Annual Report 2010

Corporate strategy refresh on track.

World-class projects won with Chevron and ExxonMobil.

Significant increase in order book to drive future growth.

Safety performance continues to improve with injuries down.

People who deliver

CLOUGH

Projecting the Future

Contents

Annual General Meeting

The Clough Limited 2010 Annual General Meeting will be held at the Perth Convention & Exhibition Centre, River View Room 5, 21 Mounts Bay Road, Perth WA 6000, on Tuesday, 26 October 2010 commencing at 12 noon (WST).

Cover image: Clough workers on ExxonMobil's PNG LNG Upstream Infrastructure Project.

Order Book up 157%

Underlying Earnings before Interest and Tax up

Third consecutive year of strong growth

Acquired or invested in five oil and gas businesses during 2009-10

3243 people

7 offices worldwide

Total Revenue up 26%

Clough
at a glance

Clough is an integrated Engineering, Procurement and Construction company specialising in the delivery of world-class oil and gas projects across Australia, South East Asia and the USA. Established in 1919, Clough people today design, construct, commission and maintain leading-edge onshore and offshore oil and gas facilities for the world's largest energy companies.

To learn more about Clough visit us at www.clough.com.au

13%

L to R: Chief Executive Officer John Smith, Chairman Mike Harding and Chief Financial Officer Neil Siford.

People who
deliver

It gives us great pleasure to write to our shareholders to thank you for your support in what has been another successful year at Clough operationally, strategically and financially. We define ourselves as an engineering led EPC contractor focussed on the oil and gas market and during the year we have been prominent in some of the most significant oil and gas projects in the world.

We are a people business and most importantly we have improved our safety performance during the year. We experienced four lost time injuries in the 11 million manhours under our control and we have had no significant environmental incidents. The drive will continue to eliminate all injuries and incidents from our work.

Training has taken place at many levels with over 300 supervisory personnel now having completed the "Success Through People" programme. Our graduate programme saw another quality intake in the year and we were active in the marketplace to recruit experienced industry professionals to strengthen our team.

Operations

The Gorgon partners, Chevron, Exxon and Shell, took the all important final investment decision in September 2009 and with that the project moved into full execution mode. Our joint venture with KBR, Hatch and JGC confirmed a $2.7bn contract for EPCM of the downstream facilities with Clough's share being $540m. We have about 300 engineering and supervisory staff currently deployed on the project, procurement is in full swing and construction work on Barrow Island is well underway.

The construction of the Boddington Gold Mine for Newmont was completed and commissioned as was Iluka's mineral sands facility at Murray Basin in Victoria. Engineering, procurement and fabrication of the modularised gas plant for Apache's Devil Creek project is complete and the modules have been shipped to site for assembly.

Good progress is being achieved in very demanding conditions in Papua New Guinea and an 1800 strong workforce is well advanced in constructing the infrastructure from the Southern Highlands to the coast to allow the Exxon LNG project to be built. That team recently passed two million manhours of work without a lost time injury. Their colleagues in Brisbane, Singapore and Perth together with our partners CBI are well advanced with engineering and procurement for the gas plant to be built in the Southern Highlands over the next three years. This will supply treated gas to the LNG plant at Port Moresby.

Operational Highlights

- Employee numbers increased from 2290 to 3243
- Safety performance improved by 29% - Four lost time injuries over 11 million manhours
- Order intake $1.4 billion
- Petrosea sale completed
- Acquisition of 31.3% Forge shareholding. Strategic Alliance implemented.
- Strategic investment in Ocean Flow International, Peritus, Clough Helix Joint Venture and Clough Seam Gas.

In Marine Construction, Java Constructor successfully set the 750 tonne process topsides on the Montara facility but unfortunately the project was suspended following the well publicised uncontrolled hydrocarbon release and fire. Java Constructor acted as a safe refuge for the displaced drilling crew and thankfully no one was injured in the incident.

The Normand Clipper and Normand Clough both had a busy schedule in the first half of the year with work offshore Boston for the Neptune LNG import terminal and ATP's Telemark Hub in the Gulf of Mexico. The Clipper was released back to the owner in March and the Clough was equipped in Singapore for her role in the Clough Helix Joint Venture. She subsequently sailed to China for her first well intervention project for CNOOC and the joint venture.

Our Asset Support business with AMEC moved to the next stage of development with the employment of a new General Manager and Business Development Manager who are working hard to develop the Clough AMEC JV culture. In the year they planned and successfully completed a major shutdown for ConocoPhillips on Bayu-Undan involving 400 offshore workers and have been instrumental in repairing and debottlenecking Woodside's Vincent FPSO Ngujima-Yin for the owner, Maersk.

Strategy

The reshaped Clough strategy as an engineering led EPC contractor focussed on the oil and gas sector was endorsed by the Board at the end of the 08/09 year and this year we moved into implementation.

On engineering, Ocean Flow International (OFI), a Houston-based deepwater field development specialist, was acquired in August and in January, Peritus, a pipeline and floating systems design house, was established simultaneously in Perth, London and Houston. At the end of the year, Gary Bowtell, a recognised Australian LNG industry expert, was recruited to head and continue the development of Clough's engineering capability.

To strengthen construction capacity for domestic projects, a 31.3% stake was taken in the listed Forge Group which comprises Cimeco, Abesque and Webb Construction. The strategic logic is to equip both companies to increase access to Australian EPC work and several opportunities are now being pursued jointly.

The Clough Helix JV, centred on the Normand Clough, is designed to create a cost effective capability for subsea well intervention and subsea construction with access to the best equipment in the region. A substantial mobilisation was completed in the last quarter and the vessel is currently in China undertaking its first contract for CNOOC, the abandonment of the Lufeng field.

Clough Seam Gas, a wholly owned division of Clough, was formed in the year headed up by a group of coal seam gas experts, with the mandate to deliver an integrated EPC service to the emerging coal seam gas to LNG market in Queensland. Relationships are being formed with key technology suppliers. Whilst final investment decisions have been delayed for all major coal seam gas projects we are hopeful that this division will begin to contribute positively in 2010/11 and grow thereafter.

Delivering projects

Central to Clough's project delivery, strategic investment and long-term joint ventures are our people and teams. Clough's project management philosophy and culture we endeavour to foster, is one of innovation, empowerment and growth of the individual and the team. Our Project Managers, project teams and all Clough people work relentlessly in pursuit of successful project delivery for our clients. What differentiates Clough is that, at the end of the day, we know project delivery success is all about people.

BILL BOYLE
CHIEF OPERATING OFFICER

The award of major contracts for Chevron and ExxonMobil was a highlight for the year.

Gorgon LNG Project construction site, Barrow Island.

Finance

Operating Performance

Clough recorded Total Revenue of $805m from its continuing operations, an increase of 26% on the comparable previous year numbers, whilst the underlying earnings before interest and tax grew by 13% to $63.6m. Underlying earnings adjusts for non-recurring or distorting profits or losses arising from business acquisitions or disposals and in the current year the final costs associated with the settlement of the G1 contract with ONGC in India.

Increases in both revenue and earnings predominantly reflected increased activity on major projects, notably Chevron's Gorgon, the Upstream Infrastructure project in PNG for Exxon, Woodside's Pluto LNG Jetty, the Devil Creek project for Apache and LinkWater's Toowoomba Pipeline. The second half also saw the start up of work on the gas gathering plant for the Exxon LNG project in PNG.

Margins were at 7.9% compared to 8.8% in the previous financial year with the reduction due mostly to a different mix of contract structures compared to the prior year.

The investment in Forge, completed in the last quarter, contributed $3.1m of earnings before taxation in the period following acquisition, before an amortisation charge in relation to intangible assets arising from the acquisition of $2.4m. The net after tax contribution for the period of ownership was $0.4m.

The company's effective tax rate in the year was 10%, again reflecting use of prior year tax losses.

Order Book growing

With an order intake of $1.4bn, closing order book grew to $1bn during the financial year, an increase of 157% on last year, benefiting from the orders received for the Gorgon EPCM project with Chevron and partners, and the Upstream Infrastructure and gas gathering plant contracts with Exxon in PNG.

Not included in the year end order book is the Clough share of the $250m of interim work orders for the Upstream Infrastructure project announced in September, part of a progressive release of funds on that project, nor the Clough share for the PNG LNG export jetty project, valued at $280m, for which a Letter of Intent was received from client Chiyoda JGC Joint Venture (CJJV) in August.

Strong Balance Sheet

Net assets increased to $304.8m from $246.6m, primarily as a result of the Net Earnings of $50.1m achieved in the year and from the conversion of $36.9m of convertible notes during the year to equity. Dividends paid in the year were $13.4m. Following the sale of Petrosea, the exposure to balance sheet foreign exchange volatility is much reduced.

Net cash in the year-end balance sheet totalled $51.6m (30 June 2009 net debt of $60.3m) made up of cash holdings of $107m and asset secured debt of $55.3m. Major cash inflows in the year other than earnings included $109.7m related to the disposal of Petrosea (before adjusting for cash disposed of $7.9m) and $25.1m from the final settlement of the G1 contract with ONGC. The investment programme included Clough's 31.3% interest in Forge at $55.0m and a $10.8m investment in a 70% interest in Ocean Flow International in Houston. Cash Capex was $20.5m, primarily relating to investment in marine construction equipment and fit out of the new headquarters building in Perth.

M&A

Completing the proportional investment in the Forge Group was a major focus of M&A activity in the year. As a result of the transaction Clough ended with an interest in 31.3% of the Forge Group at a cost of $55m excluding transaction costs. The year also saw the acquisition of 70% of OFI in Houston and the start up of Clough Helix JV, Peritus and Clough Seam Gas. The strong closing cash position provides an excellent platform to further develop Clough's strategy in the coming year.

Dividends

The company improved the dividend to 2.2 cents per share on fully diluted earnings per share of 6.61 cents representing dividend cover of 3.0 times. The shares will carry a franking credit of 0.2 cents per share. The company has adopted a dividend policy set to deliver dividends at a cover ratio of between 2.8 to 3.2 times of net earnings from continuing operations.

We take this opportunity to once again thank you for your support of Clough in 2009 /10 and assure you of our best efforts to continue to grow shareholder value in the year ahead.

Mike Harding
Chairman

John Smith
Chief Executive Officer

Neil Siford
Chief Financial Officer

Financial Summary

Year Ended 30 June 2010	FY 09/10 Actual ($m)	FY 08/09 Actual ($m)	% change from 08/09 - 09/10
Continuing Operations			
Total Revenue (including revenue of JV's and associates)	805.0	637.7	26% ▲
Underlying Earnings before Interest and Taxation [1]	63.6	56.0	13% ▲
Margin on underlying earnings (%)	7.9%	8.8%	▼
Net Profit after Interest and Tax (NPAT)	51.1	49.0	4% ▲
Statutory NPAT (net of minorities)	50.1	52.4	4% ▼
Cash and cash equivalents	107.0	36.6	192% ▲
Net cash/(debt)	51.6	(60.3)	▲
Net Assets	304.8	246.6	24% ▲
Order book – Continuing operations	1,032.2	401.7	157% ▲
Dividend per share	2.2 cents	2.0 cents	10% ▲
Basic Earnings per share – statutory [2]	6.9 cents	7.8 cents	12% ▼

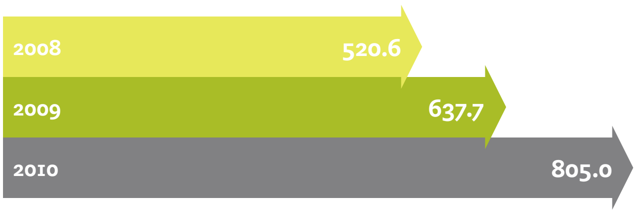
Note:

(1) Before Adjusting items: Businesses disposed of, amortisation of Forge intangible assets, revaluation of options and G1 legacy contract costs. Includes Clough share of Forge Group's profit before amortisation of intangible assets.

(2) Weighted average number of shares increased from 668.8m in 2009 to 725.7m in 2010; driven by conversion to equity of $36.9m Convertible notes.

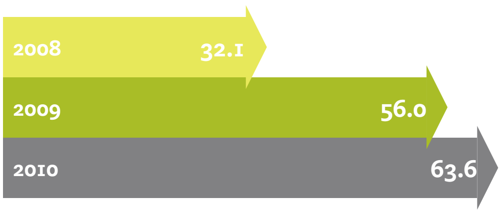
ORDER BOOK
($m)

+157%



TOTAL REVENUE
($m)

+26%



UNDERLYING EBIT
($m)

+13%

Zero Harm

Clough continues to work towards a vision of zero harm to its people, the environment and the communities in which it works.

Delivering on Safety

Keeping people safe is a top priority for the organisation. Throughout the year Clough had four lost time injuries on the 11 million manhours worked over 16 projects. This represents a 29% reduction on the previous year.

On the PNG LNG project Clough people worked 2 million man hours without a lost time injury, thanks to a comprehensive safety training programme aimed at bridging lingual and cultural diversity to improve the safety skill level of the local workers on the project.

Clough's HSE training team has established a suite of HSE training modules in English and Tok Pisin (a Creole language spoken throughout Papua New Guinea, more commonly known as pidgin). Training begins with the introduction of hazard management concepts at a basic level then is expanded and integrated into daily site procedures to focus the workforce on safety. Three types of safety procedures have been critical to this project's excellent safety record:

- Tool Box Talks bring the project team together to focus on the tasks for the day, and how they will be done safely. Six thousand Tool Box Talks were held throughout the year.
- Job Hazard Analysis involves breaking down an individual task into discrete steps, then mapping out safe procedure for each step. Nearly 20,000 Hazard Analyses have been performed throughout the year.
- Hazard Observations and Intervention utilises trained observers to observe work being performed and make both positive and negative safety observations. Positive work is communicated across the site. Over 15,000 Hazard Observations have been conducted throughout the year.

On the Gorgon project 'Cold Eye' reviews were implemented. This involves sending to site technical staff who are unfamiliar with the project but have significant site experience, to review the safety procedures with fresh eyes. A number of improvements have been actioned as a result, which has also contributed to Gorgon's safety record of over 5 million manhours without a Lost Time Injury.

Two key training programmes were delivered across the organisation. Safety management training was delivered to key managers and supervisors, while major incident management training, involving realistic simulations of crisis situations, was delivered to the Incident Coordination Team and Duty Managers on two occasions throughout the year, to ensure preparedness in a major incident situation.

The importance of 'Near Miss' reporting, which involves the proactive reporting of potential incidents, has been emphasised throughout the organisation. This has resulted in a 45% increase in the number of 'Near Miss' reports from last year, actions from which have undoubtedly prevented a number of incidents.

Delivering Zero Harm

Clough is committed to providing an environment that enables our employees to achieve Zero Harm. This environment encourages a safety culture supported by training and tools so working safely is the natural thing to do. In this environment our people have the right and duty to say no to any task that they do not feel is safe. Accountability is with us all.

Our Target Zero programme provides the policies and systems to ensure all staff take responsibility and care for their team mates, and the communities and environments in which we work. Successful implementation of this programme will make Zero Harm our reality.

DENNIS BAGNOCHE

HSE MANAGER

Giving Back

Giving back to the communities which are impacted by Clough's work is a major focus for the organisation.

Life Changing Skills for PNG People

Clough's relationship with the people of PNG began back in 1984. Over the past 26 years Clough has delivered 68 projects in the region and has built a loyal following among the people who live and work there. Through the PNG LNG Upstream Infrastructure project, Clough along with its JV partner Curtain Bros is once again providing life changing trade, language and literacy skills to the local people through education and training.

Maximising local content on the Upstream Infrastructure project is a key objective for Clough Curtain Joint Venture (CCJV), though there are many challenges in achieving this objective. Over 85% of the population are village based subsistence farmers, with no formal education. There is also vast cultural and lingual diversity. PNG is home to more than 850 indigenous languages and societies.

The CCJV approach is to recruit highly skilled Australian tradespeople and foremen as trainers and develop 'on the job' training programmes with a strong focus on safety. Previous experience has demonstrated that the classroom approach yields little success in PNG.

Literacy and language issues are dealt with by conducting train-the-trainer sessions with PNG employees. In some locations local labour only understand their own dialect and have limited to no literacy skills. Appropriate delivery and competency assessment prevent this from becoming a major obstacle.

With over 1800 staff employed on the project, CCJV has accrued more than 13,000 man-hours training and assessing PNG staff.

Lasting Legacy for the Esk Community

On 5 June 2010 Esk's Pipeliner Park outside Brisbane was opened with great fanfare. The seven hectare Pipeliner Park was devised by the Toowoomba Pipeline Alliance (TPA) as a way of giving back to the community, thanking them for their support and understanding during the construction of the thirty-eight kilometre Toowoomba Pipeline from Wivenhoe to Cressbrook Dam.

Clough, together with TPA partners WDS and AECOM and client LinkWater, committed $800,000 to the legacy project with a further $300,000 coming from Somerset Regional Council.

The park, which connects the town centre to the Esk Racecourse and surrounding bush land, has a playground, run around space, exercise stations, cycle tracks and a turfed amphitheatre which is used to host events.

In addition to the park, the TPA gave back in many other ways during the project. It repaired drainage problems at Esk State School, created an Indigenous heritage garden, upgraded the Esk kindergarten playground, supported research into the habitat of the red deer, and worked with the Nanango State High School to combat 'Cat's Claw', a local weed.

Entry to the 7 hectare Pipeliner Park, which was devised by the Toowoomba Pipeline Alliance to thank the local community for their support and understanding during the construction of the Toowoomba Pipeline.

Protecting the Environment

Clough is committed to continual improvement in environmental performance throughout its global operations. Since 2003 Clough has operated an AS/NZS ISO14001 certified environmental management system.

In June 2010 Clough moved its 600 strong Perth based workforce to a new head office at the Alluvion building, which features a 4.5 star NABERS Energy rating and a 4 star Green Star rating, significantly reducing workforce impact on the environment. Clough continues to monitor and report on greenhouse gas emissions across its projects in Australia and overseas.

Stewardship of Barrow Island

Clough is proud to support Chevron in its stewardship of Barrow Island, a 'Class A' nature reserve. Chevron is the operator of the Barrow Island Oilfield and the Gorgon Project, both located on the Island.

A key focus for the Kellogg Joint Venture-Gorgon (KJV-G), the EPCM contractor for Gorgon, of which Clough is a 20% partner, is to minimise the impact of the Gorgon Project on Barrow Island. Environmental impact is a consideration in all aspects of design and project execution.

The EPCM effort is planned as a fully modular construction strategy to minimise impact on the island during the construction phase and the Quarantine Compliance Plan implemented by KJV-G to protect Barrow Island has been rated 'World Class' by the Western Australian Government Environmental Protection Agency (EPA).

Chevron's management of oilfield operations on Barrow Island is widely recognised as an industry benchmark for the co-existence of petroleum development and biodiversity protection.

Minimising our Footprint in PNG

Papua New Guinea has one of the last great expanses of tropical rainforest. Much of this area is still untouched. As part of the Clough Curtain Joint Venture, Clough is working closely with ExxonMobil and in consultation with the people of PNG to complete the Upstream Infrastructure project for the PNG LNG project in an manner that protects this pristine environment.

Strict environmental guidelines governed by the Department of Environment and Conservation and enforced through ExxonMobil's Environmental Impact Statement are in place to reduce the environmental impact of construction activities on the environment and local communities.

A critical element of Clough's people strategy and approach is the continuous improvement of attraction and retention strategies with an emphasis on diversity.

Success Through People

Clough's workforce grew to over 3000 people employed directly or in Clough joint ventures during the financial year. This growth was driven by significant increases in Clough's Papua New Guinea-based workforce and on the Gorgon Project. The increasingly diverse nature of workforce placements means the company's leaders must provide the tools to effectively deliver on our projects and ensure staff adhere to Clough's core values, principles and ethics.

The Success Through People programme continues to be the mainstay of Clough's leadership development programme. Over 300 Clough leaders have participated in the programme.

Reward and recognition for high performance is another focus of Clough's people strategy. Clough acknowledges staff achievement and focuses not only on outcomes but the execution of those outcomes. Clough staff are provided with the structure, systems and culture which allow them to challenge themselves, innovate and be recognised accordingly.

Global growth also means embracing workforce diversity. A critical element of Clough's people strategy and approach is the continuous improvement of attraction and retention strategies with an emphasis on diversity. At the same time, Clough is committed to Australian Industry Participation and has articulated this through a Policy for Australian Content, which provides full, fair and reasonable opportunity for Australian industry to supply goods and services to Clough projects.

CREATING EMPLOYMENT IN PNG

Clough employs a workforce of over 1800 people on the PNG LNG Upstream Infrastructure project. Approximately 75% of that workforce are PNG nationals.

Business Improvement

This year has seen major quality initiatives introduced to improve the overall performance of the business.

Project Streamline

Project Streamline engaged functional leaders across the organisation to conduct a complete review of Clough's management procedures which had evolved over many decades.
The system was restructured to be process based following Clough's 'Win It', 'Do It' and 'Support It' project delivery model. This has resulted in a well structured, modern and efficient management system which is more user friendly and will deliver real financial benefits over time.

Project Streamline was implemented in January 2010 and a training programme was subsequently delivered to all employees.

Improve It!

Clough's programme for continuous improvement, branded 'Improve It,' evolved from Project Streamline. 'Improve It' encourages staff across the organisation to suggest and drive improvements to Clough's business processes, tools and organisational effectiveness. Recognition and reward for employees who make valuable suggestions is a key element of the programme.

A Business Improvement Steering Committee (the 'Improve It' Team) has been formed, comprising of key stakeholders within the organisation. The committee's role is to evaluate, prioritise and coordinate suggested improvements, to ensure that these are properly aligned with business strategy and can demonstrate a measurable return on investment.

By year end, over 70 improvement initiatives had been identified and categorised by potential impact on the business and return on investment. Many initiatives have commenced implementation.

The Improve It initiative is now a core business process within Clough.

IMPROVE IT

Opposite: L to R: Clough staff Sabrina Rajan, Shalayne Ghaswala, James Leong, James Fenning, Lin-Li Yong and Karl Genovesi make use of the facilities at Clough's new Head Office in the environmentally friendly Alluvion Building.

Year at a Glance

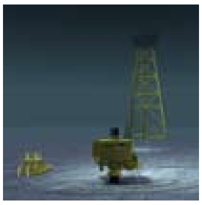
July 2009

6 July
Clough completes the sale of its 81.95% stake in Petrosea to Indika Energy for US$83.8m.

August 2009

3 August
ExxonMobil awards Clough Curtain JV a AU$63m work order for the PNG LNG Upstream Infrastructure Project.

14 August
Clough acquires Ocean Flow International.



21 August
Clough successfully installs the Montara topsides for PTTEP using the newly upgraded Java Constructor.

September 2009

10 September
BHP Billiton awards Clough the Engineering Study for Macedon Gas Field Development.

15 September
Chevron Australia achieves FID for the Gorgon LNG Project and award the AU$2.7 billion EPCM contract to the Kellogg Joint Venture (comprising Clough (20%), KBR, JGC and Hatch).

29 September
First gold pour achieved on Boddington Gold Mine.

October 2009

1 October
Production of First Heavy Mineral Concentrate ore achieved on Murray Basin Mineral Sands Project.

31 October
Clough achieves practical completion on Iluka's Murray Basin Mineral Sands project, and the facility goes into full production.

November 2009

16 November
Clough awarded installation support contract utilising Clough's subsea construction vessel Normand Clipper on ATP's Telemark Hub Project in the Gulf of Mexico.

26 November
Clough appoints Neil Siford as CFO.

December 2009

7 December
Woodside awards Offshore Maintenance Services Contract to Clough AMEC.

8 December
ExxonMobil take FID on the PNG LNG Project.

9 December
CBI Clough JV is confirmed as the EPC contractor for the Hides gas conditioning plant for the PNG LNG Project.

9 December
Final settlement agreement executed on the ONGC G1 Development Project dispute.

12 December
Clough achieves practical completion on Woodside's Pluto LNG Jetty.

21 December
An additional funding release of AU$309m is awarded to the Clough Curtain JV for the PNG LNG Upstream Infrastructure Project.

January 2010

2 January
First water is achieved on the Toowoomba Pipeline Project.

20 January
Toowoomba Pipeline Alliance (Clough, Diversified and Maunsell) achieve practical completion on the Toowoomba Pipeline Project.

29 January
Peritus International is launched, with a simultaneous start up of offices in Perth, London and Houston.

February 2010

9 February
Clough Helix JV announced.

12 February
Clough AMEC strengthens its management team with the appointment of Simon Taylor as General Manager and Howard Priestly as Business Development Manager.

17 February
Clough announces its fifth consecutive period of strong, profitable growth.

24 February
Clough and Forge announce an intention to create a long-term Strategic Alliance.

28 February
Phase I loadout of the Devil Creek Development Project piperack modules is achieved at Clough's Sattahip Fabrication Yard.

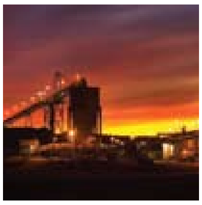
April 2010

6 April
Forge shareholders approve a $19.5 million placement to Clough.

12 April
The Clough offer to Forge shareholders to buy 50% of their shares opens.

15 April
Roger Rees is appointed Deputy Chairman on the Clough Board and Nigel Harvey is appointed Director.

20 April
Clough reaches a 31% interest in Forge, making the Offer unconditional and triggering the Strategic Alliance.



May 2010

12 May
Close of Clough proportional takeover offer to Forge Shareholders.

14 May
Clough establishes Clough Seam Gas, and formally enters the coal seam gas market.

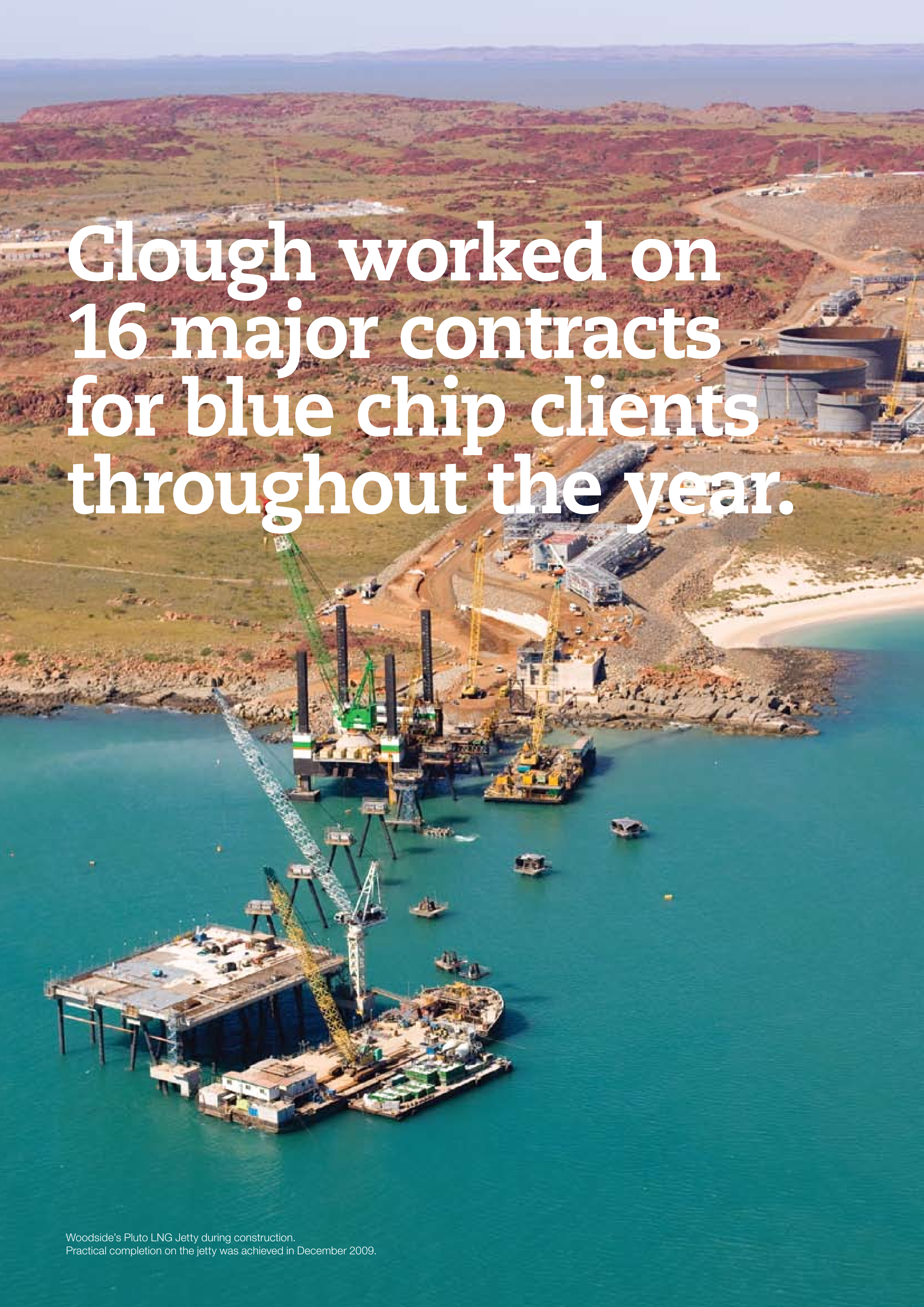
June 2010

1 June
Normand Clough vessel is contracted for the Lufeng Well Decommissioning Project in the South China Sea.

3 June
Phase II load out of the Devil Creek Development Project is achieved at Clough's Sattahip Fabrication Yard.

10 June
NuTech award Clough the East Udang Development Project utilising Clough's Java Constructor vessel in the Natuna Sea.

Clough worked on 16 major contracts for blue chip clients throughout the year.



Woodside's Pluto LNG Jetty during construction.
Practical completion on the jetty was achieved in December 2009.

Current Projects

GORGON LNG PROJECT

Client:	Chevron Australia Pty Ltd
Location:	Barrow Island, Western Australia
Contract Value:	AU$2.7 billion
Joint Venture:	Kellogg Joint Venture – Gorgon (Clough 20%)
Contract Period:	September 2009 - December 2014
Safety Performance:	Manhours: 5,309,945 LTIFR: 0

The Greater Gorgon gas fields, off Western Australia's Pilbara Coast, contain more than 40 trillion cubic feet (tcf) of gas, representing some 25 per cent of Australia's total known gas resources. The Gorgon Project is the largest resource project in Australia's history and will be adding 15 million tonnes of LNG a year to Australia's current annual output of approximately 20 million tonnes in a phased manner between 2014 and 2015.

The Kellogg Joint Venture - Gorgon (consisting of Clough, KBR, JGC and Hatch), was awarded the Engineering, Procurement and Construction Management (EPCM) contract for all downstream facilities on the project in September 2009.

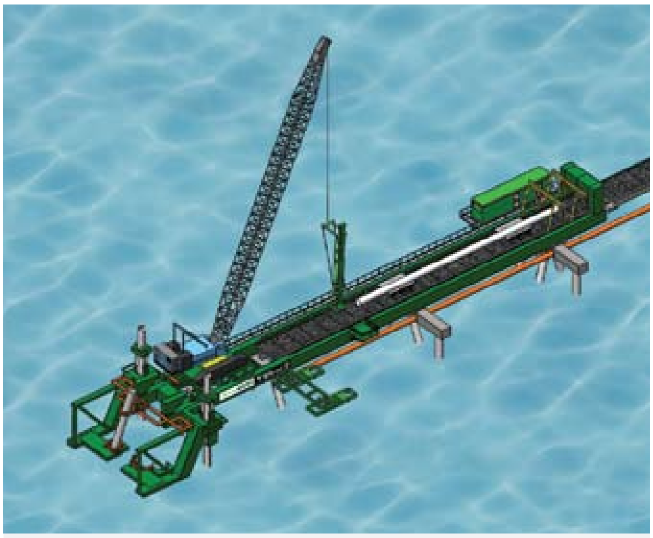
The onshore facilities will consist of three 5 million tonne per annum (MTPA) LNG trains, gas processing and treatment facilities, product storage and offloading, complete offsites, utilities and accommodation. The EPCM contract also includes a 300TJ/d domestic gas plant. The design of the facility features improvements in greenhouse gas emissions performance including improved waste heat recovery and the injection of reservoir carbon dioxide into the subsurface.

The EPCM effort is planned as a fully modular construction strategy to minimise impact on the island during the construction phase and is being conducted from two main operating centres located in Perth and London, with support from global centres in USA, Singapore, Indonesia and Japan.

Early construction activity is well underway with over five million man hours completed without a 'Day Away From Work' (DAFW) incident. Major contract and procurement commitments to the approximate value of $14 billion have been secured through June 2010.

A work force in excess of 3,500 staff will be utilised to construct and commission the facilities over a three year period.

Australian participation is an important aspect for the project and it is anticipated that over 40% of the project spend will occur in Australia.



PNG LNG JETTY

Client:	Chiyoda JGC Joint Venture
Location:	Gulf of Papua, Northwest Port Moresby
Contract Value:	AU$280 million
Joint Venture:	BAM Clough JV (Clough 50%)
Contract Period:	August 2010 – December 2011

In August 2010 the Chiyoda JGC Joint Venture (CJJV) awarded the contract to design and construct the LNG and condensate offloading jetty for the PNG LNG project to the BAM Clough Joint Venture. The total value of the award is approximately AU$280 million and represents the third contract for Clough on the PNG LNG project.

The LNG and condensate jetty will be constructed adjacent to the planned LNG facility twenty kilometres northwest of Port Moresby on the coast of the Gulf of Papua, utilising an anticipated workforce of 500. The scope includes the design and construction of a 2.4km long trestle with substation platform, loading platform and single berth.

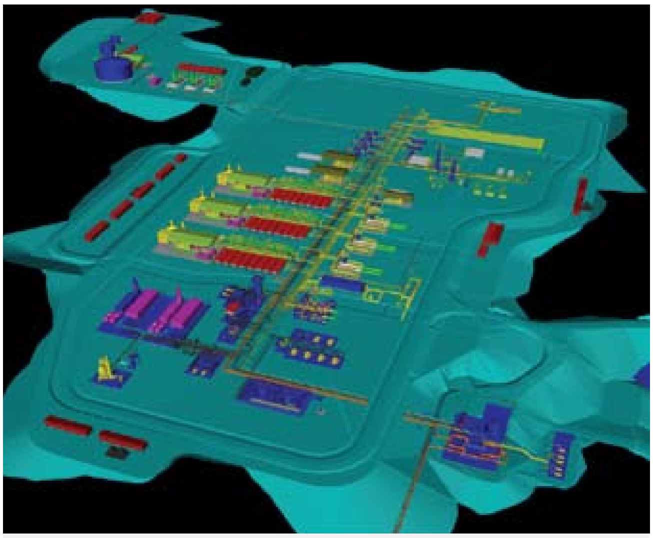
PNG LNG UPSTREAM INFRASTRUCTURE

Client:	Esso Highlands Limited
Location:	Southern Highlands, Papua New Guinea
Contract Value:	AU$650 million
Joint Venture:	Clough Curtain JV (Clough 65%)
Contract Period:	May 2009 - December 2011
Safety Statistics:	Manhours: 1,609,406 LTIFR: 0

The Upstream Infrastructure Project involves the upgrade of critical infrastructure for ExxonMobil's PNG LNG Project, encompassing multiple work fronts from the river port at Kopi to Hides in the Southern Highlands and the Port of Lae on the East Coast. The location of the project presents many challenges including a large geographic spread of work and rugged, mountainous terrain, making logistics and communications difficult.

The scope of work involves the construction of roads, bridges, wharves, laydown and camp areas and other critical infrastructure. At the time of writing the joint venture had completed the construction of the wharf and six hectare laydown area at Kopi, with a second wharf nearing completion. In Hides the base camp had been completed outside of Wellpad A and significant progress was made on the upgrade of the Highlands Highway.

In August 2010 the workforce count was 1,800.



PNG LNG GAS GATHERING PLANT EPC4

Client:	Esso Highlands Limited
Location:	Papua New Guinea
Contract Value:	AU$1.3 billion (2009)
Joint Venture:	CBI Clough JV (Clough 35%)
Contract Period:	December 2009 - March 2013
Safety Statistics:	Manhours: 217,278 LTIFR: 0

The CBI Clough Joint Venture was awarded the AU$1.3 billion Engineering, Procurement and Construction (EPC) contract for the Hides gas conditioning plant in December 2009, as part of ExxonMobil's PNG LNG project.

The contract scope includes the EPC work for the gas conditioning plant, nearby wellheads and associated piping and infrastructure, to be located in the Southern Highlands of Papua New Guinea. A workforce of 1400 employees is anticipated during peak construction.

At the time of writing the project had completed 30% of model reviews in both the Singapore and Perth engineering offices and the first major subcontract has been awarded for the fabrication and installation of the 1400 man temporary construction camp.

The project management team is located in Brisbane, with engineering and procurement being carried out in CBI and Clough offices in Singapore and Perth respectively.

Construction is scheduled to commence in November 2010.

DEVIL CREEK DEVELOPMENT PROJECT

Client:	Apache Energy
Location:	Dampier, Western Australia
Contract Value:	AU$80 million
Contract Period:	March 2009 - October 2010
Safety Statistics:	Manhours: 845,165 LTIFR: 0

The Clough scope on the Devil Creek Development Project consists of onshore engineering, procurement and module fabrication for the gas treatment plant of this important domestic gas project, located in the North West of Western Australia. The process plant was designed in a modular fashion to optimise construction cost and schedule for the overall project.

The last year has seen the completion of the fabrication and assembly of the modules in two phases at Clough's fabrication yard in Sattahip, Thailand. The first phase, consisting of the piperack modules, was loaded out onto the client's transportation vessel in February 2010. The second phase, consisting of the process modules and associated off-module pipespools and steelwork followed in June 2010. The project is now in the final stages with remaining activities related to the expediting of the remaining procurement packages for direct delivery to the Devil Creek construction site.

LUFENG WELL DECOMMISSIONING PROJECT

Client:	China National Offshore Oil Corporation (CNOOC)
Location:	South China Sea
Contract Value:	AU$10million
Joint Venture:	Clough Helix Joint Venture (Clough 50%)
Contract Period:	July 2010 –October 2010
Safety Statistics:	Manhours: 5,309,945 LTIFR: 0

The Lufeng project will utilise the Normand Clough vessel to plug and abandon five subsea wells that make up the Lufeng 22-1 oil field located 250km southeast of Hong Kong in the South China Sea. The contract is the first rigless plug and abandonment contract ever awarded in China.

To undertake this work the Normand Clough has been fitted with the Helix Well Ops Vessel Deployment System (VDS), Subsea Intervention Lubricator and two Clough deepwater remotely operated vehicles. On completion of this contract the Clough 12-man saturation diving system will be fully commissioned.

EAST UDANG DEVELOPMENT PROJECT

Client:	PT NuTech Dinamika Semesta
Location:	Natuna Sea, Indonesia
Contract Value:	AU$5 million
Contract Period:	August 2010 – October 2010

In June 2010 Clough was awarded a contract for the provision of pipelay barge Java Constructor to support the installation of six new pipelines (each approximately 3.5km in length), three new hydraulic control umbilical, and associated tie-ins and risers from the wellhead to Udang Alpha Platform.

The East Udang Development Project is located in the Natuna Sea in water depths of approximately 100 meters and is operated by TAC Pertamina - PT Pertalahan Arnebatara Natuna (PT PAN).

MACEDON FIELD DEVELOPMENT DEFINITION PHASE

Client:	BHP Billiton Petroleum (Deepwater) Inc.
Project Location:	Houston, Texas
Site Location:	Onslow, Western Australia
Contract Period:	July 2009 – September 2010
Contract Value:	US$20 million
Safety Statistics:	Manhours: 116,583 LTIFR: 0

The Macedon Field Development Definition Phase consists of Front End Engineering Design (FEED) for BHP Billiton Petroleum's Macedon domestic gas project, proposed for the North West of Western Australia. The FEED deliverables included technical definition documentation, capital cost estimate and the project execution schedule for the following scope of work:

- Four subsea wells tied back via a subsea gathering system
- Subsea umbilical for supply of control, power and chemical injection from shore
- A 20" wet gas pipeline from the subsea gathering system to the onshore gas plant (OGP)
- Onshore gas plant for processing and conditioning of well-fluids, including all required infrastructure and utilities to support the development
- A 20" sales gas pipeline from the onshore gas plant to the Dampier to Bunbury Natural Gas Pipeline

Clough completed the FEED deliverables in July 2010. These deliverables will be used to support BHP Billiton's internal sanction process. Work continues for the provision of further project definition and to progress critical path actions. The completion of project scope is expected in September 2010.

BAYU-UNDAN OPERATIONS & MAINTENANCE SERVICES

Client:	ConocoPhillips Australia Pty Ltd
Location:	Timor Sea, Australia
Contract Value:	AU$25-50m pa
Joint Venture:	Clough AMEC (Clough 50%)
Contract Period:	June 2004 - November 2011
Safety Statistics:	Manhours: 2,302,237 LTIFR: 1.30

Clough AMEC's contract to provide operations and maintenance (O&M) services on the giant Bayu-Undan offshore gas field development, located in the Timor Sea, was renewed in October 2008 for another 3 years, with options to extend through to November 2014. The scope of work includes implementation engineering, work package preparation, planning, hazard assessment, offshore field services, shutdown services and management of specialist subcontractors.

The facility consists of a floating storage and offloading facility (FSO) and three fixed platforms: a remote wellhead platform (WPI), a compression, utilities and quarters platform (CUQ) and a drilling, production and processing platform (DPP). The CUQ and DPP are located adjacent to each other and linked by an access bridge, forming the Central Production and Processing Complex (CPP). The Bayu-Undan field is estimated to hold over 400 million barrels of hydrocarbon liquids and 3.4 trillion cubic feet of gas.

A significant achievement for the year was the successful completion of the month long shut down of the facility in April 2010, where over 400 offshore maintenance workers were deployed to conduct essential maintenance on the facility.

WOODSIDE OFFSHORE MAINTENANCE SERVICES CONTRACT

Client:	Woodside
Location:	NorthWest Shelf, Australia
Contract Value:	AU$10 million pa
Joint Venture:	Clough AMEC (Clough 50%)
Contract Period:	December 2009 – November 2011
Safety Statistics:	Manhours: 833,434 LTIFR: 1.20

Clough AMEC was awarded the two year Offshore Maintenance Services contract by Woodside in December 2009. The contract provides implementation engineering and maintenance services to all of Woodside's Australian oil assets including the Wanaea Cossack Lambert Hermes, Enfield, Legendre and Laminaria-Corallina offshore fields and more recently, the Karratha Gas Plant (onshore).

The scope of work involves a mix of campaign and core crew operations. Clough personnel integrate into Woodside teams to provide a highly responsive service to manage operational changes. Working closely with the client to solve complex logistical problems is critical to success.

MAERSK NGUJIMA-YIN FPSO

Client:	Maersk Australia
Location:	Vincent Field, North West Shelf, Western Australia
Contract Value:	AU$20-30 million
Joint Venture:	Clough AMEC (Clough 50%)
Contract Period:	May 2009 - May 2011
Safety Statistics:	Manhours: 258,313 LTIFR: 0

The Ngujima-Yin FPSO, operated by Maersk Australia, is currently being utilised by Woodside on their Vincent Oil Field in Australia's North West Shelf. Clough AMEC's contract with Maersk involves engineering, fabrication, offshore installation and maintenance services, specifically performance improvement services, major repairs to compressors, capital improvements programmes and campaign maintenance.

The initial period of the contract is for two years with options in place to extend.

BARROW ISLAND ENGINEERING SERVICES CONTRACT

Client:	Chevron Australia Pty Ltd
Location:	Barrow and Thevenard Islands, Western Australia
Contract Value:	< AU$10 million annual
Contract Period:	October 2008 - October 2011
Joint Venture:	Clough AMEC (Clough 50%)
Safety Statistics:	Manhours: 38,903 LTIFR: 0

The Barrow Island Engineering Services Contract involves project management, engineering, procurement, construction and fabrication management, and maintenance support to Chevron's oil production facilities at Barrow and Thevenard Islands, Western Australia. The contract was awarded in October 2008 for an initial period of three years, with options to extend for a further two years.

The Barrow Island oilfield produces oil from multiple reservoirs, ranging from 350 metres to 2050 metres below sea level. The reservoirs are drained by 467 producing wells, which produce oil, water and natural gas. As part of this contract Clough is servicing facilities some of which it designed and installed back in 1964.

Completed Projects

MONTARA DEVELOPMENT PROJECT

Client:	PTTEP Australasia (Ashmore Cartier) Pty Ltd
Location:	Timor Sea
Contract Value:	AU$150 million
Contract Period:	February 2009 – November 2009
Safety Statistics:	Manhours: 247,312 LTIFR: 0

The contract for the installation of offshore facilities for the Montara Field Development was awarded to Clough in February 2009. The scope of work involved the transportation and installation of the 750te Montara Wellhead Platform deck, 285te mooring buoy with nine associated mooring legs, approximately 26km of infield pipelines and the 100te Swift subsea manifold.

The newly upgraded Java Constructor vessel and crane was utilised to successfully lift the Montara topside onto the jacket on 7 August 2009.

With the Java Constructor in position and ready to start pipelay, Clough's offshore campaign was interrupted by an uncontrolled hydrocarbon release from the wellhead platform on 21 August 2009, and subsequent fire, which resulted in significant damage to the West Atlas mobile offshore drilling unit, drill rig and the wellhead platform topsides. As a consequence the facilities were deemed inoperable and Clough's contract was officially terminated on 3 November 2009.

PLUTO LNG JETTY

Client:	Woodside
Location:	Burrup Peninsula, North Western Australia
Contract Value:	AU$240 million
Joint Venture:	BAM Clough JV (Clough 50%)
Contract Period:	November 2007 - December 2009
Safety Statistics:	Manhours: 850,000 LTIFR: 1.19

Practical completion for the Pluto LNG Jetty project was achieved on 12 December 2009. The contract was originally awarded in November 2007, following BAM Clough's successful completion of the Train V LNG Jetty, also for Woodside.

The project involved the construction of:

- 300 metres of approach jetty bents and an abutment structure
- Placement of 10 Pre-assembled Units (PAUs) for the approach jetty roadway and structure
- 50m x 40m loading platform
- Installation of all PAUs and mechanical equipment onto the loading platform
- Four breasting dolphins
- Six mooring dolphins
- Fabrication, supply and installation of nine catwalks and interconnecting the dolphins
- Installation of five navigation leads and floating buoys

The BAM IB909 jackup barge was used for primary construction activities.

BODDINGTON GOLD MINE

Client:	Newmont Asia Pacific
Location:	Boddington, Western Australia
Contract Value:	AU$350 million
Joint Venture:	AKCMR JV (Clough 19.5%)
Contract Period:	November 2005 – December 2009
Safety Statistics:	Manhours: 12,038,107 LTIFR: 0.50

The AKCMR Joint Venture (Aker Kvaerner, Clough, Murray & Roberts) was awarded the Engineering, Procurement and Construction Management contract for the 35Mtpa Boddington Gold Mine (BGM) in November 2005. The project achieved the first gold pour on 29 September 2009, and practical completion in December 2009. At peak production BGM will be Australia's largest gold producer, accounting for 8% of the nation's gold.

BGM represents a revolutionary approach to gold and copper production, employing grinding equipment never before used in the gold mining industry. In a world first in gold production, AKCMR Joint Venture together with Newmont introduced High Pressure Grinding Roll technology to process 35 million tonnes of hard, low grade ore per annum, extracting one million ounces of gold each year at peak production.

The scope of work included design and construction of the process plant and associated infrastructure including a 2,300 bed village, water supply for the village and plant operations. A construction workforce of over 3,500 worked more than 12 million manhours and established a new benchmark in construction safety performance for the industry.

MURRAY BASIN STAGE 2 - EPCM

Client:	Iluka Resources Limited
Location:	Ouyen and Hamilton, Victoria
Contract Value:	AU$45 million
Contract Period:	April 2008 – October 2009
Safety Statistics:	Manhours: 559,036 LTIFR: 3.58

On 31 October 2009 Clough achieved practical completion on the Engineering, Procurement and Construction Management (EPCM) contract for the Iluka Murray Basin Stage 2 Development, to upgrade Iluka's existing mineral separation plant at Hamilton, Victoria. The contract was awarded in April 2008.

The EPCM contract included the design and construction of a re-locatable mining unit, concentrator plant and upgrade to the Hamilton facility, together with associated infrastructure. Due to the geometry of the 11 kilometre long, 100 metre wide deposit, the ore body will be mined and processed through a track mounted mining unit and pre-concentrating plant, both firsts for Iluka.

Production of First Heavy Mineral Concentrate ore was achieved on 1 October 2009. Full production of the plant was achieved on 31 October 2009.

TOOWOOMBA PIPELINE PROJECT

Client:	LinkWater Projects (Queensland Government)
Location:	Esk Shire, Queensland
Contract Value:	AU$190 million
Alliance:	Clough, Diversified and Maunsell AECOM
Contract Period:	January 2009 - January 2010
Safety Statistics:	Manhours: 553,805 LTIFR: 1.81

The Toowoomba Pipeline Alliance (TPA) consisting of Clough, Diversified and Maunsell AECOM, was contracted by LinkWater Projects to design and construct the Toowoomba Pipeline to take pumped raw water from Lake Wivenhoe to Lake Cressbrook.

The pipeline runs approximately 38 kilometres through rural properties and state forest within the Somerset Regional Council boundaries and has the capacity to deliver 14,200 megalitres of water each year to Lake Cressbrook.

The project included the design and construction of a pumping station at Lake Wivenhoe which transports 39 megalitres of water per day from the tanks at Lake Wivenhoe to Lake Cressbrook.

The pipeline was laid through rolling hills and ranges, requiring special design attention to air and silt management. The route required micro-tunnelling underground to minimise impact on major highways. There are two crossings under Main Roads highways and several creek crossings.

The pipeline was completed on schedule, providing first water in January 2010.

Clough Group of Companies

A combination of strategic investments and long term joint ventures have strengthened Clough's onshore and offshore project delivery capability.

Since 2008, Clough has been strategically repositioning its business in the oil and gas sector, with a growth strategy focussed on further strengthening its EPC capability regionally within gas projects and globally within the growing offshore deepwater sector. During the year a combination of strategic investments and long term joint ventures have strengthened Clough's onshore and offshore capabilities and have provided a strong platform for local and international growth.

"OFI's specialists provide technical and commercial expertise for all underwater aspects of deep and shallow water developments, predominantly to oil and gas operating companies in the Gulf of Mexico, and increasingly, around the world."

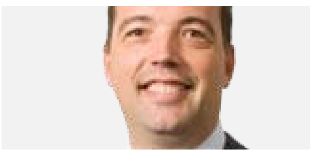
"Peritus International is a newly established company providing advanced subsea, pipeline and floating systems engineering and project management services to offshore projects across the globe, specialising in difficult or deepwater environments."

"The Clough Helix JV represents a new approach for the Asia Pacific subsea sector, providing customers with a unique combination of subsea services delivered from the state of the art Normand Clough vessel."

"Since floating on the Australian Stock Exchange in 2007 Forge Group has undergone significant year on year growth. Revenue for the 2009/10 financial year is up 89% on 2008/09 to $247m and profit before tax grew by 145% to $40.4m in the same period."

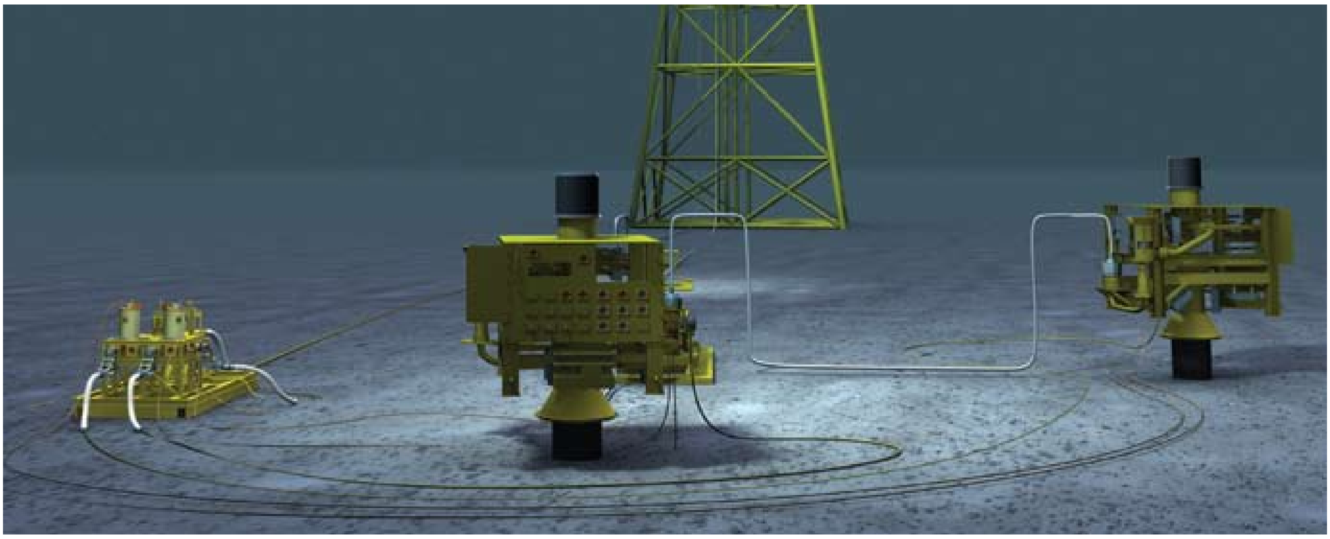
"CSG will provide full turnkey coal seam gas development options, or any part thereof, for clients on Australia's eastern seaboard where around 5000 coal seam gas wells are proposed."

"Clough AMEC aims to maximise the life and profitability of client's onshore and offshore facilities by helping to achieve safer, cleaner, more efficient operations."



"Clough's longest serving Joint Venture combines BAM's technical knowledge, access to experienced personnel and specialist equipment with Clough's local expertise in project delivery."

Opposite: Lynas Corporation's Mt Weld rare earths concentrator being constructed near Laverton in WA. Engineering and construction activities are being carried out by both of Forge's wholly owned subsidiaries: Abesque Engineering Ltd (engineering) and Cimeco Pty Ltd (construction).



Ocean Flow International

Ocean Flow International (OFI), a Houston based, highly experienced deepwater, subsea, project management and engineering firm, was acquired in August 2009, giving Clough a foothold in the oil and gas capital of the world and strengthening subsea engineering capability.

OFI provides a superior service by employing the best qualified, experienced and highly skilled personnel in the USA and around the world. The company's specialists provide technical and commercial expertise for all underwater aspects of deep and shallow water developments, predominantly to oil and gas operating companies in the Gulf of Mexico, and increasingly, around the world.

OFI operated profitably over the 2009/10 financial year exceeding forecasts. OFI has never had a recordable incident. This trend continued with no recordable HSE incidents during the reporting period, and a number of projects successfully completed on schedule and within budget including:

- Mariner/Apache's Geauxpher Project - 1km water depth (WD), 65km tieback
- W&T Offshore's Daniel Boone Project - 1.3km WD, 37km tieback
- Deep Gulf Energy's Sargent Development - 750m WD, 40km tieback.

In 2009 OFI expanded into Australia, successfully securing a contract with Woodside for the provision of subsea engineering expertise. This contract is expected to enable OFI to increase its Australian growth at an accelerated pace. In the coming year OFI intends to conservatively and profitably expand its international operations, leveraging its reputation further, for excellence in subsea engineering and project management delivery.

KARL WINTER

PRESIDENT, CHIEF EXECUTIVE OFFICER

Peritus International

In January 2010 Clough formalised its majority shareholding in Peritus International, a newly established company providing advanced subsea, pipeline and floating systems engineering and project management services to offshore projects across the globe.

The company's areas of expertise encompass six core skill sets: subsea systems, subsea pipelines, risers, floating structures, flow assurance and specialised engineering, with a particular focus on deepwater or difficult environments or operating conditions.

Peritus have established a network of engineering centres in Perth, London and Houston to enable the company's skills, knowledge and expertise to be shared across operations. This business model reduces the duplication of resources, delivering lower cost, technically superior subsea solutions for clients.

Peritus is growing in line with the projected business model with contracts secured in each regional centre. In Australia, Peritus is working with Woodside, Inpex and Apache Energy; in the USA it is supporting GE Oil & Gas in its preparation of final documentation on the subsea systems for ExxonMobil's Kizomba Satellites project, offshore Angola; and in the UK it is involved in the Middle East to India Gas Pipeline - the world's deepest pipeline system.

STEVE HINDMARSH

CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR - ASIA PACIFIC

Clough Helix

The Clough Helix JV represents the integration of subsea expertise from two globally recognised contractors in the offshore oil and gas sector. Established on 9 February 2010, the joint venture represents a new approach for the Asia Pacific subsea sector, providing customers with a unique combination of well intervention, well abandonment, SURF, saturation diving, and IRM capabilities delivered from the state of the art Normand Clough vessel.

The vessel's comprehensive equipment spread will include well intervention equipment, a 12-man saturation diving system, a 250 tonne active heave compensated crane, flexible flowline, riser and umbilical installation spread, a rigid pipelay system, and twin deepwater work class Remotely Operated Vehicles (ROVs). No other company in the Asia Pacific region can offer a similar breadth of capability and service profile from a single vessel, supported by class-leading engineering and project management.

Following the joint venture's launch, the Normand Clough docked in Singapore in June where it was equipped with Helix ESG's well intervention equipment. The vessel is also due to be fitted with the Clough 12-man saturation diving system in coming months.

Within three months of launch the Clough Helix JV secured its first contract in the South China Sea for the plugging and abandonment of the five subsea wells that make up the Lufeng 22-1 oil field which lies 250km southeast of Hong Kong.

STEVE PISCETEK

GENERAL MANAGER

Forge

Forge Group Limited is a Western Australian public company providing engineering, construction, management and maintenance to the resource and oil and gas sectors, through it's three wholly owned subsidiaries: Abesque Engineering Ltd, Cimeco and Ghana-based Webb Construction. Listed on the ASX in 2007, the Company has established operations in WA and West Africa, with more than 550 staff and a suite of blue chip clients.

Clough formally acquired its 31% interest in Forge in May 2010, laying the foundation for the long-term Strategic Alliance between the two companies. The acquisition will strengthen Clough's construction capability, allowing increased participation in the Australian oil and gas market. As a cornerstone investor in Forge, Clough now has the additional capacity required to more effectively compete for and deliver a fully integrated EPC service to clients. In return, Forge will utilise Clough resources (people, processes and systems) to aid the business in its growth across the minerals and oil and gas market sectors.

As part of the agreement, Clough CEO John Smith has been appointed as a Director on the Forge Board, adding substantial experience and capability.

Since floating on the Australian Stock Exchange in 2007 Forge Group has undergone significant year on year growth. Revenue for the 2009/10 financial year is up 89% on 2008/09 to $247m and profit before tax grew by 145% to $40.4m.

While both companies will continue to operate independently, on a case by case basis Clough will partner with Forge to provide an integrated EPC offering to oil and gas and minerals clients.

PETER HUTCHINSON

CHIEF EXECUTIVE OFFICER

Clough Seam Gas

Clough Seam Gas (CSG) was officially launched in May 2010 as a division of Clough dedicated to providing EPC services to the coal seam gas industry.

CSG will provide full turnkey coal seam gas development options, or any part thereof, for clients on Australia's eastern seaboard where around 5000 coal seam gas wells are proposed. The development of these wells is anticipated to create a market worth more than $30 billion over the next 25 years, with $12 billion of that available in the first phase of development between 2010 and 2016.

CSG's management team consists of industry experts with extensive experience in coal seam gas surface infrastructure. The division will be led by industry specialist Mel Whyte.

Clough Seam Gas is currently preparing a significant coal seam gas harvesting proposal for one of the four major Queensland LNG projects and is tendering for various EPC scopes in the other three projects. At the same time they are assisting a number of the smaller domestic gas producers.

MEL WHYTE

GENERAL MANAGER

Clough AMEC

Clough AMEC provides engineering led asset support services to the Australasian oil and gas industry. The company aims to maximise the life and profitability of client facilities, onshore and offshore, by helping achieve safer, cleaner, more efficient operations.

Clough AMEC completes Clough's service offering across the entire life of facilities and provides enhanced scope to capitalise on contracting opportunities in the Australasian LNG market.

A new management team structure has been created, dedicated to business development and growth. This will identify opportunities to gain significant market share in existing contracts for brownfield engineering services, engineering, procurement, construction and maintenance.

AMEC's acquisition of Performance Improvement Ltd enables the joint venture to provide highly specialised service delivery in process safety improvement, controls systems, asset integrity and management, gas turbine and turbo machinery controls systems including retrofit systems, SAP consulting, and energy and emissions consulting.

The inclusion of Performance Improvement Ltd in the new Clough AMEC business strategy has already facilitated the engagement of many more leading operators in Australia, New Zealand and South East Asia.

In 2009/10 the business successfully delivered work for clients including Conoco Phillips' Bayu-Undan, Woodside, Chevron and Maersk. Standout projects completed during the period included the major shutdown of the Bayu-Undan facility in mid-April, which employed a workforce of over 400, and the debottlenecking and compressor repairs programme for Maersk's Ngujima-Yin vessel, situated on Woodside's Vincent Field.

SIMON TAYLOR
GENERAL MANAGER

bam CLOUGH

BAM Clough

Clough entered into the Harbourworks Clough joint venture with Royal Netherlands Harbourworks in 1965. Today, the partnership has delivered 11 major marine construction projects throughout Australia and South East Asia.

The joint venture, recently rebranded BAM Clough, combines BAM's technical knowledge, access to experienced personnel and specialist equipment with Clough's local expertise in project delivery. The joint venture also utilises the capabilities of various sister companies including PT BAM Decorient in Indonesia (large-scale precast concrete fabrication), Clough's Sattahip Fabrication Yard in Thailand (structural steel and module fabrication) and Delta Marine Consultants in the Netherlands (marine design expertise), to design, construct and deliver solutions for marine loadout facilities for major resource projects, specialising in LNG projects.

The Joint Venture has delivered significant projects in recent years including Woodside's Train V and Pluto LNG jetties, completed in 2007 and 2010 respectively.

Following a mutual decision in early 2010 to establish a dedicated core management team to directly target contract opportunities in the oil, gas and minerals marine jetty market, BAM Clough appointed Mark Guinee as General Manager to pursue opportunities in these sectors. Mark has full responsibility for business growth and project execution and is supported by a Project Manager who will form a team to tender and execute specific projects.

BAM Clough will continue to target opportunities in the growing oil, gas and minerals marine jetty sector. Initially concentrating its efforts on the Australian market. The goal for the JV is to expand into the Asia Pacific Region. The first step in this expansion has been taken with the award of the PNG LNG Jetty.

MARK GUINEE

GENERAL MANAGER

Clough will continue to endeavour to grow shareholder value in the year ahead.

Apache's Devil Creek Development Project modules were fabricated in Clough's Sattahip Fabrication Yard, Thailand.

Board of Directors

1 Roger Rees
2 Nigel Harvey
3 Brian Bruce
4 Emma Stein
5 Keith Spence
6 John Smith
7 Mike Harding
8 Neil Siford

Mike Harding

MSc (Mech.Eng)

Independent Non-Executive Chairman

Mike Harding was appointed to the Clough Limited Board in May 2006. A former President and General Manager of BP Developments Australia Limited, Mike has had an extensive and prominent career in the oil and gas industry, with former roles including Vice-Chairman and Council member of the Australian Petroleum Production and Exploration Association, Chairman of the Ministry of Defence Project Governance Board – Land Systems Division (Army) and Non-Executive Director of Arc Energy Limited. Mike's current Directorships include Non-Executive Director of Santos Limited and Non-Executive director Downer EDI.

John Smith

BSc (Mech.Eng), C.Eng, M.I.Mech.E(UK)

Chief Executive Officer

John Smith was appointed CEO of Clough on 1 August 2007.

John is a chartered mechanical engineer with a degree from Glasgow University and has 30 years of international oil & gas experience from bases in Norway, the United Kingdom and Australia. He worked for 20 years for various Brown and Root companies in upstream oil & gas engineering and construction and ran their businesses in Norway and then Australia. Following the Halliburton Dresser merger in 1998 John took operational responsibility for Halliburton Subsea and managed the strategic process which led to the formation of Subsea 7. John was CEO of that business for the first two years and served on the board until June 2007. He served on the Boards of five other listed companies, has run his own business and is a past President of IMCA, the International Marine Contractors Association.

Neil Siford

BSc, (Geography) Hons, ACA

Chief Financial Officer

Neil is a Chartered Accountant with over 25 years of business and financial management experience gained primarily with PricewaterhouseCoopers and Caradon Plc, a UK publicly listed business with international reach, where Neil was employed as Group Financial Controller and then Regional Finance Director.

Neil joined Clough in 2006 as Finance Manager for Capital Projects and Asset Support and has held a variety of finance management roles which have utilised his excellent technical, commercial and management skills and experience. Neil was promoted to his current position of Chief Financial Officer in November 2009 and joined the Clough Board in August 2010.

Brian Bruce

Pr Eng, BSc (Eng), DEng(hc), Hon FSAICE

Non-Executive Director

Brian Bruce joined the Clough Limited Board in November 2004. Brian is Group Chief Executive and Managing Director of Murray & Roberts Holdings Limited, appointed in July 2000. He joined its Board of Directors in March 2000. Brian built his career through the strategic and project management of a range of world-class engineering and contracting projects and played the leadership role in resolving a number of major project disputes in both South Africa and internationally. He has transformed many operating business units in the Murray & Roberts Group and has long played a key role in the development of its strategic future.

Brian is a Board member and was inaugural Chair of South Africa's Construction Industry Development Board. He is a Director of the National Business Initiative in South Africa and a member of the Construction and Engineering Board of Governors at the World Economic Forum. He is also a past-President (1994) of the South African Institution of Civil Engineering and has served on many other industry boards and councils.

Roger Rees

BSc (Econ) Hons, FCA

Deputy Chairman

Roger Rees rejoined the Clough Limited Board in August 2007. Roger is the Group Financial Director of Murray & Roberts and was appointed to the Murray & Roberts Board when he joined the group in 2000. He developed his early career with Arthur Andersen in London and Johannesburg, followed by financial leadership positions in the food, tobacco and media sectors. Roger has developed extensive international expertise in corporate finance entailing due diligence studies, mergers, acquisitions and disposal of companies.

Keith Spence

BSc (Geophysics) Hons

Non-Executive Director

Keith Spence joined the Clough Limited Board in August 2008. He brings extensive knowledge of the oil and gas industry with over 30 years of experience including 18 years with Shell and 14 years with Woodside. He joined the Clough Board following his retirement from Woodside where he held many roles including Chief Operating Officer, Acting Chief Executive Officer, Director - Oil Business Unit, Director - Northern Business Unit, and Exploration Manager - North West Shelf. Most recently he was Executive Vice President Enterprise Capability.

Keith is a Non-Executive Director of Geodynamics Ltd and Verve Energy, and also acts as Chairman of the WA State Training Board, the Australian Institute of Management (WA) and the Advisory Board of the Australian Centre for Energy and Process Training (ACEPT). He is a Board member of Skills Australia, and a Curtin University Councillor. He also chairs the Independent Assessment Panel for the Federal Government's Carbon Capture and Storage Flagships programme.

Emma Stein

Bsc (Physics) Hons, MBA, FAICD

Non-Executive Director

Emma Stein is an experienced Non-Executive Director and Audit Committee Chair serving on the board of listed company DUET (majority owner of the Dampier to Bunbury Pipeline).

Emma has considerable experience with industrial customers and a comprehensive set of commercial skills in international energy and utilities markets, investments in long life assets and projects, and the upstream oil and gas sector.

Formerly the UK Managing Director for French utility Gaz de France's energy retailing operations, Emma moved to Australia in 2003. Beginning a career as a Non-Executive Director, Emma took up board appointments at Integral Energy, the NSW Growth Centres Commission and Arc Energy.

She is an Ambassador for the Guides, NSW State President for charity NAPCAN, which works to prevent child abuse and neglect, and a member of the University of Western Sydney's Strategy and Resources board committee.

Nigel Harvey

BSc (Building Management)

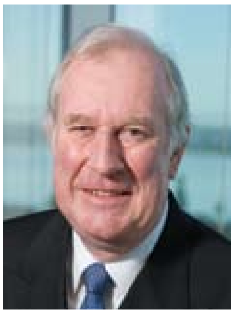
Non-Executive Director

Nigel Harvey was appointed to the Clough Limited Board in April 2010. Nigel has been the Managing Director of Murray & Roberts Contractors (Middle East) since 2004. He is also President of the South African Business Council in Dubai. Nigel is a member of the Murray & Roberts Executive Committee and his career with the Group spans 30 years. Before moving to Dubai, Nigel was responsible for the Building Construction activities of Murray & Roberts across South Africa and also parts of Africa. During this time he played a pivotal role in merging some of the construction companies in the Group. He is also a Director for Murray & Roberts International, Johnson Arabia and BRC Mesh Reinforcing.

Clough Board Succession

Mike Harding will formally step down as Chairman of the Clough Board at the Company's Annual General Meeting on 26 October 2010. Mr Harding's successor, current Non-Executive Director and oil and gas industry specialist Keith Spence, will formally take the position of Chairman at this time.

Farewell from Mike Harding



After nearly five years on the Clough Board, my time has come to say farewell. When I step down as Chairman on 26 October 2010, I will leave with many fond memories. It has been a pleasure working with this iconic Australian company, and its proud, committed and talented people.

Following my retirement from BP, I joined Clough as an Independent Non-Executive Director in May 2006, and then stepped into the Chairman's role in October 2006. It was a turbulent time for Clough, who was experiencing difficulties with several projects and poor financial results. We have now turned this position around and recently announced Clough's third consecutive year of strong, profitable financial growth.

The main highlight for me during my time with Clough has been the help of the Board, Murray & Roberts, the Executive Team and all staff in refinancing and reshaping Clough from a successful family-owned business to a first class EPC contractor in the oil and gas industry both in Australia and worldwide.

Throughout my tenure I have had the pleasure of working with the past and future leadership of Clough. It was with great sadness that I said goodbye to industry patriarch Harold Clough in 2007 when he retired from the Clough Board. In the same year we welcomed John Smith to Clough as CEO and I have thoroughly enjoyed working with John to deliver the refreshed company strategy.

I am very proud to leave Clough today with a strong balance sheet and an order book of world class oil and gas projects valued at over $1 billion. I wish Keith Spence the best of luck in leading the Company through its next phase of success.

A message from Keith Spence

It will give me great pleasure to take the position as Chairman of the Clough Board, when Mike Harding stands down at the Annual General Meeting on 26 October 2010. It has been a privilege to work with Mike and to take the reins from a respected, highly capable oil and gas executive, who leaves Clough in excellent shape.

My experience with Clough spans nearly two decades. Clough worked on many projects during my time with Woodside and consistently delivered. They brought a combination of good people, great talent and Australian values. Over time I have watched the Company grow from a well-established, well respected family business into a real force in the oil and gas contracting industry competing successfully against internationals on a global stage.

Many factors attracted me to joining Clough. Foremost, it's a Perth based Australian company, in a strong position for growth, particularly with the oil and gas opportunities in Western Australia, and I believe I can bring important industry knowledge to assist with this growth.

I was also keen to work with Clough's strong and capable Board and leadership team. I had crossed paths with both John Smith and Mike Harding during my career. Both had proven to be highly capable, well respected industry professionals with proven track records and great work ethics.

Murray & Roberts, both as a majority shareholder and their capacity on the Clough Board, are also a great asset to the organisation.

According to the most recent data from Access Economics, there is an estimated $217 billion worth of projects under construction or consideration in the Western Australian resources sector, along with extensive opportunities in the Queensland coal seam gas industry and in Papua New Guinea.

Clough has built core strengths in the oil and gas sector in Australia, South East Asia, and in some specialised markets globally, however it has also has great strength and capability to support the Australian mining sector, particularly through its strategic alliance with Forge Group. This balanced portfolio will mitigate the troughs sometimes experienced in large oil and gas project work. There are also a growing number of future opportunities in asset management.

As Clough's Chairman I will commit to achieving good returns for our shareholders through good governance and disciplined decision making. I will get to know the business intimately, along with the risks - nose in, hands off.

I will ensure the Board operates strategically, working with management constructively to deliver safe, strong and steady performance and to grow the company in a sustainable manner.

And finally I commit to ensuring Clough continues to be a responsible corporate citizen. We will be part of and contribute to the communities in which we operate.

Corporate Governance

Corporate Governance Statement 2010

The Clough Limited Board's corporate governance statement has been prepared in line with the Australian Securities Exchange (ASX) Corporate Governance Council guidelines, "Principles of Good Corporate Governance and Best Practice Recommendations" 2nd edition.

	ASX P & R[1]	If not, why not[2]
Recommendation 1.1	✓	
Recommendation 1.2	✓	
Recommendation 1.3[3]	✓	
Recommendation 2.1		✓
Recommendation 2.2	✓	
Recommendation 2.3	✓	
Recommendation 2.4	✓	
Recommendation 2.5	✓	
Recommendation 2.6[3]	✓	
Recommendation 3.1	✓	
Recommendation 3.2	✓	
Recommendation 3.3[3]	✓	
Recommendation 4.1	✓	
Recommendation 4.2	✓	
Recommendation 4.3	✓	
Recommendation 4.4[3]	✓	
Recommendation 5.1	✓	
Recommendation 5.2[3]	✓	
Recommendation 6.1	✓	
Recommendation 6.2[3]	✓	
Recommendation 7.1	✓	
Recommendation 7.2	✓	
Recommendation 7.3	✓	
Recommendation 7.4[3]	✓	
Recommendation 8.1	✓	
Recommendation 8.2	✓	
Recommendation 8.3[3]	✓	

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Information based recommendations 1.3, 2.6, 3.3, 4.4, 5.2, 6.2, 7.4 and 8.3 are not adopted or reported against using the "if not, why not" disclosure - information is either provided or it is not.

Previous: Project Manager Lee Arnison with graduate Lin-Li Yong.

Principle 1: Lay solid foundations for management and oversight

Clough has a corporate governance section on its website www.clough.com.au. This section includes the Board Charter which explains the functions reserved for the Board and those functions reserved to the CEO and other senior executives, in accordance with the delegated authority of the Board.

The Remuneration & Human Resources Committee undertakes an annual review of the CEO's performance shortly after the end of each financial year. Performance measures are established between the CEO and the Remuneration & Human Resources Committee and approved by the Board. The outcome of the review is reported to the Board.

All senior executives are subject to a formal annual performance evaluation which is undertaken by the relevant manager. The process involves a meeting between the senior executive and employee at which performance objectives and behavioural competencies are assessed. This process is described in further detail in the Directors' Report under the heading 'Performance Evaluation'. An evaluation of senior executives took place in the reporting period in accordance with this process.

Principle 2: Structure the Board to add value

The Clough Board comprises eight directors:

Mike Harding	Chairman	Independent
Roger Rees	Deputy Chairman	Non-Independent
John Smith	CEO and Managing Director	Non-independent
Brian Bruce	Non-executive Director	Non-Independent
Nigel Harvey	Non-executive Director	Non-Independent
Emma Stein	Non-executive Director	Independent
Keith Spence	Non-executive Director	Independent
Neil Siford	Chief Financial Officer	Non-independent

Clough has a majority shareholder, Murray & Roberts, who requires representation on the Clough Board. Murray & Roberts nominated directors include senior executives from Murray & Roberts who bring significant industry experience and expertise to the Board. Clough acknowledges that as a result of this representation, the Board does not have a majority of independent directors.

The Board has adopted the practise of using an external consultant to review its performance, the performance of the respective committees and the performance of individual directors on a biennial basis. The results of the last review were reported to the Board in May 2009. In each other year an internal review is undertaken. Each director is required to complete a questionnaire. The results are compiled by the Company Secretary and provided to the Chairman. The Chairman discusses the results with the directors and the Board as a whole. The next internal review will take place in September / October 2010. Accordingly during the reporting period an evaluation of the Board, its Committees and individual directors did not take place.

The procedure in relation to the nomination and appointment of directors is contained within the Standard for the Selection and Appointment of Directors. This Standard can be found in the Corporate Governance section of the Company's website.

New directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities, rights and the terms and conditions of their employment. All new directors participate in a comprehensive induction programme which covers the operation of the Board and its Committees and financial, strategic, operations and risk management issues.

The skills, experience and expertise relevant to the position of director held by each director in office, and their term of office, as at the date of this Annual Report is set out under the heading 'Board of Directors' on page 35.

Independence

The Board measures the independence of its directors having regard to the relationships listed in Box 2.1 of the ASX Principles and Recommendations. Mike Harding, Emma Stein and Keith Spence are independent directors, as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Clough believes that employing a materiality concept is essential in judging whether customer, supplier, consultant or professional adviser relationships affect the independence of Clough directors. Clough has adopted AASB Standard 1031 to determine levels of materiality.

Board Committees

Clough has four committees: Governance & Nomination Committee; Audit & Risk Committee; Remuneration & Human Resources Committee and Health, Safety, Environment & Sustainability Committee.

All Committees have a formal operating charter which set out their respective roles and responsibilities and these are disclosed on the Company's website. The number of meetings held by each committee and attendance at those meetings is outlined in the Directors' Report under the heading 'Directors' Meetings'.

The members of the Governance & Nomination Committee are Mike Harding (Chair), Emma Stein and Brian Bruce. Both Mike Harding and Emma Stein are independent non-executive directors.

The members of the Health, Safety, Environment & Sustainability Committee are Keith Spence (Chair), Mike Harding and John Smith. Both Keith Spence and Mike Harding are independent non-executive directors.

Independent Advice

Clough directors may seek external professional advice at the expense of the Company on matters relating to their roles as directors of Clough. They must first obtain approval from the Chair, which must not be unreasonably withheld. If permission is withheld the matter may be referred to the whole Board. All directors have access to the Company Secretary.

Principle 3: Promote ethical and responsible decision-making

Clough has formally adopted a Code of Conduct, which requires high standards of honesty, integrity, fairness and equity in all aspects of employment with Clough. The Code of Conduct addresses responsibility to shareholders, health and safety, environment, confidentiality, conflicts of interest and financial inducements. The Code of Conduct can be found in the Corporate Governance section of the Company's website.

Clough encourages the reporting of matters that may cause financial and non-financial loss to the Company or damage to the Company's reputation. All employees are required to immediately report circumstances that may involve a breach of the Code of Conduct. An independent whistleblower hotline has been established for this purpose.

Clough has also adopted a Share Trading Policy which sets out how and when directors, officers and senior staff may trade in the Company's shares. The Code of Conduct and the Share Trading Policy are available on the Company's website.

Principle 4: Safeguard integrity in financial reporting

This principle requires the Company to put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the Company's financial position.

Clough complies with this requirement in a number of ways. The Company has an Audit & Risk Committee whose members include Emma Stein (Chair), Keith Spence and Roger Rees. Emma Stein and Keith Spence are independent, non-executive directors. Roger Rees is a non-independent, non-executive director. The qualifications of members of the Audit & Risk Committee are set out in this Annual Report under the heading 'Board of Directors' on page 35.

The role of the Audit & Risk Committee includes review of the Company's accounts, reviewing the scope and reports of the external and internal auditors and the approach to risk management across the Company. The Audit & Risk Committee has access to both internal audit and the external auditor without the presence of other management. Internal audit has a direct reporting relationship with the Audit & Risk Committee and provides written reports to the Committee. The Audit & Risk Committee leads the review of performance of the external auditor. The Standard for the Selection, Appointment and Rotation of the External Auditor can be found in the Corporate Governance section of the Company's website.

The CEO, CFO, Company Secretary, Manager Business Improvement & Assurance and external auditors attend the Audit & Risk Committee meetings by invitation. The Committee meets and reports to the Board at least three times during the year. Meetings are timed to coincide with profit announcements made to the ASX and audit engagement.

The CEO and CFO provide an appropriate disclosure statement to the Audit & Risk Committee and Board of Directors in support of the full year and half year accounts.

Principle 5: Make timely and balanced disclosure

Clough's Continuous Disclosure Policy details the process by which information is disclosed to the market. This policy is available on the Company's website.

The Chair has ultimate authority and responsibility for market disclosure, which is delegated on a day-to-day basis to the CEO and CFO, who seek approval from the Chair on all significant matters. The Chair seeks the approval of the Board as required.

Principle 6: Respect the rights of shareholders

Clough's Shareholder Communications Policy details the means by which the Company promotes and maintains effective communications with its shareholders. This policy is available on the Company's website.

Shareholder meetings represent an opportunity for shareholders to meet with and question the Board and management of Clough. Clough's external auditor attends all annual general meetings and is available to answer shareholder questions.

Clough's website is a key source of information for the Company's shareholders and prospective shareholders. Clough places all Company announcements on the site immediately following confirmation of their release to the market. Clough also displays annual and half-year reports, notices of meeting and information briefings given to analysts and media.

Principle 7: Recognise and manage risk

Clough is committed to risk management as part of good governance and business practice with an established programme of risk identification, assessment, management, monitoring, review and regular reporting.

The Board has adopted a Risk & Internal Control Policy and a Risk & Opportunity Management Policy which are both available on the Company's website. Clough has developed a risk management approach that is consistent with Australian standard ISO 31000. The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control. Risk is managed at three levels – corporate, operational and strategic.

Under the policies the Board delegates day-to-day management of risk to the CEO who is responsible for identifying, assessing, monitoring and managing risks. The CEO is also responsible for updating the Company's material business risks to reflect material changes, with the approval of the Board.

The Board has established a separate Audit & Risk Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

The Audit & Risk Committee receives periodic reports from management on the status of Clough's material risks and their current management. The Internal Audit function also provides reports to the Committee detailing compliance with existing statutory requirements, adherence to internal policies and an assessment of control effectiveness. Internal Audit also provides guidance to improve practices within the Company.

The Audit & Risk Committee reports to the Board regarding the management of material business risk three times a year.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- The Board has established authority limits for management which, if exceeded, will require prior Board approval;
- The Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- The Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Board oversees the processes by which risks are managed. This includes defining the Company's risk appetite, monitoring of risk performance and those risks that may have a material impact to the business. The Company's risk management system includes the preparation of a risk register by management at each of the corporate, operational and strategic levels to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks is allocated to members of senior management. The risk registers are reviewed quarterly and updated as required.

The categories of risk reported on or referred to as part of the Company's system and processes for managing material business risk include: operational risk, environmental risk, sustainability, compliance, people, strategic, ethical conduct, reputation/brand, product service quality, human capital, financial reporting and market-related risk.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

The Chief Executive Officer and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Principle 8: Remunerate fairly and responsibly

The Remuneration & Human Resources Committee determines remuneration policies and practices and makes recommendations to the Board on remuneration packages and policies applicable to the Chief Executive Officer, senior executives and directors. The Committee also assumes responsibility for management of succession planning.

Clough distinguishes the structure of non-executive remuneration from that of executive directors and senior executives. Details of Clough's remuneration policy are set out in the Directors' Report under the heading 'Remuneration philosophy and principles used to determine the nature and amount of remuneration'. There are no schemes for retirement benefits for non-executive directors.

The Share Trading Policy prohibits executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

The members of the Remuneration & Human Resources Committee are Keith Spence (Chair), Mike Harding and Nigel Harvey. Keith Spence and Mike Harding are independent non-executive directors and Nigel Harvey is a non-executive director.

Financial Contents

Contents

These financial statements cover the consolidated financial statements for the consolidated entity consisting of Clough Limited and its subsidiaries. The financial statements are 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
Level 15, 58 Mounts Bay Road
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 this financial report.

The financial report was authorised for issue by the directors on 18 August 2010. The Company has the power to amend and reissue the financial report.

Directors' Report

The Directors of Clough Limited ABN 59 008 678 813 present the report of the Company and of the Clough Group, the consolidated entity, for the financial year ended 30 June 2010 and in accordance with a resolution of the Directors report as follows:

1. Directors

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

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

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

- AJ Walsh resigned as a Executive Director on 4 September 2009.
- JD Cooper resigned as a Non-Executive Director on 31 January 2010.
- NWR Harvey was appointed a Non-Executive Director on 13 April 2010.
- RW Rees was appointed Deputy Chairman on 13 April 2010.

Details relating to Directors' qualifications, experience and special responsibilities appear on page 35 and this page is incorporated in and form part of this report.

MS Goodwin resigned as Joint Company Secretary on 19 February 2010. JC Whitehand (BCom, CPA) was appointed as Joint Company Secretary on 19 February 2010 and held office for the rest of the financial year and up to the date of this report. MJ Uchanski (FCIS, CA, FCDA DipCD, FTIA, FASFA) held office as Joint Company Secretary during the whole of the year and up to the date of this report.

Details relating to the Directors' directorships of other listed companies over the last three years are as follows:

- RM Harding has been a Director of Santos Limited since 1 March 2004 and was appointed a Director of Downer EDI Limited on 1 July 2008.
- J Smith was appointed as a Commissioner of PT Petrosea Tbk on 18 January 2008 and resigned as a Commissioner of PT Petrosea Tbk on 6 July 2009. J Smith was appointed a Director of Remedial Offshore Ltd on 12 April 2007 and resigned as a Director on 20 May 2008. J Smith was appointed a Director of Remora ASA on 10 May 2006 and resigned as a Director on 14 November 2007. J Smith was appointed a Director of Grenland Group ASA on 9 March 2005 and resigned as a Director on 10 July 2007. J Smith was appointed a Director of Forge Group Limited on 13 May 2010.
- BC Bruce and RW Rees are Directors of Murray & Roberts Holdings Limited. BC Bruce was appointed as a Director on 31 March 2000 and RW Rees was appointed as a Director on 31 August 2000.
- ER Stein was appointed a Director of Arc Energy Limited on 1 April 2005 and resigned as a Director on 25 August 2008. ER Stein has been a Director of the Duet Group since 16 June 2004. ER Stein was appointed a Director of Programmed Maintenance Services Limited on 16 June 2010.
- K Spence was appointed a Director of Geodynamics Limited on 10 July 2008.

2. Principal activities

The principal activities of the consolidated entity during the financial year were delivery of engineering, engineering and construction contracting and procurement and construction services primarily to the oil and gas sector. There were no significant changes in the nature of these activities during the year.

3. Trading results

The net profit of the consolidated entity for the year was $50,090,000 (2009: $52,426,000) after deducting income tax expense of $6,546,000 (2009: $5,179,000); adding the net profit from discontinued operations of $149,000 (2009: $3,754,000); and after deducting the profits attributable to non-controlling interests in controlled entities of $1,148,000 (2009: $348,000).

4. Dividends

The following dividend was paid during the year under review:

	Parent entity	
	2010	2009
	$'000	$'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2009 of 2 cents (2008 – 1 cent) per fully paid share paid on 7 October 2009		
Franked to 25% based on tax paid of 30% (2008 - Fully franked)	13,404	6,680
Total dividends provided for or paid	13,404	6,680

Subsequent to the year end, the Directors have recommended the payment of a final dividend of 2.2 cents per fully paid ordinary share franked to 9%, based on tax paid at 30%.

For further information, refer to note 33 "Dividends" of the notes to the financial statements.

5. Operating and financial review

A review of the operations, strategy and operating performance of the consolidated entity are contained in the Shareholders Letter on pages 3 to 7. These pages are incorporated in and form part of this report.

6. State of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in the Financial Report.

7. Events 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 the affairs of the consolidated entity in periods subsequent to the year ended 30 June 2010, apart from the matter noted below.

Subsequent to the year end, the Directors have recommended the payment of a final dividend of 2.2 cents per fully paid ordinary share franked to 9%, based on tax paid at 30%.

8. Likely developments

Disclosure of information relating to likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, which will not in the opinion of the Directors unreasonably prejudice the interests of the consolidated entity, is contained in the Shareholders Letter on pages 3 to 7. These pages are incorporated in and form part of this report.

9. Environmental regulation

The operations of the consolidated entity are subject to environmental regulations under Commonwealth, State and Territory legislation. Overseas operations are also subject to relevant environmental regulations. The standard policy of the Company in relation to the environment requires all operations to be conducted in a manner to protect and preserve the environment. The Directors are not aware of any material breaches of environmental regulations during or since the end of the financial year.

10. Remuneration report

Introduction

This Remuneration Report outlines director and executive remuneration arrangements in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report key management personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company and includes the five executives receiving the highest remuneration.

10.1 Remuneration Philosophy and Principles used to determine the nature and amount of remuneration

Remuneration levels are set with the objective of attracting and retaining appropriately qualified and experienced staff. Remuneration packages are structured to recognise, encourage and reward improved performance and business growth, balanced between short term and long term goals. Benchmarking is undertaken on a regular basis to ensure remuneration packages are competitively positioned in the market. The short term incentive plan is designed to align all employees' interests with the objectives of the business and to incentivise and reward individual contribution to achieving overall performance. The long term incentive plan is designed to align senior employee's interests with the Company's longer term objective of growth in market capitalisation and earnings per share.

Remuneration Committee

The Remuneration Committee consists of three Non-Executive Directors, two of whom are independent. The committee is chaired by an independent director. The function of the committee is to assist the Board in fulfilling its corporate governance responsibilities with respect to employment and remuneration by reviewing and making appropriate recommendations in relation to:

- Remuneration policy
- Selection, retention and succession planning for senior executives
- Remuneration packages of executive directors, non-executive directors and senior executives
- The Short Term Incentive Plan (STIP)
- The Long Term Incentive Plan (LTIP)

Non-Executive Director Remuneration

Fees paid to Non-Executive Directors reflect the demands made on, and the responsibilities of the position. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fee is determined independently of the fees of other Non-Executive Directors based on comparative roles in the external market and includes committee fees. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-Executive Directors who are members of a Board sub-committee receive an additional fee.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by the members at a general meeting. The current limit of $900,000 was approved by shareholders at the Annual General Meeting of the Company held on 9 November 2005.

Executive Remuneration including the Managing Director

Executive Directors do not receive Directors' fees.

The executive remuneration framework has three components and the combination of these comprise the executive's total remuneration:

- Base Salary and Benefits
- Short Term Incentives
- Long Term Incentives

During the year the Company made a number of amendments to the incentive schemes. In relation to the Short Term Incentive Scheme (STIP) the following changes were made:

- The eligibility period has been increased from three to six months.
- The base for the calculation of the STIP incentive is now base salary, excluding superannuation and motor vehicle allowance.
- The STIP percentages across all remuneration bands have been reduced.
- A cap expressed as a percentage of EBIT has been imposed to limit the total amount that can be paid to employees under the short term incentive scheme in any one year.

The above changes have the effect of reducing the quantum of STIP payable.

In relation to the Long Term Incentive Scheme (LTIP) the following changes were made:

- The base for the calculation of the LTIP entitlement is now base salary, excluding superannuation and motor vehicle allowance.
- The vesting period for options issued under the LTIP has been extended from three to four years.
- Participation has been restricted to the employees in the top four remuneration bands plus a small number of high potential employees identified through the talent identification program.

The above changes have the effect of reducing the number of options that will be issued under the LTIP.

Base Salary and Benefits

Employees are offered a competitive base salary and benefits that comprises the fixed component of the remuneration package. Base salary and benefits are reviewed every six months to ensure the employee's remuneration is competitive with the market. Base salary is also reviewed on promotion. Employment contracts do not guarantee increases in base salary and benefits.

Benefits include superannuation, wellbeing allowance, further education assistance, parental leave, salary continuance, life, total and permanent disability insurance, and motor vehicle and parking allowances. Employees are encouraged to join the Clough Superannuation Fund. The superannuation fund is a self managed corporate accumulation fund established for the benefit of Clough employees.

Short Term Incentives

The objective of the short term incentive scheme is to align the interests of employees with those of the shareholders through the payment of short term incentives linked to pre-agreed targets. The targets include earnings before interest and tax, order intake, margin in order intake and operating cash flow chosen for short term operational management and long term sustainability.

The Short Term Incentive Plan (STIP) includes a threshold earnings target to be met as a prerequisite for any short term incentive payment. The scheme is structured and incentivises employees to earn 50% of the maximum short term incentive payout if the agreed business plan targets are met and a further 50% if the stretch objectives are met. The aggregate STIP payment in any one year is limited to 10% of EBIT.

The key determinants of the actual amount paid to an individual employee are:

- Base salary
- Employment band and therefore STIP %
- Company performance against target
- Individual performance against individual performance targets and objectives

At the start of each year, the Board of Directors sets a threshold earnings target that must be achieved for the year before any short term incentive can be paid.

Long Term Incentives

Senior employees participate in a long term incentive scheme through the granting of options issued pursuant to the Clough Limited Employee Option Plan. The objective of the option plan is to align the interests of senior employees with shareholders through the granting of options with a deferred vesting date. Under the current policy, options will vest at the end of a four year vesting period if the Total Shareholder Return (TSR) of Clough Shares has averaged 12% per annum or more over the vesting period and is conditional upon continuing employment. The Share Trading Policy prohibits executives from entering into transactions or arrangements that limit the economic risk of participating in unvested security entitlements.

10. Remuneration report (continued)

Group Performance

The table below shows the performance of the Clough Group for the past five years.

Financial Year End	Net Profit / (Loss) attributable to Clough Members $'000	Share Price at beginning of financial year Cents	Share Price at end of the financial year Cents	Market Capitalisation $'000	Dividend paid per share $
2006	(15,077)	43.05	34.44	175,724	Nil
2007	(105,260)	34.44	48.49	247,412	Nil
2008	66,605	48.49	73.00	487,597	Nil
2009	52,426	73.00	71.00	475,783	0.01
2010	50,090	71.00	77.00	591,957	0.02

Performance Evaluation

Individual performance is measured through the Performance Development Plan process. Individual objectives, measures and outputs flow from the annual Clough business plan by way of the Balanced Scorecard. Objectives and measures from the Balanced Scorecard cascade down throughout all levels of the organisation and form the basis for assessing performance for the purposes of the annual salary review and STIP review processes. Salary reviews are consequently not a guarantee. Individuals must meet performance objectives and behavioural competencies in order to qualify for any market based salary movements.

10.2 Details of Remuneration

Amounts of Remuneration

Details of the nature and amount of each element of the remuneration of each Non-Executive Director and Executive Director of Clough Limited and the Key Management Personnel of the consolidated entity are set out in the following tables. The cash short term incentives are dependent on the satisfaction of performance conditions as set out in the section headed "Short Term Incentives" above.

Non-Executive Directors of Clough Limited

2010	Short-Term Benefits			Post-Employment Benefits	Total
	Directors' Fee	Travel Allowance	Other	Superannuation	
Name	$	$	$	$	$
BC Bruce (i), (ii)	75,000	25,000	-	-	100,000
JD Cooper (i), (ii), (vii)	47,917	14,583	-	-	62,500
RM Harding	165,000	25,000	1,331	17,100	208,431
NWR Harvey (i), (ii), (viii)	14,084	5,416	-	-	19,500
RW Rees (i), (ii), (iii)	75,000	25,000	-	-	100,000
K Spence	75,000	-	560	6,750	82,310
ER Stein	70,000	25,000	664	8,550	104,214

Non-Executive Directors of Clough Limited (continued)

2009	Short-Term Benefits			Post-Employment Benefits	Total
	Directors' Fee	Travel Allowance	Other	Superannuation	
Name	$	$	$	$	$
BC Bruce (i)	60,000	25,000	-	-	85,000
JD Cooper (i)	60,000	25,000	-	-	85,000
RM Harding	165,000	25,000	1,375	17,100	208,475
RW Kelly (vi)	-	-	-	11,627	11,627
RW Rees (i), (iii)	60,000	25,000	-	-	85,000
K Spence (v)	70,000	-	576	6,300	76,876
ER Stein (iv)	70,000	25,000	680	8,550	104,230

(i) The Directors' fees for BC Bruce, JD Cooper (until 31 January 2010), NWR Harvey (from 13 April 2010) and RW Rees are paid to Murray & Roberts Limited.

(ii) Included in the Directors' fees are Sub-Committee fees. The amounts paid during the 2010 financial year included back dated fees relating to the 2008 and 2009 financial years. Directors are paid $5,000 per annum for each Sub-Committee that they serve on.

(iii) RW Rees was appointed as a Non-Executive Director on 24 August 2007 and was appointed Deputy Chairman on 13 April 2010.

(iv) ER Stein was appointed as a Non-Executive Director on 1 July 2008.

(v) K Spence was appointed as a Non-Executive Director on 1 August 2008.

(vi) RW Kelly retired as a Non-Executive Director on 19 August 2008.

(vii) JD Cooper resigned as a Non-Executive Director on 31 January 2010.

(viii) NWR Harvey was as appointed as a Non-Executive Director on 13 April 2010.

10. Remuneration report (continued)

Executive Directors of Clough Limited

2010	Short-Term Benefits					Post-Employment Benefits	Share-Based Payments	Total	Proportion of Remuneration Performance Related ^	Value of Options as Proportion of Remuneration
	Cash Salary	Cash Incentive	Non-Monetary Benefits	Termination Benefits	Other *	Superannuation	Options			
Name	$	$	$	$	$	$	$	$	%	%
J Smith	1,179,237	550,000	62,185	-	49,935	106,131	608,751	2,556,239	39%	24%
AJ Walsh (i)	366,285	89,880	3,053	883,645	-	15,321	-	1,358,184	7%	-

2009	Short-Term Benefits				Post-Employment Benefits	Share-Based Payments	Total	Proportion of Remuneration Performance Related ^	Value of Options as Proportion of Remuneration
	Cash Salary	Cash Incentive	Non-Monetary Benefits	Other *	Superannuation	Options			
Name	$	$	$	$	$	$	$	%	%
J Smith	1,134,659	860,016	8,100	45,152	103,078	608,751	2,759,756	48%	22%
AJ Walsh	674,438	389,480	8,100	8,217	61,283	-	1,141,518	34%	-

^ Options with performance conditions are included in performance related remuneration.

* Other short-term benefits include the movements in the provisions for annual leave and long service leave.

(i) AJ Walsh resigned as an Executive Director on 4 September 2009 and received a termination benefit of $883,645. In addition, AJ Walsh received a payment of $199,094 comprising accrued annual and long service leave which is included in cash salary and an incentive payment of $89,880.

Other Key Management Personnel of the Consolidated Entity

2010	Short-Term Benefits				Post-Employment Benefits	Share-Based Payments	Total	Proportion of Remuneration Performance Related ^	Value of Options as Proportion of Remuneration
	Cash Salary	Cash Incentive	Non-Monetary Benefits	Other *	Superannuation	Options			
Name	$	$	$	$	$	$	$	%	%
M Bergomi ! @ € *Executive Vice President – Business Acquisition*	346,419	103,535	16,273	20,314	31,175	62,844	580,560	26%	11%
W Boyle ! @ € *Group Chief Operating Officer*	769,863	283,913	33,544	61,110	69,272	239,445	1,457,147	32%	16%
SR High (i) ! @ *Former Executive Vice President – Projects*	853,762	-	30,441	4,184	54,507	73,032	1,015,926	5%	7%
RE Hogan @ € *General Manager Operations - Queensland*	599,659	105,654	22,425	45,485	51,287	142,120	966,630	22%	15%
RW Robinson @ € *Project Director - Infrastructure Gorgon LNG Project*	578,550	100,215	5,080	25,947	52,070	108,609	870,471	21%	12%
NE Siford (ii) ! € *Chief Financial Officer*	183,192	93,750	5,164	8,714	16,487	5,222	312,529	32%	2%

^ Options with performance conditions are included in performance related remuneration.

* Other short-term benefits include relocation costs and the movements in the provisions for annual leave and long service leave.

! An executive that in the opinion of the Directors meets the definition of 'key management personnel' as defined in *AASB 124 Related Party Disclosures*. In the opinion of the Directors, no other executives met the definition of key management personnel.

@ An executive who is one of the five highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001* and in the opinion of the Directors meets the definition of a 'company executive.'

€ The short term incentive payment is based upon Company performance relative to the targets set at the beginning of the year and the remuneration band of the employee moderated by the individual's assessed performance.

(i) SR High resigned on 30 June 2010. SR High was regarded as a key management person for the period 1 July 2009 to 30 June 2010. SR High received a termination payment in lieu of notice of $66,432 and in addition, received a payment of $247,231 comprising accrued annual and long service leave. These amounts have been included in cash salary.

(ii) NE Siford was appointed Chief Financial Officer on 26 November 2009 and was regarded as a key management person from this date. The remuneration disclosed above was for the period 26 November 2009 to 30 June 2010.

10. Remuneration report (continued)

Other Key Management Personnel of the Consolidated Entity

2009	Short-Term Benefits				Post-Employment Benefits	Share-Based Payments	Total	Proportion of Remuneration Performance Related ^	Value of Options as Proportion of Remuneration
	Cash Salary	Cash Incentive	Non-Monetary Benefits	Other *	Superannuation	Options			
Name	$	$	$	$	$	$	$	%	%
M Bergomi (i) ! @ € *Executive Vice President – Business Acquisition*	331,341	142,409	8,100	149,299	29,821	43,410	704,380	25%	6%
W Boyle (ii) ! @ € *Group Chief Operating Officer*	611,538	425,100	6,547	1,139,212	55,038	176,044	2,413,479	23%	7%
K Cain (iii) ! @ € *Vice President Offshore Projects*	284,025	90,851	4,725	1,709	48,452	38,542	468,304	24%	8%
MA Hehuwat ! *President Director – PT Petrosea Tbk*	402,408	-	-	4,592	-	-	407,000	-%	-%
SR High ! @ € *Vice President – Capital Projects & Asset Support*	508,885	221,694	15,096	13,718	62,115	66,908	888,416	26%	8%
NS Whitaker ! @ *Director & Chief Operating Officer – PT Petrosea Tbk*	470,827	-	-	156,611	-	-	627,438	-%	-%

^ Options with performance conditions are included in performance related remuneration.

* Other short-term benefits include benefits for executives' located overseas, relocation costs and the movements in the provisions for annual leave and long service leave.

! An executive that in the opinion of the Directors meets the definition of 'key management personnel' as defined in *AASB 124 Related Party Disclosures*. In the opinion of the Directors, no other executives met the definition of key management personnel.

@ An executive who is one of the five highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001* and in the opinion of the Directors meets the definition of a 'company executive.'

€ The short term incentive payment is based upon Company performance relative to the targets set at the beginning of the year and the remuneration band of the employee moderated by the individual's assessed performance.

(i) M Bergomi was appointed Executive Vice President Business Acquisition on 1 July 2008.

(ii) W Boyle was appointed Group Chief Operating Officer on 8 September 2008.

(iii) K Cain was regarded as a key management person until 31 January 2009. The remuneration disclosed above was for the period 1 July 2008 to 31 January 2009.

Cash Short Term Incentives and Options

For the financial year ended 30 June 2010, the percentage of the available short term incentive that was earned in the year and the percentage that was forfeited because the applicable performance criteria were not met are set out below. Additionally, the details of the grant value of options relating to future financial years are also set out below.

	Cash Incentive		Options						
Name	Earned %	Forfeited %	Number of Options Granted	Grant Date	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
J Smith	62	38	3,000,000	23/11/2007	-	-	30/06/2011	Nil	33,727
			1,000,000	23/11/2007	-	-	30/06/2012	Nil	95,168
			1,000,000	23/11/2007	-	-	30/06/2013	Nil	154,114
			1,000,000	23/11/2007	-	-	30/06/2014	Nil	194,170
W Boyle	50	50	2,000,000	08/09/2008	-	-	30/06/2012	Nil	248,684
			667,347	11/02/2009	-	-	30/06/2012	Nil	31,444
			487,705	16/03/2010	-	-	30/06/2014	Nil	145,195
M Bergomi	57	43	330,000	01/02/2008	-	-	30/06/2011	Nil	22,548
			330,000	01/02/2009	-	-	30/06/2012	Nil	33,698
			340,000	16/03/2010	-	-	30/06/2013	Nil	109,641
NE Siford	50	50	20,000	23/04/2007	100	-	30/06/2010	Nil	Nil
			50,000	05/03/2008	-	-	30/06/2011	Nil	3,747
			94,185	11/02/2009	-	-	30/06/2012	Nil	4,438
			141,364	16/03/2010	-	-	30/06/2014	Nil	42,086
RE Hogan	47	53	1,250,000	26/11/2007	-	-	30/06/2011	Nil	58,016
RW Robinson	47	53	500,000	26/11/2007	-	-	30/06/2011	Nil	23,206
			315,493	11/02/2009	-	-	30/06/2012	Nil	14,865
			377,119	16/03/2010	-	-	30/06/2014	Nil	112,272

For additional information, refer to section 10.4 'Share-based compensation' of the Directors' report and to note 48 "Share-based payments" of the notes to the financial statements.

10. Remuneration report (continued)

10.3 Service and Executive Employment Agreements

Remuneration and other terms of employment for the Chief Executive Officer and the Group Chief Operating Officer are formalised in service agreements with Clough Limited and related entities. Major provisions of the agreements relating to remuneration are set out below.

J Smith - Chief Executive Officer

- Employment commenced on 1 August 2007.
- The base package inclusive of superannuation is reviewed annually by the Remuneration Committee. The total cash component was increased from $1,300,000 to $1,347,358 including superannuation effective from 1 October 2009.
- An annual incentive payment of up to 70% (amended from 80% from the beginning of the 2010 financial reporting year) of base salary based on successful performance to the satisfaction of the Board. Refer to Short Term Incentives contained in section 10.1 of the Directors' report for further details.
- Business class return flights between Perth and Norway for each completed 12 months service will be provided to Mr Smith, his spouse and children.
- Cover under a Salary Continuance Plan and Life Insurance Plan.
- Six million options in the Company (the issue of which was approved by the shareholders on 23 November 2007) granted with vesting subject to the following market conditions:

  (i) 25% of the options will vest irrespective of the performance of the Company;

  (ii) 50% of the options will vest if Clough's total shareholder return is equal to or greater than the average return of the S&P/ASX 200 accumulation series index over the relevant period; and

  (iii) 25% of the options will vest if Clough's total shareholders return is 25% or more above the average rate of return of the S&P/ASX 200 accumulation series index over the relevant period.

  The options can be exercised after the third, fourth, fifth and sixth anniversary dates of the commencement of employment as shown below:

  (a) 3 million options with the relevant period of three years from commencement of employment until the third anniversary of commencement of employment may be exercised after the third anniversary of employment;

  (b) 1 million options with the relevant period of one year between the third and fourth anniversaries of commencement of employment may be exercised after the fourth anniversary of employment;

  (c) 1 million options with the relevant period of one year between the fourth and fifth anniversaries of commencement of employment may be exercised after the fifth anniversary of employment; and

  (d) 1 million options with the relevant period of one year between the fifth and sixth anniversaries of commencement of employment may be exercised after the sixth anniversary of employment.
- Payment of termination benefit on early termination by the employer upon the provision of one months written notice, other than for gross misconduct:
  - For a termination occurring on or after the first anniversary of the commencement date but prior to the fifth anniversary of the commencement date, the termination payment shall be 12 months' base salary; and
  - For a termination occurring on or after the fifth anniversary of the commencement date, the termination payment shall equal the base salary that would be payable for the period remaining until the sixth anniversary of the commencement date.
  - The employment will terminate on the sixth anniversary of the commencement date, unless the Company and the Executive expressly agree in writing prior to that date to extend the Employment.

W Boyle - Group Chief Operating Officer (from 8 September 2008)

- Employment commenced on 8 September 2008.
- The base package inclusive of superannuation is reviewed annually by the Remuneration Committee. The total cash component was increased from $817,500 to $846,113 including superannuation effective from 1 October 2009.
- An annual incentive payment of up to a maximum of 70% (amended from 80% from the beginning of the 2010 financial reporting year) of base salary based on successful performance to the satisfaction of the Board. Refer to Short Term Incentives contained in section 10.1 of the Directors' report for further details.
- Two million options in the Company granted with vesting subject to the following market conditions:

  (i) 25% of the options will vest irrespective of the performance of the Company;

  (ii) 50% of the options will vest if Clough's total shareholder return is equal to or greater than the average return of the S&P/ASX 200 accumulation series index over the relevant period; and

  (iii) 25% of the options will vest if Clough's total shareholders return is 25% or more above the average rate of return of the S&P/ASX 200 accumulation series index over the relevant period.

  The options are exercisable at premium of 10% to the average market price of Clough Limited shares during the week prior to the date of execution of the employee's contract of employment (calculated to be $0.69).
- The options can only be exercised between three and six years after they were granted.
- Return business class return flights between Perth and Aberdeen for each completed 12 months service will be provided to Mr Boyle, his spouse and children.

10.4 Share-based Compensation

Options are granted to senior employees under the Clough Limited Employee Option Plan (Plan) to align their interests with that of the shareholders of the Company and for staff retention purposes. Under the Plan the Company may grant options if immediately following the grant of options or an issue of shares from an exercise of options, the aggregate of:

- the total number of unissued shares over which options have been granted; and
- the total number of shares issued during the preceding five years under the Plan,

would not exceed 5% of the number of shares on issue at the time of the proposed grant or issue, except for an issue of options to Executive Directors for which separate shareholder approval is obtained.

10. Remuneration report (continued)

10.4 Share-based Compensation (continued)

During the year, the Company issued 5.125 million options to employees under the Plan. 0.755 million options were exercised and a total of 4.38 million options were forfeited by employees leaving the Company. 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	Number of Options Balance at year end	Exercise price	Value per option at grant date	Date exercisable
17 November 2005	17 November 2008	725,000	$0.31	$0.1280	17/11/08 – 17/11/11
23 April 2007	23 April 2010	790,000	$0.57	$0.2545	23/04/10 – 23/04/13
23 November 2007	1 August 2010	3,000,000	$0.58	$0.3450	01/08/10 – 31/07/13
23 November 2007	1 August 2011	1,000,000	$0.58	$0.3229	01/08/11 – 31/07/14
23 November 2007	1 August 2012	1,000,000	$0.58	$0.3460	01/08/12 – 31/07/15
23 November 2007	1 August 2013	1,000,000	$0.58	$0.3577	01/08/13 – 31/07/16
26 November 2007	26 November 2010	2,400,000	$0.75	$0.3414	26/11/10 – 26/11/13
1 February 2008	1 February 2011	660,000	$0.86	$0.3467	01/02/11 – 01/02/14
5 March 2008	5 March 2011	1,520,000	$0.86	$0.3309	05/03/11 – 05/03/14
18 April 2008 (i)	18 April 2011	Nil	$0.74	$0.2534	18/04/11 – 18/04/14
8 September 2008	8 September 2011	2,000,000	$0.69	$0.3130	08/09/11 – 08/09/14
1 February 2009	1 February 2012	660,000	$0.34	$0.1182	01/02/12 – 01/02/15
11 February 2009	11 February 2012	5,246,653	$0.34	$0.0873	11/02/12 – 11/02/15
16 March 2010 – Options 1 (ii)	16 March 2013	680,000	$0.90	$0.3570	16/03/13 – 16/03/16
16 March 2010 – Options 2 (ii)	16 March 2014	3,990,505	$0.82	$0.3210	16/03/14 – 16/03/17

(i) None of these Options were granted to Directors, Key Management Personnel or Group Executives.

(ii) The model inputs for options granted during the year ended 30 June 2010 included:

- options are granted for no consideration and are exercisable at any time between the vesting date and the expiry date. Options 1 have a six year life and Options 2 have a seven year life.
- grant date: Options 1 and 2: 16 March 2010
- vesting date: Options 1: 16 March 2013 and 2: 16 March 2014
- expiry date: Options 1: 16 March 2016 and 2: 16 March 2017
- share price at grant date: Options 1 and 2: 81.5 cents
- exercise price: Options 1: 90 cents and 2: 82 cents
- expected price volatility of the Company's shares: Options 1: 62% and 2: 56%
- expected dividend yield: Options 1 and 2: 2.2%
- risk-free interest rate: Options 1 and 2: 5.4%

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

For additional information, refer to note 48 "Share-based payments" of the notes to the financial statements.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Clough Limited, Key Management Personnel and Group Executives are set out below.

Name	Number of options granted and issued during the year	Number of options vested during the year
Directors of Clough Limited		
No options were issued to the directors in the financial year ended 30 June 2010.	-	-
Key Management Personnel of the Group		
M Bergomi	340,000	-
W Boyle	487,705	-
NE Siford	141,364	20,000
Group Executives		
RE Hogan	-	-
RW Robinson	377,119	-

The assessed fair value of the options granted to Directors, Key Management Personnel and Group Executives 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 options.

Further details relating to remuneration and options in Clough Limited is set out below:

	A	B	C	D
	Value of options granted during the year	Intrinsic value of options exercised during the year	Intrinsic value of options lapsed during the year	Remuneration consisting of options for the year
Name	$	$	$	%
J Smith	-	-	-	24
M Bergomi	121,380	-	-	11
W Boyle	156,553	-	-	16
NE Siford	45,377	-	-	2
RE Hogan	-	-	-	15
RW Robinson	121,055	-	-	12

A The fair value of the options is determined at the grant date in accordance with AASB 2 Share-based Payment.

B The fair value is determined at the date of exercise and reflects the intrinsic value of the options.

C The fair value is determined at the date of lapse and reflects the intrinsic value of the options.

D The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

11. Share options

Further details relating to options in Clough Limited are set out below.

Unissued ordinary shares of Clough Limited under option at the date of this report are as follows:

Grant date	Vesting date	Number of Options	Exercise price	Date exercisable
17 November 2005 (i)	Vested	725,000	$0.31	17/11/08 – 17/11/11
23 April 2007 (i)	Vested	760,000	$0.57	23/04/10 – 23/04/13
23 November 2007 (i) (ii)	Vested	3,000,000	$0.58	01/08/10 – 31/07/13
23 November 2007 (i) (ii)	1 August 2011	1,000,000	$0.58	01/08/11 – 31/07/14
23 November 2007 (i) (ii)	1 August 2012	1,000,000	$0.58	01/08/12 – 31/07/15
23 November 2007 (i) (ii)	1 August 2013	1,000,000	$0.58	01/08/13 – 31/07/16
26 November 2007 (i) (ii)	26 November 2010	2,400,000	$0.75	26/11/10 – 26/11/13
1 February 2008 (ii)	1 February 2011	660,000	$0.86	01/02/11 – 01/02/14
5 March 2008 (ii)	5 March 2011	1,520,000	$0.86	05/03/11 – 05/03/14
8 September 2008 (ii)	8 September 2011	2,000,000	$0.69	08/09/11 – 08/09/14
1 February 2009 (ii)	1 February 2012	660,000	$0.34	01/02/12 – 01/02/15
11 February 2009 (iii)	11 February 2012	5,246,653	$0.34	11/02/12 – 11/02/15
16 March 2010 (ii)	16 March 2013	680,000	$0.90	16/03/13 – 16/03/16
16 March 2010 (iv)	16 March 2014	3,990,505	$0.82	16/03/14 – 16/03/17

(i) The exercise price of outstanding options at 28 November 2007 has been adjusted as a result of the impact of the renounceable rights issue on 31 December 2007.

(ii) 25% of the options will vest irrespective of the performance of the Company, 50% of the options will vest if Clough's Total Shareholder Return (TSR) is equal to or greater than the average return of the ASX 200 during the period between the issue of the options and the vesting date and 25% of the options will vest if Clough's TSR is 25% or more above the average return of the ASX 200 during the period between the issue of the options and the vesting date.

(iii) The options will vest if the share price at the vesting date (adjusted for any dividends paid between grant date and vesting date) exceeds $0.64.

(iv) The options will vest if the share price at the vesting date (adjusted for any dividends paid between grant date and vesting date) is equal to or above $1.29.

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

For additional information, refer to note 48 "Share-based payments" of the notes to the financial statements.

12. Rounding of amounts

Clough Limited is a company of the kind referred to in Class Order 98/100, issued by the Australian Securities and 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.

13. Directors' interests

Interests of Directors of Clough Limited in the ordinary shares and options of the Company at the date of this report are:

Director	Ordinary Shares	Options
BC Bruce and RW Rees through Zero Nominees Pty Ltd ^	478,957,478	-
J Smith	3,000,000	6,000,000
ER Stein	74,900	-

^ BC Bruce and RW Rees are directors of Murray & Roberts Holdings Limited whose related entities hold ordinary shares in Clough Limited through Zero Nominees Pty Ltd.

14. Directors' meetings

The number of Directors meetings and number of meetings attended by each of the Directors of Clough Limited during the financial year are as follows:

Director	Board of Directors' Meetings		Special Directors' Meetings *		Audit & Risk Committee Meetings		Remuneration & HR Committee Meetings		Health, Safety, Environment & Sustainability Meetings		Governance & Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
BC Bruce	7	7	4	3	**	**	**	**	**	**	1	1
JD Cooper (i)	4	4	2	2	**	**	5	5	**	**	-	-
RM Harding	7	7	4	4	**	**	5	5	1	1	1	1
NWR Harvey (ii)	1	1	-	-	**	**	**	**	**	**	**	**
RW Rees	7	7	4	3	4	4	**	**	**	**	**	**
J Smith	7	7	4	3	**	**	**	**	1	1	**	**
K Spence	7	7	4	2	4	4	5	4	1	1	**	**
ER Stein	7	7	4	3	4	4	**	**	**	**	1	1
AJ Walsh (iii)	1	1	-	-	**	**	**	**	**	**	-	-

The number of meetings held represents the time the Director held office or was a member of the committee during the year.

** Not a member of the relevant committee.

* Special meetings relate to the Company Organisation, Sale of Assets, Potential Acquisition of Assets, Tenders and AGM.

(i) JD Cooper resigned as a Non-Executive Director on 31 January 2010.

(ii) NWR Harvey was appointed a Non-Executive Director on 13 April 2010.

(iii) AJ Walsh resigned as an Executive Director on 4 September 2009.

15. Indemnification and insurance of officers and auditors

The Company has entered into agreements to indemnify all Directors of the Company named in section 1 of this report and current and former executive officers of the Company and its controlled entities against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as Director or executive officer unless the liability relates to conduct involving a lack of good faith.

The Company has agreed to indemnify the Directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

During the financial year the Company and the Directors paid insurance premiums in respect of Directors' and Officers' Liability insurance. The policy does not specify the premium for individual Directors and executive officers. Disclosure of the premium paid is subject to confidentiality requirements under the contract of insurance.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred by such an officer or auditor.

16. Auditor independence and non-audit services

A copy of the auditors' independence declaration required under section 307C of the *Corporations Act 2001* is set out on page 59.

The following non-audit services were provided by the entity's auditors, Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu received or is due to receive the following amounts for provision of non-audit services:

	$
Deloitte Touche Tohmatsu Australia	
• Stamp Duty Advice	17,765
• Forensic Data Analysis	20,000

The Board of Directors has considered the position and in accordance with the advice received from the Audit and Risk Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

This report is made in accordance with a resolution of the Directors.

PERTH

18 August 2010

John Smith
Director

RM Harding
Director

Deloitte.

Deloitte Touche Tohmatsu
A.C.N. 74 490 121 060

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Auditor's Independence Declaration

18 August 2010

Dear Board Members

Auditor's Independence Declaration to Clough Limited

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

As lead audit partner for the audit of the consolidated financial statements of Clough Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A Richards

A T Richards
Partner

Chartered Accountants

Statement of comprehensive income For the year ended 30 June 2010

	NOTES	CONSOLIDATED 10 $'000	09 $'000
Revenue from continuing operations	5	**436,804**	459,655
Other income	6	**6,593**	4,606
Depreciation and amortisation expense	7	**(9,365)**	(7,699)
Other expenses		**(83,390)**	(82,439)
Materials, plant and subcontractor costs		**(135,965)**	(120,636)
Labour costs		**(197,934)**	(205,906)
Finance costs	7	**(7,163)**	(7,708)
Share of net profit of associates and jointly controlled entities accounted for using the equity method		**48,055**	14,326
Profit before income tax		**57,635**	54,199
Income tax expense	8	**(6,546)**	(5,179)
Profit from continuing operations		**51,089**	49,020
Profit from discontinued operations	9	**149**	3,754
Profit for the year		**51,238**	52,774
Other comprehensive income			
Cash flow hedges	32	**(2,395)**	1,253
Exchange differences on translation of foreign operations	32	**(1,605)**	14,883
Income tax relating to components of other comprehensive income		**719**	(683)
Other comprehensive income for the year, net of tax		**(3,281)**	15,453
Total comprehensive income for the year		**47,957**	68,227
Profit for the year is attributable to:			
Owners of Clough Limited		**50,090**	52,426
Non-controlling interest		**1,148**	348
		51,238	52,774
Total comprehensive income for the year is attributable to:			
Owners of Clough Limited		**46,765**	65,461
Non-controlling interest		**1,192**	2,766
		47,957	68,227
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share	47	**6.90**	7.33
Diluted earnings per share	47	**6.61**	6.73
Earnings per share for profit attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share	47	**6.90**	7.84
Diluted earnings per share	47	**6.61**	7.17

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

Balance sheet As at 30 June 2010

	NOTES	CONSOLIDATED 10 $'000	09 $'000
ASSETS			
Current assets			
Cash and cash equivalents	10	**106,990**	36,587
Other current assets		**-**	2,474
Receivables	11	**37,344**	38,806
Work in progress	12	**13,933**	57,855
Derivative financial instruments	13	**7,020**	2,735
		165,287	138,457
Assets classified as held for sale	9, 14	**43,774**	56,773
Assets of a disposal group held for sale	9	**-**	275,840
Total current assets		**209,061**	471,070
Non-current assets			
Receivables	15	**12,019**	4,475
Investments accounted for using the equity method	16	**73,425**	12,982
Other non-current assets	21	**856**	-
Property, plant and equipment	18	**128,241**	128,182
Intangible assets	20	**10,035**	1,782
Deferred tax assets	19	**31,571**	26,306
Total non-current assets		**256,147**	173,727
Total assets		**465,208**	644,797
LIABILITIES			
Current liabilities			
Payables	22	**50,212**	61,868
Amounts due to customers for contract work	26	**1,847**	13,558
Borrowings	23	**7,488**	43,080
Current tax liabilities	25	**1,110**	5,160
Provisions	24	**27,444**	29,211
Derivative financial instruments	13	**30**	370
		88,131	153,247
Liabilities directly associated with assets classified as held for sale	9, 14	**8,652**	31,043
Liabilities directly associated with a disposal group held for sale	9	**-**	156,669
Total current liabilities		**96,783**	340,959
Non-current liabilities			
Payables	27	**11,771**	-
Borrowings	28	**47,856**	53,837
Deferred tax liabilities	29	**866**	129
Provisions	30	**3,182**	3,281
Total non-current liabilities		**63,675**	57,247
Total liabilities		**160,458**	398,206
Net assets		**304,750**	246,591
EQUITY			
Contributed equity	31	**229,728**	194,636
Reserves	32(a)	**(8,925)**	(11,895)
Retained earnings	32(b)	**82,696**	46,010
Capital and reserves attributable to owners of Clough Limited		**303,499**	228,751
Non-controlling interests		**1,251**	17,840
Total equity		**304,750**	246,591

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

Statement of changes in equity **For the year ended 30 June 2010**

CONSOLIDATED	NOTES	CONTRIBUTED EQUITY $'000	CONVERTIBLE NOTE PREMIUM RESERVE $'000	HEDGING RESERVE - CASH FLOW HEDGES $'000	SHARE-BASED PAYMENTS RESERVE $'000
		ATTRIBUTABLE TO MEMBERS OF CLOUGH LIMITED			
Balance at 1 July 2008		193,885	394	62	1,066
Total comprehensive income for the year		**-**	**-**	**755**	**-**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	31	751	-	-	-
Employee share options	48	-	-	-	1,675
Change in non-controlling interest on acquisition of additional interest in a subsidiary		-	-	-	-
Dividends provided for or paid	33	-	-	-	-
		751	-	-	1,675
Balance at 30 June 2009		**194,636**	**394**	**817**	**2,741**

CONSOLIDATED	NOTES	CONTRIBUTED EQUITY $'000	CONVERTIBLE NOTE PREMIUM RESERVE $'000	HEDGING RESERVE - CASH FLOW HEDGES $'000	SHARE-BASED PAYMENTS RESERVE $'000
		ATTRIBUTABLE TO MEMBERS OF CLOUGH LIMITED			
Balance at 1 July 2009		194,636	394	817	2,741
Total comprehensive income for the year		**-**	**-**	**(1,676)**	**-**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	31	37,322	-	-	-
Share buy back	31	(2,230)	-	-	-
Employee share options	48	-	-	-	1,468
Minority buyback reserve arising on acquisition of a subsidiary	32	-	-	-	-
Non-controlling interest on acquisition of a subsidiary		-	-	-	-
Non-controlling interest on disposal of a subsidiary		-	-	-	-
Removed on disposal of subsidiaries and jointly controlled entities during the year		-	-	838	-
Dividend paid to non-controlling interest by subsidiary		-	-	-	-
Dividends provided for or paid	33	-	-	-	-
		35,092	-	838	1,468
Balance at 30 June 2010		**229,728**	**394**	**(21)**	**4,209**

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

ATTRIBUTABLE TO MEMBERS OF CLOUGH LIMITED							
MINORITY BUYBACK RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CAPITAL RESERVE	TOTAL RESERVES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
-	(28,847)	720	(26,605)	264	167,544	15,332	182,876
-	**12,280**	**-**	**13,035**	**52,426**	**65,461**	**2,766**	**68,227**
-	-	-	-	-	751	-	751
-	-	-	1,675	-	1,675	-	1,675
-	-	-	-	-	-	(258)	(258)
-	-	-	-	(6,680)	(6,680)	-	(6,680)
-	-	-	1,675	(6,680)	(4,254)	(258)	(4,512)
-	**(16,567)**	**720**	**(11,895)**	**46,010**	**228,751**	**17,840**	**246,591**

ATTRIBUTABLE TO MEMBERS OF CLOUGH LIMITED							
MINORITY BUYBACK RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CAPITAL RESERVE	TOTAL RESERVES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
-	(16,567)	720	(11,895)	46,010	228,751	17,840	246,591
-	**(1,649)**	**-**	**(3,325)**	**50,090**	**46,765**	**1,192**	**47,957**
-	-	-	-	-	37,322	-	37,322
-	-	-	-	-	(2,230)	-	(2,230)
-	-	-	1,468	-	1,468	-	1,468
(7,952)	-	-	(7,952)	-	(7,952)	-	(7,952)
-	-	-	-	-	-	530	530
-	-	-	-	-	-	(17,970)	(17,970)
-	11,941	-	12,779	-	12,779	-	12,779
-	-	-	-	-	-	(341)	(341)
-	-	-	-	(13,404)	(13,404)	-	(13,404)
(7,952)	11,941	-	6,295	(13,404)	27,983	(17,781)	10,202
(7,952)	**(6,275)**	**720**	**(8,925)**	**82,696**	**303,499**	**1,251**	**304,750**

Cash flow statement For the year ended 30 June 2010

	NOTES	CONSOLIDATED 10 $'000	09 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**651,363**	729,025
Payments to suppliers and employees (inclusive of goods and services tax)		**(593,703)**	(775,365)
		57,660	(46,340)
Interest received		**3,220**	2,739
Dividends and distributions received from equity accounted entities		**47,763**	17,537
Interest paid		**(8,098)**	(14,821)
Income taxes paid		**(3,155)**	(12,200)
Net cash inflow (outflow) from operating activities	45	**97,390**	(53,085)
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	39	**(9,780)**	-
Payments for property, plant and equipment		**(20,504)**	(73,703)
Payments for intangible assets - computer software		**(457)**	(258)
Payments for acquisition of non-current assets		**-**	(2,474)
Payments for investments in equity accounted entities		**(51,055)**	-
Payments for options in equity accounted entity		**(5,250)**	-
Loans to equity accounted entities		**(7,404)**	(1,754)
Loans to other persons		**(150)**	(4,227)
Repayment of loans from equity accounted entities		**(14,197)**	(15)
Proceeds from sale of property, plant and equipment		**1,763**	1,684
Proceeds from sale of available-for-sale financial assets		**-**	1,478
Proceeds from sale of investments in equity accounted entities		**2,895**	-
Proceeds from sale of other non-current assets		**-**	3,643
Proceeds from sale of assets classified as held for sale		**-**	6,435
Loans from equity accounted entities		**6,545**	5,872
Repayment of loans made to other persons		**10**	4,161
Proceeds from disposal of subsidiaries, net of cash disposed	9,39	**101,804**	5,000
Net cash inflow (outflow) from investing activities		**4,220**	(54,158)
Cash flows from financing activities			
Proceeds from conversion of options		**374**	22
Shares bought back by Clough Limited	31	**(2,230)**	-
Redemption of convertible notes on maturity		**(217)**	-
Proceeds from borrowings		**16,382**	45,458
Repayment of borrowings		**(37,697)**	(15,701)
Dividends paid	33	**(13,404)**	(6,680)
Dividends paid to non-controlling interests in subsidiaries		**(341)**	-
Net cash inflow (outflow) from financing activities		**(37,133)**	23,099
Net increase (decrease) in cash and cash equivalents		**64,477**	(84,144)
Cash and cash equivalents at the beginning of the financial year		**44,198**	120,629
Effects of exchange rate changes on cash and cash equivalents		**(1,685)**	7,713
Cash and cash equivalents at end of year	10	**106,990**	44,198
Financing arrangements	28		
Non-cash investing and financing activities	46		

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

Notes to the financial statements 30 June 2010

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for 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 and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with Australian Accounting Standards

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).

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in a change to the Group's accounting policies in the following areas:

- **AASB 3 Business Combinations (revised)**

AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes.

Acquisition related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition by acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets.

The changes were implemented prospectively from 1 July 2009 and affected the accounting for the acquisition of Ocean Flow International LLC disclosed in note 39.

- **AASB 7 Financial Instruments: Disclosures**

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The disclosures are presented in note 2.

- **AASB 8 Operating Segments**

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change to the reportable segments presented, as the previously reported segments of Oil & Gas, Minerals & Infrastructure, Petrosea and Property have been replaced by Capital Projects, Asset Support, Marine Construction and Other.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

- **AASB 101 Presentation of Financial Statements (revised)**

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement. Comparative information has been restated where necessary to conform with the revised standard.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- **Corporations Act 2001 Developments**

The Corporations Amendment (Corporate Reporting Reform) Act 2010 received Royal Assent on 28 June 2010 and became law from that date. The accompanying Corporations Amendment Regulations 2010 (No 6) were made on 29 June 2010.

As a result of the amendments, the Company has removed the parent entity columns from the consolidated financial statements. Parent entity financial information is separately disclosed in note 44.

Early adoption of standard

The Group has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2009:

- **AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project**

This includes minor changes to disclosures required by AASB 8 Operating Segments and applying the revised pronouncement to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. None of the items in the financial statements had to be restated as a result of applying this standard.

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. Cost is based on the fair values of the consideration given in exchange for assets.

Critical accounting estimates

The preparation of financial statements 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

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Clough Limited (''Company'' or ''parent entity'') as at 30 June 2010 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 entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The acquisition 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Clough Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Board of Directors.

Change in accounting policy

The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The new standard has resulted in a change to the reportable segments presented, as the previously reported segments of Oil & Gas, Minerals & Infrastructure, Petrosea and Property have been replaced by Capital Projects, Asset Support, Marine Construction and Other. Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

There has been no impact on the measurement of the Group's assets and liabilities. Comparatives for 2009 have been restated.

(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 profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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 statement of comprehensive income 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 in other comprehensive income.

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 recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss as part of the gain or loss on sale.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(iii) Group entities (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(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, rebates 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 of ownership 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.

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.

(iii) Interest income

Interest income is accrued on a time basis, by reference to the principal amount outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset of that asset's net carrying amount.

(iv) Dividends

Dividends from investments are recognised as revenue when the Group's right to receive payment is established.

(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 balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. 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 is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss 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 asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

(h) Business combinations

The acquisition 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. 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 non-controlling 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 those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Change in accounting policy

A revised AASB 3 Business Combinations became operative on 1 July 2009. Whilst the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

Acquisition related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition by acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

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 the impairment at the end of each reporting period.

(j) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, 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, if applicable, are shown within borrowings in current liabilities in 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. No interest is charged on outstanding trade receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance account (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 impairment allowance 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 impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(l) Work in progress, spare parts and property developments

(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 or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. 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 long-term receivables, the Group does not recognise further losses, unless it has incurred legal or constructive 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. Under the equity method, the share of the profits or losses of jointly controlled entities is recognised in profit or loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Details of the jointly controlled entities are set out in note 42.

Profits or losses on transactions establishing a jointly controlled entity and transactions with a 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

Classification

The Group classifies its investments and other financial assets 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. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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 are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables and non-current receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(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 the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

1 Summary of significant accounting policies (continued)

(o) Investments and other financial assets (continued)

Recognition and derecognition

Regular purchases and sales of financial assets 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 profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

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 related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

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

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

(p) Derivatives and hedging activities

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 hedges); or (2) hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

Where the Group determines that it wants to establish a hedge relationship, 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 13. Movements in the hedging reserve in shareholders' equity are shown in note 32. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Fair value hedge

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

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging sales is recognised in profit or loss within 'revenue'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

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 profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(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 profit or loss and are included in other income or other expenses.

(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 sheet 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 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

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and may include transfers from equity of any gains or 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 profit or loss during the financial period in which they are incurred.

1 Summary of significant accounting policies (continued)

(r) Property, plant and equipment (continued)

All property, plant and equipment, other than freehold land, is depreciated or amortised at rates appropriate to the estimated useful life of the assets or in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The expected useful lives are as follows:

- Land	Not depreciated
- Buildings	5 - 20 years
- Leasehold improvements - owned	5 - 12 years
- Plant and equipment - owned	5 - 20 years
- Plant and equipment - leased	15 years

Buildings and leasehold improvements are depreciated using the straight line method. Plant and equipment - owned is depreciated using the reducing balance method and the straight line method. Plant and equipment - leased is depreciated using the straight line method.

Plant and equipment are depreciated to their estimated residual value. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(s) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) Customer contracts

Customer contracts acquired as part of a business combination or investment in an associate are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently are up to 3 years.

(iii) Computer software

Computer software has a finite useful life and is carried at cost less accumulated amortisation and impairment. 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. Trade and other payables are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method.

(u) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(v) 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 profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of the convertible notes is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(w) 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.

(x) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave, long service leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service 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 end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

1 Summary of significant accounting policies (continued)

(x) Employee benefits (continued)

(iv) Share-based payments

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

(y) Contributed equity

Ordinary shares are classified as equity.

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

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(z) Dividends

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed at the end of the reporting period.

(aa) Assets (or disposal groups) held-for-sale and discontinued operations

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 and a sale is considered highly probable.

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 asset (or disposal group) is recognised at the date of derecognition.

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.

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 directly associated with assets classified as held for sale and liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operation, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

(ab) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(ac) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off'' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ad) 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 flows.

(ae) Parent entity financial information

The financial information for the parent entity, Clough Limited, disclosed in note 44 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and jointly controlled entities

Investments in subsidiaries, associates and jointly controlled entities are accounted for at cost in the financial statements of Clough Limited. Dividends and distributions received from associates and jointly controlled entities are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) 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 assumed from controlled entities in the tax consolidated group.

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 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.

1 Summary of significant accounting policies (continued)

(ae) Parent entity financial information (continued)

(ii) Tax consolidation legislation (continued)

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

Any difference 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.

(af) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instrument*s includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009, the AASB issued a revised AASB 124 *Related Party Disclosures*. The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminates inconsistencies from the definition. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. There is no expected impact on any of the amounts recognised in the financial statements. The amendments will become mandatory for the Group's 30 June 2012 financial statements.

(iii) AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 July 2010 / 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the International Accounting Standards Board's annual improvements project. The Group will apply the amendments arising from AASB 2010-3 from 1 July 2010 and the amendments arising from AASB 2010-4 from 1 July 2011. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

(iv) Improvements to International Financial Reporting Standards (effective from 1 July 2010 / 1 January 2011)

In May 2010, the International Accounting Standards Board made a number of amendments to the International Financial Reporting Standards as part of its ongoing improvements project. The AASB is expected to make equivalent amendments to the Australian accounting standards shortly. The Group will apply the amendments from 1 July 2010 / 1 July 2011 as applicable. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

2 Financial risk management

The Group's principal financial instruments comprise receivables, payables, bank loans, convertible notes, finance leases, cash and short-term deposits and derivatives.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management process, the objective of which is to support the delivery of the Group's financial plan.

The Group enters into derivative transactions, principally forward currency contracts, the purpose of which is to manage the currency risks arising from the Group's operations. Trading in derivatives is not undertaken by the Group. The main risks arising from the

Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The Group uses a number of methods to measure and manage these different types of risks. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest and foreign exchange rates. Ageing analyses and monitoring is undertaken to manage credit risk. Liquidity risk is monitored through regularly updated cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Audit & Risk Committee under the authority of the Board.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. 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 seeks to mitigate the effect of its foreign currency exposure primarily through natural hedging where the currencies in which project revenues are received are matched against the currencies in which costs are incurred. Where this is not achievable, the Group uses forward currency contracts to mitigate exposures on significant committed transactions. It is the Group's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the transaction to establish an effective hedge. The net result of operations with a functional currency other than Australian dollars is not hedged.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

At 30 June 2010, had the Australian dollar weakened/strengthened by 25% (2009: 25%) against the US dollar (in line with the actual volatility of the Australian dollar against the US dollar over the last year) with all other variables held constant, the Group's post tax profit for the year would have been $6,880,000 higher / $4,128,000 lower (2009: $1,257,000 lower / $754,000 higher) and equity would have been $20,735,000 lower / $12,879,000 higher (2009: $31,034,000 lower / $18,620,000 higher). The Group has a net US dollar financial asset exposure at 30 June 2010 (compared to a small net US dollar financial liability exposure at 30 June 2009) which would impact the post tax profit should the US dollar exchange rate change. The net US dollar asset exposure at 30 June 2010 was higher than usual and has reduced subsequent to the year end. Equity is impacted by the translation of US dollar financial assets and liabilities of Group entities with a US dollar functional currency and the US dollar borrowings used to fund the upgrade of the Java Constructor vessel. The comparatives figures exclude the impacts of PT Petrosea Tbk and related entities (Petrosea) which was sold on 6 July 2009.

The total impact on the comparative figures (including Petrosea) had the Australian dollar weakened/strengthened by 25% against the US dollar with all other variables held constant, to the Group's post tax profit for the year would have been $27,182,000 lower / $16,310,000 higher and equity would have been $74,031,000 lower / $44,419,000 higher.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet either as available-for-sale or at fair value through profit or loss.

As at 30 June 2010, Clough holds investments classified at fair vale through profit or loss as detailed in note 13. If the fair value of the investments has increase/decreased by 10% from the year-end carrying amount with all other variables held constant, post-tax profit for the year would have been $702,000 higher / lower.

(iii) Interest rate risk

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.

The Group manages its finance costs with the objective of minimising cost and to provide certainty. This approach is however dependant on the lending entity and current market conditions. The Group's policy is to maintain the majority of its borrowings at fixed rates, except when the trend in observable market rates suggests that a variable rate strategy is more appropriate. Borrowings at fixed rates are carried at amortised cost. It is acknowledged that this creates fair value exposure. At 30 June 2010, all of the Group's borrowings are at a fixed rate of interest.

At 30 June 2010, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $747,000 higher / lower (2009: $1,046,000 higher / lower). As at 30 June 2010, the Group only had interest bearing financial assets that were at a variable rate of interest.

2 Financial risk management (continued)

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk, foreign exchange risk and price risk.

Group		Interest rate risk				Foreign exchange risk				Other price risk			
		-100bps		+100bps		-25%		+25%		-10%		+10%	
30 June 2010	Carrying amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets													
Cash and cash equivalents	106,990	(627)	-	627	-	9,085	1,063	(5,451)	(638)	-	-	-	-
Trade and other receivables	49,363	(120)	-	120	-	942	1,293	(565)	(776)	-	-	-	-
Derivatives - FVTPL	7,020	-	-	-	-	-	-	-	-	(702)	-	702	-
Financial liabilities													
Trade and other payables	61,983	-	-	-	-	(3,147)	(3,834)	1,888	2,300	-	-	-	-
Borrowings	63,996	-	-	-	-	-	(18,117)	-	10,870	-	-	-	-
Derivatives - cash flow hedges	30	-	-	-	-	-	(1,140)	-	1,123	-	-	-	-
Total increase/(decrease)		(747)	-	747	-	6,880	(20,735)	(4,128)	12,879	(702)	-	702	-

Group		Interest rate risk				Foreign exchange risk				Other price risk			
		-100bps		+100bps		-25%		+25%		-10%		+10%	
30 June 2009	Carrying amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets													
Cash and cash equivalents	44,198	(356)	-	356	-	4,807	4,885	(2,884)	(2,931)	-	-	-	-
Trade and other receivables	99,412	(42)	-	42	-	1,616	20,327	(969)	(12,196)	-	-	-	-
Derivatives - FVTPL	11,267	-	-	-	-	(25,925)	-	15,555	-	-	-	-	-
Derivatives - cash flow hedges	2,735	-	-	-	-	-	(5,776)	-	3,466	-	-	-	-
Financial liabilities													
Trade and other payables	121,341	-	-	-	-	(5,784)	(18,500)	3,470	11,100	-	-	-	-
Borrowings	216,643	1,444	-	(1,444)	-	(1,896)	(65,280)	1,138	39,168	-	-	-	-
Derivatives - cash flow hedges	1,880	-	-	-	-	-	(9,687)	-	5,812	-	-	-	-
Total increase/(decrease)		1,046	-	(1,046)	-	(27,182)	(74,031)	16,310	44,419	-	-	-	-

(b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other loans, finance leases and committed available credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The tables below analyse the Group's financial liabilities and net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
Group - at 30 June 2010	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives						
Trade and other payables	54,037	-	8,608	-	62,645	61,983
Bank loans	10,534	10,035	50,082	-	70,651	54,019
Other loans	9,893	-	-	-	9,893	9,645
Finance lease liabilities	342	-	-	-	342	332
Total non-derivatives	74,806	10,035	58,690	-	143,531	125,979
Derivatives						
Gross settled (forward exchange contracts)						
- (inflow)	(4,517)	-	-	-	(4,517)	-
- outflow	4,526	-	-	-	4,526	30
Total derivatives	9	-	-	-	9	30

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
Group - at 30 June 2009	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives						
Trade and other payables	121,341	-	-	-	121,341	121,341
Bank loans	31,249	7,555	20,887	33,713	93,404	78,758
Finance lease liabilities	31,854	28,086	52,457	-	112,397	100,916
Convertible notes	38,876	-	-	-	38,876	36,969
Total non-derivatives	223,320	35,641	73,344	33,713	366,018	337,984
Derivatives						
Gross settled (forward exchange contracts)						
- (inflow)	(135,687)	-	-	-	(135,687)	-
- outflow	124,164	-	-	-	124,164	(12,122)
Total derivatives	(11,523)	-	-	-	(11,523)	(12,122)

2 Financial risk management (continued)

(d) Fair value measurements

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

As of 1 July 2009, the Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

Group - as at 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	7,020	-	-	7,020
Total assets	7,020	-	-	7,020
Liabilities				
Derivatives used for hedging	-	-	30	30
Payables - deferred consideration	-	-	7,946	7,946
Total liabilities	-	-	7,976	7,976

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 end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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 the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 except in the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, in which case such instruments are included in level 3.

The following table present the changes in level 3 instruments for the year ended 30 June 2010:

Group	Derivatives $'000	Deferred consideration $'000	Total $'000
Opening balance	12,122	-	12,122
Arising on acquisition of a controlled entity	-	(7,952)	(7,952)
Removed on disposal of a controlled entity	1,436	-	1,436
Other changes	44	6	50
Recognised in other comprehensive income	(2,365)	-	(2,365)
Recognised in profit or loss	(11,267)	-	(11,267)
Closing balance	(30)	(7,946)	(7,976)

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 Group 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 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 an 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 recognised certain contract loss provisions in the financial statements at 30 June 2009 on the above basis.

(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.

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(iii) Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(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

Management has determined the operating segments based on reports reviewed by its chief operating decision maker that are used to make strategic decisions. The chief operating decision maker has been identified as comprising of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Board of Directors (the CODM).

The CODM considers the business from a Business Line perspective and has identified four reportable segments as follows:

Capital Projects

This comprises the delivery of an engineering, procurement and construction (EPC) service.

The primary market is LNG and domestic gas projects in Australia and South East Asia. The secondary market is infrastructure projects including water and mineral infrastructure in Australia.

Capital Projects comprises a number of separate projects that are combined to form the Capital Projects Business Line. The Capital Projects business has been determined as both an operating segment and a reportable segment.

Marine Construction

This comprises engineering, procurement, installation and commissioning (EPIC) service for small and medium oil and gas projects across Australia with marine construction as a key element.

This business includes pipelay and facilities installation with the Java Constructor and subsea construction, umbilicals, risers and flowlines (SURF) globally with the Normand Clough and Normand Clipper.

Marine Construction comprises a number of separate projects and assets that are combined to form the Marine Construction Business Line. The Marine Construction business has been determined as both an operating segment and a reportable segment.

Asset Support

This comprises engineering led service to enable the operation, maintenance and upgrade of existing upstream oil & gas infrastructure both offshore and onshore in Australia and South East Asia.

Asset Support comprises a number of separate projects that are combined to form the Asset Support Business Line. The Asset Support business has been determined as both an operating segment and a reportable segment.

Other

This includes fabrication and assembly services and certain central costs and legacy items which have not been allocated to business segments such as central foreign exchange gains/losses.

Other also includes Clough's interest in Forge Group Limited which was acquired during the year.

Discontinued Segments

PT Petrosea Tbk and related entities (Petrosea) was sold on 6 July 2009. Information about this discontinued segment is disclosed in note 9.

The property business is also classified as a discontinued operation. Further information about this discontinued segment is disclosed in note 9.

(b) Segment information provided to the CODM

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

2010	Capital Projects	Marine Construction	Asset Support	Other	Total
	$'000	$'000	$'000	$'000	$'000
Total segment revenue *	517,731	193,973	59,915	33,403	805,022
Revenue from external customers	517,731	193,973	59,915	33,403	805,022
Underlying earnings before interest and tax	34,164	24,127	4,458	832	63,581
Depreciation and amortisation	1,773	6,993	73	526	9,365

The segment information provided to the CODM for the reportable segments for the year ended 30 June 2009 is as follows:

2009	Capital Projects	Marine Construction	Asset Support	Other	Total
	$'000	$'000	$'000	$'000	$'000
Total segment revenue *	377,302	196,042	42,250	22,158	637,752
Revenue from external customers	377,302	196,042	42,250	22,158	637,752
Underlying earnings before interest and tax	28,847	27,038	2,936	(2,796)	56,025
Depreciation and amortisation	1,655	5,217	56	771	7,699

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

4 Segment information (continued)

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

(i) Segment revenue

Segment revenue reconciles to total revenue from continuing operations as follows:

	CONSOLIDATED	
	10	09
	$'000	$'000
Total segment revenue	**805,022**	637,752
Segment revenue from jointly controlled entities and associates	**(371,434)**	(178,023)
Interest revenue	**3,216**	1,624
Other revenue	**-**	(1,698)
Revenue from continuing operations (note 5)	**436,804**	459,655

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is $530,840,000 (2009: $459,478,000), and the total of revenue from external customers in other countries is $274,182,000 (2009: $178,274,000) and includes $165,442,000 (2009: $764,000) from Papua New Guinea. Segment revenues are allocated based on the country in which the work is performed.

Significant revenues have been derived from a number of external customers. Revenues of $102,137,000 (2009: $47,418,000) and $165,442,000 (2009: $764,000) have been derived from single customers in the Capital Projects segment. Revenue of $113,558,000 (2009: $10,570,000) has been derived from a single customer in the Marine Construction segment.

(ii) Underlying EBIT

The CODM assesses the performance of the operating segments based on a measure of underlying EBIT. Overheads are allocated to each business segment on a proportionate basis linked to segment revenue, to determine a segment result. The measurement basis of underlying EBIT excludes the effects of non-recurring or distorting expenditure from the operating segments relating to one-off impacts arising from the acquisition or disposal of businesses and from the costs incurred in settling the G1 contract. Interest income and expenditure are not allocated to segments as the financing function of the Group is centralised through the Group's treasury function.

A reconciliation of underlying EBIT to operating profit before income tax from continuing operations is provided as follows:

	CONSOLIDATED	
	10	09
	$'000	$'000
Underlying EBIT	**63,581**	56,025
Interest income	**3,216**	1,624
Finance costs	**(7,163)**	(7,708)
Legacy project costs	**(3,060)**	516
Fair value gain on Forge Group Limited options	**1,770**	-
Amortisation arising from business acquisitions	**(2,400)**	-
Net impact arising from disposal of businesses	**1,691**	4,480
Tax expense included in share of net profit of equity accounted entities	**-**	(340)
Other	**-**	(398)
Profit before income tax from continuing operations	**57,635**	54,199

(iii) Segment assets and liabilities

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. The total assets and liabilities are provided for the Group as a whole and are not allocated to each operating segment.

5 Revenue

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
From continuing operations		
Revenue		
Construction projects	**408,618**	447,858
Other revenue		
Rents	**183**	-
Interest income	**3,216**	1,624
Other revenue	**24,787**	10,173
	28,186	11,797
Total revenue	**436,804**	459,655
From discontinued operations (note 9)		
Revenue		
Construction projects	**104,027**	224,459
Other revenue		
Interest income	**4**	1,115
Other revenue	**390**	4,831
	394	5,946
	104,421	230,405

Revenue - Group and jointly controlled entities and associates

The consolidated entity's share of revenue from jointly controlled entities and associates is excluded from Revenue noted above and from the statement of comprehensive income in accordance with Accounting Standards. The delivery of a number of projects by the consolidated entity is through various joint venture arrangements. Details of the consolidated entity's share of jointly controlled entities and associates revenue is provided as additional information below as Revenue - Group and jointly controlled entities and associates.

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
From continuing operations		
Revenue - Group and jointly controlled entities and associates		
Revenue - Group	**408,618**	447,858
Revenue - jointly controlled entities and associates	**371,434**	178,023
	780,052	625,881
Other revenue	**28,186**	11,797
	808,238	637,678

6 Other income

	CONSOLIDATED	
	10	09
	$'000	$'000
Net gain on disposal of other non-current assets	**32**	59
Net gain on disposal of controlled entity (note 39)	**108**	4,480
Net gain on disposal of interests in jointly controlled entity (note 42)	**1,063**	-
Fair value gains on derivative financial assets held for trading at fair value through profit or loss (note 13)	**1,770**	-
Net foreign exchange gains (net loss in 2009 - see note 7)	**2,700**	-
Other income	**920**	67
	6,593	4,606

7 Expenses

	CONSOLIDATED	
	10	09
	$'000	$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	**7,847**	6,113
Freehold land and buildings	**68**	76
Total depreciation	**7,915**	6,189
Amortisation		
Leasehold improvements	**143**	-
Plant and equipment under finance leases	**103**	338
Computer software	**852**	1,172
Other intangibles	**352**	-
Total amortisation	**1,450**	1,510
Total depreciation and amortisation	**9,365**	7,699
Finance costs		
Interest and finance charges paid/payable	**7,163**	9,776
Amount capitalised	**-**	(2,068)
Finance costs expensed	**7,163**	7,708
Rental expense relating to operating leases		
Minimum lease payments	**52,998**	36,225
Foreign exchange gains and losses (net gain in 2010 - see note 6)		
Net foreign exchange losses	**-**	1,110
Defined contribution superannuation expense	**10,288**	14,061
Impairment losses - financial assets		
Trade receivables	**35**	1,946

8 Income tax expense

	CONSOLIDATED	
	10	09
	$'000	$'000
(a) Income tax expense		
Current tax	**8,340**	15,044
Deferred tax	**(3,809)**	(12,603)
Over (under) provided in prior years	**89**	(172)
	4,620	2,269
Income tax expense (benefit) is attributable to:		
Profit from continuing operations	**6,546**	5,179
Profit from discontinued operations	**(1,926)**	(2,910)
Aggregate income tax expense	**4,620**	2,269
Deferred income tax (benefit) expense included in income tax expense comprises:		
Increase in deferred tax assets (note 19)	**(4,546)**	(12,685)
Increase in deferred tax liabilities (note 29)	**737**	82
	(3,809)	(12,603)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**57,635**	54,199
Profit (loss) from discontinuing operations before income tax expense	**(2,252)**	844
	55,383	55,043
Tax at the Australian tax rate of 30% (2009 - 30%)	**16,615**	16,513
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Profits from incorporated equity accounted investments	**-**	115
Share-based payment	**440**	503
Benefit in kind	**-**	1,631
Entertainment	**45**	34
Sale of subsidiary	**13,500**	-
Other sundry items	**3,011**	(2,392)
	33,611	16,404
Difference in overseas tax rates including withholding tax on foreign revenue	**(11,579)**	292
Under (over) provision in prior years	**89**	(172)
Deferred tax assets previously not recognised now brought into account	**1,843**	(635)
Losses utilised in current period not previously brought to account	**(11,248)**	(9,557)
Tax losses not previously recognised now brought to account	**(8,670)**	(4,419)
Tax losses not brought to account	**574**	356
Total income tax expense	**4,620**	2,269
(c) Amounts recognised directly in other comprehensive income		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to other comprehensive income		
Net deferred tax - debited (credited) directly to other comprehensive income (note 19)	**719**	(710)
	719	(710)
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**107,591**	166,681
Potential tax benefit @ appropriate tax rates	**32,158**	49,881

8 Income tax expense (continued)

(e) Tax consolidation legislation

Clough Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2002. 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.

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 or payables.

The nature of the tax funding arrangement for Clough Limited tax-consolidated group is such that no tax consolidation contributions by (or distributions to) equity participants would be expected to arise.

9 Discontinued operations

Discontinued Operation - PT Petrosea Tbk and related entities

(a) Description

The Company, having undertaken a strategic review of its operations during the year ended 30 June 2009, confirmed its intent to concentrate activities within the Oil and Gas market, resulting in the decision to dispose of its 82% holding in PT Petrosea Tbk and related entities (Petrosea), which was almost entirely focused on the Indonesian coal sector.

On 26 February 2009, the Company announced that it had entered into a binding Heads of Agreement to sell its shareholding in Petrosea to PT Indika Energy Tbk (PT Indika) for cash consideration of US$83.8 million. The sale of Petrosea was completed on 6 July 2009.

The balances and results of Petrosea have been recorded in these financial statements as being a discontinued operation. Financial information relating to Petrosea for the period is set out below.

(b) Financial performance and cash flow information of Petrosea

The financial performance and cash flow information of Petrosea for the period to 6 July 2009 and the year ended 30 June 2009 are detailed below.

	CONSOLIDATED	
	PERIOD TO 6 JULY 2009	YEAR ENDED 30 JUNE 2009
	$'000	$'000
Profit for period from Petrosea		
Revenue	**4,020**	229,823
Other income (comparative includes gain on forward exchange contracts - refer note 13)	**99**	14,296
Share of net profit of associates and jointly controlled entities accounted for using the equity method	**6**	1,002
Expenses	**(3,125)**	(234,959)
Profit before income tax	**1,000**	10,162
Income tax (expense) benefit	**(279)**	1,739
Profit after income tax of Petrosea	**721**	11,901
Gain on sale of Petrosea (see (d) below)	**475**	-
Profit from Petrosea	**1,196**	11,901
Cash flows of Petrosea (including sale)		
Net cash inflow (outflow) from operating activities	**535**	(18,856)
Net cash inflow (outflow) from investing activities	**109,595**	(2,847)
Net cash inflow (outflow) from financing activities	**(240)**	(2,116)
Net increase (decrease) in cash generated by Petrosea	**109,890**	(23,819)

Net cash inflow on disposal of Petrosea

The net cash inflow on disposal of Petrosea was $101,689,000. This was made up of total disposal consideration of $114,763,000 (including cash received from forward exchange contracts used to protect part of the proceeds of the sale from adverse foreign exchange movements) less cash costs associated with the disposal of $5,168,000, net of cash held by Petrosea at the date of disposal of $7,906,000.

9 Discontinued operations (continued)

Discontinued Operation - PT Petrosea Tbk and related entities (continued)

(c) Carrying amounts of assets and liabilities of Petrosea

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

	CONSOLIDATED	
	6 JULY 2009	30 JUNE 2009
	$'000	$'000
Assets		
Cash and cash equivalents	**7,906**	7,611
Receivables	**53,320**	56,131
Work in progress	**39,869**	35,750
Investments accounted for using the equity method	**929**	923
Other assets	**362**	377
Property, plant and equipment	**152,106**	152,426
Deferred tax assets	**11,355**	11,355
Derivative financial instruments	**11,267**	11,267
Total assets	**277,114**	275,840
Liabilities		
Payables	**(46,211)**	(45,623)
Amounts due to customers for contract work	**(3,021)**	(3,021)
Borrowings	**(102,293)**	(102,533)
Provisions	**(4,261)**	(3,982)
Derivative financial instruments	**(1,436)**	(1,510)
Total liabilities	**(157,222)**	(156,669)
Net assets	**119,892**	119,171
Amounts recognised directly in equity as at 6 July 2009 and 30 June 2009		
Hedging reserve, net of tax	**(838)**	(838)
Foreign currency translation reserve	**(12,047)**	(12,264)
Non-controlling interests	**17,970**	17,840
Net equity	**5,085**	4,738

(d) Details of the sale of Petrosea

The sale of Petrosea was completed on 6 July 2009 and cash consideration of US$83,834,850 was received. In addition, Clough entered into forward exchange contracts in order to protect approximately 75% of the US dollar proceeds of the sale from adverse fluctuations in foreign exchange rates. The forward exchange contracts were delivered on receipt of the Petrosea proceeds and resulted in the receipt of additional cash of $11,267,000.

	CONSOLIDATED	
	10	09
	$'000	$'000
Consideration received or receivable:		
Cash	**103,496**	-
Forward exchange contracts	**11,267**	-
Total disposal consideration	**114,763**	-
Carrying amount of net assets sold	**(119,892)**	-
Less: Amount owed to Clough Group recorded on deconsolidation of Petrosea	**7,727**	-
Less: Non-controlling interests	**17,970**	-
Less: Hedging reserve	**(838)**	-
Less: Foreign currency translation reserve	**(12,047)**	-
Less: Costs associated with the disposal	**(7,208)**	-
Gain on sale before income tax	**475**	-
Income tax expense	**-**	-
Gain on sale after income tax	**475**	-

Discontinued Operation - Property business

(a) Description

During the year ended 30 June 2009, the Company determined that it was going to exit from the property business altogether and an active sales process was commenced. During the current year, a number of sales have taken place and it is expected that these disposals will be completed in the next 12 months. As a result, the property business has been reported in this financial report as a discontinued operation. The assets of the property business have been presented in the balance sheet as assets classified as held for sale and the associated liabilities have been presented as liabilities directly associated with assets classified as held for sale.

(b) Financial performance and cash flow information of the property business

The financial performance and cash flows of the property business for the years ended 30 June 2010 and 2009 are detailed below.

	CONSOLIDATED	
	10	09
	$'000	$'000
Profit (loss) for year from the property business		
Revenue	**100,401**	582
Other income	**533**	-
Share of net profit (loss) of jointly controlled entities accounted for using the equity method	**4,917**	(58)
Impairment of property development inventory and investments *	**(7,350)**	(6,754)
Expenses	**(101,753)**	(3,088)
Profit (loss) before income tax	**(3,252)**	(9,318)
Income tax (expense) benefit	**2,205**	1,171
Profit (loss) after income tax of the property business	**(1,047)**	(8,147)
Cash flows of the property business		
Net cash inflow (outflow) from operating activities	**12,620**	(8,715)
Net cash inflow (outflow) from investing activities	**(5,348)**	5,916
Net cash inflow (outflow) from financing activities	**(20,702)**	1,653
Net increase (decrease) in cash generated by the property business	**(13,430)**	(1,146)

* During the year ended 30 June 2010, a property development was valued by Frank Knight Valuations resulting in a reduction in the carrying value of the property development of $7,350,000.

9 Discontinued operations (continued)

Discontinued Operation - Property business (continued)

(c) Carrying amounts of assets and liabilities of the property business

The carrying amounts of assets and liabilities of the property business are as follows:

	CONSOLIDATED	
	10	09
	$'000	$'000
Assets classified as held for sale		
Interests in jointly controlled entities	**10,955**	5,669
Property development inventories	**32,819**	51,104
Total assets	**43,774**	56,773
Liabilities directly associated with assets classified as held for sale		
Bank loans	**-**	(17,193)
Loans from jointly controlled entity	**(8,652)**	(13,850)
Total liabilities	**(8,652)**	(31,043)
Net assets	**35,122**	25,730

10 Current assets - Cash and cash equivalents

	CONSOLIDATED	
	10	09
	$'000	$'000
Cash at bank and on hand	**100,262**	**28,876**
Deposits at call	**6,728**	**7,711**
	106,990	**36,587**

The cash and cash equivalents balance at 30 June 2009 above excludes the cash and cash equivalents balance held by PT Petrosea Tbk. PT Petrosea Tbk had cash and equivalents of $7,611,000 at 30 June 2009 which was included in the assets of a disposal group held for sale at 30 June 2009. For further details, refer to note 9.

(a) Cash at bank and on hand

Cash at bank includes an amount of $62,746,000 (2009: $27,746,000) bearing floating interest rates with a weighted average rate of 3.70% (2009: 3.23%).

(b) Deposits at call

The deposits are bearing fixed interest rates with a weighted average rate of 5.62% (2009: 0.13%).

(c) Fair value

The carrying amount of cash and cash equivalents equals their fair value.

11 Current assets - Receivables

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Trade receivables	**28,261**	25,467
Provision for doubtful receivables (note (a))	**(3,332)**	(4,476)
	24,929	20,991
Loans to associates and jointly controlled entities	**12**	-
Loans to key management personnel *	**238**	-
Other debtors	**278**	7,118
Prepayments and deposits	**11,887**	10,697
	37,344	38,806

* Further information relating to loans to key management personnel is set out in note 38.

(a) Impaired trade receivables

As at 30 June 2010 current trade receivables of the Group with a nominal value of $3,332,000 (2009: $4,476,000) were impaired. The amount of the provision was $3,332,000 (2009: $4,476,000).

The ageing of these receivables is as follows:

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Up to 12 months	**-**	811
Over 12 months	**3,332**	3,665
	3,332	4,476

Movements in the provision for impairment of receivables are as follows:

At beginning of year	**4,476**	3,550
Provision for impairment recognised during the year	**35**	3,596
Unused amount reversed	**(803)**	(461)
Removed on partial disposal of a subsidiary now classified as a jointly controlled entity	**(241)**	-
Transferred to assets of a disposal group held for sale	**-**	(2,981)
Exchange differences	**(135)**	772
	3,332	4,476

In addition to the above, a provision for impairment of $29,431,000 was taken at 30 June 2009 against a trade receivable recorded by PT Petrosea Tbk. The balance of the trade receivable of $6,173,000 was assessed to be fully recoverable. The trade receivable was included in the assets of a disposal group held for sale at 30 June 2009 as detailed in note 9. PT Petrosea Tbk was sold on 6 July 2009.

11 Current assets - Receivables (continued)

(b) Past due but not impaired

As of 30 June 2010, trade receivables of $1,858,000 (2009: $2,698,000) were past due but not impaired. These relate to a number of trade receivable balances where for various reasons the payment terms have not been met. These receivables have been assessed to be fully recoverable. The ageing analysis of these trade receivables is as follows:

	CONSOLIDATED	
	10	09
	$'000	$'000
Up to 12 months	**1,138**	2,623
Over 12 months	**720**	75
	1,858	2,698

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

(c) Foreign exchange risk

Refer to note 15(c) for an analysis of Group's exposure to foreign currency risk in relation to trade and other receivables.

Information about the Group's exposure to foreign currency risk in relation to trade and other receivables is provided in note 2.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

12 Current assets - Work in progress

	CONSOLIDATED	
	10	09
	$'000	$'000
Spare parts		
- at cost	**2,434**	3,197
Construction work in progress		
Amounts due from customers for contract work	**11,499**	54,658
	13,933	57,855

Property development inventories are included in assets classified as held for sale - refer to notes 9 and 14 for further details.

(a) Construction contracts

Retentions on construction contracts in progress included in trade debtors total $334,000 (2009 - $308,000). Total advances received in relation to construction contracts in progress amount to $1,159,000 (2009 - $1,832,000).

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

13 Derivative financial instruments

	CONSOLIDATED 10 $'000	09 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges ((a)(i))	**-**	2,735
Options held in listed Australian entity ((a)(ii))	**7,020**	-
Total current derivative financial instrument assets	**7,020**	2,735
Current liabilities		
Forward foreign exchange contracts - cash flow hedges ((a)(i))	**30**	370
Total current derivative financial instrument liabilities	**30**	370
	6,990	2,365

(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

The forward exchange contract in place at 30 June 2010 is for hedging highly probable forecast receipts for the ensuing financial year. The contract is timed to mature when receipts are due under a construction contract and within one year from the balance sheet date. The contract relates to the hedging of US dollars receipts back to Thai bahts in order to protect the Group from adverse exchange rate fluctuations in respect of work being performed in Thailand.

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

During the year ended 30 June 2010, gains of $2,365,000 (2009: gains of $89,000) were reclassified from other comprehensive income into profit or loss when the underlying hedged transactions were recognised.

The forward exchange contracts in place at 30 June 2009 were for hedging highly probable forecast receipts for the ensuing financial year. These contracts were timed to mature when receipts were due under construction contracts and vessel lease arrangements and within one year from the balance sheet date. The majority of the contracts related to the hedging of US dollars receipts back to Australian dollars in order to protect the Group from adverse exchange rate fluctuations.

During the year ended 30 June 2009, PT Petrosea Tbk (Petrosea) entered into an option collar arrangement to hedge US dollar receipts back to Indonesian rupiah. The objective of the hedge was to mitigate cash flow fluctuations arising from future payments of highly probably forecast Indonesian rupiah denominated expenditures due to Petrosea's exposure to adverse movements in foreign exchange rates. The marked-to-market valuation of the option collar at 30 June 2009 was a liability of $1,510,000. The intrinsic portion of the valuation of $838,000 (net of non-controlling interests and hedge ineffectiveness) was included as a debit balance in the hedging reserve in equity and the remaining extrinsic portion (together with the ineffective portion of the hedge) of a loss of $486,000 was included in discontinued operations in the statement of comprehensive income. The balance in the hedging reserve relating to Petrosea's option collar arrangement of $838,000 was removed from the hedging reserve on the sale of Petrosea on 6 July 2009.

(ii) Derivative financial instruments - held for trading

As part of its acquisition of an interest in the Forge Group Limited (Forge) as detailed in note 41, Clough acquired 3 million unlisted options in Forge from certain Forge directors at a price of $1.75 per option. These options have an exercise price of $0.35, can be exercised at any time and expire on 30 May 2012. These options have been classified as derivative financial assets held for trading at fair value through profit or loss.

Clough has recognised a fair value gain of $1,770,000 on these options in the period from the date of their acquisition to 30 June 2010 which has been included in other income in note 6.

Should the options be exercised, the fair value of the options at the date that they are exercised will be included in the carrying value of Clough's equity accounted investment in Forge.

13 Derivative financial instruments (continued)

(a) Instruments used by the Group (continued)

(ii) Derivative financial instruments - held for trading (continued)

During the year ended 30 June 2009, the Group entered into forward exchange contracts in relation to the disposal of Petrosea in order to protect approximately 75% of the US dollar proceeds of the sale from adverse fluctuations in foreign exchange rates. The disposal of Petrosea was expected to take place during the 2009 financial year and hedge accounting was not adopted for these forward exchange contracts. As at 30 June 2009, the outstanding forward exchange contracts relating to the sale of Petrosea totalled US$63 million at an average exchange rate of AUD 0.70753 / US$. The marked to market valuation of these forward exchange contracts at 30 June 2009 was an asset of $11,267,000 and this was included in the assets of a disposal group held for sale in the balance sheet and the gain was included in profit from discontinued operations in the statement of comprehensive income. The forward exchange contracts were delivered on the receipt of the Petrosea proceeds on 6 July 2010 and resulted in the receipt of additional cash of $11,267,000. For further information, refer to note 9.

(b) Risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial assets mentioned above.

Information about the Group's exposure to credit risk and foreign exchange risk is provided in note 2.

14 Current assets - Assets classified as held for sale

(a) Assets classified as held for sale

	CONSOLIDATED	
	10	09
	$'000	$'000
Assets of the property business		
Interests in jointly controlled entities	**10,955**	5,669
Property development inventories ^	**32,819**	51,104
	43,774	56,773

During the year ended 30 June 2009, the Company determined that it was going to exit from the property business altogether and an active sales process was commenced. During the current year, a number of sales have taken place and it is expected that these disposals will be completed within the next 12 months. As a result, the property business has been reported in this financial report as a discontinued operation. The assets of the property business have been presented in the balance sheet as assets classified as held for sale and the associated liabilities have been presented as liabilities directly associated with assets classified as held for sale. For further details refer to discontinued operations in note 9.

Jointly controlled entities

The movement in the year is made up of the share of profits of jointly controlled entities of $5,417,000 and a net movement of $(131,000) from the transfer of a property jointly controlled entity to property development inventories as a result of acquiring the balance of the jointly controlled entity.

^ During the year ended 30 June 2010, the Group recognised impairment losses of $7,350,000 (2009: $3,754,000) to reduce the carrying amount of property development inventories to their fair values less costs to sell. This loss is included in the profit from discontinued operations in the statement of comprehensive income.

(b) Liabilities directly associated with assets classified as held-for-sale

	CONSOLIDATED	
	10	09
	$'000	$'000
Liabilities of the property business		
Bank loans	**-**	17,193
Loans from jointly controlled entity	**8,652**	13,850
	8,652	31,043

15 Non-current assets - Receivables

	CONSOLIDATED	
	10	09
	$'000	$'000
Receivables from jointly controlled entities #	**1,052**	-
Loans to key management personnel *	**-**	248
Other loans and receivables ^	**10,967**	4,227
	12,019	4,475

Includes an offset of $6,339,000 in relation to a net investment in a negative equity accounted investment.

* Further information relating to loans to key management personnel is set out in note 38.

^ Includes discounted overseas withholding taxes of $6,311,000 in relation to completed projects.

(a) Fair values

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

	AT 30 JUNE 2010		AT 30 JUNE 2009	
Group	**CARRYING AMOUNT**	**FAIR VALUE**	CARRYING AMOUNT	FAIR VALUE
	$'000	**$'000**	$'000	$'000
Receivables from jointly controlled entities	**1,052**	**1,052**	-	-
Loans to key management personnel	**-**	**-**	248	248
Other loans and receivables	**10,967**	**10,967**	4,227	4,227
	12,019	**12,019**	4,475	4,475

(b) Interest rate risk

The Group's current and non-current receivables are non-interest bearing apart from:

(i) a non-current loan of $4,655,000 (2009: $4,194,000) which carries interest at the rate of the AUD 90 day bank bill swap reference rate plus a 3.3% margin - the interest rate at 30 June 2010 was 7.77% (2009: 6.41%).

(ii) a non-current loan to a jointly controlled entity of $6,783,000 which was advanced during the year that carries interest at the rate of its bank's overdraft rate plus a 2% margin - the interest rate at 30 June 2010 was 12.8%.

For an analysis of the sensitivity of trade and other receivables to interest rate risk refer to note 2.

15 Non-current assets - Receivables (continued)

(c) Foreign currency risk

The carrying amounts of the Group's current and non-current receivables are denominated in the following currencies:

	CONSOLIDATED	
	10	09
	$'000	$'000
Australian dollars	**28,413**	27,898
Indian rupees	**11,090**	6,560
US dollars	**6,704**	3,926
Thai baht	**1,116**	2,433
Other	**2,040**	2,464
	49,363	43,281
Current receivables	**37,344**	38,806
Non-current receivables	**12,019**	4,475
	49,363	43,281

For an analysis of the sensitivity of trade and other receivables to foreign exchange risk refer to note 2.

(d) Credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

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

	CONSOLIDATED	
	10	09
	$'000	$'000
Investments in associates (refer note 41)	**51,579**	-
Interests in jointly controlled entities (refer note 42)	**21,846**	12,982
	73,425	12,982

(a) Investments in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting as detailed in note 1 (m).

(b) Interests in jointly controlled entities

Interests in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as detailed in note 1 (n).

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

	CONSOLIDATED	
	10	09
	$'000	$'000
At beginning of year	**-**	1,478
Disposals	**-**	(1,478)
At end of year	**-**	-

The available-for-sale financial assets comprised shares in a listed Australian company. These shares were sold on 3 July 2008 for consideration consistent with their carrying value at 30 June 2008.

18 Non-current assets - Property, plant and equipment

	FREEHOLD LAND AND BUILDINGS	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	LEASED PLANT & EQUIPMENT	TOTAL
	$'000	$'000	$'000	$'000	$'000
At 1 July 2008					
Cost	18,639	154,689	194	45,459	218,981
Accumulated depreciation	(1,996)	(86,615)	-	(12,754)	(101,365)
Net book amount	16,643	68,074	194	32,705	117,616
Year ended 30 June 2009					
Opening net book amount	16,643	68,074	194	32,705	117,616
Additions	4,559	79,045	4,376	30,730	118,710
Disposals	-	(2,237)	-	-	(2,237)
Depreciation charge	(1,370)	(11,505)	-	(3,098)	(15,973)
Exchange differences	6,686	8,661	-	14,968	30,315
Transferred to assets of a disposal group held for sale	(26,074)	(24,708)	-	(69,467)	(120,249)
Closing net book amount	444	117,330	4,570	5,838	128,182
At 30 June 2009					
Cost	599	150,789	4,570	6,177	162,135
Accumulated depreciation	(155)	(33,459)	-	(339)	(33,953)
Net book amount	444	117,330	4,570	5,838	128,182
Year ended 30 June 2010					
Opening net book amount	444	117,330	4,570	5,838	128,182
Additions	36	3,129	15,023	-	18,188
Transfer from leased assets to owned assets	-	4,918	-	(4,918)	-
Disposals	-	(4,260)	-	-	(4,260)
Depreciation charge	(68)	(7,847)	(143)	(103)	(8,161)
Exchange differences	(5)	(5,661)	-	(42)	(5,708)
Closing net book amount	407	107,609	19,450	775	128,241
At 30 June 2010					
Cost	632	148,094	19,593	826	169,145
Accumulated depreciation	(225)	(40,485)	(143)	(51)	(40,904)
Net book amount	407	107,609	19,450	775	128,241

(a) Non-current assets pledged as security

Refer to note 28 for information on non-current assets pledged as security by the Group.

(b) Construction in progress

Included in plant and equipment are assets under construction totalling $17,162,000 (2009: $14,025,000).

19 Non-current assets - Deferred tax assets

	CONSOLIDATED	
	10	09
	$'000	$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	**-**	7,692
Employee benefits	**4,638**	4,316
Unrealised foreign exchange gains/losses	**2,532**	-
Project accruals/provisions	**4,234**	2,997
Other accrued expenses	**3,785**	6,121
Assets impaired for accounting purposes	**1,880**	2,655
Other	**1,992**	351
Tax losses	**14,500**	5,827
	33,561	29,959
Set-off of deferred tax liabilities pursuant to set-off provisions (note 29)	**(1,990)**	(3,653)
Net deferred tax assets	**31,571**	26,306
Movements:		
Opening balance at 1 July	**26,306**	24,266
Credited to profit or loss (note 8)	**4,546**	7,597
Credited (charged) to other comprehensive income (note 32)	**719**	(710)
Transferred to assets of a disposal group held for sale	**-**	(4,847)
Closing balance at 30 June	**31,571**	26,306

20 Non-current assets - Intangible assets

	GOODWILL	COMPUTER SOFTWARE	OTHER INTANGIBLE ASSETS *	TOTAL
	$'000	$'000	$'000	$'000
At 1 July 2008				
Cost	-	8,467	-	8,467
Accumulated amortisation	-	(5,770)	-	(5,770)
Net book amount	-	2,697	-	2,697
Year ended 30 June 2009				
Opening net book amount	-	2,697	-	2,697
Additions	-	257	-	257
Amortisation charge **	-	(1,172)	-	(1,172)
Closing net book amount	-	1,782	-	1,782
At 30 June 2009				
Cost	-	8,724	-	8,724
Accumulated amortisation	-	(6,942)	-	(6,942)
Net book amount	-	1,782	-	1,782
Year ended 30 June 2010				
Opening net book amount	-	1,782	-	1,782
Additions	-	457	-	457
Acquisition of business	8,019	-	1,483	9,502
Disposals	-	(196)	-	(196)
Amortisation charge **	-	(852)	(352)	(1,204)
Exchange differences	(228)	(30)	(48)	(306)
Closing net book amount	7,791	1,161	1,083	10,035
At 30 June 2010				
Cost	7,791	9,491	1,442	18,724
Accumulated amortisation	-	(8,330)	(359)	(8,689)
Net book amount	7,791	1,161	1,083	10,035

* Other intangible assets comprises customer relationships arising from the acquisition of Clough's interest in Ocean Flow International LLC as detailed in note 39. The customer relationships are being amortised over a period of 3 years.

** Amortisation of $1,204,000 (2009 - $1,172,000) is included in depreciation and amortisation expense in profit or loss.

(a) Impairment test for goodwill

The goodwill arose from the acquisition of Clough's interest in Ocean Flow International LLC during the current year as detailed in note 39.

Goodwill is allocated to the Company's cash-generating units (CGUs) identified according to business segment and country of operation. As at 30 June 2010, the goodwill relates solely to Ocean Flow International LLC which is a separate CGU.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a maximum period of 5 years. Cash flows beyond this period are extrapolated using the estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used in the value-in-use calculation as at 30 June 2010 were as follows:

- Period of budget forecast - 4 years
- Growth rate used to extrapolate cash flows beyond the forecast period - 3%
- Pre-tax discount rate - 16.7%

Based on the value-in-use calculations performed, there is no impairment of the goodwill as at 30 June 2010.

21 Non-current assets - Other non-current assets

	CONSOLIDATED 10 $'000	09 $'000
Other assets	**856**	-

22 Current liabilities - Payables

	CONSOLIDATED 10 $'000	09 $'000
Trade creditors, advances and accruals	**42,709**	56,084
Amounts due to associates and jointly controlled entities	**4,373**	5,784
Deferred revenue	**3,130**	-
	50,212	61,868

Deferred revenue comprises the current portion of deferred lease incentive fees.

(a) Foreign currency risk

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	CONSOLIDATED 10 $'000	09 $'000
Australian dollars	**26,385**	27,361
US dollars	**12,997**	14,055
Singapore dollars	**1,406**	10,875
Thai baht	**5,683**	2,939
Other	**3,741**	6,638
	50,212	61,868

For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to note 2.

23 Current liabilities - Borrowings

	CONSOLIDATED 10 $'000	09 $'000
Secured		
Bank loans	**6,163**	4,811
Lease liabilities (note 37)	**332**	1,300
Total secured current borrowings	**6,495**	6,111
Unsecured		
Convertible notes	**-**	36,969
Other interest bearing loans	**993**	-
Total unsecured current borrowings	**993**	36,969
Total current borrowings	**7,488**	43,080

(a) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in notes 2 and 28.

(b) Fair value disclosures

Details of the fair value of each of the borrowings is provided 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 10 $'000	09 $'000
Employee benefits	**20,172**	28,288
Other provisions	**7,272**	923
	27,444	29,211

(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
2010	
Current	
Carrying amount at start of year	923
Additional provisions recognised	7,272
Amounts used during the year	(923)
Carrying amount at end of year	7,272

Other provisions includes make good provisions related to leased premises and amounts provided for in respect of surplus leased office space.

25 Current liabilities - Current tax liabilities

	CONSOLIDATED	
	10	09
	$'000	$'000
Income tax	**1,110**	5,160

26 Current liabilities - Amounts due to customers for contract work

	CONSOLIDATED	
	10	09
	$'000	$'000
Amounts due to customers for contract work	**1,847**	13,558

27 Non-current liabilities - Payables

	CONSOLIDATED	
	10	09
	$'000	$'000
Deferred revenue	**3,825**	-
Other payables	**7,946**	-
	11,771	-

Non-current deferred revenue comprises deferred lease incentive fees.

Non-current other payables comprises the discounted estimated deferred consideration payable for acquiring the remaining 30% of Ocean Flow International LLC currently held by non-controlling interests. For further details, refer to note 39.

Non-current payables are non-interest bearing.

The fair value of non-current payables is equal to their carrying value.

28 Non-current liabilities - Borrowings

	CONSOLIDATED 10 $'000	09 $'000
Secured		
Bank loans	**47,856**	50,527
Lease liabilities (note 37)	**-**	3,310
Total secured non-current borrowings	**47,856**	53,837
Total non-current borrowings	**47,856**	53,837

(a) 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 matured on 15 December 2009. A total of 36,948,766 convertible notes were converted into 100,404,512 new shares during the period. A total of 216,635 convertible notes were redeemed on 15 December 2009 for an amount of $216,635.

The convertible notes are presented in the balance sheet as follows:

	CONSOLIDATED 10 $'000	09 $'000
Balance at start of year	**36,969**	37,045
Convertible notes converted during the year	**(36,949)**	(481)
Convertible notes redeemed during the year	**(217)**	-
	(197)	36,564
Interest expense *	**1,835**	4,149
Interest paid	**(1,638)**	(3,744)
Liability at end of year	**-**	36,969

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

(b) Secured liabilities and assets pledged as security

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

	CONSOLIDATED 10 $'000	09 $'000
Bank loans	**54,019**	55,338
Lease liabilities	**332**	4,610
Total secured liabilities	**54,351**	59,948

Bank loans are provided by a syndicate of banks. Bank loans are secured by fixed, floating and mortgage charges over some of the consolidated entity's assets. 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.

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.

28 Non-current liabilities - Borrowings (continued)

(b) Secured liabilities and assets pledged as security (continued)

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

	CONSOLIDATED	
	10	09
	$'000	$'000
Current assets		
First mortgage, fixed and floating charge		
Cash and cash equivalents	**103,866**	36,030
Other current assets	**-**	2,474
Receivables	**27,286**	35,333
Work in progress	**13,333**	57,928
Derivative financial instruments	**7,020**	2,735
Assets classified as held for sale	**-**	29,452
Assets of a disposal group held for sale	**-**	156,693
Finance lease		
Assets of a disposal group held for sale	**-**	107,792
Total current assets pledged as security	**151,505**	428,437
Non-current assets		
Finance lease		
Plant and equipment	**775**	5,838
First mortgage, fixed and floating charge		
Receivables - non-current	**12,019**	4,475
Investments accounted for using the equity method	**71,113**	12,982
Other non-current assets	**856**	-
Property, plant and equipment	**119,688**	122,181
Intangible assets - computer software	**1,161**	1,782
Total non-current assets pledged as security	**205,612**	147,258
Total assets pledged as security	**357,117**	575,695

(c) Fair value

The carrying amounts and fair values of borrowings at the end of the reporting period are:

Group	AT 30 JUNE 2010 CARRYING AMOUNT	AT 30 JUNE 2010 FAIR VALUE	AT 30 JUNE 2009 CARRYING AMOUNT	AT 30 JUNE 2009 FAIR VALUE
	$'000	$'000	$'000	$'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	**54,019**	**54,019**	55,338	55,338
Other loans	**993**	**993**	-	-
Lease liabilities	**332**	**332**	4,610	4,610
Convertible notes	**-**	**-**	36,969	36,969
	55,344	**55,344**	96,917	96,917

(d) Foreign currency risk exposures

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	CONSOLIDATED	
	10	09
	$'000	$'000
Australian dollars	**993**	36,969
US dollars	**54,351**	59,948
	55,344	96,917

For an analysis of the sensitivity of borrowings to foreign exchange risk refer to note 2.

(e) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	CONSOLIDATED	
	10	09
	$'000	$'000
Credit standby arrangements		
Total facilities *		
Borrowings	**58,911**	99,657
Bonds and guarantees	**193,400**	176,000
	252,311	275,657
Used at balance date *		
Borrowings	**56,911**	79,173
Bonds and guarantees	**30,783**	54,395
	87,694	133,568
Unused at balance date *		
Borrowings	**2,000**	20,484
Bonds and guarantees	**162,617**	121,605
	164,617	142,089
Bank loan facilities		
Total facilities *	**57,531**	95,111
Used at balance date	**55,531**	74,628
Unused at balance date	**2,000**	20,483

The weighted average interest rate on the bank loans is 8.05% (2009: 7.55%).

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.

* The facilities disclosed above as at 30 June 2009 exclude those related to PT Petrosea Tbk and its controlled entities. PT Petrosea Tbk was sold on 6 July 2009 and its facilities have been excluded on the basis they do not form part of the continuing facilities of the Clough Group.

As at 30 June 2009, PT Petrosea Tbk had the following facilities in place: Borrowings - total facilities $123,363,000 of which $102,532,000 was used and $20,831,000 was unused; Bonds and guarantees - total facilities $18,518,000 of which $5,978,000 was used and $12,540,000 was unused; Bank loan facilities - total facilities $12,347,000 of which $6,227,000 was used and $6,120,000 was unused.

28 Non-current liabilities - Borrowings (continued)

(f) 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.

2010	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE 1 YEAR OR LESS $'000	FIXED INTEREST RATE OVER 1 TO 5 YEARS $'000	FIXED INTEREST RATE OVER 5 YEARS $'000	TOTAL $'000
Bank loans (notes 23 and 28)	-	6,163	47,856	-	54,019
Other loans (note 23)	-	993	-	-	993
Lease liabilities (notes 23 and 28)	-	332	-	-	332
	-	7,488	47,856	-	55,344
Weighted average interest rate	-%	7.8%	8.1%	-%	

2009	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE 1 YEAR OR LESS $'000	FIXED INTEREST RATE OVER 1 TO 5 YEARS $'000	FIXED INTEREST RATE OVER 5 YEARS $'000	TOTAL $'000
Bank loans (notes 23 and 28)	30,627	2,345	2,526	19,840	55,338
Lease liabilities (notes 23 and 28)	-	1,300	3,310	-	4,610
Convertible notes (notes 23 and 28)	-	36,969	-	-	36,969
	30,627	40,614	5,836	19,840	96,917
Weighted average interest rate	3.7%	9.9%	10.5%	7.5%	

For an analysis of the sensitivity of borrowings to interest rate risk refer to note 2.

29 Non-current liabilities - Deferred tax liabilities

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Accrued revenue	**-**	1,057
Depreciable assets	**2,856**	484
Unrealised exchange gains	**-**	1,362
	2,856	2,903
Amounts recognised directly in equity		
Cash flow hedges	**-**	710
Convertible note premium reserve	**-**	169
	-	879
Set-off of deferred tax assets pursuant to set-off provisions (note 19)	**(1,990)**	(3,653)
Net deferred tax liabilities	**866**	129

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Movements:		
Opening balance at 1 July	129	74
Charged/(credited) to profit or loss (note 8)	737	82
Charged/(credited) to other comprehensive income	-	(27)
Closing balance at 30 June	866	129

30 Non-current liabilities - Provisions

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Employee benefits	**2,324**	1,969
Insurance claims	**2**	1,312
Other provisions	**856**	-
	3,182	3,281

(a) Movements in provisions

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

	INSURANCE CLAIMS $'000	OTHER PROVISIONS $'000	TOTAL $'000
Consolidated - 2010			
Non-current			
Carrying amount at start of year	1,312	-	1,312
Additional provision recognised	-	856	856
Unused provision reversed	(1,260)	-	(1,260)
Payments from provisions	(50)		(50)
Carrying amount at end of year	2	856	858

Other provisions comprises a make good provision for leased premises.

31 Contributed equity

	PARENT ENTITY 10 SHARES	PARENT ENTITY 09 SHARES	PARENT ENTITY 10 $'000	PARENT ENTITY 09 $'000
(a) Share capital				
Ordinary shares				
Fully paid	**768,776,269**	670,116,757	**229,728**	194,636

31 Contributed equity (continued)

(b) Movements in ordinary share capital

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	$'000
1 July 2008	Opening balance	667,941,092		193,885
30 September 2008	Conversion of 35,560 $1 convertible notes into 96,638 new shares at a conversion price of 36.8 cents per share	96,638	$0.368	36
28 November 2008	Exercise of 50,000 options with an exercise price of 31 cents per share	50,000	$0.31	16
31 December 2008	Conversion of 350,578 $1 convertible notes into 952,665 new shares at a conversion price of 36.8 cents per share	952,665	$0.368	351
18 February 2009	Exercise of 800,000 options with an exercise price of 31 cents per share	800,000	$0.31	248
31 March 2009	Conversion of 3,121 $1 convertible notes into 8,482 new shares at a conversion price of 36.8 cents per share	8,482	$0.368	3
15 June 2009	Exercise of 20,000 options with an exercise price of 31 cents per share	20,000	$0.31	6
30 June 2009	Conversion of 91,216 $1 convertible notes into 247,880 new shares at a conversion price of 36.8 cents per share	247,880	$0.368	91
30 June 2009	Balance	670,116,757		194,636
1 July 2009	Opening balance	670,116,757		194,636
14 August 2009	Exercise of 15,000 options with an exercise price of 31 cents per share	15,000	$0.31	5
11 September 2009	Exercise of 80,000 options with an exercise price of 31 cents per share	80,000	$0.31	25
30 September 2009	Conversion of 3,464,304 $1 convertible notes into 9,413,911 new shares at a conversion price of 36.8 cents per share	9,413,911	$0.368	3,464
14 December 2009	Exercise of 50,000 options with an exercise price of 31 cents per share	50,000	$0.31	15
15 December 2009	Conversion of 33,484,462 $1 convertible notes into 90,990,601 new shares at a conversion price of 36.8 cents per share	90,990,601	$0.368	33,484
8 March 2010	Exercise of 50,000 options with an exercise price of 31 cents per share	50,000	$0.31	15
18 - 25 March 2010	Share buyback - refer note (f)	(2,500,000)	$0.892	(2,230)
30 April 2010	Exercise of 20,000 options with an exercise price of 31 cents per share	20,000	$0.31	6
30 April 2010	Exercise of 15,000 options with an exercise price of 57 cents per share	15,000	$0.57	9
14 May 2010	Exercise of 165,000 options with an exercise price of 57 cents per share	165,000	$0.57	94
31 May 2010	Exercise of 5,000 options with an exercise price of 31 cents per share	5,000	$0.31	2
31 May 2010	Exercise of 15,000 options with an exercise price of 57 cents per share	15,000	$0.57	9
11 June 2010	Exercise of 20,000 options with an exercise price of 57 cents per share	20,000	$0.57	11
28 June 2010	Exercise of 320,000 options with an exercise price of 57 cents per share	320,000	$0.57	183
30 June 2010	Balance	768,776,269		229,728

(c) 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.

(d) 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. The dividend reinvestment plan is currently suspended.

(e) 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.

(f) Share buy-back

During March 2010, the Company purchased on-market and cancelled 2,500,000 ordinary shares in order to offset shares expected to be issued as a result of the exercise of options under the Clough Limited Employee Option Plan. The shares were acquired at an average price of 89 cents per share, with prices ranging from 86.5 cents to 92.5 cents. The total cost of the share buy-back of $2,230,000, including $10,000 of after tax transaction costs, was deducted from contributed equity.

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

(g) 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 Level 15, 58 Mounts Bay Road, Perth WA 6000.

32 Reserves and retained earnings

	CONSOLIDATED	
	10	09
	$'000	$'000
(a) Reserves		
Convertible note premium reserve	**394**	394
Hedging reserve - cash flow hedges	**(21)**	817
Share-based payments reserve	**4,209**	2,741
Minority buyback reserve	**(7,952)**	-
Foreign currency translation reserve	**(6,275)**	(16,567)
Capital reserve	**720**	720
	(8,925)	(11,895)

32 Reserves and retained earnings (continued)

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Movements:		
Hedging reserve - cash flow hedges		
Balance 1 July	**817**	62
Revaluation - gross	**(30)**	1,527
Deferred tax	**9**	(710)
Removed on disposal of a controlled entity	**838**	-
Transfer to asset - gross	**(2,365)**	(89)
Deferred tax	**710**	27
Balance 30 June	**(21)**	817
Share-based payments reserve		
Balance 1 July	**2,741**	1,066
Option expense	**1,468**	1,675
Balance 30 June	**4,209**	2,741
Minority buyback reserve		
Balance 1 July	**-**	-
Buyback reserve arising on acquisition of a subsidiary (see note 39)	**(7,952)**	-
Balance 30 June	**(7,952)**	-
Foreign currency translation reserve		
Balance 1 July	**(16,567)**	(28,847)
Currency translation differences arising during the year	**(1,649)**	12,280
Transferred to P&L on disposal of controlled and jointly controlled entities during the year	**11,941**	-
Balance 30 June	**(6,275)**	(16,567)

(b) Retained earnings

Movements in retained earnings were as follows:

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Balance 1 July	**46,010**	264
Net profit for the year	**50,090**	52,426
Dividends	**(13,404)**	(6,680)
Balance 30 June	**82,696**	46,010

(c) Nature and purpose of reserves

(i) Convertible note premium reserve

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

(ii) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(p). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

(iii) Share-based payments reserve

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

(iv) Minority buyback reserve

The minority buyback reserve comprises the fair value of the estimated consideration for acquiring the non-controlling interest (30%) in Ocean Flow International LLC from the minority shareholder at the date of acquisition.

(v) Foreign currency translation reserve

Exchange differences arising on translation of foreign entities are taken to the foreign currency translation reserve, 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.

33 Dividends

	PARENT ENTITY 10 $'000	PARENT ENTITY 09 $'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2009 of 2 cents (2008 - 1 cent) per fully paid ordinary share paid on 7 October 2009		
Franked to 25% based on tax paid at 30% (2008 - fully franked)	**13,404**	6,680
Total dividends provided for or paid	**13,404**	6,680

	PARENT ENTITY 10 $'000	PARENT ENTITY 09 $'000
(b) Dividends not recognised at year end		
In addition to the above dividend, since the year end the directors have recommended the payment of a final dividend of 2.2 cents per fully paid ordinary share franked to 9%, (2009 - 2 cents franked to 25%) based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 6 October 2010, but not recognised as a liability at year end, is	**16,914**	13,404

(c) Franked dividends

The franked portion of the final dividend recommended after 30 June 2010 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2011.

	PARENT ENTITY 10 $'000	PARENT ENTITY 09 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2009 - 30%)	**668**	2,104

The above amounts represent the balance of the franking account as at the reporting date, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $659,000 (2009 - $1,436,000).

34 Key management personnel disclosures

(a) Key management personnel compensation

	CONSOLIDATED 10 $	09 $
Short-term employee benefits	**5,692,876**	8,729,480
Post-employment benefits	**325,293**	403,364
Termination benefits	**950,077**	-
Share-based payments	**989,294**	933,655
	7,957,540	10,066,499

Detailed remuneration disclosures are provided in Sections 10.1 - 10.3 of the Remuneration Report included in the Directors' Report.

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise

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 in Section 10.4 of the Remuneration Report included in the Directors' Report. Further information on the options is set out in note 48.

(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.

2010 Name	BALANCE AT START OF THE YEAR	GRANTED AS COMPENSATION	EXERCISED	OTHER CHANGES	BALANCE AT END OF THE YEAR	VESTED AT THE END OF THE YEAR	UNVESTED
Directors of Clough Limited							
J Smith	6,000,000	-	-	-	6,000,000	-	6,000,000
Other key management personnel of the Group							
M Bergomi	660,000	340,000	-	-	1,000,000	-	1,000,000
W Boyle	2,667,347	487,705	-	-	3,155,052	-	3,155,052
SR High #	1,450,000	254,343	(300,000)	(1,404,343)	-	-	-
NE Siford	164,185	141,364	-	-	305,549	20,000	285,549

2009 Name	BALANCE AT START OF THE YEAR	GRANTED AS COMPENSATION	EXERCISED	OTHER CHANGES	BALANCE AT END OF THE YEAR	VESTED AT THE END OF THE YEAR	UNVESTED
Directors of Clough Limited							
J Smith	6,000,000	-	-	-	6,000,000	-	6,000,000
AJ Walsh	3,000,000	-	-	(3,000,000)	-	-	-
Other key management personnel of the Group							
M Bergomi	330,000	330,000	-	-	660,000	-	660,000
W Boyle	-	2,667,347	-	-	2,667,347	-	2,667,347
K Cain #	650,000	-	-	(650,000)	-	-	-
SR High	1,250,000	1,000,000	(800,000)	-	1,450,000	-	1,450,000

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

(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.

2010 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				
BC Bruce and RW Rees through Zero Nominees Pty Ltd ^ ~	393,719,923	-	85,237,555	478,957,478
JD Cooper #	200,000	-	(200,000)	-
J Smith	3,000,000	-	-	3,000,000
ER Stein	74,900	-	-	74,900
AJ Walsh #	1,039,400	-	(1,039,400)	-
Other key management personnel of the Group				
Ordinary shares				
SR High #	1,951,031	300,000	(2,251,031)	-

2009 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				
BC Bruce and RW Rees through Zero Nominees Pty Ltd ^	373,719,923	-	20,000,000	393,719,923
JD Cooper	-	-	200,000	200,000
RW Kelly #	180,000	-	(180,000)	-
J Smith	2,000,000	-	1,000,000	3,000,000
ER Stein	-	-	74,900	74,900
AJ Walsh	749,400	-	290,000	1,039,400
Other key management personnel of the Group				
Ordinary shares				
SR High	678,381	800,000	472,650	1,951,031

\# The share holdings for key management personnel who ceased employment with the Clough Group or ceased being a key management person during the year have been removed in the other changes during the year at the date that they ceased employment or being regarded as a key management person.

^ BC Bruce and RW Rees are directors of Murray & Roberts Holdings Limited whose related entities hold shares in Clough Limited through Zero Nominees Pty Ltd.

~ Other changes during the year comprises the conversion of 31,367,420 convertible notes on 15 December 2009.

34 Key management personnel disclosures (continued)

(b) Equity instrument disclosures relating to key management personnel

(iv) Convertible note holdings

The convertible notes were issued on 15 December 2006 and matured on 15 December 2009.

The convertible notes had a face value of $1 each, carried a coupon rate of 10% per annum paid quarterly in arrears and had a term of 3 years unless previously redeemed or converted into shares. The conversion price was set at $0.368 per ordinary share. The convertible notes could be converted into ordinary shares at quarterly intervals from 31 December 2007 to maturity, being 15 December 2009. Unless previously converted, the convertible notes were redeemed at par on maturity.

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

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.

2010 Name	BALANCE AT THE START OF THE YEAR	CONVERTIBLE NOTES CONVERTED INTO SHARES DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Directors of Clough Limited				
Convertible notes				
BC Bruce and RW Rees through Zero Nominees Pty Ltd ^	31,367,420	(31,367,420)	-	-
AJ Walsh #	25,693	-	(25,693)	-

2009 Name	BALANCE AT THE START OF THE YEAR	CONVERTIBLE NOTES CONVERTED INTO SHARES DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Directors of Clough Limited				
Convertible notes				
BC Bruce and RW Rees through Zero Nominees Pty Ltd ^	31,367,420	-	-	31,367,420
RW Kelly #	11,538	-	(11,538)	-
AJ Walsh	25,693	-	-	25,693

^ BC Bruce and RW Rees are directors of Murray & Roberts Holdings Limited whose related entities held convertible notes in Clough Limited through Zero Nominees Pty Ltd.

The convertible note holdings for key management personnel who ceased employment with the Clough Group or ceased being a key management person during the year have been removed in the other changes during the year at the date that they ceased employment or being a key management person.

(c) Other transactions with key management personnel

(i) Transactions with director related entities

For details of loans with director related entities refer to note 38.

(ii) Loans to key management personnel

For details of loans with key management personnel refer to note 38.

35 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	
	10	09
	$	$
(a) Audit services		
Deloitte Touche Tohmatsu Australian firm		
Audit and review of financial reports	**608,541**	551,625
Related practices of Deloitte Touche Tohmatsu Australian firm	**220,896**	186,488
Non-Deloitte Touche Tohmatsu audit firms for the audit or review of financial reports of any entity in the Group	**132,186**	81,740
Total remuneration for audit services	**961,623**	819,853
(b) Other services		
Deloitte Touche Tohmatsu Australian firm		
Other services	**37,765**	51,566
Other auditors of subsidiaries		
Taxation services	**3,963**	53,770
Total remuneration for non-audit services	**41,728**	105,336
Total auditors' remuneration	**1,003,351**	925,189

36 Contingencies

(a) Contingent liabilities

Claims

Certain claims arising out of engineering and construction contracts have been made by or against certain controlled entities in the ordinary course of business, some of which involve litigation or arbitration. The Directors do not consider the outcome of any of these claims will have a material adverse impact on the financial position of the consolidated entity.

During the year, Clough and ONGC settled their dispute arising from the G1 Development Project on a full and final basis and executed a formal Settlement Agreement on 9 December 2009. This settlement has not had a material impact on the results for the year.

37 Commitments

(a) Capital commitments

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

	CONSOLIDATED	
	10	09
	$'000	$'000
Property, plant and equipment		
Payable:		
Within one year *	**2,231**	4,121
Later than one year but not later than five years *	**-**	1,944
	2,231	6,065

* The commitments disclosed above as at 30 June 2009 exclude PT Petrosea Tbk and its controlled entities on the grounds that PT Petrosea Tbk was sold on 6 July 2009 and inclusion of its commitments would not reflect the ongoing commitments of the Clough Group. As at 30 June 2009, PT Petrosea Tbk had total capital commitments of $29,541,000 due within one year, principally related to plant & equipment.

(b) Lease commitments : Group as lessee

(i) Non-cancellable operating leases

	CONSOLIDATED	
	10	09
	$'000	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year *	**46,518**	52,733
Later than one year but not later than five years *	**133,513**	157,123
Later than five years *	**125,700**	127,893
	305,731	337,749

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.

* The commitments disclosed above as at 30 June 2009 exclude PT Petrosea Tbk and its controlled entities on the grounds that PT Petrosea Tbk was sold on 6 July 2009 and inclusion of its commitments would not reflect the ongoing commitments of the Clough Group. PT Petrosea Tbk's operating lease commitments at 30 June 2009 totalled $3,519,000.

(ii) Finance leases

The Group leases various plant and equipment with a carrying amount of $775,000 (2009 - $5,838,000) under finance leases expiring within five years.

	CONSOLIDATED 10 $'000	09 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year *	**342**	1,766
Later than one year but not later than five years *	**-**	3,506
Minimum lease payments	**342**	5,272
Future finance charges *	**(10)**	(662)
Total lease liabilities	**332**	4,610
Representing lease liabilities:		
Current * (note 23)	**332**	1,300
Non-current * (note 28)	**-**	3,310
	332	4,610
The present value of finance lease liabilities is as follows:		
Within one year	**332**	1,300
Later than one year but not later than five years	**-**	3,310
Minimum lease payments	**332**	4,610

The weighted average interest rate implicit in the leases is 6.60% (2009 - 7.70%).

* The finance lease commitments disclosed above as at 30 June 2009 exclude PT Petrosea Tbk and its controlled entities on the grounds that PT Petrosea Tbk was sold on 6 July 2009 and inclusion of its finance lease commitments would not reflect the ongoing commitments of the Clough Group. At 30 June 2009, PT Petrosea Tbk had total finance lease commitments in respect of plant and equipment of $107,101,000 of which $30,089,000 was payable within one year and $77,012,000 was payable later than one year but not later than five years. Future finance charges related to these finance lease commitments were $10,795,000. The related finance lease liabilities were $96,306,000 of which $25,742,000 were current liabilities and $70,564,000 were non-current liabilities.

(c) Remuneration commitments

Remuneration commitments relate to commitments arising from the service contracts of key management personnel that are not recognised as liabilities and are not included in the key management personnel compensation. The details of the service contracts of key management personnel are disclosed in section 10.3 of the Remuneration Report contained in the Directors' Report.

38 Related party transactions

(a) Parent entities

The ultimate Australian parent entity within the Group is Clough Limited. The ultimate parent entity and ultimate controlling party is Murray & Roberts Holdings Limited, a company incorporated in South Africa, which at 30 June 2010 has an interest in 62.30% (2009: 58.75%) of the issued ordinary shares of Clough Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 40.

(c) Key management personnel compensation

Disclosures relating to key management personnel compensation are set out in note 34.

(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

	CONSOLIDATED	
	10	09
	$	$
Loans advanced		
Secured loan - SR High	**237,580**	248,000

Secured loan - SR High

On 10 February 2009, a loan facility of $248,000 was provided by Clough Projects Pty Ltd to SR High to fund the total exercise price payable on the exercise of 800,000 share options in Clough Limited at an exercise price of $0.31, comprising of the options that were issued to SR High under the Clough Limited Employee Option Plan on 17 November 2005. The loan was drawn down on 18 February 2009 on the exercise of the options, resulting in the issue of 800,000 shares in Clough Limited ('Relevant Shares') to SR High.

The loan is interest free and is repayable on the expiry date, being the earlier of 17 November 2015, and the date on which SR High ceases to be employed by the Clough Group. Any cash dividends received by SR High on the Relevant Shares during the term of the loan must be applied to repay the loan.

SR High resigned on 30 June 2010. SR High was regarded as a key management person for the period 1 July 2009 to 30 June 2010. In July 2010 SR High received a termination payment in lieu of notice of $66,432 and in addition, received a payment of $237,231 comprising accrued annual and long service leave. These payments (after tax) were offset against the loan balance resulting in an outstanding loan balance of $49,840.

The amount of interest that would have been charged on the loan on an arm's-length basis for the year ended 30 June 2010 is $21,755 (2009: $6,996).

Clough Projects Pty Ltd has a mortgage in place over the Relevant Shares.

(ii) Other transactions and balances with ultimate parent entity and related entities

Vessel Acquisition Guarantee Support – Murray & Roberts Limited

On 10 October 2007, Clough Projects International Pty Ltd ('the Borrower') entered into a US$ loan facility agreement with the Royal Bank of Scotland plc ('RBS'). The reasons for entering into the loan facility agreement with RBS was primarily to upgrade the Java Constructor vessel and for general corporate purposes.

Murray & Roberts Limited, Murray & Roberts Holdings Limited, Murray & Roberts Investments Limited, Murray & Roberts Contractors Holdings (Proprietary) Limited and Murray & Roberts Contractors Group (Proprietary) Limited collectively the "Guarantor Group" entered into a deed poll guarantee and indemnity in favour of RBS on 10 October 2007. The total amount payable under the guarantee and indemnity is limited to US$60 million.

Clough Limited entered into a vessel acquisition guarantee support agreement with Murray & Roberts Limited, the provider of the above mentioned guarantee and indemnity support. The agreement stated that Clough Limited must pay a facility fee of $492,500 to Murray & Roberts Limited. The facility fee was legally payable to Murray & Roberts Limited on the first drawdown of the RBS loan facility. The facility fee of $492,500 was accrued at 30 June 2008 and was paid to Murray & Roberts Limited during the 2009 financial year. In addition, under the terms of the support agreement, Clough Limited is required to pay to Murray & Roberts Limited an annual guarantee fee of 3.5% of the total amount drawn down on the underlying loan facility.

On 19 March 2010 RBS released the “Guarantor Group” from their obligations with regards to the deed poll guarantee and indemnity. The guarantee fee paid by Clough Limited to Murray & Roberts Limited for the period 1 July 2009 to 18 March 2010 was $1,381,135 (US$1,232,067) (2009: $1,446,333 (US$1,060,085)). There are no outstanding guarantee fees to be paid at 30 June 2010.

Dividend Paid

On 7 October 2009, Clough Limited paid a dividend of $0.02 per share franked to 25%. A dividend of $7,874,398 was paid to Murray & Roberts Limited.

Resolution of the G1 Project

During the year ended 30 June 2010, Murray & Roberts Pty Ltd charged Clough Limited an amount of $740,015.96 (ZAR 5,083,591) for costs in respect of the use of Murray & Roberts Group resources for the resolution of the G1 project.

Convertible Notes

On 15 December 2009, Murray & Roberts converted 31,367,420 $1 convertible notes into 85,237,555 ordinary shares at a conversion price of 36.8 cents per share.

Interest paid on convertible notes to Murray & Roberts for the period 1 July 2009 to 15 December 2009 was $1,443,761 (2009: $3,136,742).

Travel Expenses

On 18 December 2009, Clough Limited paid $52,564 to Murray & Roberts Pty Ltd for travel expenses incurred in respect of JD Cooper attending to his duties as director of Clough Limited for the period 5 November 2008 to 15 October 2009. On 11 February 2010, Clough Limited paid $1,998 to Murray & Roberts Pty Ltd for travel expenses incurred in respect of JD Cooper attending to his duties as director of Clough Limited for the period 16 October 2009 to 16 November 2009. On 20 May 2010, Clough Limited paid $4,118 to Murray & Roberts Pty Ltd for travel expenses incurred in respect of JD Cooper attending to his duties as director of Clough Limited for the period 17 November 2009 to 17 December 2009.

Legal Costs

On 18 December 2009, Clough Limited paid $2,935 to Murray & Roberts Pty Ltd for legal expenses incurred in relation to reviewing of deed of access, insurance and indemnity and director appointment letters for all Murray & Roberts directors. On 18 February 2010, Clough Limited paid $3,366 to Murray & Roberts Pty Ltd for legal expenses incurred in relation to reviewing of deed of access, insurance and indemnity and director appointment letters for all Murray & Roberts directors.

(e) Transactions with other related parties

The following transactions occurred with other related parties:

	CONSOLIDATED	
	10	09
	$	$
Sales of goods and services		
Associates	**-**	443,896
Jointly controlled entities	**139,544,437**	123,775,929
	139,544,437	124,219,825
Purchases of goods and services		
Jointly controlled entities	**79,016,951**	6,788,569
Superannuation contributions		
Contributions to superannuation funds on behalf of employees	**10,287,793**	14,060,996

38 Related party transactions (continued)

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

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties other than key management personnel:

	CONSOLIDATED	
	10	09
	$	$
Current receivables (provision of services)		
Associates	**-**	58,245
Jointly controlled entities	**14,884,970**	26,789,218
	14,884,970	26,847,463
Current receivables (loans)		
Jointly controlled entities	**11,967**	-
	11,967	-
Non-current receivables (loans)		
Associates	**-**	743,974
Jointly controlled entities	**7,391,391**	2,705,559
	7,391,391	3,449,533
Current payables (provision of services)		
Jointly controlled entities	**3,979,803**	1,264,974
	3,979,803	1,264,974
Current payables (loans)		
Jointly controlled entities	**13,025,357**	19,633,754
	13,025,357	19,633,754

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.

(g) Loans to/from related parties

	CONSOLIDATED	
	10	09
	$	$
Loans to associates		
Beginning of the year	**743,974**	687,811
Loan repayments received	**-**	(72,217)
Removed on disposal of associate	**(743,974)**	-
Exchange differences	**-**	128,380
End of year	**-**	743,974
Loans to jointly controlled entities		
Beginning of the year	**2,705,559**	1,079,668
Loans advanced	**7,403,358**	1,550,761
Removed on disposal of jointly controlled entities	**(2,705,559)**	-
Exchange differences	**-**	75,130
End of year	**7,403,358**	2,705,559
Loans from jointly controlled entities		
Beginning of the year	**19,633,754**	13,865,246
Loans advanced	**6,544,805**	5,768,508
Reclassification of a subsidiary to a jointly controlled entity	**1,129,959**	-
Loan repayments made	**(14,196,713)**	-
Removed on disposal of a jointly controlled entity	**(16,975)**	-
Exchange differences	**(69,473)**	-
End of year	**13,025,357**	19,633,754

(h) Guarantees

The following guarantees have been given:

	CONSOLIDATED	
	10	09
	$	$
Guarantee of portion of the overdraft facility provided to a jointly controlled entity	**-**	852,232
Guarantee of a foreign exchange facility provided to a subsidiary ^	**11,583,056**	12,345,222
Guarantee of banking facilities provided to PT Petrosea Tbk #	**-**	49,380,088

\# The utilisation of the banking facility provided to PT Petrosea Tbk at 30 June 2009 was $6,227,000. PT Petrosea Tbk was sold on 6 July 2009 and the guarantee has subsequently been released.

^ The utilisation of the foreign exchange facility provided to Clough (Thailand) Co., Ltd at 30 June 2010 was $4,526,000 (2009: $8,074,000).

Other guarantees

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

39 Acquisition and disposal of subsidiaries

Acquisition of subsidiary

(a) Acquisition of Ocean Flow International LLC

On 14 August 2009, the Group acquired a 70% interest in Ocean Flow International LLC, a SURF engineering company based in Houston, USA for consideration of US$9.1 million.

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

	$'000
Purchase consideration	
Cash paid	10,848
Total purchase consideration	10,848
Fair value of net identifiable assets acquired after non-controlling interests (refer to (c) below)	2,829
Goodwill (refer to (c) below and note 20)	8,019

The goodwill is attributable to Ocean Flow International LLC's position and profitability in the Houston SURF market, its skilled workforce and expertise and synergies expected to arise from the acquisition.

(b) Cash flow information

	CONSOLIDATED	
	10	09
	$'000	$'000
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	**10,848**	-
Less: Balances acquired		
Cash	**1,068**	-
Outflow of cash	**9,780**	-

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE
	$'000	$'000
Cash and cash equivalents	1,068	1,068
Inventories	1,137	1,137
Other assets	61	61
Customer relationships	-	2,118
Payables	(342)	(342)
Net identifiable assets acquired	1,924	4,042
Less: Non-controlling interests (measured at the proportionate share of the acquiree's net identifiable assets)		(1,213)
Add: Goodwill		8,019
Net assets acquired		10,848

(i) Acquisition-related costs

Acquisition-related costs of $148,000 are included in other expenses in profit or loss.

(ii) Purchase of remaining interest in Ocean Flow International LLC

In accordance with the terms of the Membership Purchase Agreement, Clough will acquire the balance of Ocean Flow International LLC in early 2013. The purchase price payable for acquiring the remaining 30% will be based on a multiple of 1.5 times the average EBITDA achieved by Ocean Flow International LLC during the years ended 31 December 2009 to 2012, reduced by 30% of the value of the profit share scheme paid out over this period.

Clough has estimated that it will pay additional consideration of approximately US$7,432,000 for acquiring the balance of Ocean Flow International LLC based on current forecasts for the business. The fair value of this consideration at the date of acquisition was calculated to be US$6,671,000. The liability for the estimated additional consideration payable has been recorded as a non-current payable.

(iii) Revenue and profit contribution

Ocean Flow International LLC has contributed revenues of $11,025,000 and net profit of $1,397,000 (after tax and non-controlling interests) to the consolidated entity for the period from 14 August 2009 to 30 June 2010.

Disposal of subsidiaries

(a) Disposal of PT Petrosea Tbk and related entities

On 6 July 2009, Clough sold its 82% shareholding in PT Petrosea Tbk to PT Indika Energy Tbk for cash consideration of US$83.8 million. For further details, refer to note 9.

(b) Disposal of Clough Engineering & Integrated Solutions Pakistan (Private) Limited

On 29 October 2009, Clough sold its shareholding in Clough Engineering & Integrated Solutions Pakistan (Private) Limited for cash consideration of US$100,000. The Group has recognised an after-tax gain of $108,000 on this sale.

(c) Disposal of Clough Engineering & Maintenance Pty Ltd

During the year ended 30 June 2008, Clough Operations Pty Ltd sold its shareholding in Clough Engineering & Maintenance Pty Ltd for consideration of $18,035,000. Additional contingent consideration was also included in the sales agreement, however, it was not determinable at the time of the sale.

During the year ended 30 June 2009, additional contingent consideration was received as a result of the renewal of certain contracts by Clough Engineering & Maintenance Pty Ltd. The Group recognised an after-tax gain of $4,480,000 during the year ended 30 June 2009 as a result of receiving this additional consideration.

40 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 * 10 %	09 %
C Engineering Concepts Pty Ltd	Australia	(vii)	-	100
Challenge Insurance Pte Ltd	Singapore	(i)	100	100
Clo Pty Ltd	Australia	(vii)	-	100
Clough Challenge Pty Ltd	Australia	(v)	100	100
Clough Construction Queensland Pty Ltd	Australia	(v)	100	100
Clough Developments Pty Ltd	Australia	(vii)	-	100
Clough Engineering Limited	Australia	(vi)	100	100
Clough Engineering & Integrated Solutions (CEIS) Pty Ltd	Australia		100	100
Clough Engineering & Integrated Solutions Pakistan (Private) Limited	Pakistan	(viii)	-	100
Clough International Singapore Pte Ltd	Singapore	(i)	100	100
Clough Investments (ESOP) Pty Ltd	Australia	(vii)	-	100
Clough Investment Holdings Pty Ltd	Australia	(v)	100	100
Clough Java Offshore Pte Ltd	Singapore	(ii)	100	100
Clough Malaysia Sdn Bhd	Malaysia	(i)	100	100
Clough Mining & Minerals Pty Ltd	Australia	(vii)	-	100
Clough Mining Pty Ltd	Australia	(vii)	-	100
Clough Niugini Limited	Papua New 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 Pty Ltd	Australia	(vii)	-	100
Clough (Portugal) - Comércio Marítímo, Sociedade Unipessoal, Lda	Portugal	(vii)	-	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 Beveridge Pty Ltd	Australia	(v)	100	100
Clough Property Brookwater 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 Mernda Pty Ltd	Australia	(v)	100	100
Clough Property Ranford Road Pty Ltd	Australia	(v)	100	100
Clough Regional Pty Ltd	Australia		100	100
Clough Resources Pty Ltd	Australia	(v)	100	100
Clough Seam Gas Pty Ltd	Australia	(v),(ix)	100	-
Clough Singapore Constructor Pte Ltd	Singapore	(ii)	100	100
Clough South American Developments Limited	Belize		100	100
Clough (Spare No. 1) Pty Ltd	Australia	(vii)	-	100

NAME OF ENTITY	COUNTRY OF INCORPORATION	NOTE	EQUITY HOLDING *	
			10	09
			%	%
Clough (Thailand) Co., Ltd	Thailand	(ii),(iv)	49	49
Clough UK Limited	Scotland	(ii)	100	100
Clough USA Holdings Inc.	USA		100	100
Clough USA Inc.	USA		100	100
Clough Vessels Pty Ltd	Australia	(v)	100	100
Clough Walker Civil Pty Ltd	Australia	(vii)	-	100
Eclo Pty Ltd	Australia	(v)	100	100
Global Nippo Pte Ltd	Singapore		100	100
Llic Limited	Hong Kong	(vii)	-	100
Ocean Flow International LLC	USA	(i),(x)	70	-
Peritus Holdings Pty Ltd	Australia	(ix)	100	-
Peritus International Inc.	USA	(ix)	100	-
Peritus International Limited	England	(ix)	100	-
Peritus International Pty Ltd	Australia	(ix)	100	-
PT Clough	Indonesia	(ii)	100	100
PT Petrosea Tbk	Indonesia	(iii), (viii)	-	82
PTP Investments Pte Ltd	Indonesia	(viii)	-	82
Rem Clough Pty Ltd	Australia	(v)	100	100
Soustreet Pty Ltd	Australia	(v)	100	100

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

(i) Company is audited by another firm other than Deloitte.

(ii) Company is audited by an overseas Deloitte 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 does not lodge its financial statements with ASIC as it is a small proprietary company.

(vi) 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 2011.

(vii) Controlled entity deregistered during the year.

(viii) Controlled entity disposed of during the year.

(ix) Controlled entity incorporated during the year.

(x) Controlled entity acquired during the year.

41 Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

NAME OF COMPANY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 10 %	OWNERSHIP INTEREST 09 %	10 $'000	09 $'000
Listed					
Forge Group Limited *	Engineering and construction	**31.3**	-	**51,579**	-
Unlisted					
PT Tirta Kencana Cahaya Mandiri #	Operation and management of water treatment plant	**-**	47	**-**	-
				51,579	-

* The interest in Forge Group Limited was acquired during the current year - refer to note (f) below for further details.

\# PT Tirta Kencana Cahaya Mandiri is incorporated in Indonesia and is an associate of PT Petrosea Tbk. It was included in the assets of a disposal group held for sale at 30 June 2009. Clough sold its interest in PT Petrosea Tbk on 6 July 2009.

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**-**	723
Share of profits (losses) after income tax	**435**	(25)
Interests in associates acquired	**51,144**	-
Transferred to assets of a disposal group held for sale	**-**	(976)
Exchange differences	**-**	278
Carrying amount at the end of the financial year	**51,579**	-
(c) Share of associates' profits or losses		
Profit (loss) before income tax	**709**	(44)
Income tax (expense) benefit	**(274)**	19
Profit (loss) after income tax	**435**	(25)

(d) Summarised financial information of associates

The Group's share of the results of its associates and its aggregated assets (including goodwill) and liabilities are as follows:

	OWNERSHIP INTEREST %	GROUP'S SHARE OF: ASSETS $'000	LIABILITIES $'000	REVENUES $'000	PROFIT $'000
2010					
Forge Group Limited	31.3	73,183	21,604	22,379	435
		73,183	21,604	22,379	435
2009					
PT Tirta Kencana Cahaya Mandiri	47	3,399	2,491	2,741	48
		3,399	2,491	2,741	48

	CONSOLIDATED	
	10	09
	$'000	$'000
(e) Fair value of listed investments in associates		
Forge Group Limited	**66,289**	-

(f) Acquisition of interest in Forge Group Limited

On 23 February 2010, Clough announced that it had agreed to create a Strategic Alliance with Forge Group Limited (Forge) which provides the foundation for a long-term strategic co-operation between the companies.

The key transaction components included:

- Clough to invest approximately $19.5 million via a 15% share placement (Placement) subject to Forge shareholder approval.
- On Placement approval and completion, Clough to make a proportional cash takeover offer at $2.10 per share to all existing Forge shareholders for 50% of their shares in Forge (Offer).
- Clough to become a cornerstone investor in Forge.
- Strategic Alliance Agreement between the two companies to be triggered in various circumstances, including when Clough's interest in Forge reaches 31% or the Offer is declared unconditional by Clough.

Forge shareholders approved the Placement on 6 April 2010 and Clough subscribed for a total of 10,257,262 shares in Forge at a price of $1.90 per share.

Clough made the proportional takeover offer for 50% of the shares in Forge on 9 April 2010. The Offer was declared unconditional by Clough on 20 April 2010 on reaching a 31.24 % interest in Forge, triggering the Strategic Alliance between the two companies. The Offer closed on 11 May 2010 and resulted in Clough acquiring a total of 14,385,671 shares in Forge at a price of $2.10 per share.

As at 30 June 2010, Clough holds a total of 24,642,933 shares in Forge, representing an interest in Forge of 31.3%.

In addition to the Forge shares, Clough also holds a total of 3 million unlisted options in Forge that were acquired from certain Forge directors at a price of $1.75 per option on 16 April 2010. These options have an exercise price of $0.35 per option, are currently exerciseable and expire on 30 May 2012. These options are included in derivative financial assets - for further details refer to note 13.

As part of the Strategic Alliance, Clough's Chief Executive Officer, John Smith, has been appointed to the Forge Board as a non-executive director and a senior Clough executive has been appointed to Forge's executive management team. The Strategic Alliance will target joint project opportunities in the LNG and oil and gas sectors and provide a platform to support the continuation of Forge's anticipated growth trajectory.

42 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 16). Information relating to the jointly controlled entities is set out below.

		OWNERSHIP INTEREST		CARRYING VALUE OF INVESTMENT CONSOLIDATED	
Name and principal activity	NOTES	**10**	09	**10** $'000	09 $'000
Incorporated joint ventures					
Al Bilad S&B Clough, Ltd Engineering and construction	(vii)	**50%**	50%	**1,894**	1,582
Asia Offshore Services Pte Ltd Supply base and fabrication facility for the offshore oil and gas industry	(iii), (vi)	**-%**	50%	**-**	1,968
CBI Clough JV Pte Ltd LNG infrastructure contract in Papua New Guinea	(iv), (vi), (xi)	**35%**	-%	**91**	-
Clough Amec Pty Ltd Operations and maintenance asset management services to the oil and gas sector		**50%**	50%	**492**	-
Clough Helix Joint Venture Pty Ltd Subsea services and ancillary activities	(iv)	**50%**	-%	**-**	-
Elclough Pty Ltd Property manager	(xiii)	**50%**	50%	**-**	-
Harbourworks Clough Contracting Pty Ltd Engineering and construction	(ii)	**51%**	51%	**-**	-
Mashhor Clough Sdn Bhd Offshore pipeline installation	(i), (viii)	**50%**	50%	**89**	89
PT Santan Batubara Exploration and mining	(iii), (x), (xii)	**-%**	50%	**-**	-
St Quentin's Claremont Pty Ltd Trustee	(xiii)	**50%**	50%	**-**	-
St Quentin's Claremont Unit Trust Property Development	(xiii)	**50%**	50%	**-**	-
Unincorporated joint ventures					
Aker Kvaerner Clough Murray & Roberts Joint Venture Engineering, procurement and construction management of processing facilities for the Boddington Gold Mine	(xi)	**19.5%**	19.5%	**-**	-
Baulderstone Clough Joint Venture Operations and maintenance of inner-city freeway system		**50%**	50%	**-**	-
CBI Clough JV LNG infrastructure contract in Papua New Guinea	(iv), (xi)	**35%**	-%	**203**	-
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%	**7,324**	3,971
Clough Curtain Joint Venture LNG upstream infrastructure contract in Papua New Guinea	(ix), (xi)	**65%**	65%	**5,777**	50
Clough Demol Joint Venture Property development	(xiii), (xiv)	**100%**	80%	-	-
Clough Diversified Joint Venture Design and construction of a water pipeline in Queensland		**50%**	50%	**657**	-

Name and principal activity	NOTES	OWNERSHIP INTEREST 10	OWNERSHIP INTEREST 09	CARRYING VALUE OF INVESTMENT CONSOLIDATED 10 $'000	CARRYING VALUE OF INVESTMENT CONSOLIDATED 09 $'000
Clough Diversified Northern Pipeline Joint Venture Tender for pipeline project in Queensland		**50%**	50%	**-**	-
Clough Diversified United Joint Venture Design and construction of a pipeline in Queensland	(xi)	**33.3%**	33.3%	**77**	566
Clough Downer Joint Venture Design and construction of coal ship loader facilities		**50%**	50%	**-**	-
Clough Murray & Roberts Joint Venture EPCM services to the resources industry		**50%**	50%	**3**	895
Clough Sandwell Joint Venture Engineering consulting		**50%**	50%	**-**	-
Clough Seymour Whyte Joint Venture - Lake Cowal Construction of Lake Cowal gold plant - civils		**50%**	50%	**-**	-
Harbourworks Clough Joint Venture Construction of a LNG loading berth		**50%**	50%	**2,127**	2,086
Henry Walker Eltin - Clough Joint Venture Design and construction of bus transport freeway system		**50%**	50%	**33**	52
Kellogg Joint Venture - Gorgon Pre-front end engineering design (FEED) for Greater Gorgon Downstream LNG Project	(xi)	**20%**	20%	**767**	1,722
Kvaerner Clough Joint Venture Design and construction of process plant facilities	(xi)	**33.3%**	33.3%	**-**	-
Maretlink Joint Venture Engineering and EPCM of LNG plant	(xi)	**33.3%**	33.3%	-	1
Mernda (Lot 6) Joint Venture Property development	(xiii)	**50%**	50%	**-**	-
Petrosea - Calibre - Roberts & Schaeffer Joint Operation Feasibility studies for engineering and management services of Maruwai coal facilities	(iii), (x), (xii)	**-%**	33.3%	**-**	-
Petrosea Clough Joint Operation Engineering services for the oil and gas industry	(x)	**50%**	100%	**2,312**	-
PT LOR Indonesia Joint Operation Engineering services for Bontang coal terminal upgrade project	(iii), (x), (xii)	**-%**	50%	**-**	-
				21,846	12,982

(i) This entity has a 31 December year end.
(ii) This entity is not a controlled entity due to the provisions of a shareholder agreement.
(iii) This entity was sold during the year.
(iv) This entity was incorporated/established during the year.
(v) This entity was deregistered during the year.
(vi) This entity is incorporated in Singapore.
(vii) This entity is incorporated in Saudi Arabia.
(viii) This entity is incorporated in Brunei.
(ix) This entity is resident in Papua New Guinea.
(x) This entity is resident in Indonesia.
(xi) This entity is a jointly controlled entity due to the provisions of a joint venture agreement.
(xii) This entity is a jointly controlled entity of PT Petrosea Tbk and was included in the assets of a disposal group held for sale at 30 June 2009.
(xiii) This entity is part of the property business and is included in assets classified as held for sale at 30 June 2009 and 30 June 2010.
(xiv) The balance of this entity was acquired during the year and is now accounted for as a controlled entity.

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

42 Interests in jointly controlled entities (continued)

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Movements in carrying amounts of investments in jointly controlled entities		
Carrying amount at the beginning of the financial year	**12,982**	18,735
Share of profits after income tax	**47,621**	14,326
Dividends/distributions received	**(47,763)**	(15,991)
Contributions made	**9,494**	-
Interests sold	**(1,857)**	-
Repayment of contributions	**-**	(219)
Transfer from controlled entities	**1,445**	-
Transfer to assets classified as held for sale	**-**	(4,213)
Transferred to assets of a disposal group held for sale	**-**	(306)
Exchange differences	**(76)**	650
	21,846	12,982

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Share of jointly controlled entities' assets and liabilities		
Current assets	**96,807**	61,119
Non-current assets	**6,608**	5,450
Total assets	**103,415**	66,569
Current liabilities	**81,534**	53,350
Non-current liabilities	**35**	237
Total liabilities	**81,569**	53,587
Net assets	**21,846**	12,982

	CONSOLIDATED 10 $'000	CONSOLIDATED 09 $'000
Share of jointly controlled entities' revenue, expenses and results		
Revenues	**418,976**	178,372
Expenses	**(370,985)**	(164,008)
Income tax	**(370)**	(38)
Profit after income tax	**47,621**	14,326

	CONSOLIDATED	
	10	09
	$'000	$'000
Share of jointly controlled entities' commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**7,643**	7,253
Later than one year but not later than five years	**-**	2,850
Later than five years	**-**	-
Total expenditure commitments	**7,643**	10,103
Capital commitments	**444**	-
	8,087	10,103

Sale of Jointly Controlled Entities

Current year

On 6 July 2009, the Group sold its interests in PT Petrosea Tbk and related entities. As a result of this sale, the Group disposed of its interests in the following jointly controlled entities: PT Santan Batubara, Petrosea-Calibre-Roberts & Schaeffer Joint Operation and PT LOR Indonesia Joint Operation. For further details, refer to note 9.

On 21 August 2009, the Group sold its 50% interest in Asia Offshore Services Pte Ltd for cash consideration of SGD3,500,000. The Group has recognised an after-tax gain of $1,063,000 on this sale.

Prior year

On 22 August 2008, Clough Property Nambeelup Pty Ltd sold its 50% interest in Nambeelup Joint Venture for cash consideration of $6,435,000. The Group has recognised an after-tax loss of $33,000 on this sale.

43 Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial year, which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in periods subsequent to the year ended 30 June 2010, apart from the matter noted below.

Subsequent to the year end, the Directors have recommended the payment of a final dividend of 2.2 cents per fully paid ordinary share franked to 9%. For further details, refer to note 33.

44 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	PARENT ENTITY 10 $'000	09 $'000
Balance sheet		
Current assets	**994**	36,970
Non-current assets	**197,884**	160,867
Total assets	**198,878**	197,837
Current liabilities	**994**	36,970
Non-current liabilities	**3,730**	3,678
Total liabilities	**4,724**	40,648
Shareholders' equity		
Contributed equity	**229,729**	194,636
Reserves	**5,080**	3,612
Retained earnings	**(40,655)**	(41,059)
Capital and reserves attributable to owners of Clough Limited	**194,154**	157,189
Profit for the year	**13,809**	7,460
Total comprehensive income	**13,809**	7,460

(b) Guarantees entered into by the parent entity

The parent entity has provided a letter of financial support to a subsidiary entity. No liability has been recognised by the parent entity in relation to this guarantee, as the fair value of the guarantee is immaterial.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009.

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

	CONSOLIDATED	
	10	09
	$'000	$'000
Profit for the year	**51,238**	52,774
Depreciation and amortisation	**9,369**	17,145
Write off of trade receivables	**35**	32,893
Non-cash employee benefits expense - share-based payments	**1,468**	1,675
Net loss on disposal of property, plant and equipment	**2,484**	214
Net gain on sale of other non-current assets	**(32)**	(1,929)
Net gain on acquisition of balance of jointly controlled entity	**(33)**	-
Fair value gain on derivative financial assets	**(1,770)**	-
Net loss on disposal of assets classified as held for sale	**-**	33
Net gain on disposal of jointly controlled entities	**(1,063)**	-
Net gain on disposal of controlled entities	**(583)**	(4,480)
Impairment of investment classified as held for sale	**-**	3,000
Impairment of property development inventories classified as held for sale	**7,350**	3,754
Difference between equity accounted profits of associates and jointly controlled entities and dividends or distributions received	**(5,709)**	2,640
Net exchange differences and other non-cash items	**8,965**	(40,383)
Change in operating assets and liabilities, net of effects from sale/purchase of controlled entities		
Decrease (increase) in receivables	**2,606**	(13,043)
Decrease (increase) in work in progress	**54,247**	(10,458)
Decrease (increase) in deferred tax assets	**(5,265)**	(13,395)
Decrease (increase) in other assets	**-**	5,861
Increase (decrease) in payables	**(5,429)**	(53,405)
Increase (decrease) in amounts due to customers for contract work	**(14,732)**	(42,650)
Increase (decrease) in provision for income taxes payable	**(4,050)**	3,409
Increase (decrease) in deferred tax liabilities	**737**	55
Increase (decrease) in other provisions	**(2,443)**	3,205
Net cash inflow (outflow) from operating activities	**97,390**	(53,085)

46 Non-cash investing and financing activities

	CONSOLIDATED	
	10	09
	$'000	$'000
Acquisition of plant and equipment by means of finance leases	**-**	85,363
Acquisition of leasehold improvements through lease incentive	**7,000**	-
Issue of shares in Clough Limited on conversion of convertible notes in year	**36,948**	481
Issue of shares in Clough Limited on conversion of options in year financed by a loan provided by the Group	**-**	248

Deferred consideration payable for the acquisition of the remaining 30% of Ocean Flow International LLC is disclosed in note 39 and options issued to employees under the Clough Limited Employee Option Plan for no cash consideration are shown in note 48.

47 Earnings per share

	CONSOLIDATED 10 CENTS	09 CENTS
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	**6.90**	7.33
From discontinued operations	**-**	0.51
Total basic earnings per share attributable to the ordinary equity holders of the Company	**6.90**	7.84
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	**6.61**	6.73
From discontinued operations	**-**	0.44
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**6.61**	7.17

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

	CONSOLIDATED 10 $'000	09 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share		
Profit from continuing operations	**51,089**	49,020
Profit from continuing operations attributable to non-controlling interests	**(1,018)**	-
Profit from discontinued operations	**149**	3,754
Profit from discontinued operations attributable to non-controlling interests	**(130)**	(348)
	50,090	52,426
Diluted earnings per share		
Profit from continuing operations after non-controlling interests attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**50,071**	49,020
Interest savings on convertible notes, after tax	**1,284**	2,904
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**51,355**	51,924
Profit from discontinued operations	**149**	3,754
Profit from discontinued operations attributable to non-controlling interests	**(130)**	(348)
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**51,374**	55,330

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

	CONSOLIDATED 10 NUMBER	09 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**725,733,921**	668,807,356
Adjustments for calculation of diluted earnings per share:		
Options	**7,095,206**	1,252,188
Convertible notes	**44,524,264**	101,751,764
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**777,353,391**	771,811,308

(i) Options

Options granted to employees under the Clough Limited Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 48.

For the year ended 30 June 2010, the options granted on 17 November 2005, 23 April 2007, 23 November 2007, 26 November 2007, 8 September 2008, 1 February 2009 and 11 February 2009 are included in the calculation of diluted earnings per share. The other options granted under the Clough Limited Employee Option Plan are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2010. These options could potentially dilute basic earnings per share in the future.

For the year ended 30 June 2009, only the options granted on 17 November 2005, 1 February 2009 and 11 February 2009 are included in the calculation of diluted earnings per share. The other options granted under the Clough Limited Employee Option Plan are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2009. These options could potentially dilute basic earnings per share in the future.

(ii) Convertible notes

Convertible notes issued during the year ended 30 June 2007 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share for the years ended 30 June 2009 and 30 June 2010. The convertible notes have not been included in the determination of basic earnings per share. Details relating to the convertible notes are set out in note 28.

48 Share-based payments

(a) Employee Option Plan

Options are granted under the Clough Limited Employee Option Plan (Plan) which was approved by shareholders at the Annual General Meeting of the Company held on 16 November 1998 and amended at the Company's AGM in November 2007.

The following are the key aspects of the long term incentive scheme:

The Board 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 shareholder approval.

The maximum number of options that can be issued is subject to the following test. Immediately following the grant of options or the issue of shares from an exercise of options, the aggregate of the total number of unissued shares over which options have been granted and the total number of shares issued during the preceding five years under the Clough Limited Employee Option Plan, must not exceed 5% of the number of shares on issue.

The number of options granted to an employee is determined by the employee's base salary, the employment band and the notional value of each option at the date of grant.

Options are granted at the volume weighted average price (VWAP) during the week prior to the grant date.

The vesting period is four years and options will only vest if the total shareholder return (TSR) of Clough shares increased by an average of 12% per annum or more over the vesting period.

If an executive ceases to be an employee by reason of retirement, total and permanent disability or in circumstances approved by the Board, the employee has six months in which to exercise vested options. Unvested options at the end of the six months period will lapse. In the case of death, the employee's legal representative has the same period of time in which to exercise vested options. If an executive ceases to be an employee in other circumstances (e.g. resignation or termination) the participant has 30 days in which to exercise vested options. Any unvested options at the end of that period will lapse.

During the year ended 30 June 2010, two tranches of options were granted to executives of the Group under the Clough Limited Employee Option Plan. The vesting period of the options issued is three and four years respectively. These options 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. Details of these options are as follows:

4,244,848 options with exercise price of $0.82 were granted on 16 March 2010. These options have a vesting date of 16 March 2014 and an expiry date of 16 March 2017. In relation to these options, the performance criteria that must be met before the options vest are as follows:

- the options will vest if Clough's share price at the vesting date (adjusted for any dividends paid between the grant date and vesting date) is equal to or above $1.29.

48 Share-based payments (continued)

(a) Employee Option Plan (continued)

880,000 options with exercise price of $0.90 were granted on 16 March 2010. These options have a vesting date of 16 March 2013 and an expiry date of 16 March 2016. In relation to these options, the performance criteria that must be met before the options vest are as follows:

- 25% of the options will vest irrespective of the performance of the Company.
- 50% of the options will vest if Clough's Total Shareholder Return (TSR) is equal to or greater than the average return of the S&P/ ASX 200 accumulation series index during the period between the issue of the options and the vesting date.
- 25% of the options will vest if Clough's TSR is 25% or more above the average return of the S&P/ ASX 200 accumulation series index during the period between the issue of the options and the vesting date.

During the year ended 30 June 2009, a number of tranches of options were granted to executives of the Group under the Clough Limited Employee Option Plan. The vesting period of the options issued is three years. These options 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. Details of these options are as follows:

180,000 options with exercise price of $0.75 were granted on 28 August 2008. These options have a vesting date of 28 August 2011 and an expiry date of 28 August 2014.

2,000,000 options with exercise price of $0.69 were granted on 8 September 2008. These options have a vesting date of 8 September 2011 and an expiry date of 8 September 2014.

810,000 options with exercise price of $0.34 were granted on 1 February 2009. These options have a vesting date of 1 February 2012 and an expiry date of 1 February 2015.

7,543,606 options with exercise price of $0.34 were granted on 11 February 2009. These options have a vesting date of 11 February 2012 and an expiry date of 11 February 2015.

In relation to options granted during the year ended 30 June 2009, the performance criteria that must be met before the options vest are as follows:

180,000 options granted on 28 August 2008, 2,000,000 options granted on 8 September 2008 and 810,000 options granted on 1 February 2009:

- 25% of the options will vest irrespective of the performance of the Company.
- 50% of the options will vest if Clough's Total Shareholder Return (TSR) is equal to or greater than the average return of the S&P/ ASX 200 accumulation series index during the period between the issue of the options and the vesting date.
- 25% of the options will vest if Clough's TSR is 25% or more above the average return of the S&P/ ASX 200 accumulation series index during the period between the issue of the options and the vesting date.

7,543,606 options granted on 11 February 2009:

- the options will vest if Clough's share price at the vesting date (adjusted for any dividends paid between the grant date and vesting date) exceeds 64 cents.

During the year ended 30 June 2008, a number of tranches of options were granted to executives of the Group under the Clough Limited Employee Option Plan. These options have various vesting periods. These options 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. Details of these options are as follows:

6,000,000 options with exercise price of $0.58 were granted on 23 November 2007. These options were split into 1 lot of 3,000,000 options and 3 lots of 1,000,000 options and have vesting dates of 1 August 2010, 2011, 2012 and 2013 respectively. These options have expiry dates of 31 July 2013, 2014, 2015 and 2016 respectively.

2,400,000 options with exercise price of $0.75 were granted on 26 November 2007. These options have a vesting date of 26 November 2010 and an expiry date of 26 November 2013.

1,410,000 options with exercise price of $0.86 were granted on 1 February 2008. These options have a vesting date of 1 February 2011 and an expiry date of 1 February 2014.

2,210,000 options with exercise price of $0.86 were granted on 5 March 2008. These options have a vesting date of 5 March 2011 and an expiry date of 5 March 2014.

150,000 options with exercise price of $0.74 were granted on 18 April 2008. These options have a vesting date of 18 April 2011 and an expiry date of 18 April 2014.

In relation to options granted during the year ended 30 June 2008, the performance criteria that must be met before the options vest are as follows:

- 25% of the options will vest irrespective of the performance of the Company.
- 50% of the options will vest if Clough's Total Shareholder Return (TSR) is equal to or greater than the average return of the S&P/ ASX 200 accumulation series index during the period between the issue of the options and the vesting date.
- 25% of the options will vest if Clough's TSR is 25% or more above the average return of the S&P/ ASX 200 accumulation series index during the period between the issue of the options and the vesting date.

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 the options granted under the Plan:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	FORFEITED / EXPIRED DURING THE YEAR @	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE AT END OF THE YEAR
			NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
Consolidated entity - 2010								
17 November 2005 *	17 November 2011	$0.31	945,000	-	(220,000)	-	725,000	725,000
23 April 2007 *	23 April 2013	$0.57	1,415,000	-	(535,000)	(90,000)	790,000	790,000
23 November 2007 - Options A *	31 July 2013	$0.58	3,000,000	-	-	-	3,000,000	-
23 November 2007 - Options B *	31 July 2014	$0.58	1,000,000	-	-	-	1,000,000	-
23 November 2007 - Options C *	31 July 2015	$0.58	1,000,000	-	-	-	1,000,000	-
23 November 2007 - Options D *	31 July 2016	$0.58	1,000,000	-	-	-	1,000,000	-
26 November 2007 - Options E *	26 November 2013	$0.75	2,400,000	-	-	-	2,400,000	-
1 February 2008 - Options F	1 February 2014	$0.86	1,410,000	-	-	(750,000)	660,000	-
5 March 2008 - Options G	5 March 2014	$0.86	2,120,000	-	-	(600,000)	1,520,000	-
18 April 2008 - Options H	18 April 2014	$0.74	150,000	-	-	(150,000)	-	-
8 September 2008 - Options J	8 September 2014	$0.69	2,000,000	-	-	-	2,000,000	-
1 February 2009 - Options K	1 February 2015	$0.34	810,000	-	-	(150,000)	660,000	-
11 February 2009 - Options L	11 February 2015	$0.34	7,432,015	-	-	(2,185,362)	5,246,653	-
16 March 2010 - Options M	16 March 2016	$0.90	-	880,000	-	(200,000)	680,000	-
16 March 2010 - Options N	16 March 2017	$0.82	-	4,244,848	-	(254,343)	3,990,505	-
Total			24,682,015	5,124,848	(755,000)	(4,379,705)	24,672,158	1,515,000
Weighted average exercise price			$0.56	$0.83	$0.49	$0.57	$0.61	$0.31

48 Share-based payments (continued)

(a) Employee Option Plan (continued)

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	FORFEITED / EXPIRED DURING THE YEAR @ NUMBER	BALANCE AT END OF THE YEAR NUMBER	VESTED AND EXERCISABLE AT END OF THE YEAR NUMBER
Consolidated entity - 2009								
14 November 2003 *	14 November 2008	$0.59	600,000	-	-	(600,000)	-	-
14 November 2003 *	14 November 2008	$0.84	600,000	-	-	(600,000)	-	-
14 November 2003 *	14 November 2008	$1.09	600,000	-	-	(600,000)	-	-
14 November 2003 *	14 November 2008	$1.34	600,000	-	-	(600,000)	-	-
14 November 2003 *	14 November 2008	$1.59	600,000	-	-	(600,000)	-	-
17 November 2005 *	17 November 2011	$0.31	1,900,000	-	(870,000)	(85,000)	945,000	945,000
23 April 2007 *	23 April 2013	$0.57	1,580,000	-	-	(165,000)	1,415,000	-
23 November 2007 - Options A *	31 July 2013	$0.58	3,000,000	-	-	-	3,000,000	-
23 November 2007 - Options B *	31 July 2014	$0.58	1,000,000	-	-	-	1,000,000	-
23 November 2007 - Options C *	31 July 2015	$0.58	1,000,000	-	-	-	1,000,000	-
23 November 2007 - Options D *	31 July 2016	$0.58	1,000,000	-	-	-	1,000,000	-
26 November 2007 - Options E *	26 November 2013	$0.75	2,400,000	-	-	-	2,400,000	-
1 February 2008 - Options F	1 February 2014	$0.86	1,410,000	-	-	-	1,410,000	-
5 March 2008 - Options G	5 March 2014	$0.86	2,210,000	-	-	(90,000)	2,120,000	-
18 April 2008 - Options H	18 April 2014	$0.74	150,000	-	-	-	150,000	-
28 August 2008 - Options I	28 August 2014	$0.75	-	180,000	-	(180,000)	-	-
8 September 2008 - Options J	8 September 2014	$0.69	-	2,000,000	-	-	2,000,000	-
1 February 2009 - Options K	1 February 2015	$0.34	-	810,000	-	-	810,000	-
11 February 2009 - Options L	11 February 2015	$0.34	-	7,543,606	-	(111,591)	7,432,015	-
Total			18,650,000	10,533,606	(870,000)	(3,631,591)	24,682,015	945,000
Weighted average exercise price			$0.71	$0.41	$0.31	$1.00	$0.56	$0.31

* The exercise price of options outstanding at 28 November 2007 has been adjusted as a result of the impact of the renounceable rights issue in December 2007.

@ During the year ended 30 June 2010, 4,379,705 (2009: 631,591) options were forfeited and nil (2009: 3,000,000) options expired.

The weighted average remaining contractual life of share options outstanding at 30 June 2010 was 4.56 years (30 June 2009: 4.97 years).

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

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 31 cents and a vesting date of 17 November 2008. These options will vest if the executives remain employed by the Company at the vesting date. A total of 1,815,000 options vested on 17 November 2008; 870,000 options were exercised in the period to 30 June 2009 and 220,000 options were exercised in the year ended 30 June 2010.

The options granted on 23 April 2007 can only be exercised between 23 April 2010 and 23 April 2013. The options have an exercise price of 57 cents and a vesting date of 23 April 2010. These options will vest if the executives remain employed by the Company at the vesting date. A total of 1,325,000 options vested on 23 April 2010 and 535,000 options were exercised in the period to 30 June 2010.

Fair value of options granted

The assessed fair value per option at grant date of options granted during the year ended 30 June 2010 was: Options M: 35.7 cents and N: 32.1 cents and was determined by the directors based on an independent valuation prepared by RSM Bird Cameron Corporate 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 2010 included:

(a) options are granted for no consideration and are exercisable at any time between the vesting date and the expiry date. Options M have a six year life and Options N have a seven year life

(b) grant date: Options M and N: 16 March 2010

(c) vesting date: Options M: 16 March 2013 and N: 16 March 2014

(d) expiry date: Options M: 16 March 2016 and N: 16 March 2017

(e) share price at grant date: Options M: 81.5 cents and N: 81.5 cents

(f) exercise price: Options M: 90 cents and N: 82 cents

(g) expected price volatility of the Company's shares: Options M: 62% and N: 56%

(h) expected dividend yield: Options M: 2.2% and N: 2.2%

(i) risk-free interest rate: Options M: 5.4% and N: 5.4%

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

The assessed fair value per option at grant date of options granted during the year ended 30 June 2009 was: Options I: 30 cents; J: 31.3 cents; K: 11.82 cents; L: 8.73 cents and was determined by the directors based on an independent valuation prepared by RSM Bird Cameron Corporate 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 2009 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: Options I: 28 August 2008, J: 8 September 2008, K: 1 February 2009 and L: 11 February 2009

(c) vesting date: Options I: 28 August 2011, J: 8 September 2011, K: 1 February 2012 and L: 11 February 2012

(d) expiry date: Options I: 28 August 2014, J: 8 September 2014, K: 1 February 2015 and L: 11 February 2015

(e) share price at grant date: Options I: 75 cents; J: 75 cents; K: 29 cents; L: 30 cents

(f) exercise price: Options I: 75 cents; J: 69 cents; K: 34 cents; L: 34 cents

(g) expected price volatility of the Company's shares: Options I: 44%; J: 44%; K: 65%; L: 65%

(h) expected dividend yield: Options I: 0%; J: 0%; K: 3%; L: 3%

(i) risk-free interest rate: Options I: 5.73%; J: 5.7%; K: 3.26%; L: 3.59%

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

48 Share-based payments (continued)

(a) Employee Option Plan (continued)

The assessed fair value per option at grant date of options granted during the year ended 30 June 2008 was: Options A: 34.5 cents, B: 32.29 cents, C: 34.6 cents, D: 35.77 cents, E: 34.14 cents, F: 34.67 cents, G: 33.09 cents, H: 25.34 cents and was determined by the directors based on an independent valuation prepared by RSM Bird Cameron Corporate 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 2008 included:

(a) options are granted for no consideration, have a six year life (except for Options A: 5.7 years, B: 6.7 years, C: 7.7 years, D: 8.7 years) and are exercisable at any time between the vesting date and the expiry date

(b) grant date: Options A,B,C and D: 23 November 2007, E: 26 November 2007, F: 1 February 2008, G: 5 March 2008, H: 18 April 2008

(c) vesting date: Options A: 1 August 2010, B: 1 August 2011, C: 1 August 2012, D: 1 August 2013, E: 26 November 2010, F: 1 February 2011, G: 5 March 2011, H: 18 April 2011

(d) expiry date: Options A: 31 July 2013, B: 31 July 2014, C: 31 July 2015, D: 31 July 2016, E: 26 November 2013, F: 1 February 2014, G: 5 March 2014, H: 18 April 2014

(e) share price at grant date: Options A,B,C and D: $0.72, E: $0.77, F: $0.80, G: $0.64, H: $0.65

(f) exercise price: Options A,B,C and D: $0.58, E: $0.75, F and G: $0.86, H: $0.74

(g) expected price volatility of the Company's shares: 44%

(h) expected dividend yield: 0%

(i) risk-free interest rate: Options A and B: 6.15%, C and D: 5.84%, E: 6.23%, F: 6.40%, G: 6.10%, H: 6.18%

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	
	10	09
	$'000	$'000
Options issued under executive option plan		
Share-based payments expense	**1,468**	1,675

49 Ultimate parent entity

The ultimate parent entity is Murray & Roberts Holdings Limited, a company incorporated in South Africa.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 60 to 144 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 30 June 2010 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date, and

(b) the financial statements and notes set out on pages 60 to 144 are in compliance with the International Financial Reporting Standards as disclosed in note 1(a) to the financial statements, and

(c) 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

18 August 2010

John Smith
Director

RM Harding
Director

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Clough Limited

Report on the Financial Report

We have audited the accompanying financial report of Clough Limited, which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 60 to 145.

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 consolidated 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.

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

Auditor's Independence Declaration

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 consolidated entity's financial position as at 30 June 2010 and of its 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 44 to 55 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Clough Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner

Chartered Accountants

Perth, 18 August 2010

Supplementary information **For the year ended 30 June 2010**

Group total revenue

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

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

Unincorporated Joint Ventures

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

Joint Venture Entities

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

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

Consolidated group total revenue	30 JUNE 2010 $'000	30 JUNE 2009 $'000
Construction projects	**512,645**	672,317
Other revenue *	**28,580**	17,743
	541,225	690,060
Share of revenue from jointly controlled entities and associates	**371,434**	194,246
	912,659	884,306
Consolidated group total revenue		
From continuing operations *	**808,238**	637,678
From discontinued operations *	**104,421**	246,628
	912,659	884,306

* Includes interest income.

Shareholder and investor information

The shareholder information set out below was applicable as at 31 August 2010.

Distribution of members and their holdings

SIZE OF HOLDING			NUMBER OF HOLDERS ORDINARY SHARES	NUMBER OF HOLDERS OPTIONS OVER ORDINARY SHARES
1	-	1,000	508	-
1,001	-	5,000	1,446	3
5,001	-	10,000	762	1
10,001	-	100,000	1,282	46
100,001		and over	159	45
			4,157	95

There were 227 holders of less than a marketable parcel of ordinary shares.

Twenty largest shareholders

NAME	PERCENTAGE OF ISSUED CAPITAL %	NUMBER OF ORDINARY SHARES HELD
Zero Nominees Pty Ltd (Murray & Roberts Holdings Limited related entities and others)	69.21	532,123,313
JP Morgan Nominees Australia Limited	5.53	42,480,112
National Nominees Limited	3.73	28,658,815
HSBC Custody Nominees (Australia) Limited	2.59	19,906,967
Citicorp Nominees Pty Limited	2.12	16,293,193
Cogent Nominees Pty Limited	1.18	9,104,070
RBC Dexia Investor Services Australia Nominees Pty Limited	1.15	8,806,791
Equity Trustees Limited	1.04	8,000,000
WG Martin & MB Martin – Chemco Super Fund A/C	0.87	6,718,190
ANZ Nominees Limited	0.71	5,484,848
UBS Nominees Pty Ltd	0.36	2,745,537
Andrea Antoci	0.30	2,331,587
G Harvey Nominees Pty Limited	0.26	2,013,855
Simon Robert High	0.14	1,100,000
John Joseph Wallace - Wallace Family Trust A/C	0.14	1,094,541
Estate Late Richard Malcolm Reid	0.14	1,085,990
Geoffrey John Smith	0.14	1,044,000
Barbara Hirschowitz	0.11	832,452
RF Thompson (Qld) Pty Ltd	0.10	751,833
Peter Tole	0.08	602,996
	89.90	691,179,090
Total number of issued shares		768,806,269

Substantial shareholders

The number of shares held by substantial shareholders, as disclosed in the substantial shareholding notice given to the Company.

SHAREHOLDER	NUMBER HELD
Murray & Roberts Holdings Limited related entities through Zero Nominees Pty Ltd	478,957,478
Westoz Funds Management Pty Ltd	47,070,498

Unquoted equity securities

Options

There are 24,642,158 options issued to 95 executives under the Clough Limited Executive Option Plan to take up ordinary shares.

Voting rights

Ordinary shares carry voting rights of one vote per share.

Options have no voting rights.

Shareholder inquiries

Shareholders can obtain information about their shares or dividend payments by contacting the Company's share registry:

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia 6000

Telephone +618 9323 2000
Facsimile +618 9323 2033

Stock exchange listing

Securities in Clough Limited are quoted on the Australian Stock Exchange Limited.

Change of address

Shareholders should notify the share registry in writing immediately there is a change of their registered address or change in banking details for dividends electronically credited to a bank account in Australia.

Publications

The annual report is the main source of information for shareholders.

Removal from annual report mailing list

Shareholders who do not wish to receive the annual report, or who are receiving more than one copy, should advise the share registry in writing.

Clough limited website

Clough Limited has an Internet address at www.clough.com.au

This contains the Company's latest annual report, interim reports and media statements released through the Australian Stock Exchange.

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Back cover image: Clough's Java Constructor installs the Montara Topsides in the Timor Sea.

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