Appendix 4D

Half year report

Name of entity

LUDOWICI LIMITED

Reporting period

Half year ended 30 June 2010

Previous corresponding period

Half year ended 30 June 2009

This document contains the half year information given to ASX under listing rule 4.2A

The information should be read in conjunction with the 2009 Annual Financial Report

Appendix 4D

HALF YEAR REPORT

Name of entity	Ludowici Limited
ABN	22 000 001 365
Reporting period	Half Year ended 30 June 2010
Previous corresponding period	Half Year ended 30 June 2009

Results for announcement to the market

				A$'000
Revenues from ordinary activities	Up	50%	to	112,986
Profit from ordinary activities after tax attributable to members	Up	123%	to	5,379
Net profit (loss) for the period attributable to members	Up	652%	to	5,379

Dividends (distribution)	**Amount per security**	**Franked amount per security**
Distributions payable : Interim dividend – payable 24 September 2010	10.0 cents	Nil cents
Distributions declared previous corresponding period: – Interim dividend	6.0 cents	Nil cents
Record date for determining entitlements to the dividend or participation in the Dividend Reinvestment Plan	14 September 2010	

The dividend or distribution plans shown below are in operation:

Directors have approved the dividend reinvestment plan participation for the 2010 interim dividend

	Current Period	Previous Corresponding Period
Net tangible assets per security	$2.10	$2.37

Refer the attached directors' report to shareholders and financial statements for additional information on the above data.

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

LUDOWICI LIMITED

ACN 000 001 365

INTERIM FINANCIAL REPORT
For the half-year ended
30 June 2010

Ludowici Limited
Directors' Report
For the Half Year ended 30 June 2010

Your directors present their report on the consolidated entity consisting of Ludowici Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2010.

DIRECTORS

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

P.J. Arnall (Chairman) B. Comm.
P.J. Largier (Managing Director) BSc. Chem. Eng.
J.K. Ludowici B. Comm.
C.W. Ravenhall Dip. App. Chem.
H.R. Rhodes-White
N.W. Stump MAppSc. HonDEngin Qld. FAusIMM.
G. Cowan BSc(Hons), FCCA

REVIEW AND RESULTS OF OPERATIONS

Ludowici Directors are pleased to report that the 6 months to June has produced record revenues and profits for your Company.

This result flows from the ongoing implementation of a business efficiency improvement plan that has been underway over the last two and half years and from the contribution made by the JS Mining businesses acquired by Ludowici at the end of 2009. The acquisition has delivered the forecast revenues together with synergy benefits through the successful integration of the new business over the first half of the year. In summary, the integration was completed more quickly than anticipated and has delivered the profit uplift expected at the time of the acquisition.

Notwithstanding the pleasing results for the first half of 2010, the Company is continuing to identify and implement initiatives to improve products, customer service and operational efficiency which should underpin further profit improvement going forward.

Financial Report

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

	Half-Year Ended 30 June 10 $'000	Half-Year Ended 30 June 09 $'000	Change %
Revenue	112,986	75,090	50%
Profit from continuing operations before finance costs and tax	8,884	4,234	110%
Profit from continuing operations after income tax	5,379	2,407	123%
Profit/(Loss) from discontinued operations after income tax	0	(1,692)	-100%
Profit attributable to members of Ludowici Limited	5,379	715	652%
Earnings per share for profit from continuing operations (basic) – cents	21.2	12.6	69%
Dividends per share (declared) - cents	10	6	67%
Net tangible assets per share $	$2.10	$2.37	-11%

REVIEW AND RESULTS OF OPERATIONS (Continued)

Sales for the first half of 2010 were $113m which is an increase of 50% over the equivalent period last year. This increase in sales was driven by strong sales of capital equipment especially in Australia and the contribution made by the acquired JS Mining operations in Australia, South America and North America. The consumables nature of the JS Mining products provides a good balance to the growth in capital equipment. The increased portion of sales of consumable products in Ludowici's portfolio should enhance the predictability of future earnings.

Profit from Continuing Operations benefited from higher revenue, improved operating efficiencies and cost synergies released from the JS Mining acquisition. The combination of these influences resulted in profit before tax and interest increasing by 110% compared to the equivalent period in 2009 rising from $4.2m last year to $8.9m this year. The benefits of consolidating Brisbane manufacturing onto a single large site at Pinkenba with a satellite site at Carole Park are evident from the improved operating efficiencies demonstrated over the first half of 2010. These improved operating efficiencies were supported by an expanding global supply chain allowing Ludowici to source high quality components centrally to be utilised in Ludowici's global businesses.

In the first half of 2010 there were no one-off significant items or profits/losses from Discontinued Operations. This has resulted in all profits from Continuing Operations flowing through to Profit attributable to members of Ludowici Limited. Net Profit attributable to members increased by over 650% to $5.4m. Notwithstanding the additional shares issued to fund the JS Mining acquisition, earnings per share (for profit from continuing operations) increased by 69% to 21.2 cents per share for the first six months of 2010.

The strong revenues and profits for the first half of 2010 also resulted in a healthy Net Cash inflow from Operating Activities of $9.3m over the six months. Net debt increased by $1.5m as a result of a drawdown of funds to acquire the J S Mining operation of approximately $8m significantly offset by strong operating cash flow.

Operational Report

The three areas of particular operational focus during the first half of 2010 were:

- Completing the JS Mining acquisition and integrating the new businesses.
- Driving ongoing manufacturing improvement and increasing production output to accommodate the high levels of orders for capital equipment.
- Focus on technology development and commercialising new products.

The acquisition of the JS mining businesses provided Ludowici with an opportunity to deliver a significant improvement in the performance of the Company. A full time integration manager was appointed and by the end of June 2010 the majority of the integration of the new business was complete. Examples of activities that have been undertaken during integration include migration of the Australian and USA businesses onto Ludowici's ERP system (completed end March and end April respectively) and the integration of sales forces in all regions.

During the first half of 2010 Ludowici enjoyed an unprecedented demand for capital equipment particularly in Australia. To ensure that production targets were met a significant effort was put into the supply chain, production planning and production efficiency. Delivery of this capital equipment program helped underpin Ludowici's strong first half performance.

Ludowici is a company driven by innovating and developing new products and services that will assist our customers to improve their production processes so that they can deliver increased profitability. The Company continues to explore new ideas and commercialise new products. A noteworthy new product that has gained traction during the first half of 2010 is Ludowici's new reflux classifier. This patented, revolutionary technology, developed with the University of Newcastle, enhances the separation and upgrading of fine particles which in turn improves overall mineral processing plant yields. Reflux classifiers are now operational in New Zealand, China and Australia. In addition, orders have been received and are being manufactured for new reflux classifiers in India, Africa and USA. We would expect the reflux classifier to ultimately become the global industry standard replacing gravity spirals.

Over the half year, Ludowici has continued to develop its international businesses. Examples include setting up operations in Peru to further develop business in this country, increasing business in Arizona, delivering our first product for a new project in Mongolia and starting the process of setting up new production facilities in India.

REVIEW AND RESULTS OF OPERATIONS (Continued)

Outlook

With the sale of the New Zealand Packaging business in the middle of 2009 and the acquisition of the JS Mining business in December 2009, Ludowici is now predominantly focussed on servicing the global mineral processing industry with a balanced product portfolio split approximately 50/50 between the supply of capital equipment and mining consumables. This transformation of the company is providing greater stability of earnings which in turn allows management to increase focus on delivering longer term improvements to the business and its processes.

In recent months the level of order intake has increased after the uncertainty created by the proposed Resource Super Profit tax in Australia and the residue of the GFC elsewhere. The level of quoting is extremely strong which bodes well for future business as these quotes hopefully translate into firm orders later this year or in 2011. The lead time for major projects is reasonably long so any new large orders will only have an impact on Ludowici's profitability either late in 2010 or more likely in 2011.

Ludowici achieved an EBITDA of $11.5m for the first six months. As previously advised it is our expectation that the second half of 2010 will be similar to the first half's result. This is still our current expectation with the increasing possibility that the second half EBITDA may be stronger than the first half.

Given the level of quoting activity we currently expect 2011 to be stronger than 2010.

Post Balance Date Events

The Directors have declared a dividend of 10.0 cents per fully paid ordinary share. This dividend will be unfranked and payable on 24 September 2010. The dividend reinvestment plan will continue for the 2010 interim dividend at no discount and will not be underwritten.

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, 23 August 2010

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Auditor's Independence Declaration

As lead auditor for the review of Ludowici Limited for the half year ended 30 June 2010, 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.

Martin Linz
Partner
PricewaterhouseCoopers

Brisbane
23 August 2010

Ludowici Limited
Consolidated Income Statement
For the Half Year ended 30 June 2010

	Notes	Half Year 30 June 10 $'000	 30 June 09 $'000
Revenue from continuing operations			
Revenue		**112,986**	75,090
Cost of sales		**(77,058)**	(50,984)
Gross profit		**35,928**	24,106
Other income		**207**	150
Selling and distribution expenses		**(12,013)**	(9,009)
Administration expenses		**(9,259)**	(7,169)
Engineering and product specialist expenses		**(5,493)**	(3,641)
Research and development expenses		**(486)**	(203)
Profit before tax and finance costs		**8,884**	4,234
Finance costs		**(2,019)**	(1,533)
Profit before income tax		**6,865**	2,701
Income tax expense		**(1,486)**	(294)
Profit from continuing operations		**5,379**	2,407
Profit / (Loss) from discontinued operations	10(b)	**0**	(1,692)
Profit for the half-year attributable to the owners of Ludowici Limited		**5,379**	715
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**21.2**	**12.6**
Diluted earnings per share		**21.2**	**12.6**
Earnings per share for profit from discontinued operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**0.0**	**(8.8)**
Diluted earnings per share		**0.0**	**(8.8)**
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		**21.2**	**3.7**
Diluted earnings per share		**21.2**	**3.7**
Dividends paid per share for the half year	2(a)	**6**	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 2010

	Half Year	
	30 June 10 $'000	30 June 09 $'000
Profit for the half year	**5,379**	715
Other comprehensive income		
Exchange differences on translation of foreign operations	**244**	(2,494)
Realisation of losses on cash flow hedges cancelled in the period	**242**	0
Income tax relating to components of comprehensive income	**(73)**	0
Other comprehensive income net of tax	**413**	**(2,494)**
Total comprehensive income for the half-year attributable to members of the Ludowici Limited	**5,792**	**(1,779)**

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 2010

	Notes	30 June 10 $'000	31 December 09 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	**20,118**	12,552
Trade and other receivables		**33,217**	29,419
Inventories		**36,294**	35,567
Current tax assets		**431**	0
Assets classified as held for sale		**1,927**	1,917
Total Current Assets		**91,987**	79,455
Non-current Assets			
Trade and other receivables		**84**	76
Property, plant and equipment		**58,366**	59,110
Deferred income tax asset		**5,450**	5,402
Intangible assets		**29,644**	29,423
Total Non-current Assets		**93,544**	94,011
TOTAL ASSETS		**185,531**	173,466
LIABILITIES			
Current Liabilities			
Trade and other payables		**26,639**	38,480
Derivatives		**0**	144
Borrowings		**19,734**	8,069
Current tax payable		**3,670**	1,643
Provisions		**9,308**	6,547
Total Current Liabilities		**59,351**	54,883
Non-current Liabilities			
Borrowings		**37,536**	40,139
Deferred income tax liabilities		**2,988**	3,470
Provisions		**246**	547
Total Non-current Liabilities		**40,770**	44,156
TOTAL LIABILITIES		**100,121**	99,039
NET ASSETS		**85,410**	74,427
EQUITY			
Equity attributable to owners of Ludowici Limited			
Contributed equity	4	**47,583**	40,751
Reserves		**(2,807)**	(3,128)
Retained earnings		**40,634**	36,804
TOTAL EQUITY		**85,410**	74,427

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Ludowici Limited
Consolidated Statement of Cash Flows
For the Half Year ended 30 June 2010

	Notes	Half Year 30 June 10 $'000	30 June 09 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**119,540**	94,045
Payments to suppliers and employees (inclusive of GST)		**(107,275)**	(94,429)
Interest paid		**(2,005)**	(1,599)
Interest received		**38**	32
Income tax (paid)/refunded		**(492)**	3
Research and development expenditure		**(486)**	(203)
Net cash inflow (outflow) from operating activities		**9,320**	(2,151)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, excluding sale of businesses		**3**	11
Purchase of property, plant and equipment		**(1,749)**	(1,112)
Purchase of intangible assets		**(185)**	(78)
Purchase of JS Mining business net of cash acquired		**(13,943)**	0
Repayment of loans from employees		**(33)**	0
Net cash (outflow) from investing activities		**(15,907)**	(1,179)
Cash flows from financing activities			
Proceeds from issues of shares		**6,232**	180
Proceeds from (repayments of) borrowings		**9,161**	5,328
Equity dividends paid		**(1,206)**	(383)
Net cash inflow from financing activities		**14,187**	5,125
Net increase in cash and cash equivalents		**7,600**	1,795
Net foreign exchange differences		**(34)**	(466)
Cash and cash equivalents at beginning of period		**12,552**	7,435
Cash and cash equivalents at end of period	7	**20,118**	8,764

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

Ludowici Limited

Consolidated Statement of Changes in Equity

For the Half Year ended 30 June 2010

	Attributable to equity holders of the parent			
CONSOLIDATED	**Contributed Equity $'000**	**Retained Earnings $'000**	**Reserves $'000**	**Total $'000**
At 1 January 2010	**40,751**	**36,804**	**(3,128)**	**74,427**
Total comprehensive income	**0**	**5,379**	**413**	**5,792**
Employee share options and shares – value of employee services		**0**	**65**	**65**
Vesting of shares previously recognised as share based payments.	**157**	**0**	**(157)**	**0**
Transactions with owners in their capacity as owners:				
Contribution of equity net of transaction costs	**6,675**	**0**	**0**	**6,675**
Dividends provided or paid	**0**	**(1,549)**	**0**	**(1,549)**
At 30 June 2010	**47,583**	**40,634**	**(2,807)**	**85,410**
At 1 January 2009	27,708	36,585	(949)	63,344
Total comprehensive income	0	715	(2,494)	(1,779)
Transactions with owners in their capacity as owners:				
Contribution of equity net of transaction costs	180	0	0	180
Dividends provided or paid	0	(383)	0	(383)
At 30 June 2009	27,888	36,917	(3,443)	61,362

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

1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the interim half year reporting period ended 30 June 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2009 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 2009.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available under ASIC Class Order 98.0100. The company is an entity to which the class order applies.

(a) New accounting standards and interpretations

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

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

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

2 DIVIDENDS PAID AND PROPOSED

	30 June 10	30 June 09
	$'000	$'000
Unfranked dividends declared and paid during the half year		
Fully Paid Ordinary Shares		
(a) Dividends declared and paid during the half		
Prior year final dividend – 2.0 cents per share		383
Prior year final dividend – 6.0 cents per share	**1,549**	
(b) Dividends proposed and not recognised as a liability		
Interim dividend – 6.0 cents per share		1,146
Interim dividend – 10.0 cents per share	**2,652**	
Total dividends paid or proposed	**4,201**	1,529

There were no franked dividends paid during the current or prior financial period.

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 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

The Group's business operates in Australia, North America, Latin America, New Zealand, Asia and other (Africa). During the prior year the Group discontinued its operations in New Zealand (Note 10).

3 SEGMENT INFORMATION (Continued)

(b) Segment information provided to the Board of Directors

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

	Australia		North America		Latin America		Other		Consolidated continuing operations	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Segment revenue	89,651	60,395	15,011	11,251	10,020	6,955	5,725	4,701	120,407	83,302
Intersegment eliminations	(5,555)	(7,417)	0	0	0	0	(2,260)	(1,168)	(7,815)	(8,585)
Revenue from external customers	84,096	52,978	15,011	11,251	10,020	6,955	3,465	3,533	112,592	74,717
Interest revenue	27	26	0	0	0	0	1	2	28	28
Other revenue	67	345	0	0	0	0	299	0	366	345
Consolidated revenue	84,190	53,349	15,011	11,251	10,020	6,955	3,765	3,535	112,986	75,090
EBITDA	8,608	3,286	1,410	1,402	1,900	1,726	(374)	(223)	11,544	6,191
Depreciation & amortisation	(1,882)	(1,630)	(300)	(219)	(391)	(58)	(87)	(79)	(2,660)	(1,986)
Segment result (EBIT)	6,726	1,656	1,110	1,183	1,510	1,668	(461)	(302)	8,885	4,205
Interest expense	(1,997)	(1,433)	(1)	(74)	(21)	0	(1)	3	(2,019)	(1,504)
Consolidated profit before tax	4,730	223	1,109	1,109	1,489	1,668	(463)	(299)	6,865	2,701
Income tax expense									(1,486)	(294)
Consolidated profit after tax									5,379	2,407

	30 June 10 $'000	31 December 09 $'000
4 CONTRIBUTED EQUITY		
Ordinary shares		
Issued and fully paid	**47,583**	40,751

Movements in ordinary shares on issue during the financial period;		No. of Shares	$'000
01/01/10	Opening balance	23,868,855	40,751
03/03/10	Share issued - Placement for acquisition	1,350,000	3,578
05/03/10	Share purchase plan	522,188	1,384
07/05/10	Dividend Reinvestment Plan & Underwriting Agreement	563,187	1,549
26/05/10	Conversion of Preference Shares to Ordinary Shares	100,000	275
31/05/10	Employee Share Plan	25,400	56
		26,429,630	47,593
Value of vesting shares transferred from the Employee Equity Benefits Reserve.		20,127	157
Transaction costs arising on share issue			(167)
Balance at 30 June 2010		26,449,757	47,583

Treasury Shares, as disclosed in (b) below, have been excluded from the above balances.

(a) Conversion of Preference Shares

On 26 May 2010, in accordance with shareholder approval, all of the 5% and 6% Cumulative preference shares on issue were converted to ordinary shares. At the date of conversion there were a total of 100,000 cumulative preference shares on issue that were recorded as a non-current liability of the Company at a total of $100,000. The conversion into ordinary shares were at value of $2.75 per share (total consideration $275,000) being the weighted average price of Ordinary Shares on issue during the preceding three months the Notice of Extraordinary General Meeting.

In accordance with AASB139 Financial Instruments: Recognition and Measurement the $175,000 difference between the carrying value of the preference share liability and the consideration paid has been recognised as an expense in the Income Statement during the period.

(b) Treasury Shares

The movement in Treasury Shares is disclosed as follows;	No. of Shares
Balance at 31 December 2009	63,990
Shares issued to controlled entity under the Incentive Performance Plan	25,134
Vesting shares issue to employees	(20,127)
Balance at 30 June 2010	68,997

5 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There have been no material changes in contingent liabilities or contingent assets since December 2009.

	30 June 10 $'000	30 June 09 $'000
6 CAPITAL COMMITMENTS		
Capital commitments of the group all of which are less than one year	**925**	469

	30 June 10 $'000	31 December 09 $'000
7 CASH AND CASH EQUIVALENTS		
For the purpose of the half-year cash flow statement, cash and cash equivalents comprise the following:		
Cash at bank and in hand	**20,118**	12,552

8 BORROWINGS

In March 2010 the Company renegotiated its existing HSBC loan facility to finance the acquisition of the JS Mining business disclosed in Note 11. The total funds available under the USD facility was increased by USD13,000,000 to a total of facility limit of USD19,400,000 of which USD2,500,000 remained available at 30 June 2010. The increase in the USD facility was offset by a reduction in the Company's Bank Guarantee lines in line with the groups ongoing needs.

Other than the inclusion of new entities acquired through the JS Mining acquisition in the guarantor group there were no material changes to the terms and conditions of the facility as disclosed in the 31 December 2009 annual report.

9 RELATED PARTY TRANSACTIONS

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 31 December 2009 Annual Financial Report.

10 DISCONTINUED OPERATIONS

(a) Description

In the prior corresponding period on 30 June 2009 the Group entered a contract to sell the New Zealand Packaging business. The sale of the business was completed on 31 July 2009. The remaining assets relating to the New Zealand packaging business consist of land and buildings. In the prior financial report these were reclassified as "assets classified as held for sale" and re-valued to the expected fair value of the consideration.

There were no additional discontinued operations in the half year to 30 June 2010.

	30 June 09 $'000
(b) Financial performance and cash flow information	
The financial performance and cash flow information presented are for the six months period ended 30 June 2009.	
Financial:	
Revenue	6,546
Cost of sales	(4,682)
Gross profit	1,864
Expenses	(416)
Profit before income tax and finance costs	1,448
Finance costs	(49)
Profit before income tax	1,399
Income tax expense	(140)
Profit after tax of discontinued operations	1,259

10 DISCONTINUED OPERATIONS (continued)

(b) Financial performance and cash flow information (continued)

	30 June 09 $'000
Profit after tax of discontinued operations	1,259
Loss on sale of the division before income tax	(2,951)
Income tax expense	-
Loss on sale of the division after income tax	(2,951)
Profit / (Loss) from discontinued operations	(1,692)
Cash flow:	
Net cash flow from ordinary activities	3,014

(c) Carrying amounts of assets and liabilities

Current Assets	
Inventories	**1,167**
Non-current Assets	
Property, plant and equipment	**1,219**
Total Assets	**2,386**
Current Liabilities	
Provisions	**(142)**
Total Liabilities	**(142)**
Net Assets	**2,244**

(d) Details of sale

Consideration receivable:	
Cash	**2,596**
Disposal costs	**(352)**
Total disposal consideration	**2,244**
Carrying amount of net assets sold	**(5,195)**
Net loss on sale after income tax	**(2,951)**

The sale agreement contains an "earn out" clause based on the Purchaser achieving certain financial performance criteria over the next two financial years. The Management of Ludowici have assessed the financial performance criteria and concluded not to recognise any contingent consideration based on their assessment of the achievability of the "earn out" criteria.

On completion of the sale transaction on 31 July 2009, and under AASB 121, the Group recognised a loss in the Profit and Loss account of $916,000, being the cumulative amount of the foreign exchange differences charged to reserves.

11 BUSINESS COMBINATION & GOODWILL

As disclosed in Note 31 in the annual report for the year ended 31 December 2009 the Group acquired the mining division (JS Mining) of Johnson Screens globally (except Africa) on 31 December 2009. This business combination consisted of the acquisition of the Johnson Screens businesses in Australia, North America, India and 100% of the issued capital in its two operating companies in Chile and Peru. The assets and results of those operations have been included in the respective geographic segments disclosed in Note 3.

At the date of this report the identification and quantification of goodwill and other intangibles has not been finalised. The interim assessment at 30 June 2010 is disclosed below.

(a) Purchase consideration	**Subsequent Assessment 30 June 2010 $'000**	Initial Assessment 31 December 2009 $'000
Purchase consideration		
Cash paid/payable	18,422	16,425
Shares issued to the vendor	7,275	7,275
Total purchase consideration	25,697	23,700
Fair value of net identifiable assets acquired (refer below)	11,350	11,516
Goodwill	14,347	12,184

(b) Fair value of the assets and liabilities acquired

Cash	591	578
Accounts receivable	1,316	1,291
Inventory	4,332	4,389
Deferred tax asset	369	369
Property, plant & equipment	9,675	9,619
Total identified assets being acquired	16,283	16,246
Overdraft	(930)	(873)
Accounts payable	(2,062)	(2,017)
Employee benefits provision	(1,292)	(1,192)
Deferred tax liability	(611)	(611)
Borrowings - current	(38)	(37)
Total liabilities being assumed:	(4,933)	(4,730)
Net identified assets being acquired	11,350	11,516

(c) Restatement of 31 December 2009 Balance Sheet

The variances arising in the continued assessment of the net assets and purchase consideration have been reflected in the comparative 31 December 2009 Balance Sheet.

12 EVENTS OCCURING AFTER THE REPORTING PERIOD

On the date of approval of this report, the Directors have declared a dividend of 10.0 cents per fully paid ordinary share. This dividend will be unfranked and payable on 24 September 2010. The dividend reinvestment plan will continue for the 2010 interim dividend at no discount 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 2010

In the directors opinion:

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

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its 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, 23 August 2010

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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, which comprises the balance sheet as at 30 June 2010, and the consolidated income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Ludowici Limited (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 2010 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.

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

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

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

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 2010 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Martin Linz

Partner

Brisbane

23 August 2010