Appendix 4D

Half-year Report

1. Company Details

Name of entity: Ludowici Limited

ABN	Current Reporting Period	Previous Reporting Period
22 000 001 365	Half-year ended 30 June 2011	Half-year ended 30 June 2010

2. Results for announcement to the market

				A$'000
Revenues from ordinary activities	down	8%	to	103,588
Profit from continuing operations before finance costs, tax, depreciation & amortisation	up	2%	to	11,720
Profit from ordinary activities after tax attributable to members	down	23%	to	4,130
Net profit (loss) for the period attributable to members	down	23%	to	4,130

An interim dividend of 10.0 cents per fully paid ordinary share, fully franked has been declared. The record date for determining entitlements to the dividend is 13 September 2011.

Further detail and explanation is available in the Directors' Report and accompanying financial information contained in the Interim Financial Report for the half-year ended 30 June 2011.

3. Net tangible assets per security	30 June 2011	30 June 2010
Net tangible assets per security	$2.17	$2.10

4. Control over entities

There has been no change in the control of entities during the six months to 30 June 2011.

5. Dividends

	Date dividend is payable	Amount per security	Franked amount per security	Amount per security of foreign sourced dividend
Current period reporting interim dividend	23 September 2011	10.0 cents	100%	Nil
Prior period reporting interim dividend	24 September 2010	10.0 cents	Nil	Nil

6. Dividend reinvestment plan

The Directors have approved the dividend reinvestment plan for the 2011 interim dividend.
The last date for the receipt of election notices for participation in the dividend reinvestment plan: 13 September 2011

7. Associates and joint ventures

The group does not have an interest in any associates or joint venture entities.

8. Foreign entity accounting standards

Not applicable.

9. Audit

The financial statements have been subject to an independent review by PricewaterhouseCoopers.

This document contains the half-year information given to ASX under listing rule 4.2A.
The information should be read in conjunction with the Interim Financial Report for the half-year ended 30 June 2011.

LUDOWICI LIMITED

ACN 000 001 365

INTERIM FINANCIAL REPORT
For the half-year ended
30 June 2011

Ludowici Limited
Directors' Report
For the half-year ended 30 June 2011

Your directors present their report on the consolidated entity (referred to hereafter as "the Company") consisting of Ludowici Limited and the entities it controlled ("the Group") at the end of, or during, the half-year ended 30 June 2011.

Directors

The following persons were Directors of Ludowici Limited during the whole of the half-year and up to the date of this report:

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

Overview

Ludowici Directors are pleased to report that for the half-year ended 30 June 2011 ("1H11"), the Group delivered its highest ever first half underlying EBITDA.

1H11 EBITDA was up 2% to $11.7 million (1H10: $11.5 million). Importantly, the improved EBITDA result was achieved even though revenue was down 8% to $103.6 million, reflecting margin improvement in the underlying business to 11.3% (1H10: 10.2%).

Net profit after tax ("NPAT") was down 23% to $4.1 million (1H10: $5.4 million) due to non-cash amortisation expenses relating to the acquired JS Mining and Rojan Ceramic businesses (not included in 1H10) and an increase of 8% in the Company's consolidated effective tax rate to 30%.

Operating environment and strategy implementation

During 1H11, Ludowici continued to implement its growth strategy in the global mineral processing market. Some notable achievements over 1H11 include:

- successfully integrating the Rojan Ceramics business acquired in December 2010;
- commissioning the Company's Indian low-cost consumable product manufacturing facility in Chennai in March 2011;
- acquiring the Amseal seals business in April 2011;
- implementing a business improvement program in South Africa;
- establishing a new sales office in Lima, Peru;
- receiving Ludowici's first order in Brazil; and
- commercialising Ludowici's patented reflux classifier which has continued to gather pace with further sales to the coal industry and the first "hard rock" applications.

Ludowici operates in the global mineral processing industry with particular strength in the two high growth markets of copper and coal. During 1H11 there were two key external negative pressures outside the control of management that had a direct impact on the Company's 1H11 performance:

- The appreciating Australian dollar had a negative foreign currency translation impact, reducing revenue by $2.9 million and EBITDA by $0.3 million (1H10: $2.6 million impact to revenue and $0.2 million impact to EBITDA); and
- The Queensland floods in early 2011 that affected the local coal industry and led to reduced consumable sales and a general delay in capital project approvals. Whilst this caused a softening of trading conditions for the first four months of 2011, business performance recovered strongly in May and June.

Notwithstanding the decline in revenue, driven in part by the above factors, Ludowici's EBITDA grew by 2% to $11.7 million (1H10: $11.5 million) due to a combination of operational improvements implemented by management over 1H11 and the benefits from successfully integrating acquired businesses.

Ludowici Limited
Directors' Report (Continued)
For the half-year ended 30 June 2011

Financial overview

The following information has been extracted from the attached half year financial report.

	Half-year Ended 30 June 2011 $'000	Half-year Ended 30 June 2010 $'000
Revenue	103,588	112,986
Profit from continuing operations before finance costs, tax, depreciation & amortisation	11,720	11,544
Profit from continuing operations before finance costs and tax	8,295	8,884
Profit from continuing operations after income tax	4,130	5,379
Profit attributable to members of Ludowici Limited	4,130	5,379
Earnings per share for profit from continuing operations	15.5	21.2
Dividends per share (declared) - cents	10.0	10.0
Net tangible assets per share $	$2.17	$2.10

Review of operations and results

Revenue was down 8% to $103.6 million (1H10: $113.0 million) due to the stronger Australian dollar, flooding in Queensland that reduced consumable product sales and delayed capital projects over the first four months of 2011, and an overall decline in capital projects compared with the record levels in 1H10.

During 1H10 Ludowici had record exports to China worth $18 million for a number of significant greenfield coal projects.
During 1H11 there were minimal equivalent exports as the Chinese market moved to locally fabricated coal processing equipment.

This had been expected, and since mid 2010 Ludowici has focussed on developing direct sales from its China facilities. This strategic initiative is delivering results with a $2.6 million order for a Chinese coal project as well as sales of capital equipment manufactured in Ludowici’s Chinese factory being supplied into Mongolia. Ludowici is currently undertaking a programme to expand its China capabilities to support the expected growth of locally fabricated equipment into the Chinese market.

Ludowici’s Latin American business performed below expectations in 1H11 with a lower gross margin than expected, due in part to a product mix effect. In addition, some orders for capital equipment were delayed into 2H11. As a result, the Company expects an improved performance from its Latin American business in 2H11.

The business improvement plan in South Africa delivered pleasing results and the recently announced acquisition of Meshcape Industries will provide Ludowici with a platform of scale from which to materially strengthen the Company’s position in Africa.

Increased sales of consumable products over 1H11 offered a degree of protection to delays in timing for some mining projects.
The acquisitions of Rojan Ceramics and Amseal provided Ludowici with an opportunity to provide new consumable products across its existing international customer base, build new complimentary customer channels, and support product innovation. Both businesses have been successfully integrated and their performance has exceeded Ludowici’s expectations, further strengthening Ludowici’s consumable business – a key strategic growth area for the Company.

EBITDA was up 2% to $11.7 million (1H10: $11.5 million) due to the benefits from a combination of operating efficiencies and cost reduction initiatives, and the successful integration of acquired businesses. EBIT was down 7% to $8.3 million (1H10: $8.9 million) due mainly to an increased non-cash amortisation expense relating to the acquired JS Mining and Rojan Ceramic businesses.

NPAT was down 23% to $4.1 million (1H10: $5.4 million) due to the increase in the Group’s consolidated effective tax rate to 30% (1H10: 22%). This change in effective tax rate resulted from the full utilisation of carry-forward tax losses for Ludowici’s North American business by 31 December 2010, and a reclassification of the taxation position for JS Mining acquisition costs treated as deductible in 1H10.

Financial Overview (continued)

Cash flow and borrowings

Inventory was reduced by $2.9 million (6.5%) over 1H11 due to a focus on improving the management of Ludowici's global supply chain. The management of this supply chain will continue to be an area of focus for the Company moving forward.

Adjusting for the inventory acquired through the Amseal purchase, inventory / supply chain management delivered a net inventory reduction of $3.9 million over 1H11, releasing working capital for other growth initiatives.

The strong delivery of capital projects in May/June 2011 resulted in a high level of Trade Debtors at the end of June 2011. Given the historic strength of Ludowici's Trade Debtor ageing, it is anticipated that this will drive strong operating cash inflows in the third quarter of 2011. Cash collections in July 2011 were the highest this year and this has continued into August 2011.

1H11 cash flow from operations was an outflow of $4.2 million given the build up of Trade Debtors towards the end of the period.

Net debt increased by $4.1 million due to the acquisition of Amseal, a settlement payment relating to the acquisition of Rojan Ceramics, and the short term growth in Trade Debtors.

During 1H11, Ludowici successfully renegotiated the terms of its financing facilities and extended the maturity profile of its existing USD$19.4 million facility to 30 April 2013. This has reduced Ludowici's short term debt to circa 11% of total debt, and importantly provides the headroom and flexibility to allow Ludowici to progress its growth strategies and expansion opportunities.

Dividends

The Directors have declared a fully franked interim FY11 dividend of 10.0 cents per fully paid ordinary share, payable on 23 September 2011 (1H10: 10 cents per share unfranked). The dividend reinvestment plan will recommence for this dividend with a 2% discount and will not be underwritten.

Outlook

Current volatility in global financial markets has created some uncertainty regarding the outlook for global economic growth. However, over the past couple of months Ludowici's level of order intake has increased, and the level of quoting remains strong and is expected to translate into firm orders later this year or 2012.

Subject to no material deterioration in current market conditions, the Company expects that its FY11 EBITDA will exceed FY10, with current indications that the overall demand for Ludowici's products over the next 12 to 18 months remains robust in all the Company's regions.

Ludowici's current capital expansion program and recently announced acquisition of Meshcape Industries ("Meshcape") in South Africa, provides greater stability in terms of providing low cost production and broadening the Company's global footprint, as well as increasing the proportion of revenue derived from the more predictable sales of consumable products. These initiatives should deliver further improved shareholder value.

Post balance date events

Ludowici's capital raising in July 2011 raised net proceeds of $10.1 million ($3.1m cash received prior to 30 June 2011) to support the Company's capital expansion programme as well as targeted acquisition and investment opportunities.

In August 2011 Ludowici announced the acquisition of Meshcape located in South Africa for ZAR85.2m (AUD11.7m based on an exchange rate of AUD/ZAR7.3m). The acquisition includes Meshcape's manufacturing assets based in Johannesburg, its established branch and distribution network throughout the major centres of South Africa and a 50% interest in a joint venture with French company Euroslot (wedge wire manufacturer). This acquisition along with the development of Ludowici's Indian manufacturing facility is consistent with the Company's strategy to have a strong presence in global resource based regions. The Meshcape business will service the African continent and provide an outlet for products from other Ludowici facilities.

Ludowici Limited
Directors' Report (Continued)
For the half-year ended 30 June 2011

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 7.

Rounding

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 and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

P J Arnall
Director

P J Largier
Director

Brisbane, 17 August 2011

pwc

Auditor's Independence Declaration

As lead auditor for the review of Ludowici Limited for the half-year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
17 August 2011

Ludowici Limited
Consolidated income statement
For the half-year ended 30 June 2011

	Half-year	
	2011	**2010**
	$'000	**$'000**
Revenue from continuing operations	**103,588**	112,986
Cost of sales	**(68,623)**	(77,058)
Gross profit	**34,965**	35,928
Other income	**(172)**	207
Selling and distribution expenses	**(11,079)**	(11,273)
Administration expenses	**(8,099)**	(8,059)
Engineering and product specialist expenses	**(5,169)**	(5,493)
Research and development expenses	**(2,151)**	(2,426)
Results from operating activities	**8,295**	8,884
Finance costs	**(2,377)**	(2,019)
Profit before income tax	**5,918**	6,865
Income tax expense	**(1,788)**	(1,486)
Profit from continuing operations	**4,130**	5,379
Profit for the half-year attributable to the owners of Ludowici Limited	**4,130**	5,379
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**15.5**	21.2
Diluted earnings per share	**15.5**	21.2
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**15.5**	21.2
Diluted earnings per share	**15.5**	21.2

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

Ludowici Limited
Consolidated statement of comprehensive income
For the half-year ended 30 June 2011

	Half-year	
	2011	**2010**
	$'000	**$'000**
Profit for the half-year	**4,130**	**5,379**
Other comprehensive income		
Exchange differences on translation of foreign operations	**(572)**	244
Realisation of losses on cash flow hedges cancelled in the period	**-**	242
Income tax relating to components of comprehensive income	**-**	(73)
Other comprehensive income for the half-year, net of tax	**(572)**	**413**
Total comprehensive income for the half-year attributable to members of the Ludowici Limited	**3,558**	**5,792**

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

Ludowici Limited
Consolidated balance sheet
As at 30 June 2011

	Notes	30 June 2011 $'000	31 December 2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	**16,001**	20,230
Trade and other receivables		**47,533**	34,580
Inventories		**42,443**	45,390
Current tax assets		**605**	1,002
Assets classified as held for sale		**1,829**	1,794
Total current assets		**108,411**	102,996
Non-current assets			
Receivables		**88**	18
Property, plant and equipment		**58,243**	58,471
Deferred income tax assets		**5,097**	5,270
Intangible assets		**32,200**	32,959
Total non-current assets		**95,628**	96,718
Total assets		**204,039**	199,714
LIABILITIES			
Current liabilities			
Trade and other payables		**31,624**	29,587
Borrowings	8	**7,323**	29,310
Current tax payable		**3,666**	4,855
Provisions		**7,416**	8,317
Total current liabilities		**50,029**	72,069
Non-current liabilities			
Borrowings	8	**58,073**	36,250
Deferred income tax liabilities		**3,257**	2,849
Provisions		**1,033**	995
Total non-current liabilities		**62,363**	40,094
Total liabilities		**112,392**	112,163
Net assets		**91,647**	87,551
EQUITY			
Contributed equity	4	**50,964**	47,963
Reserves		**(4,870)**	(4,499)
Retained earnings		**45,553**	44,087
Total equity		**91,647**	87,551

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

Ludowici Limited

Consolidated statement of changes in equity

For the half-year ended 30 June 2011

	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2010	**40,751**	**(3,128)**	**36,804**	**74,427**
Profit for the year	-	-	5,379	**5,379**
Other comprehensive income	-	413	-	**413**
Total comprehensive income for the half-year	**-**	**413**	**5,379**	**5,792**
Transactions with owners in their capacity as owners:				
Employee share options and shares – value of employee services	-	65	-	65
Vesting of shares previously recognised as share based payments.	157	(157)	-	-
Contribution of equity net of transaction costs	6,675	-	-	6,675
Dividends provided or paid	-	-	(1,549)	(1,549)
Balance at 30 June 2010	**47,583**	**(2,807)**	**40,634**	**85,410**
Balance at 1 January 2011	**47,963**	**(4,499)**	**44,087**	**87,551**
Profit for the year	**-**	**-**	4,130	**4,130**
Other comprehensive income	**-**	(572)	**-**	**(572)**
Total comprehensive income for the half-year	-	**(572)**	**4,130**	**3,558**
Transactions with owners in their capacity as owners:				
Employee share options and shares – value of employee services	-	248	-	**248**
Vesting of shares previously recognised as share based payments.	47	(47)	-	**-**
Contribution of equity net of transaction costs	2,954	**-**	**-**	**2,954**
Dividends provided or paid	**-**	**-**	(2,664)	**(2,664)**
Balance at 30 June 2011	**50,964**	**(4,870)**	**45,553**	**91,647**

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

Ludowici Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2011

	Notes	Half-year 2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**99,787**	119,540
Payments to suppliers and employees (inclusive of goods and services tax)		**(100,085)**	(107,761)
Interest paid		**(2,109)**	(2,005)
Interest received		**12**	38
Income tax paid		**(1,831)**	(492)
Net cash inflow (outflow) from operating activities		**(4,226)**	9,320
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, excluding sale of businesses		**90**	3
Purchase of property, plant and equipment		**(2,738)**	(1,749)
Purchase of intangible assets		**-**	(185)
Purchase of business net of cash acquired		**(2,641)**	(13,943)
Repayment of loans from employees		**36**	(33)
Net cash (outflow) from investing activities		**(5,253)**	(15,907)
Cash flows from financing activities			
Proceeds from issues of shares		**3,066**	6,232
Proceeds from (repayments of) borrowings		**4,848**	9,161
Equity dividends paid		**(2,664)**	(1,206)
Net cash inflow from financing activities		**5,250**	14,187
Net increase in cash and cash equivalents		**(4,229)**	7,600
Net foreign exchange differences		**-**	(34)
Cash and cash equivalents at the beginning of the half-year		**20,230**	12,552
Cash and cash equivalents at end of the half-year	7	**16,001**	20,118

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Ludowici Limited
Notes to the Consolidated Financial Statements
For the half-year ended 30 June 2011

1. Basis of preparation of the half-year financial report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* .

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2010 and any public announcements made by Ludowici Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* .

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

The consolidated entity's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 31 December 2010.

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. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars or in certain cases the nearest dollar.

(a) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

Certain new standards and interpretations have been published that are not mandatory for 30 June 2011 reporting period. The Company's assessment is that these new standards and interpretations will not have a significant impact to the financial statements.

	Half-year	
2. Dividends paid and proposed	**2011 $'000**	2010 $'000
Dividends declared and paid during the half-year		
Fully Paid Ordinary Shares		
(a) Dividends declared and paid during the half year		
Unfranked 2009 year final dividend – 6.0 cents per share		1,549
Fully franked 2010 year final dividend – 10.0 cents per share	**2,664**	
(b) Dividends proposed and not recognised as a liability at the end of the half-year		
Unfranked 2010 year interim dividend – 10.0 cents per share		2,652
Fully franked 2011 year interim dividend – 10.0 cents per share	**2,935**	
Total dividends paid or proposed during and at the end of the half-year	**5,599**	4,201

The franked portion of the 30 June 2011 interim dividend will be franked out of existing franking credits based on tax paid at 30%.

3. Segment Information

(a) Description of segments

The Managing Director has determined the operating segments based on the internal reports reviewed by the Managing Director and the board that are used to make strategic decisions.

The Managing Director considers the business from a geographic perspective and has identified the following reportable segment:

Geographical segments

In presenting information on the basis on geographical segments, segment revenue is based on the geographical location of the business. The Group's business segment operate in Australia, North America, Latin America, Asia and Other (Africa, India and New Zealand). The Group discontinued its operations in New Zealand in 2009.

(b) Other segment information

Sales between segments are eliminated on consolidation. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement.

The entity is domiciled in Australia. Revenue from external customers are derived from the design, manufature & maintenance of mineral processing equipment and consumables within the mineral processing industry.

Segment revenues are allocated based on the country in which the sale originates.

3. Segment Information (Continued)

(c) Segment information provided to the Managing Director

The segment information provided to the Managing Director for the reportable segments for the half-year ended 30 June 2011 is as follows:

	Australia		North America		Latin America		Asia		Other		Consolidated continuing operations	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Segment revenue	76,160	89,651	14,307	15,011	10,856	10,020	7,413	3,571	5,663	2,154	114,399	120,407
Intersegment eliminations	(3,417)	(5,555)	(979)	-	(882)	-	(4,215)	(2,053)	(1,436)	(207)	(10,929)	(7,815)
Revenue from external customers	72,743	84,096	13,328	15,011	9,974	10,020	3,198	1,518	4,227	1,947	103,470	112,592
Interest revenue	11	27	-	-	-	-	-	1	-	-	11	28
Other revenue	107	67	-	-	-	-	-	-	-	299	107	366
Consolidated revenue	72,861	84,190	13,328	15,011	9,974	10,020	3,198	1,519	4,227	2,246	103,588	112,986
EBITDA	**8,697**	**8,608**	**1,165**	**1,410**	**770**	**1,900**	**645**	**513**	**443**	**(887)**	**11,720**	**11,544**
Depreciation & amortisation	(2,664)	(1,882)	(307)	(300)	(346)	(391)	(22)	(28)	(86)	(59)	(3,425)	(2,660)
Segment result (EBIT)	6,033	6,726	858	1,110	424	1,510	623	485	357	(946)	8,295	8,884
Interest expense - unallocated	-	-	-	-	-	-	-	-	-	-	(2,377)	(2,019)
Consolidated profit before tax	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**5,918**	**6,865**
Income tax expense - unallocated	-	-	-	-	-	-	-	-	-	-	(1,788)	(1,486)
Consolidated profit after tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,130**	**5,379**

Ludowici Limited

Notes to the Consolidated Financial Statements (Continued)

For the half-year ended 30 June 2011

	30 June 2011 $'000	31 December 2010 $'000
4. Contributed equity		
Issued and fully paid ordinary shares	**50,964**	47,963

Movements in ordinary shares on issue during the half-year;		No. of Shares	$'000
01/01/11	Opening balance	26,560,565	47,963
21/01/11	Incentive performance plan	12,723	19
31/05/11	Employee share plan	12,400	48
30/06/11	Share issue - Institutional component of equity raising	766,577	3,066
		27,352,265	51,097
Value of vesting shares transferred from the Employee Equity Benefits Reserve		11,963	47
Transaction costs arising on share issue		-	(179)
Balance at 30 June 2011		**27,364,228**	**50,964**

Treasury Shares, as disclosed below, have been excluded from the above balances.

	30 June 2011	31 December 2010
(a) Treasury Shares		
The movement in Treasury Shares is disclosed as follows;	**No. of Shares**	**No. of Shares**
Opening balance	**68,997**	63,990
Shares issued to controlled entity under the Incentive Performance Plan	**29,831**	25,134
Vesting shares issue to employees	**(11,963)**	(20,127)
Closing balance	**86,865**	**68,997**

5. Contingent liabilities and contingent assets

There have been no material changes in contingent liabilities or contingent assets since December 2010.

	30 June 2011 $'000	30 June 2010 $'000
6. Capital commitments		
Capital commitments of the group all of which are less than one year	**1,105**	925
7. Cash and cash equivalents		
For the purpose of the half-year cash flow statement, cash and cash equivalents comprise the		
Cash at bank and in hand	**16,001**	20,230

8. Borrowings

In March 2011 the Company renegotiated its existing HSBC loan facility to provide additional working capital finance. The total funds available under the facility was increased by AUD5,000,000 of which AUD1,400,000 remained available at 30 June 2011. In June 2011 the Company renegotiated its existing HSBC loan facility to extend the maturity profile of the existing USD19,400,000 denominated facility from a 365 day facility to a maturity date of 30 April 2013 and to provide additional finance of ZAR18,000,000 for potential acquisitions. The new ZAR facility had not been drawn as at 30 June 2011 and when drawn will have a maturity of 30 April 2014.

Other than the inclusion of Rojan Advanced Ceramics Pty Ltd in the guarantor group there were no material changes to the terms and conditions of the facility as disclosed in the 31 December 2010 annual report.

9. Related party transactions

Sales to and purchases from related parties are made in arm's length transactions both an normal market prices and on normal commercial terms. Outstanding balances are unsecured, interest fee and settlement occurs in cash.

10. Business combination

Current period

On 1 April, 2011 the Company purchased the business assets of Amseal Australia Pty Ltd (Amseal) for cash. Amseal is a wholesaler and manufacturer of Seals and Sealing Products. Amseal will complement Ludowici's existing Seals business well, delivering a product range to different market segments. Amseal also manufactures liquid silicone components, which is new to the Company and has potential to grow under the Company's guidance.

	Preliminary fair value 30 June 2011 $'000
(a) Purchase consideration	
Cash paid	1,265
Contingent consideration	25
Total purchase consideration	**1,290**
Fair value of net identifiable assets acquired (refer to (b) below)	1,290
Goodwill	-
(b) Fair value of the assets and liabilities acquired	
Accounts receivable	190
Inventory	987
Deferred tax asset	8
Property, plant & equipment	131
Total identified assets being acquired	**1,316**
Employee benefits provision	(26)
Total liabilities being assumed:	**(26)**
Net identified assets being acquired	**1,290**

(i) Acquisition-related costs

Acquisition-related costs of $22,057 are included in other expenes in profit or loss.

(ii) Contingent consideration

The contingent consideration arrangement requires the group to pay the former owners of Amseal Pty Ltd $25,000.

(iii) Acquired receivables

The fair value of trade and other receivables is $190,253. The gross contractual amount for trade receivables due is $194,600 of which $4,347 is expected to be uncollectable.

(iv) Revenue and profit contribution

The acquired business contributed revenues of $197,728 and net profit of $35,332 to the group for the period from 1 April 2011 to 30 June 2011. If the acquisition had ocurred on 1 January 2011 consolidated revenue and consolidated profit for the half-year ended 30 June 2011 would have been $395,455 and $70,661 respectively.

10. Business combination (Continued)

Prior period

On 7 December 2010 the parent entity acquired 100% of the issued share capital of Rojan Advanced Ceramics Pty Ltd. Details of this business combination were disclosed in note 31 of the group's annual financial statements for the year ended 31 December 2010. The variances arising in the continued assessment of the net assets and purchase consideration have been reflected in the comparative at 30 June 2011 balance sheet:

Restatement of 31 December 2010 Balance Sheet

(i) Purchase consideration	**Subsequent Assessment 30/06/2011 $'000**	**Initial Assessment 31/12/2010 $'000**
Purchase consideration		
Cash paid/payable	4,892	4,892
Net Asset Adjustment	1,376	1,236
Contingent Consideration	2,137	2,137
Total purchase consideration	8,405	8,265
Fair value of net identifiable assets acquired (refer below)	(4,461)	(3,179)
Goodwill	3,944	5,086
(ii) Fair value of the assets and liabilities acquired		
Cash	2,169	2,144
Accounts receivable	1,006	1,018
Inventory	601	626
Deferred tax asset	160	160
Property, plant & equipment	772	772
Identifiable intangible assets	1,633	-
Total identified assets being acquired	6,341	4,720
Accounts payable	(730)	(944)
Current tax provision	(128)	(65)
Deferred tax liability	(490)	-
Employee benefits provision	(532)	(532)
Total liabilities being assumed:	(1,880)	(1,541)
Net identified assets being acquired	4,461	3,179

The goodwill is attributable to Rojan Advanced Ceramics Pty Ltd's strong market position and profitability in innovative solutions for wear, thermal and corrosion problems to the minerals processing and industrial markets and synergies expected to arise after the Company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

11. Events ocurring after the reporting period

The equity raising announced by Ludowici on 16 June 2011, fully settled on 25 July 2011 with net proceeds of $10.1m having been received ($3.1m of these proceeds had been received by 30 June 2011). The funds will support Ludowici's capital expansion program as well as targeted acquisition and investment opportunities.

On 2nd August 2011, Ludowici announced that it agreed to acquire the business of Meshcape Industries ("Meshcape") located in South Africa for ZAR85.2m (AUD11.7m based on an exchange rate of AUD/ZAR7.3). The acquisition includes Meschcape's manufacturing assets based in Johannesburg, its established branch and distribution network throughout the major centres of South Africa and a 50% interest in a joint venture with French company Euroslot (wedge wire manufacturer).

On the date of approval of this report, the Directors have declared a dividend of 10.0 cents per fully paid ordinary share, fully franked and payable on 23 September 2011 (2010: 10.0 cents per share, unfranked). The dividend reinvestment plan will recommence for the 2011 interim dividend at a discount of 2% and will not be underwritten.

Other than those matters discussed above there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial periods.

Ludowici Limited
Directors' Declaration
For the half-year ended 30 June 2011

In the directors opinion:

(a) the financial statements and notes of the company set out on pages 8 to 18 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of their performance for the half-year ended on that date; and

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

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

P J Arnall
Director

P J Largier
Director

Brisbane, 17 August 2011

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Independent auditor's review report to the members of Ludowici Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ludowici Limited (the company), which comprises the consolidated balance sheet as at 30 June 2011, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Ludowici Limited Group (the consolidated entity). The consolidated entity comprises both Ludowici Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ludowici Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independent auditor's review report to the members of Ludowici Limited (continued)

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
17 August 2011