APPENDIX 4E

PRELIMINARY FINAL REPORT
PERIOD ENDED 31 DECEMBER 2008

Name of entity	Ludowici Limited
ABN	22 000 001 365
Reporting period	Year ended 31 December 2008
Previous corresponding period	Year ended 31 December 2007

Results for announcement to the market

Extracts from this report for announcement to the market $A'000

Revenues from ordinary activities	up	7.3%	to	159,719
Profit from ordinary activities after tax attributable to members	up	143.0%	to	4,571
Net profit for the period attributable to members	up	143.0%	to	4,571

Dividends (distribution)	Amount per security	Franked amount per security
Distributions paid/payable : First Interim Dividend – paid 24 October, 2008 Final dividend – payable 29 May, 2009	 6.0 cents 2.0 cents	 Nil Nil
Distributions paid previous corresponding period : First Interim Dividend – paid 17 August, 2007 Second Interim Dividend – paid 26 October, 2007 Final dividend – paid 12 May 2008	 14.0 cents 10.0 cents 8.0 cents	 14.0 cents 10.0 cents 8.0 cents
Record date for determining entitlements to the dividend and Dividend Reinvestment Plan	19 May 2009	

The +dividend or distribution plans shown below are in operation.

DIRECTORS HAVE APPROVED THE DIVIDEND REINVESTMENT PLAN PARTICIPATION FOR THE 2008 FINAL DIVIDEND

	Current Period	Previous Corresponding Period
Net tangible assets per security	$2.44	$2.37

Refer the attached financial statements for additional information on the above data.

The financial statements have been audited.

DIRECTORS' REPORT

Your Directors submit their report for the year ended 31 December 2008.

Directors

The following persons were Directors of the Company during the financial year end up to the date of this report and were in office for the entire period unless otherwise stated:

Phil J Arnall (Chairman)
Patrick J Largier (Managing Director)
Julian K Ludowici
Colin W Ravenhall
Hugh K Rhodes-White
Nick W Stump

Principal Activities

The principal activities of the consolidated entity are:

(a) Manufacture of :
- Equipment for the mineral processing industry;
- Fluid seals for hydraulic and pneumatic systems;
- Rubber products; and
- Moulded fibre packaging products and equipment.

(b) Marketing of these products, and other merchandised lines.

Review of operations

A brief review of operations of the Group during the financial year and of the results of these operations is in the letter to shareholders appended to this report.

Dividends

The following dividends to shareholders have been paid since the end of the last financial year :

		2008 $'000	2007 $'000
(a)	Referred to in the report of the previous year: Final ordinary dividend paid 12 May 2008: 8 cents per fully paid share (2007 – 14.5 cents)	1,470	2,585
(b)	Ordinary dividend Nil paid 2008 (August 2007 – 14.0 cents)	0	2,512
(c)	Ordinary dividend paid – interim dividend paid 24 October 2008 6.0 cents per fully paid share (2007 - 10.0 cents)	1,116	1,830
(d)	Preference dividend – paid 6 June 2008	6	6
		2,592	**6,933**

Matters subsequent to the end of the financial year

On the date of approval of this report the Directors have declared a final dividend of 2 cents per fully paid ordinary share, unfranked and payable on 29 May 2009. No other matters of a material nature have arisen since the end of the financial year.

Environmental reporting

All the Company's business units are subject to Federal and State Government Environmental regulation and licence. The Company has complied with its obligations in all respects.

Information on Directors

Phil J Arnall BCom. *Chairman – Independent non-executive.*

Experience and expertise
Mr Arnall was appointed in January 2003 following a 30 year career in the mining and steel industries including senior executive responsibility in Smorgon Steel Group, Tubemakers and ANI. He maintains interests in businesses servicing the mining and rail markets in Australia.

Other current directorships
Capral Aluminium Limited – Chairman
Bradken Limited – Director

Former directorships in last 3 years
Kip McGrath Education Centres Ltd – Chairman, resigned August 2005

Special responsibilities
Chairman of the Board
Member of the audit committee

Patrick J Largier BSc Chem Eng with Honours (University of Cape Town); Advanced Management Program (Harvard University). *Managing Director – appointed 21 June 2007.*

Experience and expertise
Prior to joining Ludowici, Mr Largier spent nearly fifteen years with Orica/ICI Australia. During that period he led a number of Orica's business units and divisions. His last role in Orica was Group General Manager Strategy and Acquisitions. His earlier career included 10 years with the Shell group of companies in a variety of business and marketing roles in South Africa and London. After graduating as a chemical engineer, Mr Largier worked for Impala Platinum and a local chemical engineering contracting company in Johannesburg.

Other current directorships
Director of Ludowici Limited subsidiary companies

Former directorships in last 3 years
None

Julian K Ludowici BCom. *Non-independent non-executive.*

Experience and expertise
Mr Ludowici was appointed in September 1988. He established BeMax Resources Limited as a major minerals and mining company in the Murray Basin NSW and subsequently started Customers Ltd, the largest independent provider of ATM services in Australia. Mr Ludowici is currently a Director of Rey Resources Ltd, a coal exploration company. He has wide experience in capital markets and is a director of Ludowici Investments, the largest shareholder in Ludowici Limited.

Other current directorships
Rey Resources Limited – Chairman

Former directorships in last 3 years
Customers Limited – Chairman, resigned in June 2005

Special responsibilities
Member of the audit committee

Information on Directors (continued)

Colin W Ravenhall Dip App Chem. *Independent non-executive.*

Experience and expertise
Mr Ravenhall was appointed in February 2001. Former Managing Director of Taubmans Industries Limited and former President and CEO of Courtaulds Coatings Inc. USA. He has 35 years experience in industrial and consumer marketing and manufacture, both locally and overseas.

Other current directorships
None

Former directorships in last 3 years
None

Special responsibilities
Chairman of the audit committee

Hugh K R Rhodes-White. *Non-independent non-executive.*

Experience and expertise
Mr Rhodes-White was appointed in September 1999. He is the managing director and owner of a Sydney construction company.

Other current directorships
None

Former directorships in last three years
None

Nick W Stump MAppSc (Adel), FAusIMM. *Independent non-executive.*

Experience and expertise
Mr Stump was appointed in April 2005. He was former CEO of Comalco Ltd and MIM Holdings Ltd and is a Member of the Senate of the University of Queensland.

Other current directorships
None

Former directorships in last three years
None

Company Secretary

Jim D MacDonald BBus, CPA, FAICD, FCEOI

Mr MacDonald was appointed Company Secretary on 31 January 2008. He has had extensive experience as a CFO and Company Secretary for public companies and "Not for Profit" organizations having previously held similar roles at Grow Force Australia Limited, Endeavour Foundation and Metal Storm Limited.
Mr MacDonald is a director of Ludowici Limited's subsidiary companies.

Meetings of Directors

The following table sets out the number of the Directors' meetings (including committee meetings) held during the year ended 31 December 2008 and the number of meetings attended by each Director.

	Directors' Meetings		Meetings of Committees: Audit		Meetings of Committees: Nomination & Remuneration	
	A	**B**	**A**	**B**	**A**	**B**
P J Arnall	12	12	3	3	2	2
P J Largier	12	12	*	*	*	*
J K Ludowici	12	12	3	3	2	2
C W Ravenhall	12	12	3	3	2	2
H K R Rhodes-White	12	12	*	*	2	2
N W Stump	11	12	*	*	2	2

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
* = Not a member of the relevant committee

Remuneration report (audited)

Objective:

The objective of the Company's remuneration policy is to attract, develop, motivate and retain people with the capability to contribute to the achievement of its business objectives. This applies throughout the Company, at all levels.

This statement outlines the remuneration policy as it applies to senior executives; that is, the Chief Executive Officer and key management personnel.

Principles used to determine the nature and amount of remuneration:

The remuneration policy is based on the principles that executive remuneration should be:

- Appropriate to the responsibilities of the position;
- Industry competitive;
- Related to performance (financial and other);
- Aligned to Shareholder interests.

Non-Executive Remuneration Policy:

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to the shareholders. The aggregate remuneration of non-executive Directors shall be determined from time to time by general meeting. This amount is then divided between the Directors as agreed. The latest determination was made in April 2008 when an aggregate remuneration of $370,000 was approved.

Remuneration report (audited) (continued)

Executive Remuneration Structure:

Total remuneration for senior executives has two elements:

- Total fixed remuneration (TFR)
- Bonuses comprising a cash short-term incentive (STI) and a longer term incentive performance plan (IPP).

TFR:

Comprises base salary, superannuation and vehicle provision. Other permissible benefits may be provided on a salary sacrifice basis.

Base salaries are reviewed annually by reference to salary surveys and other market data, the value assigned to each position and individual performance. Acceptable performance generally attracts a base salary around the 50th percentile of the market range for an equivalent position.

Bonuses

Results based bonuses are paid on formally assessed performance. Performance is rated on task achievement levels in key result areas which include financial, operational, safety and strategic objectives contained in the three year plan. A total bonus amount is calculated by applying the achieved rating (out of 100) to a percentage of base salary determined by the Board from time to time. These percentages are currently capped at:

Managing Director	*
Key management personnel	30% to 50%
Other senior managers	30% to 40%

The total bonus amount is then paid as two sums:

(i) STI, a taxable cash bonus of 40% to 60% of the total bonus;
(ii) IPP, a taxable share based bonus of 40% to 60% of the total bonus. Whilst the beneficial ownership of the shares vests in the employee and they have the right to receive dividends, the legal ownership of the shares is deferred and only vests in the employee if they remain in the employment of the company three years after being awarded.
* Refer executive service agreements – Patrick J Largier.

In addition the Company operates an Executive Share and Option Plan (ESOP) under which participating executives are entitled :

(i) By sacrificing the right to receive salary, salary increases and/or bonuses as cash, to receive shares in Ludowici Limited in lieu of the sacrificed amount. The price of the shares is calculated at 95% of the weighted average share price over a five day trading period determined by the Directors;
(ii) To purchase, using their own funds, up to an additional 25% in number of shares purchased in (i) above at the same price; and
(iii) To be granted share options equivalent to the number of shares they are entitled to receive in (i) above regardless of whether they elect to receive shares or not. The options are only exercisable after three and before five years from the date of grant and only if earnings of the Company meet or exceed prescribed earnings targets set by the Directors. The exercise price of the options is 100% of the weighted average share price over the five-day trading period determined by the Directors in (i) above i.e. the 5% discount does not apply. Currently the target earnings figures have been set by applying a 15% p.a. compound growth factor to the earnings per share for the year ended 31 December 2001. The options element of the ESOP was suspended for new options on or before 1 October 2005.

DIRECTORS' REPORT (continued)

Remuneration report (audited) (continued)

Company Performance:

The performance of the Company is reflected in the movement of the Company's earnings per share, which for the past five years has been as follows:

	Before AIFRS Adjustment	After AIFRS adjustment Prescribed	Earnings targets
2004	35.8 cents per share	24.5 cents per share	35.0
2005	N/A	42.3 cents per share	40.0
2006	N/A	49.1 cents per share	46.0
2007	N/A	10.5 cents per share	53.0
2008	N/A	24.7 cents per share	61.1

Policy Review:

The Nomination and Remuneration Committee reviews remuneration policy and structure at least annually.

Amounts of remuneration:

2008		Short term			Post Employment			Share-based payment	
		Salary & Fees	**Cash Bonus**	**MV Benefits**	**IPP Bonus**	**Super**	**Long service leave**	**Options**	**Total**
		$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Directors									
P J Arnall	Non Executive	85,750	-	-	-	7,717	-	-	93,467
P J Largier √	Executive	443,119	-	-	-	42,364	7,384	30,000	522,867
J K Ludowici	Non Executive	49,000	-	-	-	4,410	-	-	53,410
C W Ravenhall	Non Executive	61,250	-	-	-	5,512	-	-	66,762
H K Rhodes-White	Non Executive	49,000	-	-	-	4,410	-	-	53,410
N W Stump	Non Executive	49,000	-	-	-	4,410	-	-	53,410
Sub- total Directors		737,119	-	-	-	68,823	7,384	30,000	843,326

Note: Non executive Directors receive no benefits other than Directors' fees and deferred retirement benefits (superannuation) disclosed above. 375,000 options were granted to Mr Largier at the Annual General Meeting held on 28 April 2008.

DIRECTORS’ REPORT (continued)

Remuneration report (audited) (continued)

Amounts of remuneration (continued):

2008	**Short term**			**Post Employment**			**Share-based payment**	
	Salary & Fees	**Cash Bonus**	**MV Benefits**	**IPP Bonus**	**Super**	**Long service leave**	**Options**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Other key management personnel								
J D MacDonald √	203,246	-	-	-	14,645	3,440	-	221,331
Sub – total other key management personnel	203,246	-	-	-	14,645	3,440	-	221,331
Total key management personnel compensation	940,365	-	-	-	83,468	10,824	30,000	1,064,657
Other Company executives								
B A Cason √	183,750	-	25,000	-	17,437	3,062	-	229,249
W F Dixon * √	164,373	-	-	-	12,842	3,210	-	180,425
J H Pettigrew √	153,628	-	-	-	11,017	2,854	-	167,499

√ denotes one of the 5 highest paid executives of the Company, as required to be disclosed under the Corporations Act 2001.
* Mr Dixon commenced on 25 February 2008.

No options were granted during the year ended 31 December 2008.

2007		**Short term**			**Post Employment**			**Share-based payment**	
		Salary & Fees	**Cash Bonus**	**MV Benefits**	**IPP Bonus**	**Super**	**Long service leave**	**Options**	**Total**
		$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Directors									
P J Arnall	Non Executive	85,750	-	-	-	7,717	-	-	93,467
P J Largier	Executive	219,125	27,500	-	-	19,721	1,487	-	267,833
J K Ludowici	Non Executive	49,000	-	-	-	4,410	-	-	53,410
C W Ravenhall	Non Executive	61,250	-	-	-	5,512	-	-	66,762
H K Rhodes-White	Non Executive	49,000	-	-	-	4,410	-	-	53,410
N W Stump	Non Executive	49,000	-	-	-	4,410	-	-	53,410
G Turner **	Executive	407,899	108,300	-	-	21,356	1,889	-	539,444
Sub- total Directors		921,024	135,800	-	-	67,536	3,376	-	1,127,736

DIRECTORS' REPORT (continued)

Remuneration report (audited) (continued)

Note: Non executive Directors receive no benefits other than Directors' fees and deferred retirement benefits (superannuation) disclosed above. No options were granted during the year ended 31 December 2007.
** The salary of $407,899 shown above for Mr Turner includes a termination payment of $129,509.

Amounts of remuneration (continued):

2007	**Short term**			**Post Employment**			**Share-based payment**	**Total**
	Salary & Fees	**Cash Bonus**	**MV Benefits**	**IPP Bonus**	**Super**	**Long service leave**	**Options**	
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Other key management personnel								
B A Cason √	143,042	10,000	25,000	10,000	13,179	1,941	-	203,162
J D MacDonald *	11,909	-	-	-	1,072	13	-	12,994
M Trench √	207,103	9,862	25,000	9,863	23,282	2,810	-	277,920
C A Wilson √	188,709	4,151	-	4,151	16,277	2,561	-	215,849
B A Winstone √	161,583	-	25,000	-	14,383	2,193	-	203,159
Sub – total other key management personnel	712,346	24,013	75,000	24,014	68,193	9,518	-	913,084
Total key management personnel compensation	1,633,370	159,813	75,000	24,014	135,729	12,894	-	2,040,820
Other Company executives								
R Angus √	139,999	12,945	25,000	12,945	12,388	1,900	-	205,177

√ denotes one of the 5 highest paid executives of the Company, as required to be disclosed under the Corporations Act 2001.
* Mr MacDonald commenced employment on 17 December 2007.

No options were granted during the year ended 31 December 2007.

Executive Service Agreements

Details of contract agreements for the above personnel, if applicable, are detailed below:-

Patrick J Largier, *Managing Director (appointed 21 June 2007)*

- Term of agreement – To continue until terminated in accordance with the agreement
- TFR, inclusive of superannuation is $483,000 per annum. The base salary is to be reviewed annually by the remuneration committee.
- STI, a taxable bonus of 60% of total TFR upon achievement of targets plus an additional 20% of TFR if stretch targets are achieved.
- LTI in form of a share option plan approved at the 2008 Annual General Meeting.
  The number of options over unissued shares in the company which shall be granted initially is 675,000. This grant shall occur in the following tranches:
    - 375,000 options immediately as approved by shareholders at the 2008 AGM
    - 150,000 options on 1 January 2009
    - 150,000 options on 1 January 2010

  Each option granted shall on exercise convert to one fully paid ordinary share in the company.
  The vesting of options is based on growth in earnings per share for prescribed measurement periods.
  For the 375,000 options the number vested will depend on the achievement level of the three financial years ended 31 December 2010.

Remuneration report (audited) (continued)

- Less than 5% per annum – number vested nil
- Threshold: 5% - 100,000 vested
- Target 10% - 200,000 vested
- Stretch 15% or more – 375,000

For the 150,000 options the number vested will depend on the achievement level of the three financial years ended 31 December 2011.

- Less than 5% per annum – number vested: nil
- Threshold: 5% - 40,000 vested
- Target 10% - 80,000 vested
- Stretch 15% or more – 150,000

For the 150,000 options the number vested will depend on the achievement level of the three financial years ended 31 December 2012.

- Less than 5% per annum – number vested: nil
- Threshold: 5% - 40,000 vested
- Target 10% - 80,000 vested
- Stretch 15% or more – 150,000

Options which have vested must be exercised within twelve months from the date of the announcement to the Australian Securities Exchange.

The exercise price of an option will be as follows:

- 375,000 options –fixed price $6.70
- Up to 150,000 (1 January 2009) - $2.40 being the weighted average of the prices at which shares traded on the ASX for the months of November and December 2008.
- Up to 150,000 (1 January 2010) – the weighted average of the prices at which shares traded on the ASX from November and December 2009.

♦ Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to twelve months salary.

Jim D MacDonald, *Chief Financial Officer / Company Secretary*

♦ Term of agreement - To continue until terminated in accordance with the agreement.
♦ TFR, inclusive of superannuation is $225,000 per annum.
♦ Bonus: Up to 50% of TFR 50% in cash (STI) and 50% in shares deferred for three years (LTI).
♦ Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to six months salary.

Share-based compensation

Remuneration options : granted during the year

(i) Directors

375,000 options were granted to Mr Largier at the Annual General Meeting held on April 2008 (2007: Nil).

(ii) Other key management personnel

No options were granted to executives during the year (2007: Nil).

Remuneration options : exercised during the year

(i) **Directors**

Options exercised in the 12 months to 31 December 2008:

	Options exercised No.	Grant date	Exercise date	Exercise price $
P J Largier	0			
Total	0			

DIRECTORS' REPORT (continued)

Remuneration report (audited) (continued)

Options exercised in the 12 months to 31 December 2007:

	Options exercised No.	Grant date	Exercise date	Exercise price $
G T Turner	23,415	31/05/04	27/07/07	4.32
G T Turner	11,991	30/09/04	05/10/07	4.83
Total	35,406			

(ii) **Other key management personnel**

Options exercised in the 12 months to 31 December 2008:
Options are exercised for shares in Ludowici Limited.

	Options exercised (or lapsed) No.	Grant date	Exercise (lapse) date	Exercise price $
J D MacDonald	-	-	-	-
Total	-			

** Indicates hurdle (eps) for the relevant year was not met.

There were no options exercised by key management personnel during 2008.

Options exercised in the 12 months to 31 December 2007:

	Options exercised No.	Grant date	Exercise date	Exercise Price $
C A Wilson	3,171	31/05/04	27/11/07	4.32
C A Wilson	681	30/09/04	27/11/07	4.83
Total	3,852			

Option holdings of key management personnel

	2008	Balance at beginning of period 1 January 2008 No.	Granted as Remuneration No.	Exercised and converted to ordinary shares (or lapsed) No.	Balance at end of period 31 December 2008 No.
(i)	*Directors*				
	P J Largier	-	375,000	-	375,000
(ii)	*Other key management personnel*				
	J D MacDonald	-	-	-	-
	Total	-	375,000	-	375,000

Remuneration report (audited) (continued)

2007	Balance at beginning of period 1 January 2007 No.	Granted as Remuneration No.	Exercised and converted to ordinary shares No.	Balance at end of period 31 December 2007 No.
(i) *Directors*				
G T Turner	35,406	-	(35,406)	-
(ii) *Other key management personnel*				
B A Cason	9,081	-	-	9,081
J D MacDonald	-	-	-	-
M Trench	13,794	-	-	13,794
C A Wilson	3,852	-	(3,852)	-
B A Winstone	4,652	-	-	4,652
Total	66,785	-	(39,258)	27,527

Shareholdings of directors and key management personnel

2008	Balance 1 January 2008 Ord No.	Balance 1 January 2008 Pref No.	Shares purchased/(sold)** Ord No.	Shares purchased/(sold)** Pref No.	Balance 31 December 2008 Ord No.	Balance 31 December 2008 Pref No.
(i) *Directors*						
P J Arnall	25,955	-	4,762	-	30,717	-
P J Largier	4,250	-	11,619	-	15,869	-
J K Ludowici*	162,997	20,250	33,067	-	196,064	20,250
C W Ravenhall	25,701	-	3,455	-	29,156	-
H K R Rhodes-White*	81,427	-	2,381	-	83,808	-
N W Stump	1,138	-	7,640	-	8,778	-
Sub-totals	301,468	20,250	62,924	-	364,392	20,250

2008	Balance 1 January 2008 Ord No.	Balance 1 January 2008 Pref No.	Shares purchased/(sold)** Ord No.	Shares purchased/(sold)** Pref No.	Balance 31 December 2008 Ord No.	Balance 31 December 2008 Pref No.
(ii) *Other key management personnel*						
J D MacDonald	-	-	-	-	-	-
Totals	-	-	-	-	-	-

DIRECTORS' REPORT (continued)

Remuneration report (audited) (continued)

2007	Balance 1 January 2007 Ord No.	Balance 1 January 2007 Pref No.	Shares purchased/(sold)** Ord No.	Shares purchased/(sold)** Pref No.	Balance 31 December 2007 Ord No.	Balance 31 December 2007 Pref No.
(i) *Directors*						
P J Arnall	25,955	-	-	-	25,955	-
P J Largier	-	-	4,250	-	4,250	-
J K Ludowici*	153,167	20,250	9,830	-	162,997	20,250
C W Ravenhall	24,380	-	1,321	-	25,701	-
H K R Rhodes-White*	81,427	-	-	-	81,427	-
N W Stump	1,079	-	59	-	1,138	-
G T Turner	562,210	-	(12,140)	-	550,070	-
Sub-totals	848,218	20,250	3,320	-	851,538	20,250

2007	Balance 1 January 2007 Ord No.	Balance 1 January 2007 Pref No.	Shares purchased/(sold)** Ord No.	Shares purchased/(sold)** Pref No.	Balance 31 December 2007 Ord No.	Balance 31 December 2007 Pref No.
(ii) *Other key management personnel*						
B A Cason	-	-	-	-	-	-
J D MacDonald	-	-	-	-	-	-
M Trench	34,575	-	(30,577)	-	3,998	-
C A Wilson	10,267	-	4,355	-	14,622	-
B A Winstone	1,000	-	-	-	1,000	-
Totals	894,060	20,250	(22,902)	-	871,158	20,250

* Messrs Ludowici and Rhodes-White are directors of Ludowici Investments Pty Ltd, which holds 5,054,185 (2007: 4,936,260) shares in the company. Mr Ludowici is also a director of Sevlan Pty Ltd which holds 108,192 (2007: 101,573) shares in the company.

Dividends were received by the above directors in the same manner as other shareholders.

Options held as at the end of the reporting period :

The following table summarises information about options held by Directors and employees (including other key management personnel):

(i) **31 December 2008:**

Number of options granted	Grant date	Vesting date	Expiry date	Weighted average exercise price $
38,915	31/05/04	31/05/07	31/05/09	4.32
12,624	30/09/04	30/09/07	30/09/09	4.83
375,000	28/04/08	31/12/10	n/a	6.70
426,539				

Remuneration report (audited) (continued)

31 December 2007:

Number of options granted	Grant date	Vesting date	Expiry date	Weighted average exercise price $
26,682	31/05/03	31/05/06	31/05/08	3.09
12,599	30/09/03	30/09/06	30/09/08	3.84
38,915	31/05/04	31/05/07	31/05/09	4.32
12,624	30/09/04	30/09/07	30/09/09	4.83
40,698	31/05/05	31/05/08	31/05/10	4.89
12,226	30/09/05	30/09/08	30/09/10	5.66
143,744				

(ii) There were no options granted in the 12 months to 31 December 2007.

(iii) **Options cancelled in the 12 months to 31 December 2008:**

No. of Options cancelled	Grant date	Vesting date	Expiry date	Weighted average exercise price $
(19,098)	31/05/03	31/05/06	31/05/08	3.09
(12,599)	30/09/03	30/09/06	30/09/08	3.84
(40,698)	31/05/05	31/05/08	31/05/10	4.89
(12,226)	30/09/05	30/09/08	30/09/10	5.66
(84,621)				

Options cancelled in the 12 months to 31 December 2007:

No. of Options cancelled	Grant date	Vesting date	Expiry date	Weighted average exercise price $
(4,525)	31/05/04	31/05/07	31/05/09	4.32
(2,226)	30/09/04	30/09/07	30/09/09	4.83
(6,354)	31/05/05	31/05/08	31/05/10	4.89
(1,973)	30/09/05	30/09/08	30/09/10	5.66
(15,078)				

Remuneration report (audited) (continued)

(iv) Options exercised in the 12 months to 31 December 2008:

No. of Options exercised	Grant date	Exercise date	Weighted average exercise price $
(7,584)	31/05/03	02/06/08	3.09
(7,584)			

Options exercised in the 12 months to 31 December 2007:

No. of Options exercised	Grant date	Exercise date	Weighted average exercise price $
(5,612)	31/05/03	31/05/06	3.09
(2,675)	30/09/03	30/09/06	3.84
(41,538)	31/05/04	31/05/07	4.32
(15,817)	30/09/04	30/09/07	4.83
(65,642)			

Directors' Interests

The interests of each Director in shares in Ludowici Limited or in a related body corporate as contained in the register of Directors' shareholdings of Ludowici Limited are set out in Note 31(d) (iii) of the financial statements.

People

Group employees at the end of 2008 totalled 586 compared to 551 in 2007.

Employment Policy and Employee Development

The Company is an equal opportunity employer. Policies on employment, training and development, advancement and promotion are merit-based and do not discriminate in favour of or against any person on any ground.

The Company encourages our people to undertake further education and training. By doing so, they have the opportunity to develop their abilities and so reach their full potential. Training programmes all have as a key objective the development of a genuine quality and service culture, seen as an essential element in the achievement of the Company's business objectives.

Non-Audit Services

Fees in respect of taxation and other services totalling $188,556 were paid to the external auditors (refer note: 26). The Directors are satisfied the provision of these services by the auditor is compatible with the general standard of independence for auditors imposed by The Corporations Act 2001. This statement has been made in accordance with advice from the Audit Committee.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

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 Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

DIRECTORS' REPORT (continued)

Other Information

(a) Future operations

Information as to the prospects in 2009 of the consolidated entity is set out in the letter to shareholders.

Disclosure of further information regarding likely developments in the operations of the consolidated entity in future financial years and the future results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, additional information has not been disclosed in this report.

(b) State of affairs of consolidated entity during financial year

The Directors are not aware of any significant change in the state of affairs of the consolidated entity that occurred during the financial year under review not elsewhere disclosed in this report and in the consolidated financial statements.

(c) Share options

No share options were issued during the year under the Executive Share and Option Plan, however 375,000 options were granted to Patrick Largier at the Annual General Meeting held on 28 April 2008. Details of existing options are disclosed in Notes 31 & 32.

(d) Insurance of officers

The consolidated entity has not, during or since the end of the financial year, indemnified against a liability any person who is or has been an officer or auditor of Ludowici Limited or of any of its related bodies corporate.

Ludowici Limited has paid premiums in respect to a contract insuring the Directors and officers of Ludowici Limited and its controlled entities against liabilities incurred while acting as Directors and officers. The terms and conditions of the insurance policies prohibit the Company from disclosing details of the premiums and the nature of the liabilities covered by the policies.

(e) Tax consolidation

Effective 1 July 2003 for the purposes of income taxation, Ludowici Limited and its 100% Australian owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

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

P J Arnall	P J Largier
Director	Director

Brisbane
27 February 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of Ludowici Limited for the year ended 31December 2008, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Martin Linz
Partner
PricewaterhouseCoopers

Brisbane
27 February 2009

Income statements
For the year ended 31 December 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Ludowici Limited 2008 $'000	Ludowici Limited 2007 $'000
Revenue from continuing operations	5	159,719	148,751	468	32,308
Cost of sales		(114,218)	(99,574)	-	(11,274)
Gross Profit		45,501	49,177	468	21,034
Other income	6	4,480	1,208	-	1,208
Selling expenses		(24,975)	(23,583)	-	(4,580)
Distribution expenses		(1,481)	(3,033)	-	(762)
Administration expenses		(13,075)	(14,442)	(10,012)	(10,196)
Research and development expenses		(601)	(1,322)	-	(121)
Impairment	7	-	(11,740)	-	(3,781)
Results from operating activities		9,849	(3,735)	(9,544)	2,802
Finance costs	7	(3,591)	(2,034)	(3,799)	(1,095)
Profit (loss) before income tax		6,258	(5,769)	(13,343)	1,707
Income tax (expense) benefit	8	(1,687)	1,932	4,089	2,053
Net profit (loss) from continuing operations		4,571	(3,837)	(9,254)	3,760
Profit from discontinued operations	9	-	5,718	-	-
Profit attributable to equity holders of Ludowici Limited		4,571	1,881	(9,254)	3,760
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:		**Cents**	**Cents**		
Basic earnings per share		24.7	(21.3)		
Diluted profit for the year		24.6	(21.1)		
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per share		24.7	10.5		
Diluted profit for the year		24.6	10.4		

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

Balance sheets
As at 31 December 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Ludowici Limited 2008 $'000	Ludowici Limited 2007 $'000
ASSETS					
Current assets					
Cash and cash equivalents	10	7,435	4,793	188	510
Trade and other receivables	11	30,041	23,408	377	634
Inventories	12	32,435	27,372	21	30
Tax receivable		1,309	1,001	1,251	906
Total current assets		71,220	56,574	1,837	2,080
Non-current assets					
Receivables	13	108	1,630	28,721	41,154
Other financial assets	14	-	-	7,897	7,897
Property, plant and equipment	15	57,408	41,619	36,504	20,103
Deferred income tax assets	16	4,988	3,939	294	173
Intangible assets	17	16,971	16,010	-	-
Total Non-current assets		79,475	63,198	73,416	69,327
Total assets		150,695	119,772	75,253	71,407
LIABILITIES					
Current liabilities					
Trade and other payables including derivatives	18	29,877	18,907	1,559	475
Borrowings	19	7,297	13,163	-	7,076
Current tax payable		1,318	-	-	-
Provisions	20	5,308	5,767	357	816
Total current liabilities		43,800	37,837	1,916	8,367
Non-current liabilities					
Trade and other payables including derivatives	18	242	-	242	-
Borrowings	21	40,100	20,100	40,100	20,100
Deferred income tax liabilities	16	2,684	1,983	660	535
Provisions	22	525	573	76	45
Total non-current liabilities		43,551	22,656	41,078	20,680
Total liabilities		87,351	60,493	42,994	29,047
Net assets		63,344	59,279	32,259	42,360
EQUITY					
Contributed Equity	23	27,708	25,804	27,708	25,804
Reserves	24	(949)	(1,126)	353	517
Retained profits	24	36,585	34,601	4,198	16,039
Total equity		63,344	59,279	32,259	42,360

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

Statements of recognised income and expense
For the year ended 31 December 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Ludowici Limited 2008 $'000	Ludowici Limited 2007 $'000
Exchange differences on translation of foreign operations	24	341	(735)	-	-
Net expense recognised directly in equity		341	(735)	-	-
Profit / (loss) for the year	24	4,571	1,881	(9,254)	3,760
Total recognised income and expense for the year attributable to equity holders of Ludowici Limited		4,912	1,146	(9,254)	3,760

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

Cash flow statements
For the year ended 31 December 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Ludowici Limited 2008 $'000	Ludowici Limited 2007 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		173,621	170,507	1,168	24,348
Payments to suppliers and employees (inclusive of GST)		(162,870)	(160,802)	(9,943)	(30,275)
Proceeds from insurance settlement		-	1,208	-	1,208
Interest paid		(4,433)	(2,894)	(4,433)	(1,955)
Interest received		110	406	74	158
Income tax (paid) refunded		(952)	(2,892)	(724)	(2,523)
Research and development expenditure		(641)	(1,409)		(129)
Net cash inflow (outflow) from operating activities	33	4,835	4,124	(13,858)	(9,168)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment excluding sale of Plastics Business plant		78	-	-	-
Purchase of property, plant and equipment		(18,938)	(11,821)	(16,260)	(8,064)
Purchase of intangible assets		(270)	(789)	-	-
Loans from (to) controlled entities		-	-	12,368	(5,418)
Proceeds from the sale of a business – net of cash disposed		3,177	8,350	-	6,574
Dividends received		-	-	-	10,000
Net cash (outflow) inflow from investing activities		(15,953)	(4,260)	(3,892)	3,092
Cash flows from financing activities					
Proceeds from issues of shares		1,070	1,912	1,070	1,912
Proceeds from (repayment of) borrowings		14,134	(529)	18,111	7,576
Equity dividends paid		(1,753)	(4,247)	(1,753)	(4,247)
Net cash (outflow) inflow from financing activities		13,451	(2,864)	17,428	5,241
Net increase (decrease) in cash and cash equivalents		2,333	(3,000)	(322)	(835)
Cash and cash equivalents at beginning of year		4,793	7,900	510	1,345
Effects of exchange rate changes on cash and cash equivalents		309	(107)	-	-
Cash and cash equivalents at end of year	10	7,435	4,793	188	510

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

Notes to the Financial Statements for the Year Ended 31 December 2008

1. Summary of significant accounting policies

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

(a) Basis of preparation

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

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Ludowici Limited complies with International Financial Reporting Standards (IFRS).

Early adoption of standards
The Group has not early adopted any standards.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and certain classes of property, plant and equipment.

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

(b) Principles of consolidation

(i) *Subsidiaries*
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ludowici Limited ("company" or "parent entity") as at 31 December 2008 and the results of all subsidiaries for the year then ended. Ludowici Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity.

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

Investments in subsidiaries are accounted for at cost less any impairment in the individual financial statements of Ludowici Limited.

(c) Segment reporting

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

(d) Foreign currency translation

Functional and presentation currency

(i) 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 Ludowici Limited's functional and presentation currency.

1. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(ii) *Transactions and balances*

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

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) *Group companies*

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities 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.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) *Sale of goods*

Revenue from the sale of goods is recognised when the consolidated entity has passed significant risks and rewards of ownership of the goods or other assets to the buyer. Risks and rewards are considered passed to the buyer at the time of delivering goods to the customer.

Revenue from certain projects is recognised by reference to the stage of completion of the contract. Stage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs for each contract.

1. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(ii) *Royalties*
Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement.

(iii) *Interest income*
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iv) *Dividends*
Dividends are recognised as revenue when the right to receive payment is established.

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(g) 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 applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

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

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

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

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

1. Summary of significant accounting policies (continued)

(g) Income tax (continued)

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

The head entity, Ludowici Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, Ludowici 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.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 16.

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.

(h) 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 income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 28 (b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(i) Business combinations

The purchase method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair 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.

1. Summary of significant accounting policies (continued)

(i) Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(r)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(j) 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 tested 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 inflows 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Cash and cash equivalents

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

(l) 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 due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. 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.

1. Summary of significant accounting policies (continued)

(l) Trade receivables (continued)

The amount of the impairment loss is recognised in the income statement 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 the income statement.

(m) Inventories

Raw materials, work in progress and finished goods
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on first in first out basis. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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

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

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

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 operations, 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 income statement.

1. Summary of significant accounting policies (continued)

(o) Investments and other financial assets

Classification
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(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 date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 11) and receivables (note 13) in the balance sheet.

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

Subsequent measurement
Loans and receivables are carried at amortised cost using the effective interest method.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

Impairment
The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired

1. Summary of significant accounting policies (continued)

(p) Derivative financial instruments

Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates. These forward exchange contracts are derivative instruments that do not qualify for hedge accounting.

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:

- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges)

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 18. Movements in the hedging reserve in shareholders' equity are shown in note 24. 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. Trading derivatives are classified as a current asset or liability.

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

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item 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 interest rate swaps hedging variable rate borrowings is recognised in the income statement within ‘finance costs’. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within ‘sales’. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred 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 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 the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

1. Summary of significant accounting policies (continued)

(q) Property, plant and equipment

Land and buildings are measured at fair value, based on periodic but at least triennial valuations by external independent valuers, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, to the property, plant and equipment reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost, net of tax, is transferred from the property, plant and equipment revaluation reserve to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings – over 40 years
- Plant and equipment – over 2.5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at 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(j)).

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

1. Summary of significant accounting policies (continued)

(r) 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. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment (note 4).

(ii) *Patents and licences*

Patents and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patents and licences over their estimated useful lives.

(iii) *Research and development*

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 10 to 15 years.

(s) 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 30-60 days of recognition.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Cumulative preference shares exhibit characteristics of a liability are recognised as a liability in the balance sheet, net of issue costs. Finance costs on this instrument are recognised as an expense in the Income statement, on an effective yield basis.

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 other income or other expenses.

1. Summary of significant accounting policies (continued)

(t) Borrowings (continued)

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 date.

(u) 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.

(v) Provisions

Provisions for warranties and restructuring 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 reporting date. The discount rate used to determine the present value 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.

(w) Employee benefits

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

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

(ii) *Long service leave*

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

(iii) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contributions plans are recognised as a personnel expense on profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction on future payments as available.

1. Summary of significant accounting policies (continued)

(w) Employee benefits (continued)

(iv) *Bonus plans*
The Group recognises a liability and an expense as determined by the Remuneration Committee.

(v) *Termination benefits*
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(vi) *Share-based payments*
Share-based compensation benefits are provided to employees via the Ludowici Limited Executive Share and Option Plan and an Employee Share Plan.

- *Employee Share Plan (ESP)*

In accordance with the provisions of the plan, as approved by the directors, employees with more than two years of service with the Group are entitled to purchase from 400 to a maximum of 1,000 ordinary shares at an issue price calculated at 80% of the weighted average price of shares traded over a five day period determined by directors.

The total number of ordinary shares purchased by an employee under the plan shall not exceed 1,000 shares.

At 31 December 2008, employees have acquired a total of 223,500 (2007: 199,700) ordinary shares under the provisions of the plan at a weighted average issue price of $3.56 (2007: $3.60) per ordinary share.

Employees (at their option) were granted interest free loans to a limit of $5,000 for a maximum of three years repayable from salary and wage deductions. Loans are at full recourse.

- *Executive Share and Option Plan (ESOP) incorporating Incentive Performance Plan (IPP)*

  - *ESOP*

In accordance with the provisions of the plan, as approved by the directors, executives determined by the directors may be invited to participate in the ESOP. Executives invited to participate are entitled:

(i) by sacrificing the right to receive salary, salary increases or bonuses as cash to receive shares in Ludowici Limited in lieu of that sacrificed amount. The price of the shares is calculated at 95% of the weighted average price of shares traded over a five day period determined by the directors;

(ii) to purchase, using their own funds, up to an additional 25% in number of shares purchased in (i). above at the same price; and

(iii) to be granted share options equivalent to the number of shares they are entitled to receive in (i) above regardless of whether they elect to receive shares or not. The options are only exercisable after three and before five years from the date of grant and only if earnings of the company meet or exceed prescribed earnings targets set by the directors. The exercise price of the shares is 100% of the weighted average price of shares traded over the 5 day period determined by the directors in (i) above i.e. the 5% discount does not apply. Currently the target earnings figures have been set by applying a 15% (2006: 15%) compound growth factor to the earnings per share for the year ended 31 December 2001. During the 2008 year the target earnings figure of 53 cents (2006: 46 cents) per share was not reached. The financial impact has been reflected in the financial report.

1. Summary of significant accounting policies (continued)

(w) Employee benefits (continued)

(vi) *Share-based payments (continued)*

- *Executive Share and Option Plan (ESOP) incorporating Incentive Performance Plan (IPP) (continued)*
  - *ESOP(continued)*

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Ludowici Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting period').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired, and
(ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance sheet date.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The Group has applied the requirements of AASB 1 'First-time adoption of Australian Equivalents to International Financial Reporting Standards' in respect of equity-settled awards and has applied AASB 2 'Share-based payments' only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

- *Incentive Performance Plan (IPP)*

Executives determined by the directors may be invited to participate in the IPP. Executives invited to participate are eligible to be awarded shares in the company in the following manner :

(i) The Key Performance Criteria for each executive for the ensuing financial year (the Relevant Financial Year) are to be agreed in writing with the Managing Director and ratified by the Board prior to the commencement of the Relevant Financial Year.
(ii) The maximum IPP Bonus an employee can earn is determined by multiplying Gross Base Salary (total fixed remuneration) by an IPP Bonus %, determined by the board prior to the commencement of the Relevant Salary Year.
(iii) Achievement or partial achievement of the Key Performance Criteria results in the payment of a bonus to the executive in the year following the Relevant Financial Year, after completion of audited accounts where this is necessary.
(iv) The actual IP Bonus awarded to the employee is determined by multiplying the maximum IP Bonus by a Performance Rating which is a % achievement against Key Performance Criteria.

1. Summary of significant accounting policies (continued)

(w) Employee benefits (continued)

- *Incentive Performance Plan (IPP) (continued)*

(v) IPP Bonus earned is derived by multiplying Gross Base Salary x IP Bonus % x Performance Rating %.
(vi) The IPP Bonus is awarded to the executive as immediate cash (taxable) and fully paid shares (taxable, but deferred) in proportions also determined by the board prior to the commencement of the Relevant Salary Year. Shares may be purchased on market or issued as new shares.
(vii) The fully paid shares whilst beneficially owned by the employee are held by a Plan Administrator on the employee's behalf. The Plan Administrator receives dividends on the shares on the employee's behalf and passes these through to the employee on an ongoing basis.
(viii) The legal ownership of the shares vests in the employee on the 3rd anniversary of 1 January of the year following the Relevant Salary Year.
(ix) The legal ownership of the shares in three years is a "cliff event" i.e. the shares do not legally vest at all until the 3rd anniversary and vest only if the employee is still employed by the Group.
(x) The shares are forfeited if the employee leaves the company of his own accord or is terminated for any reason. If the employee is terminated as a result of redundancy then at the board's discretion the shares can be legally transferred to the employee.

(x) Share capital

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

(ii) *Treasury shares*
Treasury shares are ordinary shares under the control of the Group. These shares are deducted from consolidated capital at their issue price (refer to note 23).

(y) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(z) Earnings per share

(i) *Basic earnings per share*
Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

(ii) *Diluted earnings per share*
Diluted EPS is calculated as net profit attributable to members less costs of preference share dividends divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

(aa) 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.

1. Summary of significant accounting policies (continued)

(aa) Goods and Services Tax (GST) (continued)

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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.

(ab) 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 report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8.
AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12].
The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101.
A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 January 2009.

Notes to the Financial Statements for the Year Ended 31 December 2008

1. Summary of significant accounting policies (continued)

(ac) New accounting standards and interpretations (continued)

(iv) *AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and AASB 2007-7 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128] AASB 2007-4 and AASB 2007-7* are applicable to annual reporting periods beginning on or after 1 July 2007. The amendments introduce a number of options that existed under IFRS but had not been included in the original Australian equivalents to IFRS and remove many of the additional Australian disclosure requirements, for example the detailed disclosures in relation to the financial position.

The financial statements may be affected by:

- the ability to use the indirect method for presenting cash flow statements
- a possible exemption from the requirement to prepare consolidated financial reports for intermediate parent entities, provided they are wholly-owned or all shareholders agree and they are not the ultimate Australian parent entity in the group
- discount rates for employee benefits obligations to be based on corporate bonds if there is a deep market in Australia (previous guidance mandated the use of government bond rates).

The Group will adopt the amendments arising from AASB 2007-4 and AASB 2007-7 for the financial year ending 31 December 2008. However, it does not intend to apply any of the new options now available. As a consequence, application of the revised standards will not affect any of the amounts recognised in the financial statements, but it may remove some of the disclosures that are currently required. In relation to the discount rates used in the measurement of employee benefit obligations, the Group has not yet reached a conclusion as to whether there is a deep market in corporate bonds in Australia and hence has not yet determined the financial effect, if any, on the obligations from the adoption of AASB 2007-4.

(v) AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations AASB 2008-1 was issued in February 2008 and will become applicable for annual reporting periods beginning on or after 1 January 2009. The revised standard clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(vi) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may applied earlier. The Group has not yet decided when it will apply the revised standards. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the Group will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application. For example, under the new rules:
all payments (including contingent consideration) to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments subsequently remeasured at fair value through income all transaction cost will be expensed the Group will need to decide whether to continue calculating goodwill based only on the parent's share of net assets or whether to recognise goodwill also in relation to the non-controlling (minority) interest, and when control is lost, any continuing ownership interest in the entity will be remeasured to fair value and a gain or loss recognised in profit or loss.

1. Summary of significant accounting policies (continued)

(ac) New accounting standards and interpretations (continued)

(vi) AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AABS 127 Consolidated and Separate Financial Statements. The new rules will apply to financial reporting periods commencing on or after 1 January 2009. The Group will apply the revised rules prospectively from 1 January 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and, interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk.

The Group is reviewing and evaluating all aspects of financial risk management within the context of a central treasury function. This review incorporates existing management policies and current practices. Risk management is carried out by the Group’s finance department which identifies, evaluates and hedges financial risks in co-operation with the Group’s operating units. On completion of the current review an updated framework of policy will be developed whereby the Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Ludowici Limited	
	2008 $’000	**2007 $’000**	**2008 $’000**	**2007 $’000**
Financial assets				
Cash and cash equivalents	7,435	4,793	188	510
Trade and other receivables	30,149	25,038	29,098	41,788
Other financial assets	-	-	7,897	7,897
	37,584	29,831	37,183	50,195
Financial liabilities				
Trade and other payables including derivatives	30,119	18,907	1,801	475
Borrowings	47,397	33,263	40,100	27,176
	77,516	52,170	41,901	27,651

2. Financial risk management (continued)

(a) Market risk

(i) *Foreign exchange risk*

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, including the US dollar, New Zealand dollar, South African Rand and Chilean Peso as set out in the table below.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has a policy of continuously reviewing foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities, and uses forward contracts as considered appropriate.

The Group's and parent entity's exposure to foreign currency risk at the reporting date is detailed in the tables below. An additional exposure is the Group's net investment in foreign operations which amounted to $16,792,000 (2007: $12,255,000). The following table details the forward foreign exchange contracts as at 31 December:

	Average exchange rate		Principal amount	
Group	**2008**	**2007**	**2008 $'000**	**2007 $'000**
Forward exchange contracts				
○ Sell foreign currency				
USD (matures 0 to 6 months)	0.69	-	580	-
ZAR (matures 1 to 2 years)	7.35	-	1,768	-
Ludowici Limited				
Forward exchange contracts				
○ Sell foreign currency				
USD (matures 0 to 6 months)	0.69	-	580	-
ZAR (matures 1 to 2 years)	7.35	-	1,768	-

Group and parent entity sensitivity

The Group's exposure to foreign currency risk at the reporting date was as follows:

	USD '000	**NZD '000**	**CLP '000**	**ZAR '000**	**CNY '000**
2008					
Cash and cash equivalents	874	33	52,556	1,536	1,085
Trade and other receivables	2,205	1,538	1,840,797	1,309	4,044
Trade and other payables	(7,156)	(5,279)	(2,366,357)	(12,513)	(14,660)
Borrowings	(3,746)	(2,353)	-	-	-
2007					
Cash and cash equivalents	153	622	560,260	2,106	653
Trade and other receivables	1,412	565	1,024,600	2,394	1,024
Trade and other payables	(1,446)	(564)	(725,068)	(2,664)	(371)
Borrowings	(4,889)	(600)	-	-	-

2. Financial risk management (continued)

(a) Market risk (continued)

(i) *Foreign exchange risk (continued)*

Group and parent entity sensitivity (continued)

2008 Group	USD '000	NZD '000	CLP '000	ZAR '000	CNY '000
Forward exchange contracts					
○ Sell foreign currency					
USD (matures 0 to 6 months)	400	-	-	-	-
ZAR (matures 1 to 2 years)	-	-	-	13,000	-
Ludowici Limited					
Forward exchange contracts					
○ Sell foreign currency					
USD (matures 0 to 6 months)	400	-	-	-	-
ZAR (matures 1 to 2 years)	-	-	-	13,000	-

2007

No forward contracts existed as at 31 Dec 2007.

Based on the financial instruments held at 31 December 2008, had the Australian dollar weakened/strengthened by 10% against the above currencies, with all other variables held constant, the Group's post-tax profit for the year would have been $2,314,000 lower/$1,891,000 higher (2007 – $322,000 higher/$263,000 lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/foreign currency exchange rates in 2008 than 2007 because of the increased amount of foreign currency denominated receivables and payables. The Group's exposure to other foreign exchange movements is not material. Group and Parent equity would have been $156,000 higher / $128,000 lower had the Australian dollar weakened / strengthened by 10% against the ZAR, arising from a forward exchange contract designated as a cash flow hedge. There were no designated hedge arrangements in the 2007 year.

The parent entity has no material financial assets and financial liabilities denominated in foreign currency.

(ii) *Cash flow and fair value interest rate risk*
The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. As at balance date the Group policy regarding the percentage of borrowings maintained at a fixed rate was under review including the use of interest rate swaps to achieve this when necessary. During 2008 and 2007, the Group's borrowings at variable rate were denominated in Australian Dollars, New Zealand Dollars and US Dollars.

2. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Cash flow and fair value interest rate risk (continued)*

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	2008		2007	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	9.14%	47,396	7.86%	33,163

An analysis by maturities is provided in (c) below.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Group sensitivity
At 31 December 2008, if interest rates had changed by -/+ 100 basis points from the weighted average rates with all other variables held constant, post-tax profit for the year would have been $295,000 lower/higher (2007 – change of 80 bps: $190,000 lower/higher), mainly as a result of higher/lower interest expense on borrowings.

Parent entity sensitivity
The parent entity's main interest rate risk arises from cash equivalents and loans and other receivables with variable interest rates. At 31 December 2008, if interest rates had changed by -/+ 100 basis points from the weighted average rates with all other variables held constant, post-tax profit would have been $275,000 lower/higher (2007 - change of 80 bps: $129,000 lower/higher) as a result of higher/lower interest expense on borrowings.

2. Financial risk management (continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. For customers, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by Management. The compliance with credit limits by customers is regularly monitored by line management. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised above. Goods are generally sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

Credit risk further arises in relation to financial guarantees given to certain parties (see note 27 for details). Such guarantees are provided in relation to performance guarantees associated with project sales of capital equipment and as considered necessary for other operational matters.

The parent entity and the Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(c) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a number of counterparties. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

2. Financial risk management (continued)

(c) Liquidity risk (continued)

Financing arrangements
The Group and the parent entity had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Floating rate				
Expiring within one year (bank overdraft and bill facility)*	12,403	29,422	7,882	28,214

* Includes undrawn construction finance facility 2008 $Nil (2007; $15,000,000), undrawn bank guarantee working capital line 2008 $5,882,000 (2007; $11,000,000) and various other undrawn facilities.

The bank overdraft facilities may be drawn at any time and may be terminated by the bank only in specific circumstances where bank covenants are breached. The secured borrowing facility may be drawn at any time and is subject to bi-annual review. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time in either Australian, New Zealand or United States dollars and have an average maturity of 2 years (2007 – 3 years).

Maturities of financial liabilities
The tables below analyse the Group's and the parent entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group at 31 December 2008	Carrying amount $'000	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
Non-derivatives						
Non-interest bearing	30,029	30,029	-	-	-	-
Variable rate	47,297	1,945	5,351	40,000	-	-
Fixed rate	100	-	-	-	-	100
Total non-derivatives	77,426	31,974	5,351	40,000	-	100
Derivatives						
Non-interest bearing	2,349	580	-	1,769	-	-
Variable rate	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-
Total Derivatives	2,349	580	-	1,769	-	-
Total	79,775	32,554	5,351	41,769	-	100

Group at 31 December 2007	Carrying amount $'000	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
Non-derivatives						
Non-interest bearing	18,907	18,907	-	-	-	-
Variable rate	33,163	531	12,632	-	20,000	-
Fixed rate	100	-	-	-	-	100
Total non-derivatives	52,170	19,438	12,632	-	20,000	100

There were no derivatives in 2007.

2. Financial risk management (continued)

(c) Liquidity risk (continued)

Maturities of financial liabilities (continued)

Ludowici Limited at 31 December 2008	**Carrying amount $'000**	**Less than 6 months $'000**	**6 - 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**
Non-derivatives						
Non-interest bearing	1,800	1,800	-	-	-	-
Variable rate	40,000	-	-	40,000	-	-
Fixed rate	100	-	-	-	-	100
Total non-derivatives	41,900	1,800	-	40,000	-	100
Derivatives						
Non-interest bearing	2,349	580	-	1,769	-	-
Variable rate	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-
Total derivatives	2,349	580	-	1,769	-	-
	44,249	2,380	-	41,769	-	100

Ludowici Limited at 31 December 2007	**Carrying amount $'000**	**Less than 6 months $'000**	**6 - 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**
Non-derivatives						
Non-interest bearing	475	475	-	-	-	-
Variable rate	27,076	-	7,076	-	20,000	-
Fixed rate	100	-	-	-	-	100
Total non-derivatives	27,651	475	7,076	-	20,000	100

There were no derivatives in 2007.

(d) Fair value estimation

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

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. 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.

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

3. Critical accounting estimates and judgements

(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) *Estimated impairment of goodwill and other non-current assets*
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(o). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 17 (a) for details of these assumptions and the potential impact of changes to the assumptions. Other non-current assets are reviewed annually for impairment using the same methodology as for goodwill. Impairment costs are recognised in the income statement and against the impaired asset.

(ii) *Estimated impairment of inventory*
Inventory is reviewed continuously for impairment. Management review slow moving and other inventory considered obsolete on at least a quarterly basis and where any impairment is identified the policy of lower of cost or net realisable value is applied. Impairment costs are recognised in the income statement and against the impaired inventory.

(iii) *Income taxes*
The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilize those temporary differences.

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

(i) *Operating lease commitments – Group as lessor*
The Group has entered into commercial leases of certain plant and equipment. The Group has determined that it retains all the significant risks and rewards of ownership of these assets and has thus classified the leases as operating leases.

(ii) *Share-based payment transactions*
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes Model, using the assumptions detailed in note 32.

(iii) *Warranty provision*
In determining the level of provision required for warranties the Group has made judgments in respect of the expected performance of the product, sales volumes and current information about returns based on the warranty period.

(iv) *Estimation of useful lives of assets*
The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment and vehicles), and lease terms (for leased assets).

4. Segment information

(a) Description of segments

Business segments
The Group comprises the following business segments:

Mineral processing and materials handling
The mineral processing and materials are businesses servicing the mining and industrial products sectors.

Seals components
The seals components segment provides products to industrial manufacturing and servicing business.

Other
Other includes the Packaging businesses in both Australia and New Zealand. None of these activities constitutes a separately reportable segment.

Geographical segments
In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the business. Segment assets are based on the geographical location of the assets.

The Group's business segments operate in Australia, New Zealand, Americas and other (Africa and Asia).

(b) Notes to and forming part of the segment information

(i) *Accounting policies*
Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and Accounting Standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and provision for warranties. Segment assets and liabilities do not include income taxes.

(ii) *Inter-segment transfers*
Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

(iii) *Notes to the tables below*
* Unallocated items of revenue and expense include dividends, interest income and expense and corporate expenses

** Unallocated assets and liabilities include corporate assets and liabilities, bank loans and cash assets

Notes to the Financial Statements for the Year Ended 31 December 2008

4. Segment information (continued)

(c) Primary reporting format - business segments

	Mineral processing and materials handling		Seals components		Other		Elimination		Consolidated continuing operations	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Segment revenue	144,195	133,008	7,446	7,572	8,364	9,071	(286)	(900)	159,719	148,751
Segment result	12,698	9,554	4,291	1,444	1,260	(5,605)	-	-	18,249	5,393
Unallocated items of revenue and expense*									(11,991)	(11,162)
Profit before income tax expense									6,258	(5,769)
Income tax expense									(1,687)	1,932
Profit from ordinary activities after related income tax expense									4,571	(3,837)
Segment assets	109,468	71,880	3,846	6,773	12,754	14,183	-	-	126,068	92,836
Unallocated assets **									24,627	26,936
Consolidated total assets									150,695	119,772
Segment liabilities	32,710	22,521	486	1,946	240	776	-	-	33,436	25,243
Unallocated liabilities **									53,915	35,250
Consolidated total liabilities									87,351	60,493
Other segment information										
Capital expenditure	13,418	2,696	22	172	5,498	9,749	-	-	18,938	12,617
Depreciation	1,828	1,514	242	240	1,684	1,115	-	-	3,754	2,869
Amortisation of intangible assets	405	393	-	-	32	55	-	-	437	448
Impairment of plant and equipment	-	-	-	-	-	2,992	-	-	-	2,992
Impairment of intangible assets	-	2,571	-	-	-	3,124	-	-	-	5,695
Impairment of inventories	425	2,253	391	529	(82)	271	-	-	734	3,053

4. Segment information (continued)

(d) Secondary reporting format - geographical segments

	Australia		New Zealand		Americas		Other		Consolidated continuing operations	
Segment revenue	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
○ Total segment revenue	127,055	120,616	7,730	8,694	29,480	21,849	6,150	1,460	170,415	152,619
○ Eliminations - Inter segment sales									(10,696)	(3,868)
Sales to external customers									159,719	148,751
Segment assets	87,701	59,887	10,807	11,319	23,326	18,643	4,234	2,987	126,068	92,836
Unallocated assets									24,627	26,936
Total assets									150,695	119,772
Capital expenditure	18,209	10,312	175	843	351	950	203	512	18,938	12,617

Reconciliation of items not disclosed in note 9 discontinued operations:	Depreciation		Capital expenditure	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Consolidated – as above	3,754	2,869	18,938	12,617
Discontinued operations	-	126	-	64
Total	3,754	2,995	18,938	12,681

5. Revenue

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
From continuing operations				
Sales revenue				
Sale of goods	158,999	148,068	-	21,820
Other revenue				
Dividends	-	-	-	10,000
Royalties	246	330	246	330
Property rentals received	364	-	148	-
Interest received	110	353	74	158
	159,719	148,751	468	32,308
From discontinued operations (note 9)				
Sale of goods	-	4,887	-	-

6. Other income

	Consolidated 2008 $'000	Consolidated 2007 $'000	Ludowici Limited 2008 $'000	Ludowici Limited 2007 $'000
Insurance recovery	-	1,208	-	1,208
Net gain on disposal of Plastics business	2,296	-	-	-
Net foreign exchange profit (loss)	1,734	-	-	-
Other	450	-	-	-
	4,480	1,208	-	1,208

*In 2008 the Australian Plastics Business was sold for $3,177,000.

7. Expenses

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Profit before income tax includes the following specific expenses				
Net loss on disposal of property, plant and equipment	97	9	-	136
Amortisation of non-current assets - Intangibles	437	448	-	-
Depreciation on property, plant and equipment	3,754	2,995	700	826
Minimum lease payments – operating lease	4,581	4,764	45	829
Restructuring expenses	-	22	-	22
Employee equity benefit expense	5	145	5	145
Defined contribution superannuation expense	3,372	2,213	685	829

Government grants

Government grants of $23,000 (2007: $187,000) were recognised as receivable from the Queensland Investment Incentives Scheme, in respect of relocation of businesses. Grants of $nil (2007: $420,000) were received from Ausindustry in relation to development costs. These grants were set-off against administration expenses.

7. Expenses (continued)

	Consolidated		Ludowici Limited	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Finance costs				
Interest and finance charges for borrowings	4,432	2,894	4,640	1,955
Finance costs capitalised (a)	(841)	(860)	(841)	(860)
Finance costs expensed	3,591	2,034	3,799	1,095
Impairment losses – financial assets				
Trade receivables	117	32	-	12
Impairment of other assets			-	
Inventories	734	-	-	-
Impairment				
Impairment of assets (b)				
Inventories	-	3,053	-	837
Property, plant & equipment	-	2,992	-	-
Development costs, patents and licenses	-	3,397	-	-
Goodwill	-	2,298	-	-
Investment in subsidiary	-	-	-	900
Loan to subsidiary	-	-	-	2,044
	-	11,740	-	3,781

(a) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 10.65% (2007 – 6.959%)

(b) Material impairment of other assets in 2007 arose as a result of a Group review and reassessment of the carrying and fair values of assets.

8. Income tax expense

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Major components of income tax expense are :				
(a) Income tax expense				
Current tax	1,832	775	(4,297)	(2,901)
Deferred tax	(281)	(2,002)	77	875
Adjustments for current tax of prior periods	136	(343)	131	(27)
	1,687	(1,570)	(4,089)	(2,053)
Income tax is attributable to:				
Profit from continuing operations	1,687	(1,932)	(4,089)	(2,053)
Profit from discontinued operations	-	362	-	-
Aggregate income tax expense	1,687	(1,570)	(4,089)	(2,053)
Deferred income tax expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 16)	(982)	(1,419)	(48)	588
(Decrease) increase in deferred tax liabilities (note 16)	701	(583)	125	287
	(281)	(2,002)	77	875

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

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(Loss) profit from continuing operations before income tax expense	6,258	(5,769)	(13,343)	1,707
Profit from discontinuing operations before income tax expense	-	6,080	-	-
	6,258	311	(13,343)	1,707
Tax at the Australian tax rate of 30% (2007:30%)	1,877	93	(4,003)	512
Adjustments for current tax of prior periods	136	(343)	131	(27)
Adjustments for deferred tax prior periods	(299)	-	(292)	
Previously unrecognised tax losses now recognised	-	(174)	-	-
Non-deductible expenses	317	252	75	376
Non-assessable income and capital gains	-	(1,637)	-	-
Tax losses and deferred tax assets not recognised	-	954	-	-
Expenditure on research and development	(5)	(127)	-	-
Exempt dividend received	-	-	-	(3,000)
Intercompany debt forgiveness	-	-	-	512
Change in capital basis of asset disposed	-	(151)	-	(151)
Capital losses recognised	-	(263)	-	(275)
Difference in overseas tax rates	(339)	(174)	-	-
Aggregate Income tax expense (benefit)	1,687	(1,570)	(4,089)	(2,053)

(c) Amounts recognised directly in equity

No tax amounts have been recognised directly in equity during the current or prior year.

9. Discontinued operations

Group

(i) *Description*

In the December 2006 annual report the Directors foreshadowed considerations that may lead to the possible sale of the Company's New Zealand Operations. Those considerations progressed during the half-year resulting in the sale of the New Zealand Plastic business on 29 June 2007.

As a part of an internal reorganization during the half year ended 30 June 2007 the Watergates business acquired by Ludowici Environmental Pty Ltd in June 2005 was transferred to Ludowici Australia Pty Ltd (formerly Ludowici Mineral Processing Equipment Pty Ltd and a wholly owned subsidiary of Ludowici Limited). On 26 June 2007 the Company disposed of its shareholding in Ludowici Environmental Pty Ltd.

(ii) *Financial performance and cash flow information*

The financial performance and cash flow information presented are for the six month period ended 30 June 2007 (2007 columns).

	2007 $'000 NZ Plastics	**2007 $'000 Environmental**	**2007 $'000 Total**
Financial:			
Revenue	4,899	(12)	4,887
Cost of sales	(3,286)	(3)	(3,289)
Gross profit	1,613	(15)	1,598
Other income	53	-	53
Expenses	(1,071)	(34)	(1,105)
Profit (loss) before income tax	595	(49)	546
Income tax expense	(161)	(75)	(236)
Profit (loss) after income tax of discontinued operations.	434	(124)	310
Gain (loss) on sale of operations before income tax	5,667	(133)	5,534
Income tax expense	(154)	28	(126)
Gain (loss) on sale of operations after income tax	5,513	(105)	5,408
Profit (loss) from discontinued operations	5,947	(229)	5,718
Cash flow:			
Net cash inflow from ordinary operations	1,261	12	1,273
Net cash inflow from investing activities (2007 includes an inflow of $8,370,000 from the sale of the NZ Plastics business)	8,306	-	8,306
Net increase in cash generated by discontinued operation	9,567	12	9,579

9. Discontinued operations (continued)

Group (continued)

(iii) *Carrying amounts of assets and liabilities*

The carrying amount of assets and liabilities as at 29 June 2007 (2007 columns) are:

	2007 $'000 NZ Plastics	2007 $'000 Environmental	2007 $'000 Total
Current assets			
Cash and cash equivalents	-	20	20
Trade and other receivables	-	43	43
Inventories	1,920	-	1,920
Other current assets	32	19	51
Total current assets	1,952	82	2,034
Non-current assets			
Property, plant and equipment	1,261	94	1,355
Intangible assets	140	-	140
Total Non-current Assets	1,401	94	1,495
Total Assets	3,353	176	3,529
Current Liabilities			
Trade and other payables	-	43	43
Provisions	252	-	252
Total Current Liabilities	252	43	295
Total Liabilities	252	43	295
Net Assets	3,101	133	3,234

(iv) *Details of sale*

	2007 $'000 NZ Plastics	2007 $'000 Environmental	2007 $'000 Total
Consideration received or receivable			
Cash	8,370	-	8,370
Total disposal consideration	8,370	-	8,370
Carrying amount of net assets sold	(3,101)	(133)	(3,234)
Foreign currency translation reserve written off on disposal	398	-	398
Gain (loss) on sale before income tax	5,667	(133)	5,534
Income tax expense	(154)	28	(126)
Gain on sale after income tax	5,513	(105)	5,408
Cash proceeds on disposal	8,370	-	8,370
Cash disposed off	(20)	-	(20)
Proceeds from sale of business net of cash	8,350	-	8,350

10. Current assets – Cash and cash equivalents

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash at bank and in hand	7,435	4,793	188	510

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	7,435	4,793	188	510
Bank overdrafts	-	-	-	-
Balances per statement of cash flows	7,435	4,793	188	510

(b) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is set out in note 2.

11. Current assets – Trade and other receivables

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade receivables	27,807	21,977	-	43
Provision for impairment of receivables	(396)	(299)	-	-
	27,411	21,678	-	43
Loans to key management personnel*	3	4	3	4
Loans to employees**	64	87	64	87
Prepayments and other debtors	2,563	1,639	310	500
	30,041	23,408	377	634

* Refer to note 13 for the non-current portions of loans to key management personnel. Further information relating to loans to key management personnel is set out in note 31.

** Loans to employees are in relation to the employee share plan, are interest free and repayable by monthly/weekly instalments over a period of three years. Refer to note 13 for the non-current portions of loans to employees.

11. Current assets – Trade and other receivables (continued)

(a) Impaired trade receivables

As at 31 December 2008 certain current trade receivables were impaired and provided for. The individually impaired receivables mainly relate to customers, who are in difficult economic situations.

The ageing of these receivables is as follows:

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
1 month or less	119	128	-	-
2 to 3 months	1	7	-	-
3 months or more	276	164	-	-
	396	299	-	-
Movements in the provision for impairment of receivables are as follows:				
At 1 January	299	404	-	77
Provision for impairment recognised during the year	153	271	-	4
Receivables written off during the year as uncollectible	(25)	(79)	-	(52)
Unused amount reversed	(36)	(303)	-	(16)
Disposal of business	-	-	-	(13)
Exchange differences	5	6	-	-
At 31 December	396	299	-	-

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

As of 31 December 2008, certain trade receivables were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

The ageing of past due trade receivables is as follows:

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
1 month or less	6,942	7,111	-	-
2 to 3 months	1,664	1,329	-	-
3 months or more	1,501	1,287	-	43
	10,107	9,727	-	43

(c) 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.

11. Current assets – Trade and other receivables (continued)

(d) Foreign exchange and interest rate risk
Information about the Group's and Ludowici Limited's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(e) 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. The Group does not hold any collateral as security. 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 – Inventories

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Raw materials and stores	7,445	1,432	-	-
Work in progress	5,963	4,646	-	-
Finished goods	19,027	21,294	21	30
Total inventories at lower of cost and net realisable value	32,435	27,372	21	30

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2008 amounted to $734,000 (2007: $3,053,000) for the Group and $nil (2007: $837,000) for Ludowici Limited. The expense has been included in 'cost of goods sold' in the income statement.

13. Non-current assets – Receivables

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Loans to related parties	-	-	28,688	41,074
Customer retentions	75	1,550	-	-
Loans to key management personnel*	3	1	3	1
Loans to employees*	30	79	30	79
	108	1,630	28,721	41,154

* Refer to note 11 for the current portion of these loans.

Loans to related parties are non interest bearing with no specific repayment terms.

Further information relating to loans to related parties and key management personnel is set out in notes 29 and 31 respectively.

(a) Impaired receivables and receivables past due
None of the non-current receivables are impaired or past due but not impaired.

(b) The carrying values of non-current assets do not differ from their fair values at balance date.

(c) Risk exposure
Information about the Group's and Ludowici Limited's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2.

14. Non-current assets – Other financial assets

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Shares in subsidiaries	-	-	7,897	7,897

These financial assets are carried at cost

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):

	Note	Ownership % 2008	Ownership % 2007	Place of Incorporation
J.C. Ludowici & Son Pty Limited		100	100	Australia
Ludowici Australia Pty Limited (formerly Ludowici Mineral Processing Equipment Pty Limited)		100	100	Australia
Ludowici Packaging Australia Pty Limited		100	100	Australia
Ludowici China Pty Limited	(b)	100	100	Australia
Ludowici Technologies Pty Ltd		100	100	Australia
Hicom Technologies Pty Ltd		100	100	Australia
Ludowici Holdings Inc	(b)	100	100	USA
Ludowici Mineral Processing Equipment Inc.	(d)	100	100	USA
Ludowici Innovative LLC	(d)	100	100	USA
Ludowici India Private Limited.		100	100	India
Ludowici Packaging Limited	(e)	100	100	NZ
Ludowici Plastics Limited		100	100	NZ
Ludowici Mineral Processing Equipment S.A. (formally Ludowici TecProMin SA)	(f)	100	100	Chile
Ludowici Chile Holdings S.A.	(b)	100	100	Chile
Ludowici Yantai Mineral Processing Equipment Limited	(g)	100	100	China
Ludowici South East Asia Limited		100	100	Hong Kong
Ludowici Hong Kong Limited	(c)	100	100	Hong Kong
Ludowici Africa Holdings (Pty) Ltd	(b)	100	100	South Africa
Ludowici Africa (Pty) Ltd	(h)	100	100.	South Africa

(a) All entities are direct subsidiaries of Ludowici Limited except as noted below:
(b) Controlled entity of Ludowici Australia Pty Ltd
(c) Controlled entity of Ludowici China Pty Ltd
(d) Controlled entity of Ludowici Holding Inc
(e) Controlled entity of Ludowici Plastics Limited
(f) Controlled entity of Ludowici Chile Holdings SA
(g) Controlled entity of Ludowici Hong Kong Limited
(h) Controlled entity of Ludowici Africa Holdings (Pty) Ltd

Notes to the Financial Statements for the Year Ended 31 December 2008

15. Non-current assets - Property, plant and equipment

CONSOLIDATED	Freehold Land and Buildings $'000	Plant and Equipment $'000	Total $'000
Cost or fair value			
Balance at 1 January 2007	13,511	55,364	68,875
Additions	7,268	5,413	12,681
Disposals	-	(3,857)	(3,857)
Effect of movement in exchange rates	(19)	(205)	(224)
Balance at 31 December 2007	20,760	56,715	77,475
Balance at 1 January 2008	20,760	56,715	77,475
Additions	16,552	3,229	19,781
Disposals	-	(2,008)	(2,008)
Effect of movement in exchange rates	(133)	(114)	(247)
Balance at 31 December 2008	37,179	57,822	95,001
Depreciation and impairment losses			
Balance at 1 January 2007	(80)	(32,365)	(32,445)
Disposals	-	2,468	2,468
Impairment losses	-	(2,992)	(2,992)
Depreciation for the year	(50)	(2,945)	(2,995)
Effect of movement in exchange rates	(4)	112	108
Balance at 31 December 2007	(134)	(35,722)	(35,856)
Balance at 1 January 2008	(134)	(35,722)	(35,856)
Disposals	-	1,753	1,753
Impairment losses	-	-	-
Depreciation for the year	(338)	(3,416)	(3,754)
Effect of movement in exchange rates	9	255	264
Balance at 31 December 2008	(463)	(37,130)	(37,593)
Carrying amounts			
At 1 January 2007	13,431	22,999	36,430
At 31 December 2007	20,626	20,993	41,619
At 1 January 2008	20,626	20,993	41,619
At 31 December 2008	36,716	20,692	57,408

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

LUDOWICI LIMITED	Freehold Land and Buildings $'000	Plant and Equipment $'000	Total $'000
Cost or fair value			
Balance at 1 January 2007	11,372	18,932	30,304
Additions	7,093	1,831	8,924
Disposals	-	(15,845)	(15,845)
Balance at 31 December 2007	18,465	4,918	23,383
Balance at 1 January 2008	18,465	4,918	23,383
Additions	16,544	557	17,101
Disposals	-	(3)	(3)
Balance at 31 December 2008	35,009	5,472	40,481
Depreciation and impairment losses			
Balance at 1 January 2007	-	(15,905)	(15,905)
Disposals	-	13,451	13,451
Depreciation for the year	-	(826)	(826)
Balance at 31 December 2007	-	(3,280)	(3,280)
Balance at 1 January 2008	-	(3,280)	(3,280)
Disposals	-	3	3
Impairment losses	-	-	-
Depreciation for the year	(288)	(412)	(700)
Balance at 31 December 2008	(288)	(3,689)	(3,977)
Carrying amounts			
At 1 January 2007	11,372	3,027	14,399
At 31 December 2007	18,465	1,638	20,103
At 1 January 2008	18,465	1,638	20,103
At 31 December 2008	34,721	1,783	36,504

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

(a) Property, plant and equipment under construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction:

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Buildings	-	6,888	-	6,888
Plant and equipment	1,879	2,552	775	598
	1,879	9,440	775	7,486

(b) Non-current assets pledged as security

Refer to note 19 for information on non-current assets pledged as security by Ludowici limited and its controlled entities.

(c) Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Freehold land				
Cost	12,114	11,952	11,948	11,577
Accumulated depreciation	-	-	-	-
Net book amount	12,114	11,952	11,948	11,577
Buildings				
Cost	25,065	8,808	23,061	6,888
Accumulated depreciation	(463)	(134)	(288)	-
Net book amount	24,602	8,674	22,773	6,888

(d) Impairment loss

During the year ended 31 December 2007 the Group restructured the business into a focussed mineral processing equipment and services business resulting in the review and reassessment of the carrying values of assets. This process included the impairment testing of property, plant and equipment which led to the recognition of the impairment losses recorded above.

(e) Valuations of land and buildings

The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

16. Non-current assets – Deferred income tax assets and liabilities

Deferred tax assets are recognised where management have assessed, based on projected earnings, that it is probable that the asset will be realised from generation of future taxable profits.

		Consolidated		Ludowici Limited	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a)	Deferred income taxes -				
	Deferred income tax assets	4,988	3,939	294	173
	Deferred income tax liabilities	(2,684)	(1,983)	(660)	(535)
	Net deferred tax assets(liabilities)	2,304	1,956	(366)	(362)
(b)	Movement in net deferred income tax assets/(liabilities) for the financial year -				
	Balance at the beginning of the financial year	1,956	(46)	(362)	513
	Charged to the income statements as deferred income tax benefit/(expense)	281	2,002	(77)	(875)
	Movement in foreign exchange rates	(6)	-	-	-
	Charged to equity	73	-	73	-
	Balance at the end of the financial year	2,304	1,956	(366)	(362)
(c)	Deferred income tax assets and liabilities at the end of the financial year (prior to offsetting balances within the same tax jurisdiction) are attributable to -				
	Deferred tax assets				
	Trade receivables	149	94	-	-
	Inventories	1,077	821	-	-
	Property, plant and equipment and Intangibles	119	282	-	-
	Accrued charges	294	152	91	83
	Employee benefits provision – current	1,219	1,140	107	76
	Employee benefits provision – long term	158	172	23	14
	Restructuring provision		60	-	-
	Warranty provision	324	348	-	-
	Deferred tax on Forward Exchange Contract cash flow hedge recognised in equity	73	-	73	-
	Tax losses available for offset against future taxable income	1,575	870	-	-
	Total deferred tax assets	4,988	3,939	294	173
	Deferred tax liabilities				
	Other current assets	115	92	9	77
	Property, plant and equipment	1,199	634	651	458
	Intangibles	1,370	1,257	-	-
	Total deferred tax liabilities	2,684	1,983	660	535
	Net deferred tax assets (liabilities)	2,304	1,956	(366)	(362)

16. Non-current assets – Deferred income tax assets and liabilities (continued)

(d) Tax losses not brought to account, as the realisation of the benefits represented by these balances is not considered to be probable -

	Consolidated		Ludowici Limited	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Income tax	757	1,212	-	-
Capital gains tax	1,967	1,967	-	-
Total tax losses not brought to account	2,724	3,179	-	-
Potential tax benefit at respective tax rates	817	954	-	-

(e) Unrecognised temporary differences
As at 31 December 2008, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, associates or joint venture, as the Group has no liability for additional taxation should unremitted earnings be remitted (2007:$nil).

(f) Tax consolidation
(i) Members of the tax consolidated group and the tax sharing arrangement
Members of the group are party to a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

No amounts have been recognised in the financial statements in respect of this agreement on the basis that the probability of default is remote.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under Interpretation 1052 Tax Consolidation Accounting
The head entity and controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner consistent with the broad principles of AASB112 Income Taxes. The nature of the tax funding agreement is discussed below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Nature of tax funding agreement
The amounts receivable or 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.

Notes to the Financial Statements for the Year Ended 31 December 2008

17. Non-current assets – Intangible assets

CONSOLIDATED	Development costs, patents and licenses $'000	Goodwill $'000	Total $'000
Cost			
Balance at 1 January 2007	9,814	17,005	26,819
Additions	702	87	789
Disposals	-	(271)	(271)
Effect of movement in exchange rates	(10)	(586)	(596)
Balance at 31 December 2007	10,506	16,235	26,741
Balance at 1 January 2008	10,506	16,235	26,741
Additions	270	-	270
Disposals	(258)	-	(258)
Effect of movement in exchange rates	(68)	958	890
Balance at 31 December 2008	10,450	17,193	27,643
Accumulated amortisation and impairment losses			
Balance at 1 January 2007	(2,158)	(2,045)	(4,203)
Disposals	-	131	131
Impairment losses charged to income statement **	(3,397)	(2,298)	(5,695)
Impairment losses charged to reserves	(606)	-	(606)
Amortisation for the year*	(448)	-	(448)
Effect of movement in exchange rates	26	64	90
Balance at 31 December 2007	(6,583)	(4,148)	(10,731)
Balance at 1 January 2008	(6,583)	(4,148)	(10,731)
Disposals	258	-	258
Amortisation for the year*	(437)	-	(437)
Effect of movement in exchange rates	72	166	238
Balance at 31 December 2008	(6,690)	(3,982)	(10,672)
Carrying amounts			
At 1 January 2007	7,656	14,960	22,616
At 31 December 2007	3,923	12,087	16,010
At 1 January 2008	3,923	12,087	16,010
At 31 December 2008	3,760	13,211	16,971

Development costs are capitalised at cost. This intangible asset has been assessed as having a finite life and is amortised using the straight-line method over a period of 10 to 15 years. Patents and licences are depreciated in a straight-line over patent or licence life.

* Amortisation of $437,000 (2007: $448,000) is included in depreciation and amortisation expense in the income statement.

**The carrying amount of the intangible assets has been reduced to their recoverable amount and goodwill has been reduced to recognise a reassessment of the carrying values of Group assets. This loss has been disclosed as a separate line item in the income statement note.

The parent entity, Ludowici Limited does not have any intangible assets.

17. Non-current assets – Intangible assets (continued)

(a) Impairment tests for goodwill

Cash generating units identified according to business operations are assessed by impairment testing and the recoverable amount is based on the value in use method.

Key assumptions for the cash flow projections are:

	2008	2007
Inflation rate	3.0%	3.0%
Discount rate	11.0%	11.8%
Tax rate	30.0%	30.0%
Terminal value (profit after tax multiple)	8	8

Recoverable Amounts
The recoverable amounts have been determined based on value in use.

To calculate this cash flow projections are based on financial budgets approved by senior management covering a three year period. The pre-tax discount rate applied to cash flow projections is 11.0% (2007: 11.8%) and cash flows beyond the three year period are extrapolated using a 3.0% growth rate (2007: 3.0%) that is the same as the long-term average growth rate for the business.

Carrying amount of goodwill by segment	**Consolidated**		**Ludowici Limited**	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Mineral processing and materials handling	13,211	12,087	-	-

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the cash generating units.

Budgeted gross margins – this is determined from the Groups annual budgeting processes whereby individual business units submit detailed budgets including budgeted gross margins which are tested for reasonableness against the business units past experiences as to average gross margins achieved in the years immediately before the budgeted year. Expected efficiency improvements from production processes or purchasing arrangements are not included in the estimates of gross margins.

Bond rates – the yield on a ten year government bond rate at the beginning of the budgeted year is used

Impairment charge

Impairment charges arose in June 2007 following a reassessment of the expected cash flows to be generated by the cash generating units within the Group.

Impact of possible changes in key assumptions

The above estimates are particularly sensitive in the following areas;
- An increase of 1 percentage point in the discount rate used would not result in an impairment loss.

18. Current and non-current liabilities – Trade and other payables including derivatives

Current

	Consolidated 2008 $'000	Consolidated 2007 $'000	Ludowici Limited 2008 $'000	Ludowici Limited 2007 $'000
Trade payables and accruals	29,877	18,907	1,559	475

Trade payables are non interest bearing and normally settled on 30 to 60 day terms.

Non-current

	Consolidated 2008 $'000	Consolidated 2007 $'000	Ludowici Limited 2008 $'000	Ludowici Limited 2007 $'000
Forward foreign exchange contracts – cash flow hedges	242	-	242	-

Forward exchange contracts - cash flow hedges

The Group's cash flows are exposed to foreign currency exchange fluctuations on a large contract denominated in South African Rand. In order to protect against exchange rate movements between the ZAR and AUD, the Group has entered into forward exchange contracts to sell Rand to hedge possible losses.

This contract is hedging cash flows for the ensuing financial year. The hedge contract is timed to mature with the profit associated with the contract.

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

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

19. Current liabilities – Borrowings

	Consolidated 2008 $'000	Consolidated 2007 $'000	Ludowici Limited 2008 $'000	Ludowici Limited 2007 $'000
Secured				
Bank loans	7,297	13,163	-	7,076
	7,297	13,163	-	7,076

Bank loans are provided by major financial institutions and are carried at the principal amount. The Group utilises various finance facilities including bank overdrafts, fixed term loans and bank bills. The Group's fixed term loans are non-amortising within the term of the respective financing. The facilities are subject to review on an annual cycle (2007: six monthly or annual cycle). Interest is charged as an expense as it accrues at the agreed fixed and variable rates. The effective interest rate of funds during the financial year was 9.0% (2007: 8.0%).

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

19. Current liabilities – Borrowings (continued)

During the half year ended 30 June 2008, the Company identified that principally due to the construction of the Pinkenba facility, it would likely breach the Leverage and Interest Cover ratios at 30 June 2008 and advised HSBC of this expectation. HSBC subsequently agreed on 30 June 2008 to forbear from exercising its rights arising out of any breach of these ratios until 31 December 2008. Consequently an amended facility agreement was entered into between HSBC and the Company also on 30 June 2008. The 30 June 2008 amended agreement was focused upon the company meeting its debt covenants at 31 December 2008 and 30 June 2009. The Company has met its debt covenants as at 31 December 2008 and it is the Company's expectation that these will be met during the 2009 year. Furthermore, as a part of the 2008 annual review and the re-financing of the Pinkenba construction loan facility, fresh facility agreements and associated documentation were executed with HSBC on 30 December 2008.

Under the terms of the 30 December 2008 facility agreement, the following covenants are applicable:

- Leverage ratio ((total debt less cash held in HSBC bank accounts)/earnings before interest, tax, depreciation and amortisation (EBITDA)), measured semi-annually on a rolling basis, to be maintained at a maximum of 3.5 times.
- Interest Cover ratio (EBITDA/Interest), measured semi-annually on a rolling basis, to be maintained at a minimum of 3.0 times; and
- Tangible Net Worth of the Company is to be maintained at a minimum of $33,000,000.

Management has recently completed revised financial forecasts for the period through to June 2010 in response to recent changes in global economic outlooks. The forecasts reflect managements estimates of possible declining revenues and managements proposed cost saving measures to be implemented to counter the possible decline in revenues. These forecasts indicate that the Company will continue to satisfy its debt covenant requirements during this period. The carrying amount of the loans at balance date was $47.30 million; refer to Notes 19 and 21 for additional detail.

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

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

	Consolidated		Ludowici Limited	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Current				
Floating charge				
Cash and cash equivalents	6,805	2,227	188	510
Receivables	25,297	18,892	310	43
Inventory	26,945	19,662	21	30
Total current assets pledged as security	59,047	40,781	519	583
Non-current				
First mortgage				
Freehold land and buildings	36,550	20,595	34,721	18,465
Floating charge				
Plant and equipment	19,643	13,209	1,783	1,638
Total non-current assets pledged as security	56,193	33,804	36,504	20,103
Total assets pledged as security	115,240	74,585	37,023	20,686

20. Current liabilities – Provisions

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Employee entitlements	4,083	4,372	357	816
Warranty (a)	1,225	1,195	-	-
Restructuring (b)	-	200	-	-
	5,308	5,767	357	816
Movements in provision for warranty:				
Carrying amount at the beginning of the financial year	1,195	889	-	-
Additional provision	494	1,245	-	-
Amounts utilised during the year	(475)	(916)	-	-
Net foreign exchange difference on translation to foreign entity	11	(23)	-	-
Carrying amount at the end of the financial year	1,225	1,195	-	-
Movements in provision for restructuring:				
Carrying amount at the beginning of the financial year	200	216	-	15
Additional (reversal of) provision	(72)	-	-	-
Amounts utilised during the year	(128)	(16)	-	(15)
Carrying amount at the end of the financial year	-	200	-	-

(a) Warranty provision

A provision is recognised for expected warranty claims on products sold based on past experience of the level of repairs and returns. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the one year warranty period for products sold.

(b) Restructuring

During the 2008 year the Hicom business has been relocated from North Ryde to Pinkenba. In 2007 the company made provision in the financial statements for the costs of relocating the Hicom business as well as make good costs for the North Ryde site.

21. Non-current liabilities - Borrowings

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Secured				
Bank loans	40,000	20,000	40,000	20,000
Unsecured				
Preference shares				
- 50,000 5% cumulative first preference shares	50	50	50	50
- 50,000 6% cumulative second preference shares	50	50	50	50
	100	100	100	100
Total non-current borrowings	40,100	20,100	40,100	20,100

Refer to note 19 for further details of secured borrowings.
All preference shares are non participating and non redeemable.

22. Non-current liabilities – Provisions

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Employee entitlements	525	573	76	45

23. Share capital

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Issued and fully paid ordinary shares (a)	27,708	25,804	27,708	25,804

As at 31 December 2008 issued share capital of 85,208 (2007: 93,971) ordinary shares were held by a controlled entity.

(a) Movements in ordinary share capital

2008

Date	Details	Note	Number of shares	Issue Price ($)	$'000
01/01/08	Opening balance		18,280,581		25,804
08/05/08	Incentive performance plan	(c)	23,341	3.93	92
12/05/08	Dividend Reinvestment plan	(e)	163,550	3.94	645
30/05/08	Exercise of options	(c)	7,584	3.09	23
30/05/08	Employee share plan	(d)	23,800	3.28	78
24/10/08	Dividend Reinvestment plan	(e)	66,456	2.86	190
30/12/08	Share Purchase Plan		461,070	2.10	968
31/12/08	Balance		19,026,382		27,800
	Treasury Shares held by controlled entity		(23,341)		-
	Adjustment for equity settled share based payment	(f)	-		(92)
	Balance		19,003,041		27,708

2007

Date	Details	Number of shares	Issue Price ($)	$'000
01/01/07	Opening balance	17,718,597		21,494
26/04/07	Dividend reinvestment plan	117,097	7.49	877
30/04/07	Incentive performance plan	41,604	7.80	325
03/05/07	Exercise of options	2,237	3.21	7
01/06/07	Employee share plan	23,600	6.24	147
21/06/07	Exercise of options	8,554	4.06	35
27/07/07	Exercise of options	31,081	4.22	131
17/08/07	Dividend reinvestment plan	184,821	7.34	1,356
17/08/07	Shares issued	157,625	7.34	1,157
05/10/07	Exercise of options	17,520	4.75	83
11/10/07	Exercise of options	1,470	4.07	6
19/10/07	Exercise of options	681	4.32	3
26/10/07	Dividend reinvestment plan	65,566	6.81	447
27/11/07	Exercise of options	4,099	4.44	18
		18,374,552		26,086
	Treasury shares held by controlled entity	(93,971)		-
	Adjustment for equity settled share based payment	-		(282)
	Balance	18,280,581		25,804

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The parent entity's authorised share capital is 24,000,000 (2007: 24,000,000) ordinary shares.

23. Share capital (continued)

(c) Executive share and option plan
Information relating to the Executive Share and Option Plan, 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 32.

(d) Employee share scheme
Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 32.

(e) 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% (2007: 5%) discount to the market price.

(f) Equity settled share based payments
In 2007 prior year share based payments previously not recognised were charged as an expense to the income statement and appropriately adjusted from share capital to employee equity benefits reserve.

(g) Capital risk management
The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and ‘trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the balance sheet (including any minority interest) plus net debt.

The Group's strategy is to maintain a gearing ratio under 40%. The gearing ratios at 31 December 2008 and 31 December 2007 were as follows:

	Consolidated		**Ludowici Limited**	
	2008 $’000	**2007 $’000**	**2008 $’000**	**2007 $’000**
Total borrowings	47,397	33,263	40,100	27,176
Less: cash and cash equivalents	7,435	4,793	188	510
Net debt	39,962	28,470	39,912	26,666
Total equity	63,344	59,279	32,259	42,360
Total capital	103,306	87,749	72,171	69,026
Gearing ratio	39%	32%	55%	39%

24. Reserves and retained profits

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Reserves				
Foreign currency translation	(1,302)	(1,643)	-	-
General	-	-	-	-
Property, plant and equipment revaluation	-	-	-	-
Capital profits	-	-	-	-
Employee equity benefits	522	517	522	517
Hedging reserve	(169)		(169)	-
	(949)	(1,126)	353	517
Movements:				
Foreign currency translation				
Balance 1 January	(1,643)	(510)	-	-
Translation of foreign operations	341	(735)	-	-
Disposal of foreign subsidiary	-	(398)	-	-
Balance 31 December	(1,302)	(1,643)	-	-
General				
Balance 1 January	-	1,216	-	1,216
Transfer to retained profits	-	(1,216)	-	(1,216)
Balance 31 December	-	-	-	-
Property, plant and equipment				
Balance 1 January	-	12,812	-	11,654
Impairment loss	-	(606)	-	-
Transfer to retained profits	-	(12,206)	-	(11,654)
Balance 31 December	-	-	-	-
Capital profits				
Balance 1 January	-	106	-	106
Transfer to retained profits	-	(106)	-	(106)
Balance 31 December	-	-	-	-
Employee equity benefits				
Balance 1 January	517	90	517	90
Option expense	5	145	5	145
Employee share plan expense	-	282	-	282
Value of options issued during the year	-	-	-	-
Balance 31 December	522	517	522	517
Hedging reserve				
Balance 1 January	-	-	-	-
Forward exchange contract	(242)	-	(242)	-
Deferred tax arising on hedge	73	-	73	-
Balance 31 December	(169)	-	(169)	-

24. Reserves and retained profits (continued)

(a) Exchange differences arising on translation of foreign controlled 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 is disposed of.

(b) Employee equity benefits reserve. The employee share plan reserve is used to record the value of existing benefits provided to employees and directors as part of their remuneration. Refer to note 32 for further details of these plans.

(c) The hedging reserve relates to cash flow hedges designated to equity. Refer to note 18 for further details.

Retained profits

Movements in retained profits were as follows:

	Consolidated		Ludowici Limited	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Balance at 1 January	34,601	26,119	16,039	6,230
Net profit attributable to members of Ludowici Limited	4,571	1,881	(9,254)	3,760
Transfer from reserves	-	13,528	-	12,976
Total available for appropriation	39,172	41,528	6,785	22,966
Dividends provided for or paid	(2,587)	(6,927)	(2,587)	(6,927)
Balance at 31 December	36,585	34,601	4,198	16,039

25. Dividends

Dividends recognised in the current year by the Group are:

	Ludowici Limited 2008		Ludowici Limited 2007	
	Cents per share	**Total $'000**	**Cents per share**	**Total $'000**
(a) Fully Paid Ordinary Shares				
Prior year final dividend – franked to 100% (2007: 100%)	8.0	1,470	14.5	2,585
First interim dividend – franked to 100% (2007: 100%)	-	-	14.0	2,512
Second interim dividend – unfranked (2007: 100%)	6.0	1,116	10.0	1,830
	14.0	2,586	38.5	6,927
(b) Fully Paid Cumulative Preference Shares				
5% first preference annual interest – franked to100% (2007: 100%)	5%	3	5%	3
6% second preference annual interest – franked to 100% (2007: 100%)	6%	3	6%	3
		6		6

(c) Cumulative preference shares

Dividends on these shares paid during the year ended 31 December have been charged to the income statement as interest and finance charges because the shares are classified as liabilities.

(d) Dividends not recognised at year end

On the date of approval of this report, the directors have declared a final dividend of 2 cents per fully paid ordinary share, unfranked and payable on 29 May 2009 (2008: 8 cents per share, fully franked at 30%). The dividend is payable on 19,120,353 ordinary shares compared to 18,374,552 in 2007. No provision has been made for the final dividend in this financial report.

25. Dividends (continued)

(e) Franking credits

	Ludowici Limited 2008	Ludowici Limited 2007
Amount of retained profits which could be distributed as franked dividends out of existing franking credits amounts to :	5	2,826
Franked dividends paid during the financial year were $1,470,000 (2007: $ 6,927,000). Unfranked dividends paid during the year were $1,122,000 (2007 $nil)		
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
• franking account balance as at the end of the financial year at 30% (2007: 30%)	2	1,211
• franking credits that will arise from the payment of income tax payable as at the end of the financial year	879	323
	881	1,534
The amount of franking credits available for future reporting periods:		
• impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during that period	-	630
	-	630

26. Auditors' remuneration

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 2008 $	Consolidated 2007 $	Ludowici Limited 2008 $	Ludowici Limited 2007 $
Amounts received or due and receivable by PricewaterhouseCoopers for :				
• audit and review of financial reports	427,201	200,000	427,201	140,426
• taxation services	133,250	6,510	133,250	6,510
• other services	30,150	4,499	30,150	4,499
	590,601	211,009	590,601	151,435
Amounts received or due and receivable by auditors other than PricewaterhouseCoopers for :				
• audit and review of financial reports	208,673	127,738	15,000	46,800
• taxation services	14,998	101,405	8,350	-
• other services	10,158	24,425	10,017	16,549
	233,829	253,568	33,367	63,349
	824,430	464,577	623,968	214,784

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

27. Contingencies

Contingent liabilities

The directors are of the opinion that provisions are not required in respect of the following matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Consolidated		Ludowici Limited	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Contingent liabilities considered remote				
Guarantees				
(i) Under the terms of a Deed of Cross Guarantee the Company and its wholly owned subsidiaries, have guaranteed the bank facilities in each others' companies. The amounts shown are the bank guarantees. No deficiency in consolidated net assets exists at reporting date.	-	-	-	-
(ii) Letters of credit established in favour of suppliers/creditors.	1,128	47	1,128	-
(iii) Bank guarantees in favour of customers and suppliers.	9,762	6,365	8,623	188

Contingent consideration

There is no contingent consideration due on prior period acquisitions. The directors consider the likelihood of any additional payment arising under acquisitions to be remote.

There are no contingent assets where the probability of future receipts is not considered remote.

28. Commitments

(a) Capital commitments

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

	Consolidated		Ludowici Limited	
	2008 $'000	**2007 $'000**	**2008 $'000**	**2007 $'000**
Within one year	39	7,850	30	7,774

(b) Lease expenditure commitments – Group as lessee

	Consolidated 2008 $'000	Consolidated 2007 $'000	Ludowici Limited 2008 $'000	Ludowici Limited 2007 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	4,114	3,757	147	757
Later than one year but not later than five years	8,485	5,131	125	1,677
Later than five years	1,002	1,362	-	987
	13,601	10,250	272	3,421

Operating leases relate to three or four year term motor vehicle leases and warehouse facilities with leased terms of between three to twelve years, with an option to extend for further periods. All operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

29. Related party transactions

Transactions within the wholly owned group include the sale and purchase of goods, the provision of administrative services, rent of premises and the provision of loans. All transactions within the consolidated entity have been eliminated on consolidation.

Sales to and purchases from related parties are made on an arm's length transaction at both normal market prices and normal commercial terms.

Information on controlled entities is disclosed elsewhere in these financial statements.

Transactions with related parties:
Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

Transactions to and from associated company:
Persons related to C Wilson, an executive of the Group, control Malvern Engineering (Pty) Ltd (related party) which in turn owned 50% of the former associated company, Ludowici Malvern Process Equipment Pty Ltd.

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Sales to former associate	271	122	-	-
Royalties received from former associate	246	319	246	319
Year end balance due by related party	22	25	22	25

Transactions to and from related party:
Iraci Supplies Pty Ltd, a company related to M Trench, a former executive of the Group, supplied raw materials used in production processes during 2007. There were no purchases during 2008.

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Land acquired from related party	-	165	-	-
Purchases from related party	-	453	-	-
Year end balance due to related party	-	-	-	-

Other than noted elsewhere in this report there were no other transactions with director related entities in 2008 (2007: nil).

The ultimate parent of the Group is Ludowici Limited.

30. Business combinations

(a) Acquisitions

The Group did not acquire any subsidiaries during the current reporting period. During the prior reporting period the Group paid $50,000 contingent payment in respect of Watergates sp Pty Ltd acquired in 2005.

(b) Transfer of assets

Rubber, seals and plastics business

On 31 December 2007 Ludowici Limited, the parent entity, transferred assets of the rubber, seals and plastics business to a wholly owned subsidiary as part of Group reorganisation. This disposal had no effect on Group results, cash flows or assets and liabilities. The disposal did have an effect on the parent entity. Details of the fair value of the assets and liabilities disposed of are as follows:

	Ludowici Limited 2007 $'000
Assets and liabilities disposed	
Cash	98
Trade and other receivables	3,727
Inventories	3,639
Plant and equipment	2,258
Deferred tax	529
Trade and other payables	(2,366)
Provisions	(1,213)
	6,672
Proceeds on disposal	
Proceeds received on disposal	6,672
Less cash disposed	(98)
	6,574

31. Key management personnel disclosures

(a) Directors

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

(i) *Chairman - non-executive*
Phil J Arnall

(ii) *Non-executive directors*
Julian K Ludowici
Colin W Ravenhall
Hugh K Rhodes-White
Nick W Stump

(iii) *Executive directors*
Patrick J Largier

(b) Other key management personnel

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

Name	*Position*	*Employer*
Jim MacDonald	Chief Financial Officer	Ludowici Limited

(c) Key management personnel compensation

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Short-term employee benefits	940	1,733	940	1,125
Post-employment benefits	83	136	83	83
Termination benefits	-	130	-	130
Long term benefits	11	13	11	6
Share-based payments	30	24	30	-
	1,064	2,036	1,064	1,344

31. Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel

(i) *Options provided as remuneration and shares issued on exercise of such options*

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report section of the Directors' Report.

(ii) *Option holdings*

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

2008	**Balance at start of the year**	**Granted as compen-sation**	**Exercised (or lapsed)**	**Balance at end of the year**	**Vested and exercisable**	**Unvested**
Directors of Ludowici Limited						
P J Largier	-	375,000	-	375,000	-	375,000
Other key management personnel of the group						
J D MacDonald	-	-	-	-	-	-

All vested options are immediately exercisable.

2007	**Balance at start of the year**	**Granted as compen-sation**	**Exercised**	**Balance at end of the year**	**Vested and exercisable**	**Unvested**
Directors of Ludowici Limited						
G T Turner	35,406	-	(35,406)	-	-	-
Other key management personnel of the group						
B A Cason	9,081	-	-	9,081	9,081	-
M Trench	13,794	-	-	13,794	13,794	-
C A Wilson	3,852	-	(3,852)	-	-	-
B A Winstone	4,652	-	-	4,652	4,652	-

31. Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel (continued)

(iii) *Share holdings*

The numbers of shares in the company held during the financial year by each director of Ludowici 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.

2008	**Balance at the start of year**	**Received during the year on exercise of options**	**Other changes during the year**	**Balance at the end of the year**
Directors of Ludowici Limited				
Ordinary shares				
P J Arnall	25,955	-	4,762	30,717
J K Ludowici	162,997	-	33,067	196,064
C W Ravenhall	25,701	-	3,455	29,156
H K R Rhodes-White	81,427	-	2,381	83,808
N W Stump	1,138	-	7,640	8,778
P J Largier	4,250		11,619	15,869
Preference shares				
J K Ludowici	20,250	-	-	20,250
Other key management personnel of the group				
J D MacDonald	-	-	-	-

2007	**Balance at the start of year**	**Received during the year on exercise of options**	**Other changes during the year**	**Balance at the end of the year**
Directors of Ludowici Limited				
Ordinary shares				
P J Arnall	25,955	-	-	25,955
J K Ludowici	153,167	-	9,830	162,997
C W Ravenhall	24,380	-	1,321	25,701
H K R Rhodes-White	81,427	-	-	81,427
N W Stump	1,079	-	59	1,138
G T Turner	562,210	35,406	(47,546)	550,070
P J Largier	-	-	4,250	4,250
Preference shares				
J K Ludowici	20,250	-	-	20,250
Other key management personnel of the group				
B A Cason	-	-	-	-
M Trench	34,575	-	(30,577)	3,998
C A Wilson	10,267	3,852	503	14,622
B A Winstone	-	1,000	-	1,000

Messrs Ludowici and Rhodes-White are directors of Ludowici Investments Pty Ltd, which holds 5,054,185 (2007: 4,936,260) shares in the company. Mr. Ludowici is also a director of Sevlan Pty Ltd which holds 108,192 (2007: 101,573) shares in the company.

Dividends were received by the above directors in the same manner as other shareholders.

31. Key management personnel disclosures (continued)

(e) Loans to key management personnel

Details of loans made to directors of Ludowici Limited and other key management personnel of the Group, including their personally related parties, are disclosed under current and non-current receivables.

There were no loans to individuals that exceeded $100,000 at any time during the years ended 31 December 2008 and 31 December 2007.

(f) Other transactions with key management personnel

Other transactions with key management personnel are disclosed under the related party transactions note.

32. Share based payments

Details of share based payments are noted in note 1 (w) (vi).

(a) Options held as at the end of the reporting period :
The following table summarises information about options held by the employees as at 31 December 2008.

(i) *Options granted as at 31 December 2008:*

Number of options granted	Grant date	Vesting date	Expiry date	Weighted average exercise price $
38,915	31/05/2004	31/05/2007	31/05/2009	4.32
12,624	30/09/2004	30/09/2007	30/09/2009	4.83
375,000	28/04/2008	31/12/2010	n/a	6.70
426,539				

(ii) *Options granted as at 31 December 2007:*

Number of options granted	Grant date	Vesting date	Expiry date	Weighted average exercise price $
26,682	31/05/2003	31/05/2006	31/05/2008	3.09
12,599	30/09/2003	30/09/2006	30/09/2008	3.84
38,915	31/05/2004	31/05/2007	31/05/2009	4.32
12,624	30/09/2004	30/09/2007	30/09/2009	4.83
40,698	31/05/2005	31/05/2008	31/05/2010	4.89
12,226	30/09/2005	30/09/2008	30/09/2010	5.66
143,744				

There were no options granted in the 12 months to 31 December 2007.

32. Share based payments (continued)

(b) Options cancelled during the year:

No. of Options cancelled	Grant date	Vesting date	Expiry date	Weighted average exercise price $
2008				
(19,098)	31/05/03	31/05/06	31/05/08	3.09
(12,599)	30/09/03	30/09/06	30/09/08	3.84
(40,698)	31/05/05	31/05/08	31/05/10	4.89
(12,226)	31/09/05	30/09/08	30/09/10	5.66
(84,621)				
2007				
(4,525)	31/05/2004	31/05/2007	31/05/2009	4.32
(2,226)	30/09/2004	30/09/2007	30/09/2009	4.83
(6,354)	31/05/2005	31/05/2008	31/05/2010	4.89
(1,973)	30/09/2005	30/09/2008	30/09/2010	5.66
(15,078)				

(c) Options exercised during the year:

No. of Options exercised	Grant date	Exercise date	Weighted average exercise price $
2008			
(7,584)	31/05/03	02/06/08	3.09
(7,584)			
2007			
(5,612)	31/05/2003	31/05/2006	3.09
(2,675)	30/09/2003	30/09/2006	3.84
(41,538)	31/05/2004	31/05/2007	4.32
(15,817)	30/09/2004	30/09/2007	4.83
(65,642)			

(d) Option valuation

The fair value of the options are estimated at the date of grant using the Black-Scholes Model. There were 375,000 options granted during the year ended 31 December 2008.

The expected life of the benefit is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

32. Share based payments (continued)

(d) Option valuation (continued)

The expected volatility reflects the assumption that the volatility is indicative of future trends, which may also not necessarily be the actual outcome.

(e) Employee share plan

In accordance with the provisions of the plan, as approved by the directors, employees with more than two years of service with the Group are entitled to purchase from 400 to a maximum of 1,000 ordinary shares at an issue price calculated at 80% of the weighted average price of shares traded over a five day period determined by directors.

The total number of ordinary shares purchased by an employee under the plan shall not exceed 1,000 shares.

At 31 December 2008, employees have acquired a total of 223,500 (2007: 199,700) ordinary shares under the provisions of the plan at a weighted average issue price of $3.56 (2007: $3.60) per ordinary share.

Employees (at their option) were granted interest free loans to a limit of $5,000 for a maximum of three years repayable from salary and wage deductions. The value of the loans to employees outstanding at 31 December 2008 is as detailed in notes 11 and 13.

33. Reconciliation of profit after income tax to net cash flows from operating activities

	Consolidated		Ludowici Limited	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Profit (loss) for the year	4,571	1,881	(9,254)	3,760
Depreciation and amortisation	4,191	3,443	700	826
Dividend income	-	-	-	(10,000)
Loss (profit) on disposal of non-current assets	97	9	-	136
Share based payments	5	145	5	145
Profit on sale of business	(2,421)	(5,534)		-
Debt forgiveness	-	-		2,044
Impairment of plant and equipment	-	2,992		-
Impairment of intangibles	-	5,695		-
Impairment of investment in subsidiary	-	-		900
Investment income from tax consolidation entities	-	-	(4,546)	-
Capitalised interest	(842)	(860)	(841)	(860)
Changes in assets and liabilities adjusted for effect of sale of Australian Plastics Business and foreign exchange movements:				
(Increase) decrease in trade and other receivables	(5,748)	2,797	325	298
(Increase) decrease in inventories	(11,315)	448	9	510
(Increase) decrease deferred tax asset	(976)	(1,419)	(48)	59
(Increase) decrease in non-current assets – other	-	(149)	-	22
(Decrease) increase in trade and other payables	15,761	(2,485)	440	(2,312)
(Decrease) increase in provisions	(507)	204	(428)	(61)
(Decrease) increase in provision for income tax	1,318	(2,460)	(345)	(4,922)
(Decrease) increase in deferred tax liabilities	701	(583)	125	287
Net cash inflow (outflow) from operating activities	4,835	4,124	(13,858)	(9,168)

34. Events occurring after the balance sheet date

On the date of approval of this report, the directors have declared a final dividend of 2 cents per fully paid ordinary share, unfranked and payable on 29 May 2009 (2008: 8 cents per share, fully franked at 30%). The dividend is payable on 19,120,353 ordinary shares compared to 18,374,552 in 2007. No provision has been made for the final dividend in this financial report.

35. Earnings per share

	Consolidated 2008 Cents	Consolidated 2007 Cents
(a) Basic Earnings per Share		
Profit (loss) from continuing operations attributable to the ordinary equity holders of the company	24.7	(21.3)
Profit from discontinued operation	-	31.8
Profit attributable to the ordinary equity holders of the company	24.7	10.5
(b) Diluted earnings per share		
Profit (loss) from continuing operations attributable to the ordinary equity holders of the company	24.6	(21.1)
Profit from discontinued operation	-	31.5
Profit attributable to the ordinary equity holders of the company	24.6	10.4

(c) Reconciliations of earnings used in calculating earnings per share

	Consolidated 2008 $'000	Consolidated 2007 $'000
Basic earnings per share		
(Loss) profit from continuing operations	4,571	(3,837)
(Loss) profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	4,571	(3,837)
Profit from discontinued operation	-	5,718
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	4,571	1,881
Diluted earnings per share		
(Loss) profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	4,571	(3,837)
Profit from discontinued operation	-	5,718
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	4,571	1,881

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

	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	18,527,866	18,006,199
Adjustments for calculation of diluted earnings per share:		
Shares deemed to be issued for no consideration in respect of options	23,341	143,744
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	18,551,207	18,149,943

35. Earnings per share (continued)

(e) Information concerning the classification of securities

(i) *Partly paid ordinary shares*

There are no partly paid ordinary shares. If there were any partly paid ordinary shares they would carry the right to participate in dividends in proportion to the amount paid relative to the total issue price and to that extent they have been recognised as ordinary share equivalents in the determination of basic earnings per share. Amounts uncalled on partly paid shares and calls in arrears would be treated as the equivalent of options to acquire ordinary shares and would be included as potential ordinary shares in the determination of diluted earnings per share.

(ii) *Options*

Options granted to employees under the Ludowici Limited Employee Share 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 32.

36. Additional information

Ludowici Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial report of Ludowici Limited for the year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 26 February, 2009.

The nature of the operations and principal activities of the Group are described in Note 4.

Registered Office	*Principal Place of Business*
67 Randle Road	67 Randle Road
Pinkenba QLD 4008	Pinkenba QLD 4008
Telephone : (07) 3121 2900	Telephone : (07) 3121 2900

Directors' declaration

In accordance with a resolution of the directors of Ludowici Limited, we state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards and Corporations Regulations 2001;

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   (c) the remuneration disclosures set out on pages 4 to 14 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial period ended 31 December 2008.

On behalf of the board

P J Arnall
Director

P J Largier
Director

Brisbane, 27 February, 2009.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999
www.pwc.com/au

Independent auditor's report to the members of Ludowici Limited

Report on the financial report

We have audited the accompanying financial report of Ludowici Limited ('the Company'), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Ludowici Limited and the Ludowici Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Ludowici Limited and the Ludowici Limited Group is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 14 of the directors' report for the year ended 31 December 2008. 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 Ludowici Limited for the year ended 31 December 2008, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Martin Linz

Martin Linz

27 February 2009

Shareholdings and voting rights

Statement of directors' interests in share capital of the parent entity as at 23 February 2009. [A.S.X. listing requirement 4.10]

	Ordinary Shares	5% Cumulative 1st Preference Shares	6% Cumulative 2nd Preference Shares
P J Arnall	30,717	-	-
P J Largier	15,869	-	-
J K Ludowici *	196,064	9,900	10,350
C W Ravenhall	29,156	-	-
H K Rhodes-White	83,808	-	-
N W Stump	8,778	-	-
			-

* Messrs. Ludowici and Rhodes-White are directors of Ludowici Investments Pty Ltd, which holds 5,054,185 shares in the company. Mr. Ludowici is also a director of Sevlan Pty Ltd which holds 108,192 shares in the company.

Statement of Shareholdings as at 23 February 2009.

1. Distribution of shareholdings

	Ordinary Shares			5% Cumulative 1st Preference Shares			6% Cumulative 2nd Preference Shares		
Size of Holding	No. of Holders	No. of Shares	%	No. of Holders	No. of Shares	%	No. of Holders	No. of Shares	%
1 – 1,000	333	199,387	1.0	18	4,775	9.5	18	4,459	8.9
1,001 – 5,000	561	1,508,059	7.9	8	21,400	42.8	7	18,441	36.9
5,001 – 10,000	177	1,323,212	6.9	1	9,900	19.8	1	9,900	19.8
10,001 – 100,000	190	4,574,580	24.0	1	13,925	27.9	1	17,200	34.4
100,001 and over	22	11,455,815	60.2	-	-	-	-	-	-
TOTAL :	1,283	19,061,053	100.0	28	50,000	100.0	27	50,000	100.0
Twenty largest share holders	20	11,274,626	58.84	20	49,525	99.0	20	49,507	99.0

2. Ordinary shares – On a show of hands, each holder present in person or by proxy or attorney shall have one vote or on a poll, one vote for each share held.

   Preference shares – On a show of hands at a meeting which is convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the undertaking, or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference of shares is in arrears more than six months, each holder present in person or by proxy or attorney shall have one vote, on a poll, four votes for each share held.

Shareholdings and voting rights

3. Share options exercisable at year end :

Issued To		No. Of Options	Grant Date	Vesting Date	Expiry Date
Employees and	)	38,915	31/05/04	31/05/07	31/05/09
executives under	)	12,624	30/09/04	30/09/07	30/09/09
Employee Share Plan	)	375,000	28/04/08	31/12/10	N/A
and Executive Share	)				
and Option Plan	)				
	)				
		426,539			

4. Substantial holders.

Name Of Substantial Shareholder	Relevant	Interest	% Of Issued Capital
Moranbah Supermarket Pty Ltd	6,754,073	Fully paid ordinary shares	35.3%
Ludowici Investments Pty Ltd	6,406,368	Fully paid ordinary shares	33.5%
Egon Investments Pty Ltd	5,909,474	Fully paid ordinary shares	30.9%
National Nominees Limited	982,251	Fully paid ordinary shares	5.1%

Shareholdings and voting rights

Twenty largest shareholders

Ordinary shares

	Number Of Shares	%
Ludowici Investments Pty Ltd	5,054,185	26.38
National Nominees Limited	982,251	5.13
Egon Investments Pty Limited	777,697	4.06
Evelin Investments Pty Limited	663,099	3.46
Belsov Pty Ltd	458,334	2.39
Cogent Nominees Pty Limited	421,023	2.20
Mrs Margot Kinnear Ludowici	363,753	1.90
ANZ Nominees Limited	348,646	1.82
Henleaze Investments Pty Ltd	300,000	1.57
Savage Nominees Limited	266,645	1.39
Mr Robert Henry Charles Rhodes-White	236,152	1.23
Wiltac Pty Ltd	192,031	1.00
JBBM Pty Ltd	191,645	1.00
Mrs June Bonnie Davies	177,988	0.93
Mr Laurence John Gluskie	160,000	0.84
Mr Cameron Boyd Williams	157,467	0.82
T N Phillips Investments Pty Ltd	150,000	0.78
Zase Pty Ltd	148,963	0.78
Donald Cant Pty Ltd	115,917	0.60
Mrs Margot Kinnear Ludowici as trustee for C L Trust	108,830	0.57
	11,274,626	58.85

5% Preference shares

	Number Of Shares	%
ANZ Nominees Limited	13,925	27.85
JBBM Pty Ltd	9,900	19.80
Meggsies Pty Ltd	4,000	8.00
Wilcorp No. 41 Pty Ltd	3,900	7.80
Miss Mary Graham Nield	3,820	7.64
Winpar Holdings Limited	2,825	5.65
Batoka Pty Ltd	2,300	4.60
Patmic Pty Limited	2,300	4.60
Miss Katherine Victoria May Cameron	1,155	2.31
Troika Investments Pty Ltd	1,100	2.20
Mr Andrew Douglas Cameron	800	1.60
Mr William Robert Cameron	700	1.40
Miss Elizabeth Mary Fahey	700	1.40
RFC Investment Holdings P/L	500	1.00
Lady Dorothy Wolseley Macarthur-Onslow	400	0.80
Mrs Ruth Littler	300	0.60
Mrs Frances Roberts	300	0.60
Estate late Phyllis Mabel Woolcock	266	0.53
Dominyk Anthony Lever	200	0.40
Mrs Elizabeth Coutts Kitchin	134	0.27
	49,525	99.05

6% Preference shares

	Number Of Shares	%
ANZ Nominees Limited	17,200	34.40
JBBM Pty Ltd	9,900	19.80
Batoka Pty Ltd	3,900	7.80
Miss Mary Graham Nield	3,734	7.47
Metropolitan Credits Pty Ltd	3,400	6.80
Winpar Holdings Limited	3,207	6.41
Patmic Pty Limited	1,800	3.60
Mr William Robert Cameron	1,200	2.40
Mrs Ruth Littler	1,200	2.40
RFC Investment Holdings P/L	500	1.00
Mrs Frances Roberts	500	1.00
Ms Helen Mary Viret	500	1.00
Mr Andrew Douglas Cameron	450	0.90
Mr Julian Kinnear Ludowici	450	0.90
Dr Gordon Bradley Elkington	400	0.80
Miss Katherine Victoria May Cameron	366	0.73
Mr Michael Thomas Riordan	300	0.60
Mrs Winsome Gwenda Crichton	200	0.40
Miss Ellen Ita English	200	0.40
Mrs Roslyn Gordon Barrett	100	0.20
	49,507	99.01

Directory

Directors:

Phil J Arnall* *Chairman*
Patrick J Largier *Managing Director*
Julian K Ludowici*
Colin W Ravenhall*
Hugh K R Rhodes-White
Nick W Stump

* Members of the Audit Committee

Secretary:
Jim D MacDonald

Management:

Group
Chief Executive
Patrick J Largier
Chief Financial Officer
Jim D MacDonald

Regional Managers
General Manager Sales, Australia and South East Asia
Craig Wilson
General Manager USA
Ed Vickers
General Manager Chile
Horacio Marin
General Manager China
Viktor Li
General Manager South Africa
Mark Houchin
Country Manager India
Santhakumar Chelladorai
General Manager New Zealand
Shane Dalbeth

Functional Support
General Manager Engineering
Rob Angus
General Manager Engineered Consumables Products
Brett A Cason
General Manager Operations
Wayne Dixon
General Manager Vibrating Equipment
Eddie McKerr
Human Resources Manager
Alan Muntz
General Manager Process Technologies
John Pettigrew
General Manager Seals
Neil Tindle

Registered Office:
67 Randle Road, Pinkenba, QLD 4008

Postal Address:
P O Box 116, Pinkenba, 4008

Telephone:
+61 7 3121 2900

Facsimile:
+61 7 3121 2901

Email:
ludo@ludowici.com.au

Web:
www.ludowici.com.au

Share Registry:
Computershare Investor Services Pty Limited
Level 19, 307 Queen Street
Brisbane, QLD 4000
Postal Address:
GPO Box 523
Brisbane, QLD 4001
Telephone (within Australia):
1300 855 080
Telephone (outside Australia)
+61 3 9415 4000
Facsimile :
+61 3 9473 2500

Email:
webb.queries@computershare.com.au

Web:
www.computershare.com

Auditors:

PricewaterhouseCoopers
Chartered Accountants

Bankers:
HSBC Bank Australia Limited

Solicitors:
Herbertgeer

LUDOWICI LIMITED

Head Office
67 Randle Road, Pinkenba, QLD, Australia 4008
Phone: +61 7 3121 2900
Fax :+61 7 3121 2901
Email :ludo@ludowici.com.au
Web :www.ludowici.com.au

LUDOWICI AUSTRALIA
67 Randle Road, Pinkenba
QLD, Australia 4008
Phone: +61 7 3121 2900
Fax: +61 7 3121 2901
Email: info@ludowici.com.au

LUDOWICI SEALS
33 Kingtel Place, Geebung
QLD, Australia 4034
Phone: +61 7 3623 6666
Fax: +61 7 3623 6677
Email: hicom@ludowici.com.au

LUDOWICI WATERGATES
18 Hansells Parade, Riverview,
QLD, Australia 4303
Phone : +61 7 3816 1660
Fax :+61 7 3816 2662
Email :watergates@ludowici.com.au

LUDOWICI AFRICA
16 Simba Street
Sabenza, Edenvale 1613
South Africa.
Phone : +27 0 83 651 5493
Fax : +27 0 12 993 1155
Email :enquiry@ludowici.com.au

LUDOWICI BEIJING
Rm 3A05 Yanjing Mansion
No. 39 Sanlihedonglu,
Xicheng District,
Beijing, P.R. China 100045
Phone: +86 106 852 1036
Fax: +86 106 852 1036
Email: enquiry@ludowici.com.au

LUDOWICI CHINA
Yantai Economic Development Area
298 Huanghe Rd
Yantai, Shandong 264006 P.R. CHINA
Phone: +86 535 216 5280
Fax: +86 535 216 5281
Mobile: +86 1390 5353253
Email: enquiry@ludowiciyantai.com

LUDOWICI CHILE
La Estera 633
Parque Industrial Valle Grande
Lampa 9390392, Santiago, Chile
Phone : +56 2 411 3600
Fax : +56 2 411 3601
Email :central@ludotec.cl

LUDOWICI INDIA
Ganesh Towers
New 104 (Old 90) Dr.Radhakrishnan Salai
Mylapore, Chennai 600004, India
Phone: +91 44 4232 7313
Fax: + 91 44 4232 7315
Email: enquiry@ludowiciindia.com

LUDOWICI LLC
PO Box 199 Chapmanville,
West Virginia, USA 25508
Phone :+1 304 855 7880
Fax :+1 304 855 8601
Email :enquiry@ludowici-innovative.com

LUDOWICI PACKAGING (NEW ZEALAND)
1303 Tomoana Road, Hastings,
New Zealand
Phone : +64 6 878 0100
Fax : +64 6 878 1116
Email :nz@ludopak.co.nz