

## APPENDIX 4D

### HALF-YEAR REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

(PREVIOUS CORRESPONDING PERIOD: HALF-YEAR ENDED 31 DECEMBER 2005)

<b>CLOUGH LIMITED ABN 59 008 678 813</b>
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#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

				\$A'000
Revenues from ordinary activities	down	4.9%	to	* 289,112
Profit/(loss) from ordinary activities after tax attributable to members	up	-%	to	10,697
Net profit/(loss) for the period attributable to members	up	-%	to	10,697
<b>Dividends</b>		<b>Amount per security</b>		<b>Franked amount per security</b>
Interim dividend		0.0 ¢		0.0 ¢
Previous corresponding period		0.0 ¢		0.0 ¢
Record date for determining entitlements to the dividend				N/A
* Excludes share of revenue from associates and jointly controlled entities and other income				

Refer to the attached press release and interim financial report for further information on the results for the half-year ended 31 December 2006.

### Dividends

No dividend is payable for the current period.

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

### Dividend Plans

The Company has implemented a Dividend Reinvestment Plan. This enables shareholders to reinvest all or part of their dividends in additional shares.

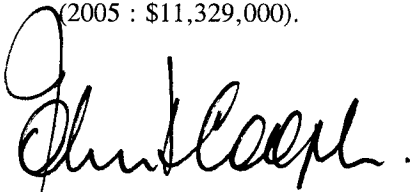
Net Tangible Assets per Security	31 December 2006	31 December 2005
Net tangible asset backing per ordinary security	<b>30.45¢</b>	29.31¢

### Interests in entities which are not controlled entities

Equity accounted associates and jointly controlled entities	Percentage of ownership interest held	
	31 December 2006	31 December 2005
Airlie Beach Joint Venture	-%	50%
Aker Clough Joint Venture	50%	50%
Aker Kvaerner Clough Murray & Roberts Joint Venture	19.5%	19.5%
Al Bilad S&B Clough, Ltd	50%	50%
Boulderstone Clough Joint Venture	50%	50%
Clough Aker Joint Venture	50%	50%
Clough Amec Joint Venture – CoP	50%	50%
Clough Amec Joint Venture - WEL	50%	50%
Clough Amec Pty Ltd	50%	50%
Clough Demol Joint Venture	80%	80%
Clough Downer Joint Venture	50%	50%
Clough Lucas Joint Venture	50%	50%
Clough Lucas (Bundeena) Joint Venture	80%	80%
Clough Murray & Roberts Joint Venture	50%	50%
Clough Seymour Whyte Joint Venture	50%	50%
Clough Seymour Whyte Joint Venture – Lake Cowal	50%	50%
Clough Sino-Thai Co Ltd	50%	50%
Covus Corporation Pty Ltd	-%	72.73%
Elclough Pty Ltd	50%	50%
Harbourworks Clough Contracting Pty Ltd	51%	51%
Harbourworks Clough Joint Venture	50%	50%
HR Connect Pty Ltd	-%	33.33%
Kellogg Joint Venture – Train 4	-%	17.5%
Kellogg Joint Venture - Gorgon	20%	20%
Kvaerner Clough Joint Venture	33.3%	33.3%
Landrow Limited	-%	49.67%
Mashhor Clough Sdn Bhd	50%	50%

Equity accounted associates and jointly controlled entities	Percentage of ownership interest held	
	31 December 2006	31 December 2005
Mermaid Clough Pty Ltd	50%	50%
Mernda (Lot 6) Joint Venture	50%	50%
Moltoni Clough Joint Venture	-%	50%
Moltoni Clough (No. 2) Joint Venture	50%	50%
MPA Energy Services Pty Ltd	100%	50%
Nambeelup Joint Venture	50%	-%
Petrosea Calibre Roberts & Schaeffer Joint Operation	33.3%	-%
PT Petrosea Tbk – PT Barclay Mowlem Indonesia Joint Operation	50%	-%
PT Santan Batubara	50%	50%
PT Tirta Kencana Cahaya Mandiri	47%	47%
PTSC Clough Joint Venture	50%	50%
Rapley Clough Joint Venture	50%	50%
Shedden Uhde Pty Ltd	50%	50%
Sonsub Clough Partnership	50%	50%
Tom's Gully Mining Pty Ltd	50%	50%
Yunderup Joint Venture	50%	-%

The contribution to net profit/(loss) from the above associates and jointly controlled entities was \$8,576,000 (2005 : \$11,329,000).



**JOHN D. COOPER**  
Chief Executive Officer

26 February 2007

**Clough Limited**  
**Interim financial report**  
**for the half-year ended 31 December**  
**2006**

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## DIRECTORS' REPORT

The Directors of Clough Limited ABN 59 008 678 813 present the financial statements of the Clough Group, the consolidated entity, for the half-year ended 31 December 2006 and in accordance with a resolution of the Directors' report as follows:

### 1. DIRECTORS

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

<b>Director</b>	<b>Qualifications</b>	<b>Main Duties</b>
<b>RM Harding</b>	MSc	Chairman
<b>JD Cooper</b>	BSc(Building)(Hons), FIEAust, FAIM, FAICD	Chief Executive Officer & Managing Director
<b>AJ Walsh</b>	ACMA	Chief Financial Officer
<b>CM Anderson</b>	BEc, ASA	Non-Executive Director
<b>BC Bruce</b>	PrEng, BSc(Eng), DEng(hc), PSE(MIT), FSAICE	Non-Executive Director
<b>JM Clough</b>	BE, MIEAust, CPEng	Non-Executive Director
<b>WH Clough</b>	AO, OBE, BE(Hons), MS(Calif), Hon FIEAust, CPEng, Hon DE(UWA), FTSE, FAICD, FAIM	Non-Executive Director
<b>N Jorek</b>	Dipl.-Kfm, MBA	Non-Executive Director
<b>RW Kelly</b>	AM, BE(Hons), FAICD	Non-Executive Director
<b>MB Robinson</b>	AO, LLB	Non-Executive Director

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

- JD Cooper was appointed as a director on 24 August 2006 and was appointed Chief Executive Officer & Managing Director on 9 January 2007.
- RW Rees who resigned as a director on 23 August 2006.
- DPA Singleton who resigned as Chief Executive Officer & Managing Director on 9 January 2007.

### 2. REVIEW OF OPERATIONS AND DEVELOPMENTS

The net profit attributable to members of Clough Limited for the half-year was \$10,697,000 after deducting income tax expense of \$5,149,000 and profits attributable to outside equity interests in controlled entities of \$780,000.

The result for the six months builds on the profitable second half of last financial year reflecting continued strong operational performance. The Offshore Oil & Gas business was the main driver of this improvement reflecting good progress on the rig remediation contract in the Gulf of Mexico and OMV's Maari Field Development, while the Services/Construction Management business and Indonesian subsidiary PT Petrosea both made a strong contribution to the overall result. Work in hand has been maintained at around \$850m, due not only to new contract wins but also to contract renewals and extensions particularly in asset support, infrastructure and mining. The company's cash holdings improved during the period by a raising of \$39.25m via a convertible note offer to all shareholders that was fully underwritten by Murray & Roberts. The funds have been used to improve the company's creditor balances with suppliers where terms were extended at 30 June 2006 on the G1 and Panna projects.

### 3. AUDITOR INDEPENDENCE

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

**DIRECTORS' REPORT (Continued)**


**4. ROUNDING OFF OF AMOUNTS**

Clough Limited is a company of the kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. All amounts have been rounded off to the nearest thousand dollars, unless otherwise stated.


For and on behalf of the Board

PERTH

26 February 2007



**John David Cooper**  
Director



**Richard Michael (Mike) Harding**  
Director

## Auditor's Independence Declaration

As lead auditor for the review of Clough Limited for the period ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Clough Limited and the entities it controlled during the period.



John O'Connor  
Partner  
PricewaterhouseCoopers

Perth  
26 February 2007

**Clough Limited**  
**Income statement**  
**For the half-year ended 31 December 2006**

	Half-year ended	
	2006	2005
	\$'000	\$'000
<b>Revenue</b>	<b>289,112</b>	304,008
Other income	1,784	942
Materials, plant and subcontractor costs	<b>(168,525)</b>	(232,177)
Labour costs	<b>(81,960)</b>	(59,520)
Depreciation and amortisation expense	<b>(8,352)</b>	(6,608)
Other expenses	<b>(18,976)</b>	(30,082)
Finance costs	<b>(5,033)</b>	(2,453)
Share of net profits of associates and jointly controlled entities accounted for using the equity method	<b>8,576</b>	11,329
<b>Profit (loss) before income tax</b>	<b>16,626</b>	(14,561)
Income tax expense	<b>(5,149)</b>	(1,603)
<b>Profit (loss) for the half-year</b>	<b>11,477</b>	(16,164)
Profit attributable to minority interest	<b>(780)</b>	(517)
<b>Profit (loss) attributable to members of Clough Limited</b>	<b>10,697</b>	(16,681)
	<b>Cents</b>	Cents
<b>Earnings (loss) per share attributable to the ordinary equity holders of the company:</b>		
Basic earnings (loss) per share	<b>2.10</b>	(3.42)
Diluted earnings (loss) per share	<b>2.08</b>	(3.42)

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

**Clough Limited**  
**Balance sheet**  
**As at 31 December 2006**

	Notes	31 December 2006 \$'000	30 June 2006 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		58,791	53,636
Receivables		191,875	192,418
Work in progress		161,097	145,439
Derivative financial instruments		<u>-</u>	<u>286</u>
		<b>411,763</b>	391,779
Non-current assets classified as held for sale	4	<u>17,753</u>	-
Total current assets		<u><b>429,516</b></u>	<u>391,779</u>
<b>Non-current assets</b>			
Receivables		27	11,455
Available-for-sale financial assets		4,687	11,279
Investments accounted for using the equity method		23,016	44,257
Other non-current assets		7,442	7,617
Property, plant and equipment		81,758	84,335
Intangible assets - computer software		4,556	5,713
Deferred tax assets		<u>14,328</u>	<u>16,429</u>
Total non-current assets		<u><b>135,814</b></u>	<u>181,085</u>
<b>Total assets</b>		<u><b>565,330</b></u>	<u>572,864</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		162,825	219,285
Amounts due to customers for contract work		21,974	12,902
Interest bearing liabilities		106,499	73,719
Current tax liabilities		1,635	506
Provisions		13,007	15,342
Derivative financial instruments		<u>277</u>	<u>-</u>
Total current liabilities		<u><b>306,217</b></u>	<u>321,754</u>
<b>Non-current liabilities</b>			
Payables		5,148	15,515
Interest bearing liabilities		59,253	40,357
Deferred tax liabilities		-	248
Provisions		<u>5,239</u>	<u>7,308</u>
Total non-current liabilities		<u><b>69,640</b></u>	<u>63,428</u>
<b>Total liabilities</b>		<u><b>375,857</b></u>	<u>385,182</u>
<b>Net assets</b>		<u><b>189,473</b></u>	<u>187,682</u>
<b>EQUITY</b>			
Contributed equity	3	130,232	130,232
Reserves	5(a)	(9,591)	(1,493)
Retained profits	5(b)	<u>49,077</u>	<u>38,506</u>
Parent entity interest		<u>169,718</u>	167,245
Minority interest		<u>19,755</u>	<u>20,437</u>
<b>Total equity</b>		<u><b>189,473</b></u>	<u>187,682</u>

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

**Clough Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2006**

Notes	Half-year ended	
	2006 \$'000	2005 \$'000
<b>Total equity at the beginning of the half-year</b>	<b>187,682</b>	175,439
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:		
Reserves	-	1,059
<b>Restated total equity at the beginning of the half-year</b>	<b>187,682</b>	176,498
Changes in the fair value of available-for-sale financial assets, net of tax	(1,944)	1,438
Changes in the fair value of cash flow hedges, net of tax	(394)	(185)
Exchange differences on translation of foreign operations	(7,708)	5,691
<b>Net income (loss) recognised directly in equity</b>	<b>(10,046)</b>	6,944
<b>Profit (loss) for the half-year</b>	<b>11,477</b>	(16,164)
<b>Total recognised income and expense for the half-year</b>	<b>1,431</b>	(9,220)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	-	14,743
Convertible note premium reserve, net of tax	394	-
Employee share options	75	23
Reduction in retained profits due to change in interest in controlled entity	(126)	(444)
Total changes in minority interest	17	1,830
	<b>360</b>	16,152
<b>Total equity at the end of the half-year</b>	<b>189,473</b>	183,430
Total recognised income and expense for the half-year is attributable to:		
Members of Clough Limited	2,130	(10,507)
Minority interest	(699)	1,287
	<b>1,431</b>	(9,220)

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

**Clough Limited**  
**Cash flow statement**  
**For the half-year ended 31 December 2006**

	Half-year ended	
	2006	2005
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	319,882	278,243
Payments to suppliers and employees (inclusive of goods and services tax)	(350,821)	(346,861)
Contract related deposit	<u>(13,637)</u>	<u>-</u>
	(44,576)	(68,618)
Dividends and distributions received from equity accounted entities	18,326	3,492
Dividends received from other persons	-	87
Interest received	873	645
Interest paid	(5,033)	(2,453)
Income taxes paid	<u>(2,167)</u>	<u>(3,899)</u>
<b>Net cash outflow from operating activities</b>	<u><b>(32,577)</b></u>	<u><b>(70,746)</b></u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(10,771)	(10,171)
Payments for available-for-sale financial assets	(1,793)	(1,000)
Payments for investments in equity accounted entities	(1,005)	(150)
Loans from other persons	912	27
Loans to equity accounted entities	(3,028)	(8,410)
Proceeds from sale of property, plant and equipment	3,104	3,707
Proceeds from sale of available-for-sale financial assets	<u>52</u>	<u>5,353</u>
<b>Net cash outflow from investing activities</b>	<u><b>(12,529)</b></u>	<u><b>(10,644)</b></u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	15,000
Share issue costs	-	(257)
Proceeds from convertible note raising	39,248	-
Convertible note raising costs	(637)	-
Proceeds from borrowings	20,711	47,722
Payments to minorities for shares bought back by listed subsidiary	(649)	-
Repayment of borrowings	(6,177)	(12,890)
Dividends paid to minority interests in subsidiaries	<u>-</u>	<u>(968)</u>
<b>Net cash inflow from financing activities</b>	<u><b>52,496</b></u>	<u><b>48,607</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,390</b>	<b>(32,783)</b>
Cash and cash equivalents at the beginning of the half-year	53,636	64,908
Effects of exchange rate changes on cash and cash equivalents	<u>(2,235)</u>	<u>1,672</u>
<b>Cash and cash equivalents at end of the half-year</b>	<u><b>58,791</b></u>	<u><b>33,797</b></u>

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

## 1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Clough Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

## 2 Segment information

### (a) Primary reporting format - business segments

<b>Half-year 2006</b>	Oil & Gas \$'000	Minerals & Infrastructure \$'000	Property \$'000	Other \$'000	Consolidated \$'000
Sales to external customers	189,222	92,718	2,386	-	284,326
Share of net profits of associates and jointly controlled entities	3,371	4,872	333	-	8,576
Other revenue / income	<u>4,222</u>	<u>1,622</u>	<u>175</u>	<u>551</u>	<u>6,570</u>
Total revenue and other income	<u>196,815</u>	<u>99,212</u>	<u>2,894</u>	<u>551</u>	<u>299,472</u>
Segment result	<u>13,702</u>	<u>7,858</u>	<u>(1,644)</u>	<u>(3,290)</u>	<u>16,626</u>

<b>Half-year 2005</b>	Oil & Gas \$'000	Minerals & Infrastructure \$'000	Property \$'000	Other \$'000	Consolidated \$'000
Sales to external customers	184,909	111,989	5,665	-	302,563
Share of net profits of associates and jointly controlled entities	4,446	2,415	4,201	267	11,329
Other revenue / income	<u>938</u>	<u>900</u>	<u>210</u>	<u>339</u>	<u>2,387</u>
Total revenue and other income	<u>190,293</u>	<u>115,305</u>	<u>10,076</u>	<u>605</u>	<u>316,279</u>
Segment result	<u>(26,415)</u>	<u>9,306</u>	<u>2,850</u>	<u>(302)</u>	<u>(14,561)</u>

## 3 Equity securities issued

	<b>2006 Shares</b>	2005 Shares	<b>2006 \$'000</b>	2005 \$'000
<b>Issues of ordinary shares during the half-year</b>				
Balance at start of period	<b>510,232,225</b>	480,232,225	<b>130,232</b>	115,512
Issue of 30 million new shares at a price of 50 cents per share, net of issue costs of \$257,000	<u>-</u>	<u>30,000,000</u>	<u>-</u>	<u>14,743</u>
Balance at end of period	<u><b>510,232,225</b></u>	<u>510,232,225</u>	<u><b>130,232</b></u>	<u>130,255</u>

#### 4 Current assets - Non-current assets classified as held for sale

	<b>31 December 2006 \$'000</b>	<b>30 June 2006 \$'000</b>
Available-for-sale financial assets	6,641	-
Investments accounted for using the equity method	<u>11,112</u>	<u>-</u>
	<u><b>17,753</b></u>	<u><b>-</b></u>

Subsequent to 30 June 2006, the Company announced its intention to divest of the Clough Property business as it is considered to be a non-core activity. In the six months to 31 December 2006, the Company has determined that this will 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.

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.

#### 5 Reserves and retained profits

	<b>31 December 2006 \$'000</b>	<b>30 June 2006 \$'000</b>
<b>(a) Reserves</b>		
Available-for-sale investments revaluation reserve, net of tax	913	2,625
Convertible note premium reserve, net of tax	394	-
Hedging reserve - cash flow hedges, net of tax	(194)	200
Share-based payments reserve	200	125
Foreign currency translation reserve	(11,624)	(5,163)
Capital reserve	<u>720</u>	<u>720</u>
	<u><b>(9,591)</b></u>	<u><b>(1,493)</b></u>

##### *Convertible note premium reserve*

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

##### **(b) Retained profits**

Movements in retained profits were as follows:

	<b>31 December 2006 \$'000</b>	<b>30 June 2006 \$'000</b>
Balance start of period	38,506	53,179
Profit (loss) for the period attributable to members of Clough Limited	10,697	(15,077)
Transfer to minority interest due to change in interest in controlled entity	(126)	404
Balance end of period	<u><b>49,077</b></u>	<u><b>38,506</b></u>

#### 6 Dividends

No dividends were declared or paid during the period.

## 7 Contingencies

### Contingent liabilities

#### *Claims*

Certain claims arising out of engineering and construction contracts have been made by or against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration. At this stage it is not possible to reliably estimate the maximum exposure under these claims.

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

As noted in the 30 June 2006 Financial Report, Origin and its Joint Venture partners have raised a claim of approximately \$90 million against the Group. The Group has a counter claim against Origin and its Joint Venture partners for an amount of approximately \$93 million. The Directors believe that they have adequately provided for any potential losses arising as a result of this dispute, which is expected to be determined through arbitration. The arbitration commenced in the second half of calendar year 2006 and it is anticipated that the arbitrator will deliver his findings in the first half of 2007. Depending on the outcome of this hearing, Clough and Origin may proceed to a second hearing, which will address quantum of damages. That hearing (if required) is anticipated to take place in late 2007.

## 8 Events occurring after the balance sheet date

No matters or circumstances have arisen since the end of the financial period, which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in periods subsequent to the period ended 31 December 2006.

## 9 Unincorporated joint ventures

The Group has interests in a number of unincorporated joint ventures. In the financial statements for the half-year ended 31 December 2005, these unincorporated joint ventures were classified as joint venture operations and were proportionally consolidated. As a result of further review of the nature of these joint venture arrangements and consideration of industry practise, it is now considered that the Group's unincorporated joint ventures should have been classified as joint venture entities under AASB 1006 Interests in Joint Ventures and equity accounted.

The unincorporated joint ventures were equity accounted in the financial statements for the year ended 30 June 2006.

Under AIFRS, the 2005 comparatives have been adjusted to reflect the correction of the error, the effect of which is:

#### *(i) At 31 December 2005*

For the Group, there is an increase in investments accounted for using the equity method of \$14,900,000 and a reduction in cash and cash equivalents of \$7,501,000, current receivables of \$9,077,000, work in progress of \$18,490,000, property, plant and equipment of \$46,000, payables of \$11,202,000, amounts due to customers for contract work of \$3,270,000, current interest bearing liabilities of \$5,323,000, current provisions of \$366,000 and non-current provisions of \$53,000. There is no impact on the net assets or total equity of the Group.

Since the unincorporated joint ventures were equity accounted in the financial statements for the year ended 30 June 2006, there is no change to the 30 June 2006 comparatives in the balance sheet.

#### *(ii) Income Statement for the half-year ended 31 December 2005*

For the Group, there is an increase in the share of net profits of associates and jointly controlled entities accounted for using the equity method of \$2,673,000 and a reduction in revenue of \$29,623,000, other income of \$8,000, materials, plant and subcontractor costs of \$24,943,000, labour costs of \$2,114,000 and depreciation and amortisation expense of \$5,000 and an increase in other expenses of \$104,000. There is no impact on the net loss of the Group.

#### *(iii) Cash Flow Statement for the half-year ended 31 December 2005*

Cash held at 1 July 2005 has decreased by \$5,843,000. Net cash outflow from operating activities has decreased by \$5,019,000, net cash outflow from investing activities has increased by \$4,802,000, net cash inflow from financing activities has decreased by \$1,875,000 and there has been a net decrease in cash for the period of \$1,658,000. As at 31 December 2005, the cash held has decreased by \$7,501,000.

## **10 Convertible notes issue**

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.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 12 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 consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-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.

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

PERTH  
26 February 2007



**John David Cooper**  
Director



**Richard Michael (Mike) Harding**  
Director

## INDEPENDENT AUDITOR'S REVIEW REPORT to the members of Clough Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Clough Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Clough Limited Group (the consolidated entity). The consolidated entity comprises both Clough Limited (the company) and the entities it controlled during that half-year.

#### *Directors' Responsibility for the Half-Year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Clough Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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



While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

*Independence*

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

*Conclusion*

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in cursive script that reads "John O'Connor".

John O'Connor  
Partner

Perth  
26 February 2007

**SUPPLEMENTARY INFORMATION**  
**For the Half-Year Ended 31 December 2006**

**GROUP TURNOVER**

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

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

**Unincorporated Joint Ventures**

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

**Joint Venture Entities**

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

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

	<b>31 December</b>	31 December
	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>CONSOLIDATED GROUP TURNOVER</b>		
Construction projects	<b>284,326</b>	<b>302,563</b>
Other revenue	<b>4,786</b>	<b>1,445</b>
	<b>289,112</b>	<b>304,008</b>
<b>Share of revenue from jointly controlled entities and associates</b>	<b>77,182</b>	<b>121,997</b>
	<b>366,294</b>	<b>426,005</b>