

29 Non current liabilities - Non interest bearing liabilities

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Unsecured				
Amounts due to controlled entities	-	-	2,979	4,553
Loan from jointly controlled entity	13,854	-	-	-
	<u>13,854</u>	<u>-</u>	<u>2,979</u>	<u>4,553</u>

Loans from related parties

Further information relating to loans to the parent entity is set out in note 40.

Fair value of non-interest bearing liabilities

The carrying amounts and fair values of non-interest bearing liabilities at balance date are:

	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Amounts due to controlled entities	-	-	2,979	2,979
Loan from jointly controlled entity	13,854	13,854	-	-
	<u>13,854</u>	<u>13,854</u>	<u>2,979</u>	<u>2,979</u>

30 Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Accrued revenue	3,781	2,148	-	-
Equity accounted investments	-	1,944	-	-
Interest receivable	-	1	-	-
Depreciable assets	-	38	-	-
Other	37	212	-	-
	<u>3,818</u>	<u>4,343</u>	<u>-</u>	<u>-</u>
<i>Amounts recognised directly in equity</i>				
Available-for-sale financial assets	-	30	-	-
Cash flow hedges	96	86	-	-
Convertible note premium reserve	110	-	110	-
	<u>206</u>	<u>116</u>	<u>110</u>	<u>-</u>
Set-off of deferred tax assets pursuant to set-off provisions (note 19)	(3,794)	(4,211)	-	-
Net deferred tax liabilities	<u>230</u>	<u>248</u>	<u>110</u>	<u>-</u>

30 Non-current liabilities - Deferred tax liabilities (continued)

Movements:

Opening balance at 1 July	248	38	-	-
Change on adoption of AASB 132 and AASB 139 (note 1)	-	454	-	-
Charged/(credited) to the income statement (note 8)	(108)	94	-	-
Charged/(credited) to equity (notes 32 and 33)	<u>90</u>	<u>(338)</u>	<u>110</u>	<u>-</u>
Closing balance at 30 June	<u>230</u>	<u>248</u>	<u>110</u>	<u>-</u>

31 Non-current liabilities - Provisions

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee benefits	3,308	4,694	-	-
Insurance claims	<u>291</u>	<u>2,614</u>	<u>-</u>	<u>-</u>
	<u>3,599</u>	<u>7,308</u>	<u>-</u>	<u>-</u>

**Insurance
claims
\$'000**

Consolidated - 2007

Non-current

Carrying amount at start of year	2,614
Payments from provisions	(1,643)
Reductions from remeasurement	<u>(680)</u>
Carrying amount at end of year	<u>291</u>

32 Contributed equity

	Parent		Parent	
	2007 Shares	2006 Shares	2007 \$'000	2006 \$'000
Ordinary shares				
Fully paid	<u>510,232,225</u>	<u>510,232,225</u>	<u>130,232</u>	<u>130,232</u>

(a) Share capital

Date	Details	Number of shares	Issue price	\$'000
1 July 2005	Opening balance	480,232,225		115,512
11 November 2005	Shares issued to Murray & Roberts, net of issue costs	<u>30,000,000</u>	\$0.50	<u>14,720</u>
30 June 2006	Balance	<u>510,232,225</u>		<u>130,232</u>
1 July 2006	Opening balance	<u>510,232,225</u>		<u>130,232</u>
30 June 2007	Balance	<u>510,232,225</u>		<u>130,232</u>

32 Contributed equity (continued)

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 5% discount to the market price.

(d) Options

Information relating to Clough Limited's options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 48.

(e) Domicile

The Company, incorporated in Australia, is a publicly listed company limited by shares. The Company is domiciled in Perth, Western Australia. The registered office of the Company is 6th Floor, 251 St George's Terrace, Perth WA 6000.

33 Reserves and retained profits/(accumulated losses)

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Available-for-sale investments revaluation reserve	(251)	2,625	-	-
Convertible note premium reserve	453	-	453	-
Hedging reserve - cash flow hedges	481	200	-	-
Share-based payments reserve	237	125	237	125
Foreign currency translation reserve	(20,210)	(5,163)	-	-
Capital reserve	720	720	477	477
	<u>(18,570)</u>	<u>(1,493)</u>	<u>1,167</u>	<u>602</u>

Movements:

<i>Available-for-sale investments revaluation reserve</i>				
Balance 1 July	2,625	-	-	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax (note 16)	-	(106)	-	-
Revaluation - gross (note 16)	(2,843)	2,655	-	-
Deferred tax (note 30)	-	(30)	-	-
Transfer to net profit - gross	(63)	151	-	-
Deferred tax (note 30)	30	(45)	-	-
Balance 30 June	<u>(251)</u>	<u>2,625</u>	<u>-</u>	<u>-</u>

33 Reserves and retained profits/(accumulated losses) (continued)

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Movements:				
<i>Convertible note premium reserve</i>				
Issue of convertible notes on 15 December 2006	563	-	563	-
Deferred tax (note 30)	<u>(110)</u>	-	<u>(110)</u>	-
Balance 30 June	<u>453</u>	-	<u>453</u>	-
Movements:				
<i>Hedging reserve - cash flow hedges</i>				
Balance 1 July	200	-	-	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	-	1,165	-	-
Revaluation - gross	687	286	-	-
Deferred tax (note 30)	(206)	(86)	-	-
Transfer to asset - gross	(286)	(1,664)	-	-
Deferred tax (note 30)	86	499	-	-
Balance 30 June	<u>481</u>	<u>200</u>	<u>-</u>	<u>-</u>
Movements:				
<i>Share-based payments reserve</i>				
Balance 1 July	125	14	125	14
Option expense	112	111	112	111
Balance 30 June	<u>237</u>	<u>125</u>	<u>237</u>	<u>125</u>
Movements:				
<i>Foreign currency translation reserve</i>				
Balance 1 July	(5,163)	(10,206)	-	-
Currency translation differences arising during the year	(15,047)	5,043	-	-
Balance 30 June	<u>(20,210)</u>	<u>(5,163)</u>	<u>-</u>	<u>-</u>

(b) Retained profits/(accumulated losses)

Movements in retained profits/(accumulated losses) were as follows:

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance 1 July	38,506	53,179	33,349	43,366
Adjustment on change in accounting policy (note 1(f))	-	-	-	2
Net loss for the year	(105,260)	(15,077)	(119,966)	(10,019)
Increase/(decrease) in retained profits arising from transactions with minority interests	(126)	404	-	-
Balance 30 June	<u>(66,880)</u>	<u>38,506</u>	<u>(86,617)</u>	<u>33,349</u>

33 Reserves and retained profits/(accumulated losses) (continued)

(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) Convertible note premium reserve

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

(iii) 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.

(iv) Share-based payments reserve

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

(v) 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.

34 Minority interest

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Interest in:				
Share capital	5,713	6,313	-	-
Reserves	(7,240)	(4,565)	-	-
Retained profits	<u>20,155</u>	<u>18,689</u>	-	-
	<u>18,628</u>	<u>20,437</u>	<u>-</u>	<u>-</u>

35 Dividends

No dividends were paid or declared during the year or subsequent to the year end (2006: Nil).

36 Key management personnel disclosures

(a) Directors

The following persons were directors of Clough Limited during the financial year:

(i) Chairman - non-executive

RM Harding (Chairman from 8 November 2006)

(ii) Executive directors

JD Cooper, Managing Director & Chief Executive Officer (from 9 January 2007)

DPA Singleton, Managing Director & Chief Executive Officer (from 1 July 2006 - 9 January 2007)

AJ Walsh, Chief Financial Officer

DPA Singleton resigned as Managing Director & Chief Executive Officer on 9 January 2007.

JD Cooper was appointed as Managing Director & Chief Executive Officer on 9 January 2007.

JD Cooper resigned as Managing Director & Chief Executive Officer on 1 August 2007 but remains as a non-executive director. J Smith was appointed as Managing Director & Chief Executive Officer on 1 August 2007 and received no remuneration during the reporting period.

(iii) Non-executive directors

CM Anderson

BC Bruce

JM Clough (Chairman to 8 November 2006)

WH Clough

JD Cooper (from 24 August 2006 - 9 January 2007)

N Jorek

RW Kelly

RW Rees (from 1 July 2006 - 23 August 2006)

MB Robinson

JM Clough and N Jorek resigned as directors on 24 August 2007. RW Rees was reappointed as a director on 24 August 2007.

All of these persons were also directors during the year ended 30 June 2006, except for JD Cooper who was appointed as a non-executive director on 24 August 2006 and RM Harding who was appointed on 30 May 2006. RW Rees was appointed as a non-executive director on 9 November 2005 and resigned on 23 August 2006.

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

ME Anderson	Group Manager - Project Execution
K Cain	Chief Operating Officer - Offshore Oil & Gas (from 9 February 2007)
SR High	Chief Operating Officer - Services & Construction
DJ Kucan	Former Group Manager - HR & QHSE (resigned on 16 February 2007)
PC Loots	Group General Counsel
IG Meares	Group Manager - Business Development
GL Miller	Former Chief Operating Officer - Infrastructure & Construction (resigned on 16 February 2007)
S Rogers	Former Chief Operating Officer - Oil & Gas (resigned on 9 February 2007)
JFB Sheridan	President Director - PT Petrosea Tbk
JE Tucker	Former General Manager - Property (resigned on 29 June 2007)

All of the above persons were also key management personnel during the year ended 30 June 2006, except for K Cain who was appointed as a key management person on 9 February 2007, PC Loots who commenced employment with the Clough Group on 8 September 2005 and IG Meares who commenced employment with the Clough Group on 22 February 2006.

36 Key management personnel disclosures (continued)

(c) Key management personnel compensation

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	6,436,880	6,073,722	2,424,625	2,373,691
Termination payments	1,440,508	-	1,237,500	-
Post-employment benefits	909,197	555,899	421,522	133,596
Share-based payments	<u>127,071</u>	<u>78,116</u>	<u>310</u>	<u>3,225</u>
	<u>8,913,656</u>	<u>6,707,737</u>	<u>4,083,957</u>	<u>2,510,512</u>

(i) Remuneration Policy

The remuneration committee, consisting of three non-executive directors, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance related bonuses, share-based payments and fringe benefits. Executive directors and senior executives have the opportunity to qualify for participation in the Clough Incentive Scheme. The objective of the scheme is to align the interests of executives with those of shareholders through the payment of bonuses linked to pre-agreed targets and performance standards. The performance standards include earnings before interest and tax, order intake and operating cash flow. The potential bonus consists of a number of elements:

- Business Unit performance - A bonus percentage will be calculated on the basis of the Clough Group and Business Unit achieving all or some of its key performance indicators.
- Individual performance - A performance multiplier is calculated on the basis of individual performance.
- Stretch targets - A bonus percentage will be calculated if performance exceeds plan. These pre-agreed stretch targets are determined by the Bonus Review Committee whose members include the Chief Executive Officer and the Chief Financial Officer. The stretch targets for the Chief Executive Officer and the Chief Financial Officer are determined by the Remuneration Committee and ratified by the Board.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's diverse operations. Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

(ii) Service Agreements

Remuneration and other terms of employment for the Chief Executive Officer and the Chief Financial Officer are formalised in service agreements. Major provisions of the agreements relating to remuneration are set out below.

JD Cooper, Chief Executive Officer

- Base package inclusive of superannuation of \$1,080,000 per annum effective from 9 January 2007.
- An annual incentive payment up to 35% of the total fixed cost of employment based on successful performance to the satisfaction of the Board.
- Non-cash package comprising of a living away from home allowance of up to a maximum of \$10,000 per month (less any taxes), four business class return flights between Perth and Sydney for each 12 months of service for use of the CEO's spouse and cover under a Salary Continuance Plan.
- Payment of termination benefit on early termination by the employer upon the provision of six month's written notice, other than for gross misconduct, the equivalent total remuneration payable for the balance of the notice period.

36 Key management personnel disclosures (continued)

DPA Singleton , Former Chief Executive Officer

- Base package inclusive of superannuation of \$900,000 per annum to be reviewed annually by the remuneration committee.
- An annual cash bonus of up to 100% of the salary package based on the achievement of agreed targets and objectives established by the Board in the first month of each financial year.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, if terminated within the first 12 months, twice the prevailing package. If terminated between 1 and 2 years, one and a half times the prevailing package. If terminated between 2 to 5 years, one times the prevailing package. If terminated after 5 years, one half times the prevailing package.

DPA Singleton's resigned on 9 January 2007 and he received a termination payment of \$1,237,500 which included a bonus of \$337,500. The service agreement with DPA Singleton was terminated when he left.

AJ Walsh, Chief Financial Officer

- Base package inclusive of superannuation of \$700,000 per annum, effective from 1 November 2006, to be reviewed annually by the remuneration committee.
- An annual cash bonus of up to 80% of the salary package based on the achievement of agreed targets and objectives established by the Board in the first month of each financial year.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, if terminated within the first 12 months, twice the prevailing package. If terminated between 1 and 2 years, one and a half times the prevailing package. If terminated between 2 to 5 years, one times the prevailing package. If terminated after 5 years, one half times the prevailing package.

(d) Details of remuneration

Details of the remuneration of each director of Clough Limited and each of the other key management personnel of the Group, including their personally related entities, are set out in the following tables.

(i) Directors of Clough Limited

2007 Name	Short-term benefits					Post-employment benefits	Termination benefits	Share-based payments	Total
	Cash salary and fees	Retention payment	Cash bonus	Non-monet-ary benefits	Other	Super-annuation	Termination benefits	Options	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
CM Anderson	90,000	-	-	-	-	8,100	-	-	98,100
BC Bruce +	84,996	-	-	-	-	-	-	-	84,996
JM Clough	134,375	-	-	-	1,190	11,096	-	-	146,661
WH Clough	65,000	-	-	-	2,885	-	-	-	67,885
JD Cooper *	401,868	-	-	5,275	83,908	103,918	-	-	594,969
RM Harding	61,734	-	-	-	1,133	104,990	-	-	167,857
N Jorek +	84,996	-	-	-	-	-	-	-	84,996
RW Kelly	80,000	-	-	-	-	7,200	-	-	87,200
RW Rees # +	12,338	-	-	-	-	-	-	-	12,338
MB Robinson	-	-	-	-	-	98,100	-	-	98,100
DPA Singleton "	470,778	-	-	3,101	1,774	22,725	1,237,500	-	1,735,878
AJ Walsh	587,668	238,000	-	5,916	7,690	65,393	-	310	904,977
Total	2,073,753	238,000	-	14,292	98,580	421,522	1,237,500	310	4,083,957

36 Key management personnel disclosures (continued)

2006	Short-term benefits				Post-employment benefits	Termination benefits	Share-based payments	Total
	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Other \$	Super-annuation \$	Termination benefits \$	Options \$	
CM Anderson	84,659	-	-	235	7,619	-	-	92,513
BC Bruce +	53,124	-	-	-	-	-	-	53,124
JM Clough	271,114	-	4,730	2,509	24,300	-	-	302,653
WH Clough	52,182	-	4,730	2,540	-	-	-	59,452
RM Harding	14,167	-	-	20	1,275	-	-	15,462
N Jorek +	53,124	-	-	-	-	-	-	53,124
RW Kelly	69,318	-	-	-	6,239	-	-	75,557
RW Rees # +	53,124	-	-	-	-	-	-	53,124
MB Robinson	77,159	-	-	-	15,119	-	-	92,278
DPA Singleton	754,478	150,000	5,160	100,840	39,522	-	82	1,050,082
AJ Walsh	538,478	60,000	5,160	16,840	39,522	-	3,143	663,143
Total	2,020,927	210,000	19,780	122,984	133,596	-	3,225	2,510,512

* JD Cooper was appointed as a non-executive director on 24 August 2006 and was appointed Managing Director & Chief Executive Officer on 9 January 2007. Amounts shown above include all JD Cooper's remuneration during the reporting period, whether as a non-executive director or as Managing Director & Chief Executive Officer. Amounts received in his position as Managing Director & Chief Executive Officer amounted to \$569,475, made up of cash salary and fees of \$378,750, non-monetary benefits of \$2,899, superannuation of \$103,918 and other benefits of \$83,908.

" DPA Singleton resigned as Managing Director & Chief Executive Officer on 9 January 2007. He received a termination payment of \$1,237,500.

RW Rees was appointed as a non-executive director on 9 November 2005 and resigned on 23 August 2006. RW Rees was reappointed as a non-executive director on 24 August 2007.

+ The directors' fees for BC Bruce, N Jorek and RW Rees are paid to Murray & Roberts Limited.

(ii) *Other Key Management Personnel of the Group*

2007	Short-term benefits					Post-employment benefits	Termination benefits	Share-based payments	Total
	Cash salary and fees \$	Retention payment \$	Cash bonus \$	Non monetary benefits \$	Other \$	Super-annuation \$	Termination benefits \$	Options \$	
ME Anderson	375,738	111,383	-	5,916	41,660	105,113	-	17,051	656,861
K Cain ~	193,089	122,611	-	2,130	1,193	15,847	-	2,369	337,239
SR High	410,669	122,472	-	5,916	4,460	88,238	-	38,839	670,594
DJ Kucan "	197,409	-	-	3,733	2,135	25,353	-	10,791	239,421
PC Loots	320,741	74,000	-	5,916	2,504	28,867	-	6,868	438,896
IG Meares	384,875	75,600	-	5,916	4,356	34,605	-	6,316	511,668
GL Miller <,#	276,785	-	7,718	3,733	713	20,820	-	5,396	315,165
S Rogers ^	263,678	-	-	3,609	2,782	98,823	-	13,080	381,972
JFB Sheridan	417,576	83,818	-	-	157,352	-	-	26,051	684,797
JE Tucker <,>	261,555	-	50,530	5,295	2,689	70,009	203,008	-	593,086
Total	3,102,115	589,884	58,248	42,164	219,844	487,675	203,008	126,761	4,829,699

2006	Short-term benefits				Post-employment benefits	Termination benefits	Share-based payments	Total
	Cash salary and fees \$	Cash bonus \$	Non monetary benefits \$	Other \$	Super-annuation \$	Termination benefits \$	Options \$	
ME Anderson	340,174	93,182	5,160	36,873	100,365	-	10,511	586,265
SR High	385,540	188,370	5,160	3,060	84,745	-	21,022	687,897
DJ Kucan	296,953	58,894	5,160	1,757	37,582	-	10,511	410,857
PC Loots	197,566	37,500	4,300	939	17,776	-	1,314	259,395
IG Meares	131,218	23,333	1,720	1,010	11,810	-	-	169,091
GL Miller	361,359	91,507	5,160	847	32,287	-	5,255	496,415
S Rogers	355,873	90,000	5,160	2,285	112,855	-	13,139	579,312
JFB Sheridan	402,330	60,000	-	177,297	-	-	13,139	652,766
JE Tucker	277,894	45,373	5,160	1,917	24,883	-	-	355,227
Total	2,748,907	688,159	36,980	225,985	422,303	-	74,891	4,197,225

36 Key management personnel disclosures (continued)

< GL Miller's and JE Tucker's cash bonus for 2007 comprises an adjustment for prior year bonus under accrued.

GL Miller resigned from the Clough Group on 16 February 2007.

^ S Rogers resigned from the Clough Group on 9 February 2007. S Rogers received a payment in lieu of notice of \$51,404 which is included in cash salary and fees.

" DJ Kucan resigned from the Clough Group on 16 February 2007.

~ K Cain was appointed as a key management person on 9 February 2007.

> JE Tucker's employment with the Clough Group was terminated on 29 June 2007. JE Tucker received a termination payment of \$203,008.

Retention Payments

The Company's remuneration policy includes an incentive scheme that is designed to align the interests of executives with those of the shareholders. Incentive scheme targets for the year ended 30 June 2007 have not been met as a result of provisions taken in the year and consequently no short term bonuses will be paid.

The Board has agreed to make incentive and retention payments to staff to ensure the Company retains the people needed to pursue the business plan and in recognition of the current labour market.

(iii) Share-based compensation - options

Options are granted under the Clough Limited Executive Option Plan which was approved by special resolution at the annual general meeting of the Company held on 16 November 1998. The Board of Directors of the Company determines the eligibility of executives and their entitlement having regard to, amongst other things, the performance and future potential contribution of each executive. Participation by executive directors is subject to prior approval of a general meeting of the Company.

The maximum number of shares that can be issued or acquired under the Plan is 0.5% of the number of issued shares in the Company in each year from the commencement of the Plan. If less than 0.5% is issued or acquired in one year, the remainder can be added to issues in subsequent years.

The Company believes it is appropriate that the options be subject to suitable performance criteria. This may involve setting the exercise price of options above the current market price of the shares in the Company, or it may involve imposing performance conditions that must be satisfied before the options can be exercised. The Board will review and set the performance criteria attaching to options, as it considers appropriate. The exercise price of options as a minimum must not be less than the market price of shares in the Company at the time the options were granted.

The rules of the Plan permit the directors, in their discretion, to provide loans to executives to assist them in meeting the exercise price payable on the exercise of options. Options will only be exercisable between 3 and 6 years after they are granted. Any options not exercised during that time will lapse.

36 Key management personnel disclosures (continued)

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Vesting date	Exercise price	Value per option at grant date	Date exercisable
11 June 2003	01/07/06	\$1.25	\$-	11/06/07 - 11/06/08
11 June 2003	01/07/07	\$1.50	\$-	01/07/07 - 11/06/08
14 November 2003	26/09/06	\$1.42	\$0.006	14/11/07 - 14/11/08
14 November 2003	26/09/07	\$1.67	\$0.002	14/11/07 - 14/11/08
17 November 2005	17/11/08	\$0.39	\$0.128	17/11/08 - 17/11/11
23 April 2007	23/04/10	\$0.63	\$0.2545	23/04/10 - 23/04/13

Options granted under the Plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share in Clough Limited.

(e) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration

Details of options over ordinary shares in the company provided as remuneration to each director of Clough Limited and other key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Clough Limited. Further information on the options is set out in note 48.

Name	Number of options granted during the year		Number of options vested during the year	
	2007	2006	2007	2006
Directors of Clough Limited				
No options were issued to Directors of Clough Limited during the year.	-	-	-	-
Other key management personnel of the Group				
ME Anderson	-	400,000	-	-
K Cain	150,000	-	-	-
SR High	300,000	800,000	-	-
DJ Kucan	-	400,000	-	-
PC Loots	300,000	50,000	-	-
IG Meares	400,000	-	-	-
GL Miller	-	200,000	-	-
S Rogers	-	500,000	-	-
JFB Sheridan	300,000	500,000	-	-

The assessed fair value at grant date of options granted to directors and other key management personnel is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and expected life, 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 model inputs for options granted during the year ended 30 June 2007 included:

- (a) options are granted for no consideration, have a six year life and are exercisable at any time between the vesting date and the expiry date
- (b) exercise price: \$0.63
- (c) grant date: 23 April 2007
- (d) vesting date: 23 April 2010
- (e) expiry date: 23 April 2013
- (f) expected exercise date: 23 October 2011
- (g) share price at grant date: \$0.615
- (h) expected price volatility of the company's shares: 39.91%
- (i) expected dividend yield: 0%
- (j) risk-free interest rate: 6.06%

36 Key management personnel disclosures (continued)

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Clough Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2007						
Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested at the end of the year
Directors of Clough Limited						
DPA Singleton #	5,000,000	-	-	(5,000,000)	-	-
AJ Walsh	3,000,000	-	-	-	3,000,000	2,400,000
Other key management personnel of the Group						
ME Anderson	400,000	-	-	-	400,000	-
K Cain	-	150,000	-	-	150,000	-
SR High	800,000	300,000	-	-	1,100,000	-
DJ Kucan #	400,000	-	-	(400,000)	-	-
PC Loots	50,000	300,000	-	-	350,000	-
IG Meares	-	400,000	-	-	400,000	-
GL Miller #	200,000	-	-	(200,000)	-	-
S Rogers #	500,000	-	-	(500,000)	-	-
JFB Sheridan	500,000	300,000	-	-	800,000	-

The option holdings for key management personnel who ceased employment with the Clough Group during the year have been removed in the other changes during the year at the date that they ceased employment.

None of the options held at 30 June 2007 were exercisable.

2006						
Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested at the end of the year
Directors of Clough Limited						
DPA Singleton	5,000,000	-	-	-	5,000,000	3,000,000
AJ Walsh	3,000,000	-	-	-	3,000,000	1,800,000
Other key management personnel of the Group						
ME Anderson	-	400,000	-	-	400,000	-
SR High	-	800,000	-	-	800,000	-
DJ Kucan	-	400,000	-	-	400,000	-
PC Loots	-	50,000	-	-	50,000	-
GL Miller	-	200,000	-	-	200,000	-
S Rogers	-	500,000	-	-	500,000	-
JFB Sheridan	50,000	500,000	-	(50,000)	500,000	-

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Clough Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

36 Key management personnel disclosures (continued)

2007				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Clough Limited				
Ordinary shares				
CM Anderson	75,000	-	-	75,000
BC Bruce, N Jorek and RW Rees through Zero Nominees Pty Ltd ^	235,350,000	-	15,300,000	250,650,000
JM Clough, WH Clough & families through McRae Investments Pty Ltd	106,280,208	-	-	106,280,208
RW Kelly	100,000	-	50,000	150,000
MB Robinson	53,363	-	-	53,363
DPA Singleton ~	-	-	-	-
AJ Walsh	-	-	402,000	402,000
Other key management personnel of the Group				
Ordinary shares				
ME Anderson	30,788	-	-	30,788
SR High	300,000	-	182,302	482,302
JE Tucker	7,308	-	-	7,308
2006				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Clough Limited				
Ordinary shares				
CM Anderson	75,000	-	-	75,000
BC Bruce, N Jorek and RW Rees through Zero Nominees Pty Ltd ^	144,781,445	-	90,568,555	235,350,000
JM Clough, WH Clough & families through McRae Investments Pty Ltd	166,280,208	-	(60,000,000)	106,280,208
RW Kelly	100,000	-	-	100,000
MB Robinson	53,363	-	-	53,363
Other key management personnel of the Group				
Ordinary shares				
ME Anderson	30,788	-	-	30,788
SR High	-	-	300,000	300,000
JE Tucker	7,308	-	-	7,308

^ BC Bruce, N Jorek and RW Rees are directors of Murray & Roberts Holdings Limited which holds shares in Clough Limited through Zero Nominees Pty Ltd.

~ DPA Singleton purchased 1,172,000 shares during the reporting period. These shares were held at the date he ceased employment with the Clough Group.

36 Key management personnel disclosures (continued)

(iii) Convertible note holdings

The numbers of convertible notes in the Company held during the financial year by each director of Clough Limited and other key management personnel of the Group, including their personally related parties, are set out below. No convertible notes were granted during the reporting period as compensation.

2007		Convertible notes subscribed for during the year	Convertible notes converted into shares during the year	Other changes during the year	Balance at the end of the year
Name	Balance at the start of the year	year	year	year	year
	\$	\$	\$	\$	\$
Convertible notes					
Directors of Clough Limited					
CM Anderson	-	5,770	-	-	5,770
BC Bruce, N Jorek and RW Rees through Zero Nominees Pty Ltd ^	-	23,192,019	-	-	23,192,019
JM Clough, WH Clough & families through McRae Investments Pty Ltd	-	8,175,401	-	-	8,175,401
RW Kelly	-	11,538	-	-	11,538
MB Robinson	-	4,105	-	-	4,105
DPA Singleton ~	-	90,155	-	(90,155)	-
AJ Walsh	-	25,693	-	-	25,693
Other key management personnel of the Group					
SR High	-	36,748	-	-	36,748

^ BC Bruce, N Jorek and RW Rees are directors of Murray & Roberts Holdings Limited which holds convertible notes in Clough Limited through Zero Nominees Pty Ltd.

~ DPA Singleton subscribed for 90,155 convertible notes during the reporting period. These convertible notes were held at the date he ceased employment with the Clough Group.

The convertible notes were issued on 15 December 2006.

The convertible notes carry a coupon rate of 10% per annum paid quarterly in arrears and have a term of 3 years unless previously redeemed or converted into shares. The conversion price is set at \$0.368 per ordinary share. The convertible notes may be converted into ordinary shares at quarterly intervals from 31 December 2007 to maturity, being 15 December 2009. Unless previously converted, the convertible notes will be redeemed at par.

Further information relating to the convertible notes is set out in note 28.

(f) Other transactions with key management personnel

(i) Directors of Clough Limited

A director, Mr MB Robinson, is a consultant and a former partner in the firm of Allens Arthur Robinson, Lawyers. Allens Arthur Robinson has provided legal services to Clough Engineering Limited for fees totalling \$nil (2006: \$1,019) These services were provided on normal commercial terms and conditions.

(i) Transactions with director related entities

Refer to note 40 for details of loans with director related entities.

37 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
<i>Audit services</i>				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> *	672,208	655,706	-	-
Related practices of PricewaterhouseCoopers Australian firm	236,510	171,151	-	-
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	<u>49,662</u>	<u>27,509</u>	-	-
Total remuneration for audit services	<u>958,380</u>	<u>854,366</u>	<u>-</u>	<u>-</u>
<i>Other services</i>				
PricewaterhouseCoopers Australian firm				
Provision of financial reporting package including on-going support	13,261	20,896	-	-
Taxation services	25,650	4,550	-	-
Other services	5,453	-	-	-
Related practices of PricewaterhouseCoopers Australian firm				
Taxation services	88,450	58,183	-	-
Other auditors of subsidiaries				
Taxation services	<u>9,129</u>	<u>13,347</u>	-	-
Total remuneration for other assurance services	<u>141,943</u>	<u>96,976</u>	<u>-</u>	<u>-</u>

* Included in audit fees paid to PricewaterhouseCoopers Australian firm is an amount of \$nil (2006: \$75,000) for the consolidated entity for the transition to Australian equivalents of International Financial Reporting Standards.

38 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.

On the BassGas contract, Origin and its joint venture partners have claimed approximately \$250m which is subject to the ongoing arbitration process commenced in 2005. The Directors consider the provisions taken on the BassGas contract adequately deal with the expected outcome from the current arbitration process. On G1, ONGC have proposed to claim the completion costs of the G1 contract. The Directors regard this as a spurious claim given ONGC's failure to provide critical path deliverables required under the contract.

The Directors do not consider the outcome of any other claims outside of G1 and BassGas will have a material adverse impact on the financial position of the consolidated entity.

39 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Property, plant and equipment</i>				
Payable:				
Within one year	28,668	5,360	-	-
Later than one year but not later than five years	<u>2,992</u>	-	-	-
	<u>31,660</u>	<u>5,360</u>	-	-

(b) Lease commitments : Group as lessee

(i) Operating leases

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	21,188	23,563	-	-
Later than one year but not later than five years	23,969	44,660	-	-
Later than five years	<u>838</u>	<u>3,574</u>	-	-
	<u>45,995</u>	<u>71,797</u>	-	-

The above relates to operating lease commitments in respect of land and buildings and plant and equipment used for trading purposes.

In the opinion of the Directors, the above commitments could all be relieved by suitable sub-lease arrangements if required.

(ii) Finance leases

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Commitments in relation to finance leases are payable as follows:				
Within one year	8,309	6,676	-	-
Later than one year but not later than five years	<u>19,718</u>	<u>18,919</u>	-	-
Minimum lease payments	28,027	25,595	-	-
Future finance charges	<u>(4,234)</u>	<u>(4,302)</u>	-	-
Recognised as a liability	<u>23,793</u>	<u>21,293</u>	-	-
Representing lease liabilities:				
Current (note 23)	6,442	4,960	-	-
Non-current (note 28)	<u>17,351</u>	<u>16,333</u>	-	-
	<u>23,793</u>	<u>21,293</u>	-	-

The weighted average interest rate implicit in the leases is 8.78% (2006 - 8.94%).

40 Related party transactions

(a) Parent entity

The ultimate parent entity within the Group is Clough Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 41.

(c) Key management personnel compensation

Disclosures relating to key management personnel compensation are set out in note 36.

(d) Other transactions with key management personnel or entities related to them

Information on transactions with key management personnel or entities related to them, other than compensation, are set out below.

(i) Loan transactions and balances

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Loans from key management personnel disclosed in notes 23 and 28 comprise:				
Secured loan - Thorncliffe Investments Pty Ltd	7,500,000	8,785,714	7,500,000	8,785,714
Unsecured loan - Murray & Roberts International Limited	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>
	<u>22,500,000</u>	<u>23,785,714</u>	<u>22,500,000</u>	<u>23,785,714</u>
Loans advanced				
Secured loan - Thorncliffe Investments Pty Ltd	-	9,000,000	-	9,000,000
Unsecured loan - Murray & Roberts International Limited	-	15,000,000	-	15,000,000
Unsecured bridging loan - McRae Investments Pty Ltd	8,331,909	-	8,331,909	-
Unsecured bridging loan - Murray & Roberts International Limited	<u>18,450,422</u>	-	<u>18,450,422</u>	-
	<u>26,782,331</u>	<u>24,000,000</u>	<u>26,782,331</u>	<u>24,000,000</u>
Loan repayments made				
Secured loan - Thorncliffe Investments Pty Ltd	1,285,714	214,286	1,285,714	214,286
Unsecured bridging loan - McRae Investments Pty Ltd #	8,331,909	-	8,331,909	-
Unsecured bridging loan - Murray & Roberts International Limited #	<u>18,450,422</u>	-	<u>18,450,422</u>	-
	<u>28,068,045</u>	<u>214,286</u>	<u>28,068,045</u>	<u>214,286</u>
Interest expense on loans				
Secured loan - Thorncliffe Investments Pty Ltd	812,990	583,092	812,990	583,092
Unsecured loan - Murray & Roberts International Limited	1,500,000	871,223	1,500,000	871,223
Unsecured bridging loan - McRae Investments Pty Ltd	207,727	-	207,727	-
Unsecured bridging loan - Murray & Roberts International Limited	<u>459,997</u>	-	<u>459,997</u>	-
	<u>2,980,714</u>	<u>1,454,315</u>	<u>2,980,714</u>	<u>1,454,315</u>

40 Related party transactions (continued)

The bridging loan provided by Murray & Roberts International Limited and McRae Investments Pty Ltd was repaid by offsetting the amount payable for their entitlement to convertible notes with the balance being refunded - see details below.

Secured loan - Thorncliffe Investments Pty Ltd

The directors, Mr W H Clough and Mr J M Clough, are directors and shareholders of Thorncliffe Investments Pty Ltd. A loan agreement was entered into between Thorncliffe Investments Pty Ltd, Clough Projects Pty Ltd and Clough Limited dated 28 October 2005 whereby Thorncliffe Investments Pty Ltd agreed to provide a short-term loan to Clough Projects Pty Ltd of \$9 million for general working capital purposes. The loan was drawn down on 28 October 2005. Under the agreement, interest on the loan was payable at the rate of 9.87% per annum. Clough Limited provided a guarantee for the repayment of the loan.

A new loan agreement, replacing the original loan agreement entered into on 28 October 2005, was entered into on 6 April 2006 between Thorncliffe Investments Pty Ltd, Clough Projects Pty Ltd and Clough Limited. Thorncliffe Investments Pty Ltd agreed to provide a loan to Clough Projects Pty Ltd of \$9 million for general working capital purposes. Under the agreement, interest on the loan was payable at the rate of the aggregate of the AUD 1 Year Bank Bill Swap Reference rate quoted on the first day of the relevant interest period plus 4% per annum. The loan is repayable over a period of 84 months commencing on the first day of the month immediately following the date the loan is first drawn. Clough Limited provided a guarantee for the repayment of the loan. In addition, Thorncliffe Investments Pty Ltd has taken out a mortgage over the shares held by Clough Java Offshore Pte Ltd in Clough Singapore Constructor Pte Ltd, a fixed and floating charge over the assets of Clough Java Offshore Pte Ltd and a first mortgage over the Java Constructor vessel.

The inclusion of the loan as a current liability reflects the Company's intention to repay the loan within the next year.

Unsecured loan - Murray & Roberts International Limited

Murray & Roberts International Limited is a subsidiary of Murray & Roberts Holdings Limited. Mr BC Bruce, Mr N Jorek and Mr RW Rees are directors of Murray & Roberts Holdings Limited, and Murray & Roberts Holdings Limited is a substantial shareholder in Clough Limited through Zero Nominees Pty Ltd.

A loan agreement was entered into between Murray & Roberts International Limited and Clough Limited on 7 October 2005 for an unsecured loan of \$15 million with a minimum drawdown of \$3 million. The loan was fully drawn down on 18 November 2005.

Interest on the loan is payable monthly in arrears and the interest rate is 10% per annum. Clough Limited must repay the loan before the Second Share Placement. The Second Share Placement is defined as being the issue by Clough Limited of 30,000,000 ordinary shares to Murray & Roberts International Limited or a related entity to take place on the earlier of:

- (a) the second anniversary of the First Share Placement which took place on 11 November 2005; and
- (b) the sixty-first day following an announcement by Clough Limited to the Australian Stock Exchange Limited confirming the full and final settlement of the BassGas dispute with Origin Energy Limited,

but in any event no later than 10 November 2007.

Clough Limited was required to pay an arrangement fee of \$75,000 on execution of the loan agreement. Clough Limited has provided an indemnity to Murray & Roberts International Limited for all losses incurred in connect with an event of default.

Unsecured loan - Murray & Roberts International Limited and McRae Investments Pty Ltd (Bridging loan)

Murray & Roberts International Limited is a subsidiary of Murray & Roberts Holdings Limited. Mr BC Bruce, Mr N Jorek and Mr RW Rees are directors of Murray & Roberts Holdings Limited, and Murray & Roberts Holdings Limited is a substantial shareholder in Clough Limited through Zero Nominees Pty Ltd.

The directors, Mr WH Clough and Mr JM Clough, are directors and shareholders of McRae Investments Pty Ltd.

A loan agreement was entered into between Murray & Roberts International Limited, McRae Investments Pty Ltd and Clough Limited on 11 September 2006 for an unsecured loan of up to \$26,782,330, with Murray & Roberts International Limited providing a commitment of \$18,450,422 and McRae Investments Pty Ltd providing a commitment of \$8,331,908. The loan was fully drawn down on 15 September 2006. The purpose of the loan was to provide an advance on the amounts payable by the respective parties in relation to their entitlement as shareholders to convertible notes under the proposed Convertible Note Issue that Clough Limited announced on 23 August 2006. In accordance with the loan agreement, the amounts paid to Clough Limited by Murray & Roberts International Limited and McRae Investments Pty Ltd were able to be off-set against the amounts payable to Clough Limited pursuant to the Convertible Note Issue.

40 Related party transactions (continued)

In accordance with the loan agreement, interest on the loan was payable monthly in arrears and the interest rate was 10% per annum. In addition, Clough Limited was required to pay each lender an arrangement fee of 2% of the maximum loan amount on the date of the loan agreement.

The loan was repayable on the Termination Date, being:

- (a) 7 days after the date on which Clough Limited received all the proceeds from the Convertible Note Issue if the Convertible Note Issue was finalised on or before 31 December 2006 and both lenders took up their entitlements as shareholders under the Convertible Note Issue in full; or
- (b) if paragraph (a) does not apply, 1 September 2009, subject to mandatory prepayments as detailed in the loan agreement.

An arrangement fee of \$369,008 was paid to Murray & Roberts International Limited and an arrangement fee of \$166,638 was paid to McRae Investments Pty Ltd for setting up this facility.

Clough Limited issued the convertible notes under the Convertible Note Issue on 15 December 2006 and on this date, the loan was offset against the amounts payable by Murray & Roberts International Limited and McRae Investments Pty Ltd for their entitlement to convertible notes. The final amounts payable by lenders for their entitlement to convertible notes under the Convertible Note Issue was \$18,350,000 by Murray & Roberts International Limited and \$8,175,401 by McRae Investments Pty Ltd. The remaining loan balances after the offset of the final amounts payable for the convertible notes were repaid to the lenders at this time.

Underwriting Agreement with Murray & Roberts Limited

Murray & Roberts Limited is a subsidiary of Murray & Roberts Holdings Limited. Mr BC Bruce, Mr N Jorek and Mr RW Rees are directors of Murray & Roberts Holdings Limited, and Murray & Roberts Holdings Limited is a substantial shareholder in Clough Limited through Zero Nominees Pty Ltd.

An underwriting agreement was entered into between Clough Limited and Murray & Roberts Limited in relation to the Convertible Note Issue. Under the terms of the underwriting agreement, Murray & Roberts Limited agreed to underwrite the Convertible Note Issue. In accordance with the agreement, Murray & Roberts Limited received an underwriting fee of \$180,000.

(ii) Other transactions and balances

Interest paid on convertible notes held by key management personnel or entities related to them

Interest paid on the convertible notes held by key management personnel or entities related to them as disclosed in note 36 was as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Directors				
CM Anderson	313	-	313	-
BC Bruce, N Jorek and RW Rees through Zero Nominees Pty Ltd ^	1,257,007	-	1,257,007	-
JM Clough, WH Clough & families through McRae Investments Pty Ltd	443,107	-	443,107	-
RW Kelly	625	-	625	-
MB Robinson	222	-	222	-
DPA Singleton ~	-	-	-	-
AJ Walsh	1,393	-	1,393	-
Other key management personnel of the Group	-	-	-	-
SR High	1,992	-	1,992	-

^ BC Bruce, N Jorek and RW Rees are directors of Murray & Roberts Holdings Limited which holds convertible notes in Clough Limited through Zero Nominees Pty Ltd.

~ No interest was paid on the convertible notes held by DPA Singleton in the period up until he ceased employment with the Clough Group.

40 Related party transactions (continued)

(e) Transactions with other related parties

The following transactions occurred with other related parties:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Revenue - Provision of services</i>				
Subsidiaries	-	-	9,669,142	4,855,104
Associates	658,431	1,128,905	-	-
Jointly controlled entities	<u>32,030,534</u>	<u>30,538,893</u>	-	-
	<u>32,688,965</u>	<u>31,667,798</u>	<u>9,669,142</u>	<u>4,855,104</u>
 <i>Purchases - Provision of services</i>				
Associates	484,259	4,547,083	-	-
Jointly controlled entities	<u>7,632,912</u>	<u>1,694,424</u>	-	-
	<u>8,117,171</u>	<u>6,241,507</u>	-	-
 <i>Tax consolidation legislation</i>				
Tax losses assumed from wholly-owned tax consolidated entities	-	-	<u>14,299,771</u>	<u>6,226,874</u>
 <i>Superannuation contributions</i>				
Contributions to superannuation funds on behalf of employees	<u>9,578,935</u>	<u>7,311,248</u>	<u>447,941</u>	<u>133,596</u>

40 Related party transactions (continued)

(f) Outstanding balances arising from loans and sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Current receivables (provision of services)</i>				
Associates	59,770	334,371	-	-
Jointly controlled entities	<u>13,052,940</u>	<u>4,835,181</u>	-	-
	<u>13,112,710</u>	<u>5,169,552</u>	-	-
<i>Current receivables (loans)</i>				
Subsidiaries	-	-	77,472,000	56,742,000
Jointly controlled entities	<u>432,707</u>	<u>1,816,873</u>	-	-
	<u>432,707</u>	<u>1,816,873</u>	<u>77,472,000</u>	<u>56,742,000</u>
<i>Non-current receivables (loans)</i>				
Subsidiaries	-	-	154,027,780	139,179,377
Associates	659,474	155,727	-	-
Jointly controlled entities	<u>-</u>	<u>750,000</u>	-	-
	<u>659,474</u>	<u>905,727</u>	<u>154,027,780</u>	<u>139,179,377</u>
<i>Current payables (provision of services)</i>				
Jointly controlled entities	<u>2,631,635</u>	<u>2,433,137</u>	-	-
	<u>2,631,635</u>	<u>2,433,137</u>	-	-
<i>Current payables (loans)</i>				
Jointly controlled entities	<u>632,341</u>	-	-	-
	<u>632,341</u>	-	-	-
<i>Non-current payables (loans)</i>				
Subsidiaries	-	-	2,978,987	2,537,269
Jointly controlled entities	<u>13,854,301</u>	-	-	-
	<u>13,854,301</u>	-	<u>2,978,987</u>	<u>2,537,269</u>

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties apart from the provision against non-current receivables from subsidiaries as detailed in note 14.

40 Related party transactions (continued)

(g) Loans to/from related parties

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Loans to subsidiaries</i>				
Beginning of the year	-	-	195,921,377	195,030,451
Loans advanced	-	-	47,024,389	46,543,099
Loan repayments received	-	-	(11,445,986)	(45,652,173)
	<u>-</u>	<u>-</u>	<u>231,499,780</u>	<u>195,921,377</u>
<i>Loans to associates</i>				
Beginning of the year	155,727	1,250,000	-	-
Loans advanced	503,747	755,727	-	-
Loan repayments received	-	(1,850,000)	-	-
End of year	<u>659,474</u>	<u>155,727</u>	<u>-</u>	<u>-</u>
<i>Loans to jointly controlled entities</i>				
Beginning of the year	2,566,873	4,099,250	-	-
Loans advanced	432,707	757,866	-	-
Loan repayments made	(2,566,873)	(2,290,243)	-	-
End of year	<u>432,707</u>	<u>2,566,873</u>	<u>-</u>	<u>-</u>
<i>Loans from jointly controlled entities</i>				
Beginning of the year	-	-	-	-
Loans advanced	14,486,642	-	-	-
Loan repayments made	-	-	-	-
End of year	<u>14,486,642</u>	<u>-</u>	<u>-</u>	<u>-</u>

(h) Guarantees

The following guarantees have been given:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Guarantee of portion of the overdraft facility provided to jointly controlled entities	1,518,669	750,000	1,518,669	750,000
Guarantee of banking facilities provided to PT Petrosea Tbk #	45,892,611	52,574,818	45,892,611	52,574,818

As at 30 June 2007, the utilisation of the banking facility provided to PT Petrosea Tbk was \$3,586,000 (2006: \$5,103,000).

In addition, Clough Limited has provided a guarantee to the owner of a vessel chartered by a controlled entity to pay in full amounts due and payable in connect with the Charter. Clough Limited has also provided a guarantee in relation to the performance of the controlled entity under a Charter Agreement with a customer.

41 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Note	Equity holding *	
			2007 %	2006 %
Clough Limited				
Asia Offshore Services Pte Ltd #	Singapore	(i),(vi)	50	100
C Engineering Concepts Pty Ltd	Australia	(v)	100	100
Challenge Insurance Pte Ltd	Singapore	(ii)	100	100
Clo Pty Ltd	Australia	(v)	100	100
Clough Construction Queensland Pty Ltd	Australia	(v)	100	100
Clough Developments Pty Ltd	Australia	(v)	100	100
Clough Engineering Limited	Australia	(viii)	100	100
Clough Engineering & Integrated Solutions (CEIS) Pty Ltd	Australia		100	100
Clough Engineering & Maintenance Pty Ltd (formerly MPA Energy Services Pty Ltd)	Australia		100	100
Clough International Singapore Pte Ltd	Singapore	(i)	100	100
Clough Investments (ESOP) Pty Ltd	Australia	(v)	100	100
Clough Investment Holdings Pty Ltd	Australia	(v)	100	100
Clough Java Offshore Pte Ltd	Singapore	(i)	100	100
Clough Malaysia Sdn Bhd	Malaysia	(ii)	100	100
Clough Mining & Minerals Pty Ltd	Australia	(v)	100	100
Clough Mining Pty Ltd	Australia	(v)	100	100
	Papua New Guinea			
Clough Niugini Limited	Guinea	(ii)	100	100
Clough Oil & Gas India Private Ltd	India	(i)	100	100
Clough Operations Pty Ltd	Australia		100	100
Clough Overseas Pty Ltd	Australia		100	100
Clough Petrosea Pte Ltd #	Singapore	(i),(vi)	50	100
Clough Petrosea Pty Ltd	Australia	(v)	100	100
Clough (Portugal) - Comércio Marítimo, Sociedade Unipessoal, Lda	Portugal		100	100
Clough Project Holdings Pty Ltd	Australia		100	100
Clough Projects Australia Pty Ltd	Australia		100	100
Clough Projects International Pty Ltd	Australia		100	100
Clough Projects Pty Ltd	Australia		100	100
Clough Property Beaconsfield Pty Ltd	Australia	(v)	100	100
Clough Property Beveridge Pty Ltd	Australia	(v)	100	100
Clough Property Brookwater Pty Ltd	Australia	(v)	100	100
Clough Property Bunbury Pty Ltd	Australia	(v)	100	100
Clough Property Claremont Pty Ltd	Australia	(v)	100	100
Clough Property Developments Pty Ltd	Australia	(v)	100	100
Clough Property Dolphin Point Pty Ltd	Australia	(v)	100	100
Clough Property East Coast Pty Ltd	Australia	(v)	100	100
Clough Property Geelong Pty Ltd	Australia	(v)	100	100
Clough Property Holdings Pty Ltd	Australia		100	100
Clough Property Hook Close Pty Ltd	Australia	(v)	100	100
Clough Property Investments Pty Ltd	Australia	(v)	100	100
Clough Property Lyndhurst Pty Ltd	Australia	(v)	100	100
Clough Property Mernda Pty Ltd	Australia	(v)	100	100
Clough Property Nambeelup Pty Ltd	Australia	(v)	100	100
Clough Property Ranford Road Pty Ltd	Australia	(v)	100	100
Clough Property Ravenswood Pty Ltd	Australia	(v)	100	100
Clough Property South Street Pty Ltd	Australia	(v)	100	100
Clough Property Southern River Pty Ltd	Australia	(v)	100	100
Clough Property Yunderup Pty Ltd	Australia	(v), (ix)	-	100
Clough Regional Pty Ltd	Australia		100	100

41 Subsidiaries (continued)

Clough Resources Pty Ltd	Australia	(v)	100	100
Clough Singapore Constructor Pte Ltd	Singapore	(i)	100	100
Clough (Spare No. 1) Pty Ltd	Australia	(v)	100	100
Clough (Thailand) Co., Ltd	Thailand	(ii),(iv)	49	49
Clough UK Limited	Scotland	(i)	100	100
Clough USA Inc.	USA		100	100
Clough Vessels Pty Ltd	Australia	(vii)	100	-
ACN 125 200 820 Pty Ltd	Australia	(vii)	100	-
Clough Walker Civil Pty Ltd	Australia	(v)	100	100
Eclo Pty Ltd	Australia	(v)	100	100
Global Nippo Pte Ltd	Singapore	(i)	100	100
Llic Limited	Hong Kong		100	100
PT Clough	Indonesia	(ii)	100	100
PT Petrosea Tbk	Indonesia	(ii),(iii)	79	79
PTP Investments Pte Ltd	Indonesia		79	79

* The proportion of ownership interest is equal to the proportion of voting power held.

- (i) Company is audited by another firm other than PricewaterhouseCoopers.
- (ii) Company is audited by an overseas PricewaterhouseCoopers firm.
- (iii) PT Petrosea Tbk is a public company listed on the Jakarta Stock Exchange.
- (iv) Controlled entity due to a substantial shareholding and control of the Board of Directors.
- (v) Controlled entity not audited as it is a small proprietary company.
- (vi) Controlled entity partially disposed of during the year and is now a jointly controlled entity.
- (vii) Controlled entity incorporated during the year.
- (viii) Clough Limited has given an undertaking to provide sufficient assistance to the company to continue operations and fulfil all of its financial obligations for the period ending 31 October 2008.
- (ix) Controlled entity disposed of during the year.

Sale of Controlled Entities

On 26 April 2007, Clough Overseas Pty Ltd sold 50% of the issued share capital of Asia Offshore Services Pte Ltd for consideration of SGD4,319,000. Clough Petrosea Pte Ltd is a wholly owned subsidiary of Asia Offshore Services Pte Ltd.

The operating results of Asia Offshore Services Pte Ltd and Clough Petrosea Pte Ltd have been included in the consolidated income statement up until the date of disposal. Asia Offshore Services Pte Ltd is now a jointly controlled entity and is equity accounted for.

42 Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest		Consolidated		Parent	
		2007 %	2006 %	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Unlisted</i>							
PT Tirta Kencana Cahaya Mandiri	Operation and management of water treatment plant	47	47	<u>521</u>	<u>516</u>	-	-
				<u>521</u>	<u>516</u>	-	-

PT Tirta Kencana Cahaya Mandiri is incorporated in Indonesia.

42 Investments in associates (continued)

	Consolidated	
	2007 \$'000	2006 \$'000
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	516	8,850
Share of profits after income tax	175	8,749
Dividends received/receivable	-	(441)
Interests in associates acquired	-	377
Reclassification to loan	(99)	-
Interests in associates sold	-	(17,019)
Exchange differences	(71)	-
Carrying amount at the end of the financial year	<u>521</u>	<u>516</u>
(c) Share of associates' profits or losses		
Profit before income tax	286	9,640
Income tax expense	(111)	(891)
Profit after income tax	<u>175</u>	<u>8,749</u>

43 Interests in jointly controlled entities

The interests in the following jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting (refer to note 15). Information relating to the jointly controlled entities is set out below.

Name and principal activity	Notes	Ownership interest		Carrying value of investment			
		2007	2006	Consolidated		Parent	
				2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Incorporated joint ventures							
Al Bilad S&B Clough, Ltd Engineering and construction	(vii)	50 %	50 %	749	1,563	-	-
Asia Offshore Services Pte Ltd Supply base and fabrication facility for the offshore oil and gas industry Clough Amec Pty Ltd Operations and maintenance asset management services to the oil and gas sector.	(iii),(vi)	50 %	100 %	1,580	-	-	-
Clough Sino-Thai Co Ltd Engineering and construction Elclough Pty Ltd Property Manager Harbourworks Clough Contracting Pty Ltd	(viii)	50 %	50 %	1,704	10,893	-	-
Engineering and construction Mashhor Clough Sdn Bhd Offshore pipeline installation Mermaid Clough Pty Ltd Shallow water pipeline installation Shedden Uhde Pty Ltd Engineering and construction	(ii), (xii) (i), (ix) (v)	51 % 50 % 50 %	51 % 50 % 50 %	- 89 436 13,590	- 89 222 9,656	- - - -	- - - -

43 Interests in jointly controlled entities (continued)

St Quentin's Claremont Pty Ltd Trustee	(iv)	50 %	- %	-	-	-	-
St Quentin's Claremont Unit Trust Property development	(iv)	50 %	- %	4,213	-	-	-
Unincorporated joint ventures							
Airlie Beach Joint Venture Property development	(xvi)	100 %	50 %	-	2,562	-	-
Aker Clough Joint Venture Hook-up and commissioning of offshore gas facilities		50 %	50 %	-	-	-	-
Aker Kvaerner Clough Murray & Roberts Joint Venture Engineering, procurement and construction management of processing facilities for the Boddington Gold Mine	(xii)	19.5 %	19.5 %	-	-	-	-
Boulderstone Clough Joint Venture Operations and maintenance of inner-city freeway system		50 %	50 %	143	82	-	-
Clough Aker Joint Venture Transport and installation of offshore oil & gas production platforms		50 %	50 %	-	-	-	-
Clough AMEC Joint Venture - CoP Operations and maintenance asset management services to the oil and gas sector		50 %	50 %	1,797	1,634	-	-
Clough AMEC Joint Venture - WEL Operations and maintenance asset management services to the oil and gas sector		50 %	50 %	-	297	-	-
Clough Demol Joint Venture Property development	(xii), (xiv)	80 %	80 %	-	1,092	-	-
Clough Downer Joint Venture Design and construction of coal ship loader facilities		50 %	50 %	-	-	-	-
Clough Lucas Joint Venture Gas pipeline construction		- %	50 %	-	156	-	-
Clough Lucas (Bundeena) Joint Venture Design and construction of water cycle management scheme	(xii)	80 %	80 %	40	40	-	-
Clough Murray & Roberts Joint Venture EPCM services to the resources industry		50 %	50 %	773	-	-	-
Clough Seymour Whyte Joint Venture Design and construction of bus transport dual carriageway		50 %	50 %	-	-	-	-
Clough Seymour Whyte Joint Venture - Lake Cowal Construction of Lake Cowal gold plant - civils		50 %	50 %	493	524	-	-
Harbourworks Clough Joint Venture Construction of a LNG loading berth Henry Walker Eltin - Clough Joint Venture		50 %	50 %	148	800	-	-
Design and construction of bus transport freeway system		50 %	50 %	41	35	-	-

43 Interests in jointly controlled entities (continued)

Kellogg Joint Venture - Train 4 Design, procurement and construction of LNG facilities	(xii)	- %	17.5 %	-	-	-	-
Kellogg Joint Venture - Gorgon Pre-front end engineering design (FEED) for Greater Gorgon Downstream LNG Project	(xii)	20 %	20 %	171	-	-	-
Kvaerner Clough Joint Venture Design and construction of process plant facilities	(xii)	33.3 %	33.3 %	39	104	-	-
Mernda (Lot 6) Joint Venture Property Development	(xiv)	50 %	50 %	-	1,401	-	-
Moltoni Clough (No. 2) Joint Venture Property Development	(xiv)	50 %	50 %	-	2,439	-	-
Nambeelup Joint Venture Property Development	(xiv)	50 %	50 %	-	2,670	-	-
Petrosea - Calibre - Roberts & Schaeffer Joint Operation Feasibility studies for engineering and management services of Maruwai coal facilities	(xi), (xii)	33.3 %	33.3 %	117	135	-	-
PT LOR Indonesia Joint Operation (formerly PT Petrosea Tbk - PT Barclay Mowlem Indonesia Joint Operation) Engineering services for Bontang coal terminal upgrade project	(xi)	50 %	50 %	314	-	-	-
PTSC Clough Joint Venture Offshore installation	(xiii)	- %	50 %	-	-	-	-
Rapley Clough Joint Venture Property Development		50 %	50 %	7	5,701	-	-
Sonsub Clough Partnership Offshore installation	(x)	- %	50 %	-	6	-	-
Yunderup Joint Venture Property Development	(xv)	- %	50 %	-	1,205	-	-
				<u>26,444</u>	<u>43,741</u>	<u>-</u>	<u>-</u>

- (i) This entity has a 31 December year end.
- (ii) This entity was not a controlled entity due to the provisions of a shareholder agreement.
- (iii) This entity was partially sold during the year and it is now a jointly controlled entity.
- (iv) This entity was incorporated/established during the year.
- (v) This entity has a 31 October year end.
- (vi) This entity is incorporated in Singapore.
- (vii) This entity is incorporated in Saudi Arabia.
- (viii) This entity is incorporated in Thailand.
- (ix) This entity is incorporated in Brunei.
- (x) This entity is resident in the UK.
- (xi) This entity is resident in Indonesia.
- (xii) This entity is a jointly controlled entity due to the provisions of a joint venture agreement.
- (xiii) This entity is resident in Malaysia.
- (xiv) This entity was transferred to non-current asset classified as held for sale during the year. For further details refer to note 13.
- (xv) This entity was sold during the year.
- (xvi) The balance of this entity was acquired during the year.

All the entities above were incorporated or are resident in Australia, unless otherwise noted.

43 Interests in jointly controlled entities (continued)

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Movements in carrying amounts of investments in jointly controlled entities				
Carrying amount at the beginning of the financial year	43,741	21,859	-	-
Share of profits after income tax	17,263	27,967	-	-
Dividends/distributions received	(28,707)	(8,812)	-	-
Interests acquired	6,237	6,295	-	-
Contributions made	1,997	1,912	-	-
Interests sold	(3,929)	(4,656)	-	-
Repayment of contributions	(783)	(49)	-	-
Transfer (to)/from controlled entities	496	(1,292)	-	-
Transfer to non-current assets classified as held for sale	(7,240)	-	-	-
Transfer to work in progress on acquisition of balance of jointly controlled entity	(2,562)	-	-	-
Exchange differences	(69)	517	-	-
	<u>26,444</u>	<u>43,741</u>	<u>-</u>	<u>-</u>
			Consolidated	
			2007 \$'000	2006 \$'000
Share of jointly controlled entities' assets and liabilities				
Current assets			65,073	114,609
Non-current assets			<u>4,333</u>	<u>4,879</u>
Total assets			<u>69,406</u>	<u>119,488</u>
Current liabilities			37,749	69,233
Non-current liabilities			<u>5,213</u>	<u>6,514</u>
Total liabilities			<u>42,962</u>	<u>75,747</u>
Net assets			<u>26,444</u>	<u>43,741</u>
Share of jointly controlled entities' revenue, expenses and results				
Revenues			161,759	214,605
Expenses			(146,171)	(183,549)
Income tax			<u>1,675</u>	<u>(3,089)</u>
Profit after income tax			<u>17,263</u>	<u>27,967</u>

44 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 2007, apart from the matter noted below.

The Company announced on 12 July 2007 its intention to recapitalise the business. The funding structure has now been finalised and will comprise a fully underwritten renounceable rights issue at 36.8 cents per share to raise \$39.4 million and a placement to Murray & Roberts at 36.8 cents per share to raise \$5.6 million. The Company has also agreed a \$25 million debt facility and a \$160 million loan guarantee facility both provided by Murray & Roberts. The recapitalisation will allow the Company to deal with the cash flow issues arising from the BassGas and G1 disputes and provide the necessary support for the capital expenditure programme announced by the Company in February 2007. Additionally the Company announced its intention to complete the disposal of non-core assets, the details of which are being worked through.

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

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Loss for the year	(103,919)	(13,341)	(119,966)	(10,019)
Depreciation and amortisation	17,547	15,123	-	1
Impairment of investments in controlled entities	-	-	47,153	21,427
Provision for non-recoverability of amounts due from controlled entities	-	-	87,959	-
Write off of trade receivables	32,533	-	-	-
Non-cash employee benefits expense - share-based payments	112	111	-	-
Net gain on disposal of property, plant and equipment	(864)	(2,655)	-	-
Net gain on sale of other non-current assets	(1,533)	(8,685)	-	-
Net gain on disposal of controlled entities	(2,860)	-	-	-
Impairment of non-current asset classified as held for sale	3,641	-	-	-
Difference between equity accounted profits of associates and jointly controlled entities and dividends or distributions received	11,129	(27,461)	-	-
Tax losses assumed from wholly-owned tax consolidated entities	-	-	(15,144)	(11,418)
Net exchange differences and other non-cash items	(7,760)	4,931	256	-
Change in operating assets and liabilities, net of effects from sale of controlled entities				
Decrease (increase) in receivables	26,227	(10,465)	-	66
Decrease (increase) in work in progress	28,171	(88,655)	-	72
Decrease (increase) in deferred tax assets	(2,175)	(3,418)	-	-
Decrease (increase) in other assets	(212)	(4,703)	-	-
Increase (decrease) in payables	(74,605)	82,161	-	(382)
Increase (decrease) in amounts due to customers for contract work	63,636	(4,827)	-	-
Increase (decrease) in provision for income taxes payable	1,300	(37)	-	-
Increase (decrease) in deferred tax liabilities	(18)	229	110	-
Increase (decrease) in other provisions	(3,244)	1,284	-	-
Net cash inflow (outflow) from operating activities	<u>(12,894)</u>	<u>(60,408)</u>	<u>368</u>	<u>(253)</u>

46 Non-cash investing and financing activities

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Acquisition of plant and equipment by means of finance leases	10,293	15,874	-	-

47 Loss per share

	Consolidated	
	2007 Cents	2006 Cents
(a) Basic loss per share		
Loss attributable to the ordinary equity holders of the Company	(20.63)	(3.02)
(b) Diluted loss per share		
Loss attributable to the ordinary equity holders of the Company	(20.63)	(3.02)
(c) Reconciliations of loss used in calculating basic and diluted loss per share		

	Consolidated	
	2007 \$'000	2006 \$'000
<i>Basic and diluted loss per share</i>		
Loss for the year	(103,919)	(13,341)
Profit attributable to minority interests	(1,341)	(1,736)
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share	(105,260)	(15,077)

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

	Consolidated	
	2007 Number	2006 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share</i>	510,232,225	499,218,526

(i) Options

The options granted under the Executive Option Plan on 17 November 2005 and 23 April 2007 have not been included in the calculation of diluted loss per share because they are anti-dilutive for the year ended 30 June 2007 due to the loss made for the year. These options could potentially dilute basic earnings per share in the future. Details relating to the options are set out in note 48.

(ii) Convertible notes

Convertible notes issued during the year are considered to be potential ordinary shares. They have not been included in the calculation of diluted loss per share because they are anti-dilutive for the year ended 30 June 2007 due to the loss made for the year. The convertible notes have not been included in the determination of basic loss per share. Details relating to the notes are set out in note 28.

48 Share-based payments

(a) Executive Option Plan

Options are granted under the Clough Limited Executive Option Plan which was approved by special resolution at the annual general meeting of the Company held on 16 November 1998. The Board of Directors of the Company determines the eligibility of executives and their entitlement having regard to, amongst other things, the performance and future potential contribution of each executive. Participation by Executive Directors is subject to prior approval of a general meeting of the Company.

The maximum number of shares that can be issued or acquired under the Plan is 0.5% of the number of issued shares in the Company in each year from the commencement of the Plan. If less than 0.5% is issued or acquired in one year, the remainder can be added to issues in subsequent years.

The Board believes it is appropriate that the options be subject to suitable performance criteria. This may involve setting the exercise price of options above the current market price of the shares in the Company, or it may involve imposing performance conditions that must be satisfied before the options can be exercised. The Board will review and set the performance criteria attaching to options, as it considers appropriate. The exercise price of options as a minimum must not be less than the market price of shares in the Company at the time the options were granted.

On 23 April 2007 2,835,000 options were granted to executives of the Group under the Clough Limited Executive Option Plan.

The vesting period of the options issued is three years and the vesting date is 23 April 2010. The options have an exercise price of 63 cents and an expiry date of 23 April 2013 and may be exercised at any time between the vesting date and the expiry date. If an executive leaves the employment of the Company, for reasons other than retirement, total and permanent disablement, retrenchment or death, before the vesting date, the options will lapse.

The options were granted under the plan for no consideration.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share in Clough Limited.

Set out below are summaries of options granted under the plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent - 2007							
11 June 2003	11 June 2008	\$0.50	1,000,000	-	-	1,000,000	1,000,000
11 June 2003	11 June 2008	\$0.75	1,000,000	-	-	1,000,000	1,000,000
11 June 2003	11 June 2008	\$1.00	1,000,000	-	-	1,000,000	1,000,000
11 June 2003	11 June 2008	\$1.25	1,000,000	-	-	1,000,000	1,000,000
11 June 2003	11 June 2008	\$1.50	1,000,000	-	(1,000,000)	-	-
14 November 2003	14 November 2008	\$0.67	600,000	-	-	600,000	-
14 November 2003	14 November 2008	\$0.92	600,000	-	-	600,000	-
14 November 2003	14 November 2008	\$1.17	600,000	-	-	600,000	-
14 November 2003	14 November 2008	\$1.42	600,000	-	-	600,000	-
14 November 2003	14 November 2008	\$1.67	600,000	-	-	600,000	-
17 November 2005	17 November 2011	\$0.39	3,965,000	-	(1,435,000)	2,530,000	-
23 April 2007	23 April 2013	\$0.63	-	2,835,000	-	2,835,000	-
Total			<u>11,965,000</u>	<u>2,835,000</u>	<u>(2,435,000)</u>	<u>12,365,000</u>	<u>4,000,000</u>
Weighted average exercise price			\$0.84	\$0.63	\$0.85	\$0.79	\$0.88

48 Share-based payments (continued)

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent - 2006							
11 June 2003	11 June 2008	\$0.50	1,000,000	-	-	1,000,000	-
11 June 2003	11 June 2008	\$0.75	1,000,000	-	-	1,000,000	-
11 June 2003	11 June 2008	\$1.00	1,000,000	-	-	1,000,000	-
11 June 2003	11 June 2008	\$1.25	1,000,000	-	-	1,000,000	-
11 June 2003	11 June 2008	\$1.50	1,000,000	-	-	1,000,000	-
14 November 2003	14 November 2008	\$0.67	600,000	-	-	600,000	-
14 November 2003	14 November 2008	\$0.92	600,000	-	-	600,000	-
14 November 2003	14 November 2008	\$1.17	600,000	-	-	600,000	-
14 November 2003	14 November 2008	\$1.42	600,000	-	-	600,000	-
14 November 2003	14 November 2008	\$1.67	600,000	-	-	600,000	-
17 November 2005	17 November 2011	\$0.39	-	4,105,000	(140,000)	3,965,000	-
Total			<u>8,000,000</u>	<u>4,105,000</u>	<u>(140,000)</u>	<u>11,965,000</u>	<u>-</u>
Weighted average exercise price			\$1.06	\$0.39	\$0.39	\$0.84	\$-

No options were exercised during the periods covered by the above tables.

The weighted average remaining contractual life of share options outstanding at 30 June 2007 was 2.87 years (2006 - 3.20 years).

The options granted on 11 June 2003 can only be exercised between 11 June 2007 and 11 June 2008, apart from the options with an exercise price of \$1.50 which can be exercised between 1 July 2007 and 11 June 2008. These options were split into 5 lots of 1,000,000 options with increasing exercise prices and have vesting dates of 1 July 2003, 2004, 2005, 2006 and 2007 respectively.

The options granted on 14 November 2003 can only be exercised between 14 November 2007 and 14 November 2008. These options were split into 5 lots of 600,000 options with increasing exercise prices and have vesting dates of 26 September 2003, 2004, 2005, 2006 and 2007 respectively.

The options granted on 17 November 2005 can only be exercised between 17 November 2008 and 17 November 2011. The options have an exercise price of 39 cents and a vesting date of 17 November 2008.

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2007 was 25.45 cents per option and was determined by the directors based on an independent valuation prepared by Ernst & Young Transaction Advisory Services Pty Ltd. The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the vesting date and expected life, 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 model inputs for options granted during the year ended 30 June 2007 included:

- (a) options are granted for no consideration, have a six year life and are exercisable at any time between the vesting date and the expiry date
- (b) grant date: 23 April 2007
- (c) vesting date: 23 April 2010
- (d) expiry date: 23 April 2013
- (e) expected exercise date: 23 October 2011
- (f) share price at grant date: \$0.615
- (g) exercise price: \$0.63

48 Share-based payments (continued)

- (h) expected price volatility of the company's shares: 39.91%
- (i) expected dividend yield: 0%
- (j) risk-free interest rate: 6.06%

The expected price volatility is based on the historic volatility corresponding to the remaining life of the options.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of labour costs were as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Options issued the under executive option plan	112	111	-	-

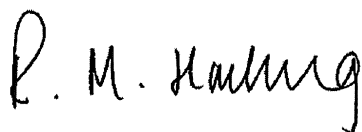
In the directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 72 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

PERTH
27 August 2007



Richard Michael (Mike) Harding
Director



Andrew John Walsh
Director

**Independent auditor's report
to the members of Clough Limited**

QV1
250 St Georges Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
www.pwc.com/au
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999

Report on the financial report

We have audited the accompanying financial report of Clough Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on 30 June 2007, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Clough Limited and the Clough Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Clough Limited the company for the financial year ended 30 June 2007 included on the Clough Limited web site. The company's directors are responsible for the integrity of the Clough Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Clough Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.


PricewaterhouseCoopers



John O'Connor
Partner

Perth
27th August 2007