Midway

2016

ANNUAL REPORT

Midway Limited and controlled entities

ABN 44 005 616 044

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LETTER FROM THE CHAIRMAN

Dear fellow shareholders,

On behalf of the Board of Midway Limited ('Company'), I am pleased to present the Company's Annual Report for the year ended 30 June 2016.

REVIEW OF PERFORMANCE

The 2016 financial year has been a very successful one for the Company. Under the leadership of our new Managing Director Anthony Price, we have substantially exceeded our budget forecast, while actively progressing the option of listing on the ASX.

FINANCIAL PERFORMANCE

Sales Revenue	$208.5 million
Earnings before interest, tax, depreciation and amortisation (EBITDA)	$40.7 million
Net profit before tax	$35.3 million

Our sales revenue for FY2016 was $208.5 million, an increase of 47% from the previous financial year. Our EBITDA for the year was $40.7 million, which I am very pleased to report is the highest EBITDA result ever recorded by the Company.

As shareholders are aware, during the year the Company also successfully completed the disposal of its tree crop plantation for $55.7m before tax and declared and paid a special fully franked dividend of 49.38 cents per share in relation to this transaction. During the year the Company also declared and paid fully franked dividends of 10.65 cents per share (special), 15.90 cents per share (final FY2015 ordinary) and 20.12 cents per share (interim 2016 ordinary).

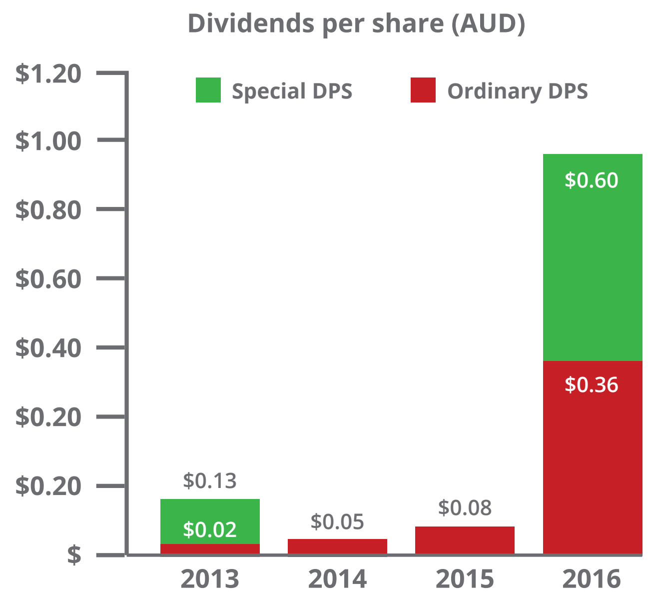
DIVIDEND

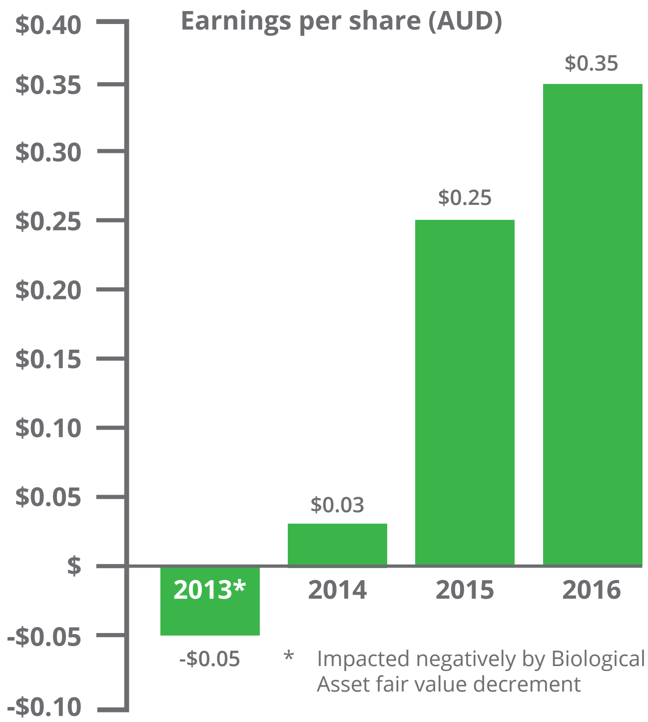
Dividends paid by the Company to members since the end of the previous financial year were:

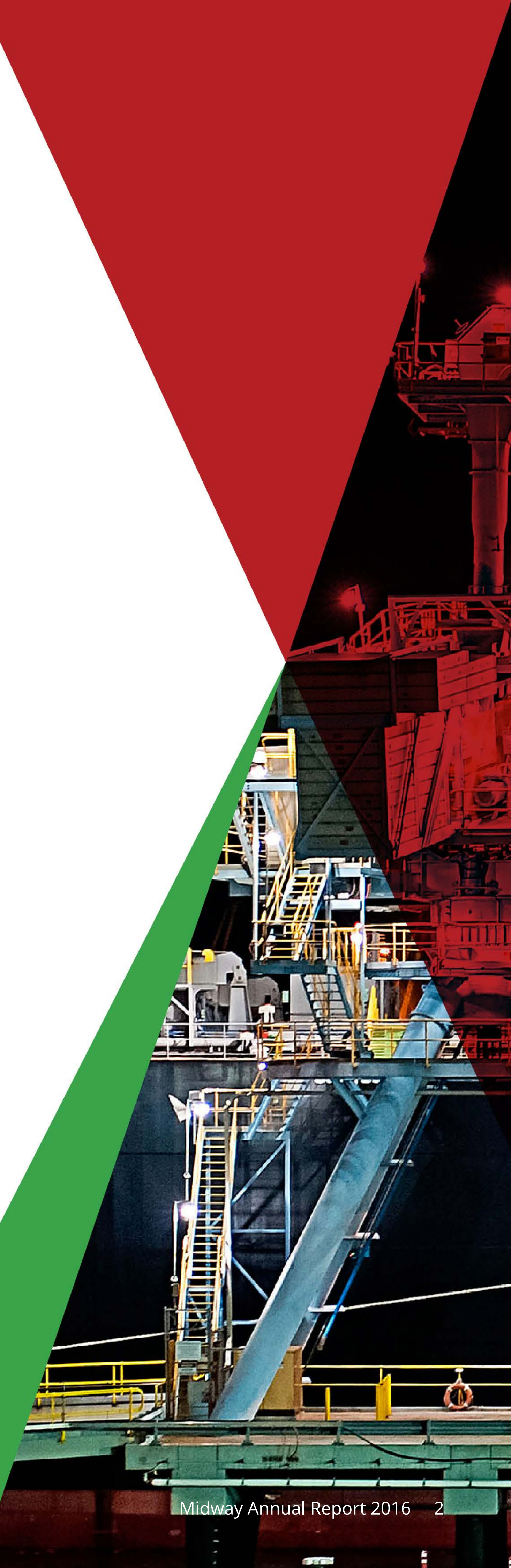
- Fully franked at 30% - 2016 $71,904,070 (2015: $5,896,174)

Declared and paid during the year 2016	Cents per share	Total amount ($)	Date of payment
Special	10.65	7,968,323	10/07/2015
Final 2015 ordinary	15.90	11,896,369	30/11/2015
Interim 2016 ordinary	20.12	15,053,771	29/04/2016
Special	49.38	36,946,083	29/04/2016

A final 2016 dividend was declared on 27 September 2016 for 6 cents per share.


Dividends per share (AUD)
Special DPS
Ordinary DPS
$1.20
$1.00
$0.80
$0.60
$0.40
$0.20
$0.20
$
$0.13
$0.02
$0.05
$0.08
$0.60
$0.36
2013
2014
2015
2016


Earnings per share (AUD)
$0.40
$0.35
$0.30
$0.25
$0.20
$0.15
$0.10
$0.05
$
-$0.05
-$0.10
$0.35
$0.25
$0.03
-$0.05
2013*
2014
2015
2016
* Impacted negatively by Biological Asset fair value decrement



CORPORATE OBJECTIVES

During the year, as shareholders are aware, the Company continued to explore opportunities to list the Company's shares on the ASX; whilst the initial structure of the proposed offer was not successful we have now engaged Bell Potter Securities Limited to assist us and have a restructured proposed offer which we believe will result in the Company's shares becoming listed on the ASX in the next 6 to 12 months. We will continue to keep shareholders advised of developments with the proposed ASX listing.

We have continued to pursue organic growth with the Geelong facility achieving record production in FY2016 and we have also commenced hardwood chip production at the Queensland Commodity Exports Pty Ltd (QCE) facility in Brisbane.

Listing on the ASX will greatly assist our ability to raise funds and achieve our longer term strategy for growth through mergers and acquisitions.

BOARD UPDATE

Anthony Price was appointed to the Board in November 2015.

We have also recently appointed Gordon Davis to the Board as an independent Non-executive Director. Gordon brings a wealth of experience to the Board, particularly given his international business experience.

OUTLOOK

We are anticipating another positive result for FY2017 with demand from key customers in Japan and China continuing to be strong. The Company will continue to pursue opportunities to broaden its customer base in Japan, China, Taiwan and India.

The Directors are confident that with solid foundations in place, the Company will continue to deliver strong results and take advantage of growth opportunities which will add shareholder value. We look forward to keeping you informed of our progress over the coming year.

Finally, I would like to acknowledge the significant contribution made by John Frederick during his 20 years as CEO of the company. He has left the business in very good shape and we wish him a happy retirement.

Sincerely,

Greg McCormack
Chairman


NOVA

MANAGING DIRECTOR'S REVIEW

It was immediately apparent when I joined Midway that there is a very disciplined commercial culture, particularly focussed on safety performance, supply chain management and customers. I look forward to working with the management team in further developing our competence in these key areas.

While we are anticipating another solid financial performance in FY2017, a key focus will also be on pursuing a range of strategic growth opportunities which will deliver long term, sustainable performance.

These include:

- securing additional future resource supply to meet expected unfulfilled demand from existing and potential customers, including through a strategic alliance with plantation investment manager GMO and collaboration with a range other parties interested in establishing plantations, and;
- pro-actively seeking new opportunities to utilise spare capacity at the three processing and export facilities.

A range of opportunities for growth exist within the industry and Midway is currently exploring a number of possible acquisitions.

SAFETY PERFORMANCE

Safety continues to be a critically important performance indicator for our business. While it is pleasing to report a modest 9% reduction in the lost time injury frequency rate, we continue to work hard to instil a strong safety culture in the business.

FINANCIAL PERFORMANCE

Overall financial performance for the year was strong, driven by the excellent segment results at Midway Geelong and South West Fibre Pty Ltd (SWF). Midway Geelong had a record production year and reported an EBITDA of $36.9 million, up 24.6% on budget, while SWF delivered an EBITDA of $9.4 million, 166% up on budget on a 51% ownership basis. These results were assisted by a favourable exchange rate and lower than budgeted chip moisture content.

The sale of the plantation estate to GMO for $55.7 million was significant, generating a very positive result for shareholders.

Our marketing team delivered a record sales volume of 2.3 million GMT (including 51% of SWF) and have added significant value through vessel chartering. The Company has been able to charter vessels at very competitive rates generating better price outcomes on an FOB basis.

IMPLEMENTATION OF GROWTH STRATEGIES

Midway has a range of potential acquisition opportunities in the pipeline which will be progressed over the next year.

In 2016, we commenced harvesting and processing hardwood plantations in Northern NSW and SE QLD. This is expected to double the throughput at QCE and have a significant impact on the performance of this business over the next 8-10 years.

We are also engaged in the early stages of negotiation with a number of potential acquisition targets.

I would like to thank the management team for their hard work this year, growing our sales volume, increasing our customer base and doing our utmost to meet customer expectations.

Sincerely,

Anthony Price
Managing Director

DIRECTORS' REPORT

The Directors submit their report on the Company consisting of Midway Limited and the entities it controlled at the end of, or during the year ended, 30 June 2016.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows:

Greg McCormack	Non-Executive Chairman
Anthony Price	Managing Director and CEO (appointed as a Director on 10/11/2015)
John Frederick	Executive Director & CEO (resigned as a Director on 30/09/2015)
Anthony Bennett	Non-Executive Director
Gordon Davis	Non-Executive Director (appointed as a Director on 06/04/2016)
Nils Gunnersen	Non-Executive Director
Thorold Gunnersen AM	Non-Executive Director
Tom Keene	Non-Executive Director

All of the directors have been in office for the entire period unless otherwise stated.

Nils Koren was an alternate director for Thorold Gunnersen up until 28 May 2016.

INFORMATION ON DIRECTORS

Director and Ownership	Experience
Greg McCormack Non-Executive Chairman 12,978,379 ordinary shares in Midway Limited	Mr McCormack was the founding Director of Midway in 1980. Mr McCormack holds a Bachelor of Business and has a long-term commitment to the Australian forest products industry, holding senior positions with both the National and the Victorian Association of Forest industries (having served as President of both associations). Mr McCormack is the current President of the Australian Forest Products Association and is currently a Director of Millennium Services Group Limited. Mr McCormack is a member of the Audit and Risk Management Committee.
Anthony Price Managing Director and CEO Nil ordinary shares in Midway Limited	Mr Price holds a Bachelor of Science (Forestry) and a Post Graduate Diploma in Business Management, has attended the International Executive Programme at INSEAD in France and is a graduate member of the Australian Institute of Company Directors. Before joining Midway, he has held a number of senior management positions in the hardwood plantation sector and has also run his own consultancy business. Mr Price has over 30 years' experience in the forestry sector. He is also currently a Director of Forestworks Ltd, an organisation which provides training packages to the forest industry.
Anthony Bennett Non-Executive Director 5,075,356 ordinary shares in Midway Limited[1]	Mr Bennett holds a Diploma in Civil Engineering and a Graduate Diploma in Industrial Management. He has extensive background in production management, particularly in the manufacture of high volume/ low margin products for use in civil engineering construction.

Gordon Davis Independent Non-Executive Director Nil ordinary shares in Midway Limited	Mr Davis holds a Master of Business Administration, a Master of Agricultural Science, and a Bachelor of Forest Science. Mr Davis is currently a non-executive Director of Nufarm Limited, where he chairs the Health, Safety and Environment Committee and serves on the Audit and Risk, and Human Resources Committees. He is also a non-executive Director of Primary Health Care Limited, where he is a member of the Risk Committee. Mr Davis was Managing Director and CEO of AWB Limited from 2006 to 2011. He was also Chair of VicForests from 2011 to 2016. He is currently the Chair of Greening Australia, and a Trustee of The Nature Conservancy. Mr Davis is the Chairman of the Remuneration and Nomination Committee, and a member of the Audit and Risk Management Committee and the Occupational Health & Safety and Management Systems Committee.
Nils Gunnersen Non-Executive Director 28,525,892 ordinary shares in Midway Limited[2]	Mr Nils Gunnersen holds a Bachelor of Business (Agricultural Commerce) and is a graduate of the Australian Rural Leadership Programme. He is Executive Director of Gunnersen Pty Ltd and a Trustee of the JW Gottstein Trust with over 25 years' management experience in forest industries businesses across: resources, operations, finance, IT, compliance, sales and marketing within Australia and overseas. Appointed as a Director on the Board of Midway in 2012, he is Chairman of the Occupational Health & Safety and Management Systems Committees. Mr Nils Gunnersen is currently a director of Chebmont Pty Ltd.
Thorold Gunnersen AM Non-Executive Director 28,525,892 ordinary shares in Midway Limited[2]	Mr Thorold Gunnersen AM holds Bachelor of Commerce and Master of Science (Social Science) degrees. He is Chairman of the Gunnersen family investment companies and Gunnersen Companies Pty Ltd. He was Managing Director of Gunnersen Companies Pty Ltd (formerly Marbut-Gunnersen Pty Ltd) between 1970 and 2008. He was awarded a Gottstein Fellowship in 1977 and invited to join the Weyerhaeuser Leadership Institute in 1986. He was Chairman of the Co-operative Research Centre in Wood Innovations and has served as Australia's Director on the Board of the World Forestry Center in Portland, Oregon (Chairman 1997-2000), receiving the "Harry M. Merlo" award for "Extraordinary Commitment to Forest Stewardship" in 2007. He was President of NAFI (1996-2000) and Chairman of the Forest and Wood Products Research and Development corporations (2000-2006). He is a member of the Remuneration and Nomination Committee. Mr Gunnersen is currently a Director of Chebmont Pty Ltd.
Tom Keene Independent Non-Executive Director 224,378 ordinary shares in Midway Limited	Mr Keene holds a Bachelor of Economics and is a Fellow of the Australian Institute of Company Directors. He has a strong commercial and agribusiness background, having held the position of Managing Director of GrainCorp Ltd between 1993 and 2008. In 2007, Mr Keene was awarded the NAB Agribusiness Leader of the Year. He was appointed a Director of Midway Limited in 2008. He is the former Chairman of Allied Mills Ltd and Grain Trade Australia and also a former Director of Cotton Seed Distributors Ltd. He is currently a Director of AACo Ltd. Mr Keene is Chairman of the Audit and Risk Management Committee and is a member of the Remuneration and Nomination Committee and the Occupational Health & Safety and Management Systems Committee.

John Frederick Executive Director & CEO 754,156 ordinary shares in Midway Limited	Mr Frederick holds a Bachelor of Economics with a breadth of commercial and senior management experience, being CEO of the Company from 1996 until 31 March 2012 and again from 1 March 2013. Mr Frederick has also been a Director of Midway Limited from 2008 until November 2012, recommencing on 1 March 2013. Mr Frederick resigned on 30 September 2015.

[1] AC Bennett holds 120,000 shares directly and is a shareholder of WH Bennett & Sons, which holds 4,955,356 shares in the Company.

[2] T H Gunnersen AM & N G Gunnersen jointly hold 28,525,892 ordinary shares through Chebmont Pty Ltd.

COMMITTEE MEMBERSHIP

As at the date of this report, the Company has an Audit & Risk Management Committee, a Remuneration & Nomination Committee and an Occupational Health & Safety & Management Systems Committee of the Board of Directors. From 1 July 2015 to 21 April 2016 all Non-Executive Directors were members of all committees, from 21 April 2016 to 30 June 2016 the committee composition was altered to the following:

Members of the **Audit & Risk Management Committee:**

- T Keene (Chairman)
- G McCormack
- G Davis

Members of the **Remuneration & Nomination Committee:**

- G Davis (Chairman)
- T Gunnersen
- T Keene

Members of the **Occupational Health and Safety & Management Systems Committee:**

- N Gunnersen (Chairman)
- T Keene
- G Davis

COMPANY SECRETARY

Ashley Merrett

(B. Com) (CFO and Joint Company Secretary)

Sophie Karzis

(B. Juris, LLB) (Joint Company Secretary)

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board committee held during the year and the number of meetings attended by each Director or their alternate were as follows:

DIRECTORS	Meetings of Directors		Meetings of Committees					
			Audit & Risk Management		Remuneration & Nomination		OH&S and MS	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Greg McCormack	10	10	3	3	-	-	3	3
Anthony Price	7	7	-	-	-	-	-	-
Anthony Bennett	10	10	3	3	3	3	3	3
Gordon Davis	4	4	1	1	1	1	1	1
Nils Gunnersen	10	9	3	2	3	3	3	3
Thorry Gunnersen	10	9	3	2	3	3	3	3
Tom Keene	10	9	3	2	3	3	3	3
John Frederick	2	2	-	-	-	-	-	-

The principal activities of Midway Limited and its controlled entities during the 2016 financial year were the production and export of wood fibre to producers of pulp, paper and associated products in Japan and China. The Company also owns a processing and export facility in Geelong and has majority shareholdings in processing and export facilities in Portland and Brisbane.

The Company derives income from producing hardwood and softwood woodchips from logs acquired, mostly from private plantation owners in Victoria, South Australia, New South Wales and Queensland, and exporting those woodchips from facilities in the ports of Geelong, Portland and Brisbane to several different producers of pulp, paper and associated products in China and Japan.

OPERATING AND FINANCIAL REVIEW FINANCIAL RESULTS

The Company has had very strong financial results in FY2016, achieving a result substantially higher than forecast:

- NPAT was $26.4 million up from $18.8 million in FY2015
- Revenue in the period was $208.5 million up from $142.3 million in FY2015.
- EBITDA for the period was $40.7 million, the highest EBITDA result ever recorded by the Company to date.

The primary drivers in the Company's improved FY2016 financial performance was a 47% increase in sales volume, predominantly export sales. This was largely driven by the Geelong operations which hit record production levels.

Export sales are now all in US$, therefore the depreciation of the A$ has also significantly benefited financial performance. Our share of SWF Net Profit After Tax (NPAT) (which is equity accounted) was A$5.7 million in FY2016 up from A$3.0 million in FY2015, which was largely driven by an unusually high dry fibre content compared to FY2015.

DIVIDENDS

A Final 2016 dividend has been declared on 27 September 2016 for 6 cents per share.

Declared and paid during the year 2016	Cents per share	Total amount ($)	Date of payment
Special	10.65	7,968,323	10/07/2015
Final 2015 ordinary	15.90	11,896,369	30/11/2015
Interim 2016 ordinary	20.12	15,053,771	29/04/2016
Special	49.38	36,946,083	29/04/2016

CORPORATE GOVERNANCE

The Company has adopted a range of charters and policies aimed at ensuring that the Company's business is conducted in an ethical manner and in accordance with the highest standards of corporate governance.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 29 February 2016 the Company completed the sale of substantially all of its plantation trees for $55.7 million. The sale agreement was coupled with a stumpage sale agreement where the Company was required to buy back the plantation hardwood timber on a compartment basis detailed in an agreed schedule. Where the Company has paid for a compartment but harvesting has not been completed, ownership reverts to the Company.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Company during the financial period, except as otherwise noted in this report.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

A final 2016 dividend was declared on 27 September 2016 for 6 cents per share.

The Directors are not aware of any other matter or circumstance which has arisen since 30 June 2016 that has significantly affected or may significantly affect the operations of the Company in subsequent financial years, the results of those operations, or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors expect that, in the short term, demand from key customers in Japan and China is likely to exceed our supply arrangements. As additional supply arrangements are secured, we will seek to satisfy this excess demand as well as broaden our customer base in Japan, China, Taiwan and India.

Midway will continue to pursue further growth opportunities through:

- securing additional supply to meet expected unfulfilled demand from existing and potential customers, including through a strategic alliance with plantation investment manager GMO and collaboration with other interested parties;
- proactively seeking new opportunities to utilise spare capacity at the three processing and export facilities utilised by Midway;
- continuing to evaluate the potential acquisition of existing Australian woodchip production and exporting businesses; and
- exploring complementary business opportunities which utilise our marketing, processing and supply chain management skills.

During the year, the Company continued to explore opportunities to list the Company's shares on the ASX in the next 6 to 12 months.

Further information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the Directors believe it to be commercial in confidence and therefore likely to result in unreasonable prejudice to the Company.

KEY RISKS AND BUSINESS CHALLENGES

The principal risks and business challenges for the Company are:

- Customer demand – As most sales are achieved on a spot or short-term contractual basis, there can be no guarantee that these relationships will continue.

- Exposure to foreign exchange rates – As sales revenue is denominated in USD whilst costs are in AUD, any adverse exchange rate fluctuations would have an adverse effect on its future financial performance and position.

- Banking facilities – There is a risk that Midway may not be able to refinance its existing or future bank facilities as and then they fall due, or that the terms available to Midway on refinancing may not be as favourable as the terms of its existing or future bank facilities. In addition, Midway has a debt facility which is subject to various covenants. Factors such as a decline in Midway's operations and financial performance (including any decline arising from any adverse exchange rate fluctuations) could lead to a breach of its banking covenants. If a breach occurs, Midway's financier may seek to exercise enforcement rights under the debt facility, including requiring immediate repayment, which may have a materially adverse effect on Midway's future financial performance and position.

- Security of supply – There is a risk that Midway may not be able to secure timber supply necessary to meet customer demand.

- Excess system capacity – Midway is subject to a number of contracts which contain minimum annual volume commitments. Financial penalties are imposed if these volume commitments are not met.

- Contamination of product – woodchip export contracts all contain similar contamination requirements. There is a risk of financial recourse in the event of a breach of contract.

- Costs – Midway's profitability could be materially and adversely affected by increases in costs which are in many respects beyond its reasonable control.

- Sale of freehold plantation land – In the event freehold plantation land will be sold after harvest of the current rotation of trees, there is a risk Midway may not be able to achieve sales for some or all of the estate within its optimal timeframe at or in excess of book value.

- Vessel chartering – An increasing proportion of Midway's export sales is executed on a CIF basis, there is a risk that Midway may not be able to finalise an export sale contract rendering the vessel idle.

- Employee recruitment risk and retention – There is a risk that Midway may not be able to attract and retain key staff.

- Port of Brisbane tenure – There is a risk that QCE will be unable to renew the lease expiring in 2022 and, therefore, would need to seek access to an alternative export facility.

- Risk of fire affecting timber supply – loss of plantation resource and therefore supply due to fire is an ever-present industry risk.

- Other risks facing the Company include: Failure to comply with laws, regulations and industry standards generally (and environmental matters and industry accreditations specifically), risk of litigation, claims and disputes, bribery and corruption in foreign jurisdictions.

In order to manage these challenges, the Company hedges a significant proportion of its forward sales through forward exchange contracts and continues to maintain and strengthen its business relationships including entering into a strategic alliances with key suppliers. Additionally, imposing a strong control environment focusing on preventative controls, acts to further manage these business challenges.

ENVIRONMENTAL REGULATION

The Chief Executive Officer reports to the Board on any environmental and regulatory issues at each Directors meeting, if required. On 14th September 2016 the Environmental Protection Agency (EPA) issued Midway with a Penalty Infringement Notice in relation to a storm water contamination incident, with an infringement penalty of $7,584.

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The Company is not subject to the reporting requirements of either the Energy Efficiency Opportunities Act 2006 or the National Greenhouse and Energy Reporting Act 2007.

EMPLOYEE SHARE PLAN

The Company has adopted a Long Term Incentive Plan (LTIP) under which it proposes to issue performance rights to key executives if the Company becomes listed on the ASX.

As at the date of this report there were Nil performance rights issued under the LTIP.

INDEMNIFICATION AND INSURANCE OF DIRECTORS OFFICERS AND AUDITORS

INDEMNIFICATION

The Company has indemnified the Directors and officeholders of the Company for costs incurred, in their capacity as a Director or officeholder, for which they may be held personally liable, except where there is a lack of good faith.

INSURANCE OF DIRECTORS AND OFFICERS

During the year the Company paid a premium for a Directors and Officers Liability Insurance Policy. This policy covers Directors and Officers of the Company and the Company. In accordance with normal commercial practices under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of the premiums are confidential.

INSURANCE OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its Auditor as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify the Company's Auditor during or since the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

Legal proceedings have recently been commenced against the Company in the Victorian Civil and Administrative Tribunal (VCAT). Based on the claimant's application, the claim appears to primarily relate to sedimented water flow from the Company's plantation onto the claimant's property and historical aerial herbicide spraying of the plantation by the Company. The claimant seeks damages and compensation in an unquantified amount. Given the early stage of the proceeding, and the lack of specificity in the claimant's application, it is premature for the Company to speculate on when it might be resolved or whether the proceeding could have a material impact on the Company's financial position or financial performance. The Company intends to vigorously defend the action.

Other than as set out above, the Company does not believe that it has any contingent liabilities from legal proceedings or other exposures that are likely to have a material adverse impact on its business or financial position as at year end.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is set out on page 19 and forms part of this report.

NON-AUDIT SERVICES

The Company may decide to employ the Auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit & Risk Management Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Details of the audit and non-audit fees paid or payable for services provided by the auditor of the parent entity, and its related practices, are detailed below.

	2016 $	2015 $
KPMG Australia		
Audit and assurance services		
- Statutory audit fees	65,000	-
- Assurance services – IPO related services	650,000	-
Other services		
- Non- assurance services – other advisory services	18,300	-
Pitcher Partners Melbourne[1]		
Audit and assurance services		
- Statutory audit fees	54,715	99,200
Other services		
- Non- assurance services – taxation services	14,300	32,790
- Non- assurance services – other advisory services	129,724	119,990
- Non- assurance services – IPO related services	167,898	-

[1] Pitcher Partners Melbourne resigned as auditors of the company on 6 June 2016.

REMUNERATION OVERVIEW

This Remuneration Overview outlines the director and executive remuneration arrangements of the Company.

DETAILS OF DIRECTORS AND KEY EXECUTIVES

(i) Non-Executive Directors

- Greg McCormack
- Anthony Bennett
- Gordon Davis
- Nils Gunnersen
- Thorold Gunnersen
- Tom Keene

(ii) Executive Directors and other Key Executives

- Anthony Price
- John Frederick
- Ashley Merrett

REMUNERATION PHILOSOPHY

The performance of the Company depends upon the quality and performance of its directors and executives. Superior performance requires attracting, motivating and retaining highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high performing executives;
- Link executive rewards to shareholder value;
- Have a portion of executive remuneration variable, dependent upon meeting performance benchmarks; and
- Establish appropriate and demanding performance benchmarks in relation to variable executive remuneration.

REMUNERATION & NOMINATION COMMITTEE

The Remuneration & Nomination Committee of the Board of Directors of the Company and the Company is responsible for determining and reviewing remuneration arrangements for the Directors and Executives.

The Remuneration & Nomination Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing directors and executives.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

NON-EXECUTIVE DIRECTOR REMUNERATION

Objective

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 shareholders.

Structure

The Company's Constitution specifies that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination approved an aggregate remuneration of up to $800,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the non-executive director fee structure is reviewed periodically. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the review process.

The aggregate remuneration of Non-Executive Directors for the year ended 30 June 2016 was $688,427.

EXECUTIVE REMUNERATION

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company in the financial year; and
- Ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration & Nomination Committee uses a combination of business experience, comparisons with executive remuneration of comparable companies and comparative remuneration in the market and makes its recommendations to the Board.

Remuneration consists of the following key elements:

- Fixed Remuneration; and
- Variable Remuneration.

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each executive by the Board.

FIXED REMUNERATION

Objective

Fixed remuneration is reviewed annually by the Remuneration & Nomination Committee. The process consists of a review of Company, individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee may obtain external advice independent of management.

Structure

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

VARIABLE REMUNERATION

Objective

The objective of the variable remuneration program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets and to also reward executives in a manner which is consistent with the interests of shareholders. The total potential variable component is set at a level so as to provide sufficient incentive to the executive officer to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

Structure

Actual variable payments granted to each executive officer depend on the extent to which specific targets set at the beginning of the financial year are met. The operational targets consist of a number of key performance indicators (KPIs) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to operational profit, occupational health and safety and risk management, leadership and team contribution. The Company has predetermined benchmarks which must be met in order to trigger payments.

The type of variable remuneration and performance against KPIs of the Company and the individual performance of each executive are taken into account when determining the amount, if any, of the variable incentive that is to be allocated to each executive. The aggregate of variable payments available for executives across the Company is subject to the approval of the Remuneration & Nomination Committee. Payments made are usually cash bonuses. Going forward, as noted in the directors report (share option plan), the company has adopted a share option plan. Details of the plan are that performance rights are intended to be issued under the LTIP which only vest into ordinary fully paid shares if both the Company becomes listed on the ASX and also if other relevant performance hurdles are satisfied.

RELATIONSHIP OF REWARDS TO PERFORMANCE

In assessing whether the KPIs for each variable component have been met, the Company measures audited results against internal targets.

EMPLOYMENT CONTRACTS

Managing Director

The Managing Director, Anthony Price, is employed under a standard Company employment agreement. The Company may terminate the Managing Director's employment agreement by providing 3 months' written notice or providing a payment in lieu of the notice period. The Managing Director is also required to provide 3 months written notice to the Company upon employment termination. The Company may terminate the agreement at any time without notice if serious misconduct has occurred.

Other Executives

The Company may terminate the executive's employment agreement by providing 3 months' written notice or providing a payment in lieu of the notice period. Executives are also required to provide 3 months written notice to the Company upon employment termination. The Company may terminate the contract at any time if serious misconduct has occurred.

Signed in accordance with a resolution of the Directors.

Greg McCormack
Chairman

Melbourne
7 October 2016

AUDITORS INDEPENDENCE DECLARATION

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Midway Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

KPMG

Paul J McDonald

Paul J McDonald

Partner

Melbourne
7 October 2016

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MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		$	$
Revenue and other income			
Sales revenue	4	208,503,962	142,264,425
Other income	4	4,640,499	4,488,985
	4	213,144,461	146,753,410
Less: expenses			
Changes in inventories of finished goods and work in progress	5	1,274,035	6,632,622
Materials, consumables and other procurement expenses	5	(122,546,014)	(103,023,005)
Depreciation and amortisation expense	5	(3,460,277)	(3,459,323)
Employee benefits expense		(8,111,949)	(7,280,428)
Finance expense	5	(2,047,685)	(1,879,272)
Biological assets net fair value increment	5	2,770,000	10,775,878
Plantation management expenses		(630,999)	(608,208)
Freight and shipping expense		(38,383,799)	(16,981,323)
Repairs and maintenance expense		(4,007,777)	(2,511,907)
Other expenses		(8,412,661)	(5,915,697)
		(183,557,126)	(124,250,663)
Share of net profits from equity accounted investments	5	5,663,192	3,025,939
Profit before income tax expense		35,250,527	25,528,686
Income tax expense	6	(8,834,452)	(6,703,711)
Profit for the year		26,416,075	18,824,975

The accompanying notes form part of these financial statements

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		$	$
Profit for the year		26,416,075	18,824,975
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Revaluation of land fair value adjustment, net of tax	18	(5,296,380)	(1,700,448)
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges effective portion of changes in fair value, net of tax		256,325	-
Other comprehensive income for the year		(5,040,055)	(1,700,448)
Total comprehensive income for the year		21,376,020	17,124,527
Profit is attributable to:			
• Owners of Midway Limited		26,180,702	18,635,379
• Non controlling interests		235,373	189,596
		26,416,075	18,824,975
Total comprehensive income is attributable to:			
• Owners of Midway Limited		21,140,647	16,934,931
• Non controlling interests		235,373	189,596
		21,376,020	17,124,527
Earnings per share for profit attributable to equity holders:			
Basic earnings per share		$0.35	$0.25
Diluted earnings per share		$0.35	$0.25

The accompanying notes form part of these financial statements

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016	2015
		$	$
Current assets			
Cash and cash equivalents	9	11,180,360	29,181,595
Receivables	10	9,914,815	13,960,166
Inventories	11	11,710,541	10,436,506
Derivative financial assets	29	366,307	-
Biological assets	13	2,145,781	-
Other assets	12	3,698,003	3,460,466
Total current assets		39,015,807	57,038,733
Non current assets			
Biological assets	13	808,785	54,200,000
Investments accounted for using the equity method	27	12,998,318	7,335,126
Intangible assets	15	1,970,930	1,970,930
Property, plant and equipment	14	101,517,227	104,950,405
Total non current assets		117,295,260	168,456,461
Total assets		156,311,067	225,495,194
Current liabilities			
Trade and other payables	16	17,953,669	16,389,781
Borrowings	17	464,552	561,910
Provisions		1,489,685	1,657,285
Current tax liabilities	6	964,636	3,815,321
Total current liabilities		20,872,542	22,424,297
Non current liabilities			
Borrowings	17	30,436,234	29,634,840
Provisions		87,676	55,601
Deferred tax liabilities	6	14,369,126	32,306,917
Total non current liabilities		44,893,036	61,997,358
Total liabilities		65,765,578	84,421,655
Net assets		90,545,489	141,073,539
Equity			
Share capital	18	28,833,038	28,833,038
Reserves	18	58,616,520	48,822,523
Retained earnings	18	1,614,002	62,131,898
Equity attributable to owners of Midway Limited		89,063,560	139,787,459
Equity attributable to non-controlling interests		1,481,929	1,286,080
Total equity		90,545,489	141,073,539

The accompanying notes form part of these financial statements

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Share capital	Reserves	Retained earnings	Non controlling interests	Total equity
	$	$	$	$	$
Balance as at 1 July 2015	28,833,038	48,822,523	62,131,898	1,286,080	141,073,539
Profit for the year	-	-	26,180,702	235,373	26,416,075
Revaluation of land, net of tax	-	(5,296,380)	-	-	(5,296,380)
Cash flow hedges effective portion of changes in fair value, net of tax	-	256,325	-	-	256,325
Total comprehensive income for the year	-	(5,040,055)	26,180,702	235,373	21,376,020
Other Transactions:					
Reclassification to retained earnings on sale of biological assets	-	1,723,469	(1,723,469)	-	-
Transfer to retained earnings	-	(180,911)	180,911	-	-
Transfers to profits reserve	-	26,180,702	(26,180,702)	-	-
Transfer to retained earnings for dividend	-	(12,889,208)	12,889,208	-	-
Transactions with owners in their capacity as owners:					
Dividends	-	-	(71,864,546)	(39,524)	(71,904,070)
Total transactions	-	14,834,052	(86,698,598)	(39,524)	(71,904,070)
Balance as at 30 June 2016	28,833,038	58,616,520	1,614,002	1,481,929	90,545,489

The accompanying notes form part of these financial statements

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Share capital	Reserves	Retained earnings	Non controlling interests	Total equity
	$	$	$	$	$
Balance as at 1 July 2014	28,833,038	38,350,016	61,415,645	1,246,487	129,845,186
Profit for the year	-	-	18,635,379	189,596	18,824,975
Revaluation of land, net of tax	-	(1,700,448)	-	-	(1,700,448)
Total comprehensive income for the year	-	(1,700,448)	18,635,379	189,596	17,124,527
Other Transactions:					
Decrement of plantations, net of tax	-	1,243,115	(1,243,115)	-	-
Transfer to retained earnings	-	(1,959,368)	1,959,368	-	-
Transfers of current year profits	-	12,889,208	(12,889,208)	-	-
Transactions with owners in their capacity as owners:					
Dividends	-	-	(5,746,171)	(150,003)	(5,896,174)
Total transactions	-	12,172,955	(17,919,126)	(150,003)	(5,896,174)
Balance as at 30 June 2015	28,833,038	48,822,523	62,131,898	1,286,080	141,073,539

The accompanying notes form part of these financial statements

MIDWAY LIMITED AND CONTROLLED ENTITIES
ABN 44 005 616 044

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		$	$
Cash flow from operating activities			
Receipts from customers		213,173,996	145,748,382
Payments to suppliers and employees		(182,228,295)	(132,433,544)
Interest received		776,680	800,556
Interest paid		(1,243,761)	(1,654,477)
Income tax paid	6	(27,463,033)	(719,140)
Net cash provided by operating activities	20(b)	3,015,587	11,741,777
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		371,604	3,658,806
Payment for property, plant and equipment		(6,649,066)	(1,534,935)
Net Proceeds from tree crop sale		55,271,335	-
Repayment of loan to associates		2,661,527	2,040,000
Other receipts from associates		-	71,568
Net cash provided by investing activities		51,655,400	4,235,439
Cash flow from financing activities			
Net finance lease payments		(768,152)	(571,143)
Proceeds from bank borrowings		29,400,000	-
Repayment of bank borrowings		(29,400,000)	(2,100,000)
Dividends paid		(71,904,070)	(5,896,174)
Net cash used in financing activities		(72,672,222)	(8,567,317)
Reconciliation of cash			
Cash at beginning of the financial year		29,181,595	21,771,696
Net increase/(decrease) in cash held		(18,001,235)	7,409,899
Cash at end of financial year	20(a)	11,180,360	29,181,595

The accompanying notes form part of these financial statements

CONTENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report was approved by the directors as at the date of the directors' report.

The financial report is for Midway Limited and its consolidated entities. Midway Limited is a company limited by shares, incorporated and domiciled in Australia. Midway Limited is a for profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the Company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Compliance with IFRS

The consolidated financial statements of the Company also comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the Company's accounting policies. Those estimates and judgements significant to the financial report are disclosed in note 3.

(b) Principles of consolidation

The consolidated financial statements are those of the Company, comprising the financial statements of the parent entity and all of the entities the parent controls. The Company controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Company and are de recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Company are presented as non controlling interests. Non controlling interests in the result of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position respectively.

(c) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

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

Tax Consolidation

The parent entity Midway Limited and its subsidiaries have implemented the tax consolidation legislation and have formed a tax consolidated group from 1 July 2002. The parent entity and subsidiaries in the tax consolidated group have entered into a tax funding agreement such that each entity in the tax consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as inter company payables or receivables.

The tax consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

(d) Finance Costs

Finance costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, including trade creditors and lease finance charges.

Finance costs are expensed as incurred.

(e) Impairment of non financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Goodwill is also discussed in Note k.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 15 for a description of how management determines value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, in which case the impairment loss is treated as a revaluation decrease in accordance with the applicable Standard. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

(f) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the consolidated statement of profit or loss and other comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(g) Revenue and Other Income

Sales revenue is recognised on transfer of the significant risks and rewards to the customer. Export woodchip sales are generally on Cost, Insurance, Freight (CIF) or Free on Board (FOB) shipping terms, with revenue recognised when goods are loaded on Board. All other sales are generally recognised as revenue at the time of delivery of the goods to the customer.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

Rental revenue is recognised on a straight line basis over the rental term.

If the group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commissions made by the group.

Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement when it is probable that the royalty will be received, which is normally when the event has occurred.

All revenue is measured net of the amount of goods and services tax (GST).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct material, direct labour and a proportion of manufacturing overheads based on normal operating capacity.

(i) Biological assets

Biological assets comprise standing timber growing on freehold and leasehold land. Biological assets are revalued each year to fair value.

The fair value net increase or decrease to the carrying value of the standing timber revaluation is recognised in the statement of profit or loss and other comprehensive income. To the extent they remain unrealised, the after tax net increase or decrease is transferred to a plantation revaluation reserve in shareholders equity as noted in Note 18.

Biological assets at cost comprise new plantings. These are initially recorded at cost and cost approximates fair value. Once developed these are measured at fair and revalued each year. Site preparation costs are capitalised into the cost of the asset. Where there are no plantings, these costs are expensed.

In revaluing the biological asset component of the forest plantations, a deferred tax asset or liability has been recognised.

(j) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Freehold and plantation land

Freehold and plantation land is measured at fair value. At each balance date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Increases in the carrying amounts arising on revaluation of land is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve. To the extent that the increase reverses a decrease of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same asset are recognised in other comprehensive income with a corresponding decrease to the asset revaluation reserve; all other decreases are charged to the statement of profit or loss.

Plant and equipment

Plant and equipment is measured on a cost basis.

Buildings

Buildings are measured on the cost basis and are a separate asset class to land assets.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of property, plant and equipment is not depreciated.

Class of fixed asset	Depreciation rates	Depreciation basis
Buildings at cost	2.5-27%	Straight line
Plant and equipment at cost	3-25%	Straight line

Roading is amortised over the expected relevant harvest period. See Note 14.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangibles

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised.

Goodwill is not amortised, but 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 any accumulated impairment losses.

(l) Foreign currency translations and balances

Functional and presentation currency

The financial statements of each entity within the Company is measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies of entities within the consolidated Company are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the financial year.

The accounting policy for Cash flow hedges is outlined at Note (o) Financial Instruments - Derivative financial instruments

Subsidiaries that have a functional currency different from the presentation currency of the Company are translated as follows:

- Assets and liabilities are translated at the closing rate on reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised in other comprehensive income.

(m) Employee benefits

Short term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables in the consolidated statement of financial position.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long term employee benefit obligations

The provision for other long term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long term employee benefit obligations are presented as current liabilities in the consolidated statement of financial position if the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long term employee benefit obligations are presented as non current liabilities in the consolidated statement of financial position.

(n) Interests in joint arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about the relevant activities are required. Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement.

The Company's interest in joint ventures are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the joint venture are recognised in the Company's profit or loss and the Company's share of the joint venture's other comprehensive income is recognised in the Company's other comprehensive income. Details of the Company's interests in joint ventures are disclosed in Note 3 and Note 27.

(o) Financial instruments

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter company balances and loans from or other amounts due to director related entities.

Non derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

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

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment as a result of one or more events ('loss events') having occurred and which have an impact on the estimated future cash flows of the financial assets.

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of Other Comprehensive Income (OCI) in shareholders' equity and reclassified into income in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in the statement of profit and loss. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hedge accounting

Certain derivatives are designated as hedging instruments and are further classified as either fair value hedges or cash flow hedges.

At the inception of each hedging transaction, the Company documents the relationship between the hedging instruments and hedged items, its risk management objective and its strategy for undertaking the hedge transaction. The Company 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 value or cash flows of hedged items.

Cash flow hedge

To qualify as a cash flow hedge the underlying transactions generating the cash flows must be highly probable.

Changes in the fair value of derivative that are designated and qualified as cash flow hedges are recognised in equity in the cash flow hedging reserve (net of tax). This gain or loss is released to profit or loss in the same period when the forecast transactions occur, thereby offsetting any exchange fluctuations that would have been recognised in the absence of the hedge.

(p) Segment Information

Segment information is reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Chief Executive Officer (CEO).

(q) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(r) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(s) Earnings per share

Basic earnings per share has been based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

Diluted earnings per share is Basic earnings per share adjusted for the effects of all dilutive potential ordinary shares.

(t) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

NOTE 2: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Australian Accounting Standards Board (AASB) has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of these new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below.

AASB 9: Financial Instruments (December 2014), AASB 2014 -7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014), AASB 2014-8: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Company on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would increase an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers, AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8: Amendments to Australian Accounting Standards Effective Date of AASB 15 and AASB 2016-3: Amendments to Australian Accounting Standards Clarifications to AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5 step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the Company satisfies the performance obligations.

NOTE 2: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The full impacts of AASB 15 on the Company has not yet been assessed. However, in relation to the sale of eucalyptus plantation trees (Eucalypt Trees) to Strategy Timber (Strategy), recognised as a sale by Midway in February 2016, it is expected that the transaction would not meet the requirements for recognition of a sale under AASB 15. Details of this sale are set out in note 13. Accordingly, from 1 January 2018 it is expected that the biological assets would again be recognised on the balance sheet as non-current assets of the Company at fair value, with changes in fair value recognized in the statement of profit or loss and other comprehensive income. It is also expected that fees received by Midway for management of the Eucalypt Trees would not meet the requirements for revenue recognition under AASB 15. In this case, the right to receive these management fees from Strategy would be recognised as a financial asset. The initial consideration and on-going management fees to be received by Midway under this transaction would be accounted for as a financing arrangement. This would result in the recognition of a financial liability, initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

It is expected that Midway will adopt AASB 15 for the year ended 30 June 2019. In applying the new standard for the first time, AASB 15 provides a number of transition options, which may involve an adjustment to opening retained earnings at 1 July 2018 or the restatement of comparatives. The full impacts of the transition provisions have not yet been assessed by the Company.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right of use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right of use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right of use assets are accounted for on a similar basis to non financial assets, whereby the right of use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right of use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right of use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Company's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities outlined below:

(a) Inventories

Wood fibre is purchased in Green Metric Tonnes (GMT's), (fibre inclusive of moisture) and is sold in Bone Dry Metric Tonnes (BDMT's), (fibre exclusive of moisture). Inventories are valued at the lower of cost and net realisable value. Cost is determined on an average cost basis. Moisture content and Production losses are applied to the GMT in the perpetual records. Factors vary depending on the timber species type and seasonal factors.

Volumetric chip stack surveys are used in determining inventory volumes at year end. Conversion from M3 to GMT range from 2.2 to 2.4 the range depends upon factors such as timber species, climatic conditions and production methods. The carrying amounts and inventory are set out in note 11.

(b) Income tax

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

The carrying amount of balances are set out in note 6.

(c) Biological assets

In recognising revenue on the sale of biological assets in the current period, the Company has made judgements about the transfer of risk and rewards to the purchaser. The carrying amount of Biological Assets is set out in note 13.

(d) Forest plantation land valuation

The Company's plantation land is stated at the assets fair value and highest and best use at the date of revaluation. The Company determines the lands unencumbered highest and best use through independent professional valuers on an annual basis. This is adjusted by the Directors using a Discounted Cash Flow (DCF) methodology to an encumbered value to take into account clear fall period, reversionary costs and rental income for current use. Reversionary costs are costs incurred in returning plantation land back into its original state including removal of tree stumps. The highest and best use varies between blocks being any individual or combination of Agriculture, Lifestyle or Forestry (current use).

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Assumption	Variable
Discount Rate	9%
Growth Rate	3% to 6%
Rental Income	$0-$260 per hectare
Reversionary Costs	$0-$1,688 per hectare

Carrying amount is set out in note 14.

(e) Road Assets on Plantation Land Owned by the Company

Following sale of the biological assets in current period, roads on plantation land owned by the Company are amortised based on the expected timing of harvesting determined by the Strategy agreement. Company policy is for all road costs to be fully amortised by the time the final tree crop is harvested. Prior to the sale, the roads were amortised over their expected useful life, 25 years.

Carrying amount is set out in note 14.

(f) Investment in Joint Venture

South West Fibre Pty Ltd (SWF) is a joint venture in which the Company has a 51% ownership interest. Voting rights are proportionately in line with share ownership. The Company has significant influence but not ultimate control over the venture as the shareholder agreement requires a special resolution when making key decisions.

SWF is structured as a separate vehicle and the Company has a residual interest in the net assets of SWF. Accordingly, the Company has classified the interest in SWF as a joint venture as the Company does not have clear control over the entity.

Carrying amount is set out in note 27.

NOTE 4: REVENUE AND OTHER INCOME

		2016	2015
		$	$
Sale of goods		208,503,962	142,264,425
Interest income		845,637	704,740
Plantation management fees		636,455	408,673
Rental income		17,741	17,928
Profit on sale of non-current assets		-	815,413
SWF operating fee		2,509,978	2,161,696
Other revenue		14,975	380,535
Profit on sale of Biological Assets	13	615,713	-
		213,144,461	146,753,410

NOTE 5: EXPENSES

	2016	2015
	$	$
Significant Expenses		
IPO related expenses	1,964,446	-
Finance Expenses		
Interest expense	1,821,866	1,651,626
Bank charges	186,409	161,379
Finance lease charges	39,410	66,267
	2,047,685	1,879,272
Other Expenses		
Depreciation and amortisation	3,460,277	3,459,323
Foreign currency translation losses	113,472	79,585
Loss on disposal of non-current assets	122,774	75
Share of Associates profit before tax	5,663,192	3,025,939
Biological assets net fair value increment	2,770,000	10,775,878
KPMG Australia		
Audit and assurance services		
- Statutory audit fees	65,000	-
- Assurance services – IPO related services	650,000	-
Other services		
- Non- assurance services – other advisory services	18,300	-
Pitcher Partners Melbourne[1]		
Audit and assurance services		
- Statutory audit fees	54,715	99,200
Other services		
- Non- assurance services – taxation services	14,300	32,790
- Non- assurance services – other advisory services	129,724	119,990
- Non- assurance services – IPO related services	167,898	-

[1] Pitcher Partners Melbourne resigned as auditors of the company on 6 June 2016.

NOTE 6: INCOME TAX

	2016	2015
	$	$
(a) Components of tax expense		
Current tax	24,665,531	4,528,377
Deferred tax	(15,777,896)	2,260,879
Over provision in prior years	(53,183)	(85,545)
	8,834,452	6,703,711

	2016	2015
(b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before income tax at 30.0% (2015: 30.0%)	10,575,158	7,658,606
Add tax effect of:		
• Other non allowable items	2,426	6,700
• Unrealised FX movements through profit or loss	9,009	34,572
	11,435	41,272
Less tax effect of:		
• Over provision for income tax in prior years	53,183	85,545
• Share of SWF profits accounted for using the equity method	1,698,958	910,622
	1,752,141	996,167
Income tax expense attributable to profit	8,834,452	6,703,711

	2016	2015
(c) Current tax		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	3,815,321	91,629
Income tax	24,665,531	4,528,377
Tax payments	(27,463,033)	(719,140)
Under / (over) provisions	(53,183)	(85,545)
Current tax liabilities	964,636	3,815,321

NOTE 6: INCOME TAX (CONTINUED)

	2016	2015
	$	$
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Payables	309,406	242,623
Provisions	473,208	513,866
Tax losses carried forward	-	386,258
• Supply contract capital base	260,166	-
• Other	423,754	139,518
	1,466,534	1,282,265
Deferred tax liabilities		
The balance comprises:		
Biological assets held at fair value	242,636	15,489,954
Property, plant and equipment	15,329,588	17,937,678
Prepaid roading costs	153,454	161,550
Cash flow hedge	109,982	-
	15,835,660	33,589,182
Net deferred tax liabilities	14,369,126	32,306,917

(e) Deferred income tax (revenue)/expense included in income tax expense comprises		
Decrease / (increase) in deferred tax assets	(184,269)	740,077
(Decrease) / increase in deferred tax liabilities[1]	(15,593,627)	2,780,802
	(15,777,896)	3,520,879

[1]Deferred tax liabilities relating to biological assets were derecognised in the current period, in line with the sale as outlined at note 13.

(f) Deferred income tax related to items charged or credited directly to equity		
Decrease in deferred tax liabilities	(2,159,895)	(728,764)
	(2,159,895)	(728,764)

NOTE 7: SEGMENT REPORTING

The Company reports segment information based on the internal reporting used by management for making decisions and assessing performance. The operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Chief Executive Officer.

The Company manages its business primarily on a geographic basis. Accordingly, the Company determined its reportable operating segments, which are generally based on the location of its operations, to be Midway, QCE and SWF (51%). Each operating segment provides similar products.

The Company evaluates the performance of its operating segments based on net sales. Net sales for geographic segments are generally based on the location of customers. Earnings before interest, tax, depreciation and amortisation (EBITDA) for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. EBITDA for each segment excludes other income and expense and certain expenses managed outside the operating segments. The Company does not include intercompany transfers between segments for management reporting purposes.

Segment assets include cash, receivables, biological assets, inventories and property, plant and equipment.

Midway sells hardwood and softwood chips to export markets, sells softwood logs domestically and provides plantation management services to third party tree owners. QCE sells hardwood and softwood chips to export markets and SWF sells hardwood chips to export markets.

Key adjustment items relate to the gross up of revenue and operating & other expenses to reflect CIF sales and principal sale. Management accounts are prepared on a segment basis with 51% share of SWF Joint Venture included. For statutory accounts SWF is equity accounted with revenue & expenses of SWF eliminated.

Midway sells to Chinese, Japanese and Victorian customers. QCE and SWF sell to Chinese and Japanese customers.

Midway have 4 key Chinese customers, 1 key Japanese customer and approximately 3 key Victorian customers. QCE have 1 key Japanese customer and 1 key Chinese customer and SWF have 1 key Japanese customer and 3 key Chinese customers.

NOTE 7: SEGMENT REPORTING (CONTINUED)

The following table shows information by operating segment for 2016:

	100% Midway	100% QCE	51% SWF	Subtotal	Adjustments and eliminations	Total
Sales revenue	162,270,302	16,336,595	85,484,272	264,091,169	(55,587,207)	208,503,962
Other income	4,202,498	(96,866)	98,586	4,204,218	436,281	4,640,499
Total income	**166,472,800**	**16,239,729**	**85,582,858**	**268,295,387**	**(55,150,926)**	**213,144,461**
Operating and other expenses	(135,230,830)	(12,293,644)	(76,223,640)	(223,748,114)	45,698,950	(178,049,164)
Share of profit/(loss) of equity accounted investments	-	-	-	-	5,663,192	5,663,192
EBITDA	**31,241,970**	**3,946,085**	**9,359,218**	**44,547,273**	**(3,788,784)**	**40,758,489**
Depreciation and amortisation	(2,880,749)	(579,528)	(1,312,104)	(4,772,381)	1,312,104	(3,460,277)
EBIT	**28,361,221**	**3,366,557**	**8,047,114**	**39,774,892**	**(2,476,680)**	**37,298,212**
Net finance expense	(1,018,091)	8,779	50,082	(959,230)	(1,088,455)	(2,047,685)
Net profit before tax	**27,343,130**	**3,375,336**	**8,097,196**	**38,815,662**	**(3,565,135)**	**35,250,527**
Income tax expense	(7,812,842)	(1,021,610)	(2,434,004)	(11,268,456)	2,434,004	(8,834,452)
Net profit after tax	**19,530,288**	**2,353,726**	**5,663,192**	**27,547,206**	**(1,131,131)**	**26,416,075**
Fair value gain on biological assets	2,770,000	-	-	2,770,000	-	2,770,000
Segment assets	**135,557,292**	**12,017,251**	**23,347,179**	**170,921,722**	**(14,610,655)**	**156,311,067**
Equity accounted investees	12,998,318	-	-	12,998,318	-	12,998,318
Capital expenditure	(11,720,166)	(960,637)	(2,138,530)	(14,819,333)	(1)	(14,819,334)
Segment liabilities	**(61,216,114)**	**(3,594,454)**	**(10,348,861)**	**(75,159,429)**	**9,393,851**	**(65,765,578)**

NOTE 7: SEGMENT REPORTING (CONTINUED)

The following table shows information by operating segment for 2015:

	100% Midway	100% QCE	51% SWF	Subtotal	Adjustments and eliminations	Total
Sales revenue	105,801,628	20,506,768	73,561,706	199,870,102	(57,605,677)	142,264,425
Other income	5,862,589	(45,639)	56,126	5,873,076	(1,384,091)	4,488,985
Total income	**111,664,217**	**20,461,129**	**73,617,832**	**205,743,178**	**(58,989,768)**	**146,753,410**
Operating and other expenses	(87,631,957)	(16,846,204)	(68,053,217)	(172,531,378)	53,619,310	(118,912,068)
Share of profit/(loss) of equity accounted investments	-	-	-	-	3,025,939	3,025,939
EBITDA	**24,032,260**	**3,614,925**	**5,564,616**	**33,211,800**	**(2,344,519)**	**30,867,281**
Depreciation and amortisation	(2,813,046)	(646,276)	(1,246,945)	(4,706,267)	1,246,944	(3,459,323)
EBIT	**21,219,214**	**2,968,649**	**4,317,670**	**28,505,533**	**(1,097,575)**	**27,407,958**
Net finance expense	(982,793)	(39,025)	19,126	(1,002,692)	(876,580)	(1,879,272)
Net profit before tax	**20,236,421**	**2,929,624**	**4,336,797**	**27,502,841**	**(1,974,155)**	**25,528,686**
Income tax expense	(5,841,768)	(861,943)	(1,301,392)	(8,005,103)	1,301,392	(6,703,711)
Net profit after tax	**14,394,653**	**2,067,681**	**3,035,405**	**19,497,738**	**(672,763)**	**18,824,975**
Fair value gain on biological assets	10,775,878	-	-	10,775,878	-	10,775,878
Segment assets	**214,603,460**	**7,818,402**	**17,920,969**	**240,342,831**	**(14,847,637)**	**225,495,194**
Equity accounted investees	7,335,126	-	-	7,335,126	-	7,335,126
Capital expenditure	(3,778,088)	(389,393)	(1,524,356)	(5,691,837)	-	(5,691,837)
Segment liabilities	**(82,107,852)**	**(1,358,793)**	**(10,585,843)**	**(94,052,488)**	**9,630,833**	**(84,421,655)**

NOTE 8: EARNINGS PER SHARE

	2016	2015
Reconciliation of earnings used in calculating earnings per share:	$	$
Profit for the year	26,416,075	18,824,975
	No of Shares	No of Shares
Weighted average number of ordinary shares	74,819,933	74,819,933
Earnings per Share	$0.35	$0.25
Diluted Earnings per Share*	$0.35	$0.25
*No share dilution noted in FY2016 or FY2015.		

NOTE 9: CASH AND CASH EQUIVALENTS

	2016	2015
	$	$
Cash on hand	1,170	1,069
Cash at bank	7,679,190	12,992,640
Term deposit	3,500,000	16,187,886
	11,180,360	29,181,595

NOTE 10: RECEIVABLES

	2016	2015
	$	$
CURRENT		
Trade debtors	8,343,214	10,313,311
GST receivable	1,571,601	985,328
Loans to associates	-	2,661,527
	9,914,815	13,960,166

The above loans to associates represented amounts receivable from South West Fibre Pty Ltd. At year end the loan was fully repaid. Historically the entity has not paid dividends, rather reducing loans provided in the entity's infancy.

NOTE 10: RECEIVABLES (CONTINUED)

Aged analysis

	2016	2015
	$	$
Not past due	8,309,824	13,938,421
Past due 31-60 days	72	12,561
Past due 61-90 days	16,038	6,234
Past due more than 90 days	17,280	2,950
	8,343,214	13,960,166

No impairment losses were recognised within 2016 or 2015. Sales to 4 Chinese customers representing approximately 82% of revenue utilise letter of credit facilities. Credit risk is outlined in Note 24.

NOTE 11: INVENTORIES

	2016	2015
	$	$
CURRENT		
At cost		
Finished goods	11,710,541	10,436,506

There were no Inventory write-downs, or reversal of previous write-downs in the year.

NOTE 12: OTHER ASSETS

	2016	2015
	$	$
CURRENT		
Prepayments	3,610,999	3,442,419
Accrued income	87,004	18,047
	3,698,003	3,460,466

NOTE 13: BIOLOGICAL ASSETS

	2016	2015
	$	$
CURRENT		
Biological assets at fair value	2,145,781	-
NON CURRENT		
Nursery Trees at cost [(1)]	808,785	-
Standing timber at independent valuation at fair value [(2)]	-	54,200,000
	808,785	54,200,000

[(1)] Cost approximates fair value for biological assets at cost in 2016.

[(2)] Refer to Note 3 and Note 27 regarding significant estimates and judgements surrounding fair value measurement of Biological assets.

(a) Nature of activities involving biological assets

In February 2016, the majority of the standing trees were sold to Strategy Timber Pty Ltd as trustee for the Strategy Timber Trust (Strategy), an investment trust managed by GMO Renewable Resources, LLC (Renew able Resources), a Timber Investment Management Organisation (TIMO).

The sale resulted in a gain of $615,713 being recognised in profit and loss in the current period.

Set out below is a summary of the key features of the agreements between Midway and Strategy:

- Midway Plantations and Strategy entered into a Sale Agreement on 5 February 2016 pursuant to which Midway Plantations sold substantially all of the Pinus radiata plantation trees (Softwood Trees) and eucalyptus plantation trees (Eucalypt Trees) standing on Midway Plantations' freehold and leasehold land in Victoria (Strategy Trees). The sale of those trees completed on 29 February 2016.
- Midway and Strategy entered into a forest Management Agreement on 29 February 2016 pursuant to which Midway is contractually engaged to manage the Strategy Trees on behalf of Strategy on commercial terms.
- Midway Plantations and Strategy entered into a Stumpage Sale Agreement on 29 February 2016 pursuant to which Midway Plantations agrees to acquire back from Strategy the Eucalypt Trees. The agreement requires Midway Plantations to acquire the Eucalypt Trees by the end of specified five-year harvest windows in respect of those trees for a price that is determined in accordance with the agreement. The amount payable by Midway Plantations for each compartment of Eucalypt Trees repurchased under the agreement is based on a fixed quantity of timber which will be deemed to be derived from the compartment, regardless of the actual yield from or quantity of timber standing within the compartment when repurchased. The price per GMT of such fixed quantity payable by Midway Plantations is a price initially specified in the agreement as varied in accordance with a review mechanism which takes into account changes in the prevailing market FOB export pricing for E. globulus from the Port of Geelong and movements in the consumer price index.
- Midway Plantations and Strategy entered into a Softwood Harvest and Marketing Agreement on 29 February 2016 pursuant to which Midway Plantations is contractually engaged to provide various services on commercial terms to Strategy in relation to the harvesting, marketing and ultimate sale of the Softwood Trees.

NOTE 13: BIOLOGICAL ASSETS (CONTINUED)

- To facilitate the arrangements set out above, Midway Plantations granted to Strategy forestry rights registrable on title under the Climate Change Act (Vic) 2010 (in respect of the freehold land owned by Midway Plantations on which the Strategy Trees stand) and a forestry licence agreement (in respect of the leasehold land on which the Strategy Trees stand). The documents, amongst other things, grant Strategy the right to access, maintain, manage, protect and harvest the Strategy Trees on the land.
- To secure the repurchase obligations of Midway Plantations under the Stumpage Sale Agreement, Midway Plantations has granted to Strategy a mortgage over its freehold land on which the Strategy Trees stand.

In addition to the documents summarised above, Midway has entered into a Strategic Alliance Agreement with Renewable Resources through which Midway and Renewable Resources propose to work together to identify E. globulus plantation hardwood for Renewable Resources to acquire or establish on behalf of its investors and supply hardwood pulpwood to Midway. In summary, the agreement envisages that Midway will provide plantation management services and Midway will have the right to the associated offtake. It is important to note that this agreement is non-binding and an expression of the intentions of the parties only, other than various provisions regarding confidentiality and exclusivity.

The independent valuation of the commercial tree crops was carried out as at 30 June 2015 by Chandler Fraser Keating Limited (CFK), international forest industry consultants. The valuation of the commercial tree crop is based on net market value in existing use.

(b) Risk management strategy in relation to biological assets

Midway manages its own plantation estate and estates of third parties using well equipped, trained forestry staff to achieve production wood flow consistent with the business plan and to mitigate against the risk of damage (including holding insurance against catastrophic events such as fire).

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	2016	2015
	$	$
Land		
Forest plantations land at fair value	68,295,738	70,856,076
Freehold land at fair value	12,670,000	12,670,000
Buildings		
At cost	3,013,445	3,013,445
Accumulated depreciation	(1,031,481)	(954,979)
Total buildings	1,981,964	2,058,466
Plant and equipment		
Plant and equipment at cost	46,676,896	44,926,810
Accumulated depreciation	(33,374,865)	(31,248,506)
	13,302,031	13,678,304
Roading at cost	8,822,641	8,779,697
Accumulated amortisation	(3,555,147)	(3,092,138)
	5,267,494	5,687,559
Total plant and equipment	18,569,525	19,365,863
Total property, plant and equipment	101,517,227	104,950,405

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The amortisation method on roading assets has changed from the previous 25 year useful life assumption. Amortisation is now based the expected timing of harvesting determined by the Strategy agreement. Company policy is for all road costs to be fully amortised by the time the final tree crop is harvested. All blocks are anticipated to be harvested by 2029.

(a) Details for measurement of revalued amounts 2016

An independent valuation of the forestry plantation land, on an unencumbered basis, was carried out as at 30 June 2016 by VRC Property Pty Ltd. The current market value is based on the highest and best use being mixed between forestry and non forestry.

The unencumbered fair value of the plantation land is $94,800,000 (2015: $84,956,000). The directors have subsequently valued the land on an encumbered basis (i.e. in recognition of the existing tree crops being grown on the land), taking into account reversionary costs and utilising a discounted cash flow analysis from the best use determined by the professional valuation expert. The current encumbered value of plantation land is $68,295,738 (2015: $70,856,076).

The independent valuation of the other freehold land was carried out as at 30 June 2016 by Opteon (Victoria) Specialised Pty Ltd on the basis of fair value. This valuation was carried out on an unencumbered basis. The highest and best use of the subject property is as an industrial development site, the site is presently used as a processing facility and administration offices.

Refer to Note 3 for further details regarding the significant assumptions used in determining the fair value of land.

(b) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

	2016	2015
Forest plantation land	$	$
Opening carrying amount	70,856,076	75,356,702
Additions	5,221,919	-
Disposals	(216,000)	(2,071,414)
Revaluation	(7,566,257)	(2,429,212)
Closing carrying amount	68,295,738	70,856,076

Plantation land is encumbered by trees which are expected to be fully harvested by 2029. GMO have a registered mortgage on plantation land as outlined in note 13.

	2016	2015
Other freehold land		
Opening carrying amount	12,670,000	12,670,000
Closing carrying amount	12,670,000	12,670,000
Buildings		
Opening carrying amount	2,058,466	2,134,969
Depreciation expense	(76,502)	(76,503)
Closing carrying amount	1,981,964	2,058,466
Plant and equipment		
Opening carrying amount	13,678,304	16,030,664
Additions	2,789,814	779,705
Disposals	(278,378)	(171,147)
Depreciation expense	(2,887,709)	(2,960,918)
Closing carrying amount	13,302,031	13,678,304

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2016	2015
Roading	**$**	**$**
Opening carrying amount	5,687,559	5,834,497
Additions	76,001	875,869
Disposals	-	(600,905)
Amortisation	(496,066)	(421,902)
Closing carrying amount	5,267,794	5,687,559
Total property, plant and equipment		
Carrying amount at 1 July	104,950,405	112,026,832
Additions	8,087,734	1,655,574
Disposals	(494,378)	(2,843,466)
Depreciation expense	(3,460,277)	(3,459,323)
Revaluation	(7,566,257)	(2,429,212)
Carrying amount at 30 June	101,517,227	104,950,405

NOTE 15: INTANGIBLE ASSETS

	2016	2015
	$	**$**
Goodwill on consolidation	1,970,930	1,970,930

(a) Impairment tests for goodwill and intangible assets with indefinite useful lives

Goodwill and intangibles with indefinite useful lives are allocated to the following cash generating units (CGU):		
Queensland Commodity Exports Pty Ltd	1,970,930	1,970,930

Goodwill arises from the acquisition of QCE. Goodwill is tested for impairment at each reporting date. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a period of five years (maximum of five years). No reasonable change in these key assumptions of the value in use calculations would result in significant impairment.

NOTE 16: PAYABLES

	2016	2015
CURRENT	$	$
Unsecured liabilities		
Trade creditors	14,316,676	14,153,740
Sundry creditors and accruals	3,636,993	2,236,041
	17,953,669	16,389,781

NOTE 17: BORROWINGS

	2016	2015
CURRENT	$	$
Secured liabilities		
Finance lease liability	520,938	595,430
Unexpired term charges	(56,386)	(33,520)
	464,552	561,910

NON CURRENT		
Secured liabilities		
Commercial bills	29,400,000	29,400,000
Finance lease liability	1,116,796	242,578
Unexpired term charges	(80,562)	(7,738)
	30,436,234	29,634,840

Finance leases in the form of Finance lease Agreements are secured against the assets to which they relate.

Midway has fully complied with all debt related financial covenant obligations since the start of the financial year.

The Company extended its finance facility during the period, which now expires on 31 December 2017.

The debt facilities contain financial covenants which are tested quarterly (31 March, 30 June, 30 September, and 31 December). The financial covenants are:

- Capital Adequacy Ratio, calculated as Total Tangible Net Worth divided by Total Tangible Assets.
- Interest Cover Ratio, calculated as EBITDA divided by Gross Interest Expense.
- Operating Leverage Ratio, calculated as Gross Bank Debt divided by EBITDA.

NOTE 17: BORROWINGS (CONTINUED)

The Midway Facilities are secured by the following:

- A fixed and floating charge granted by Midway Limited and Midway Plantations Pty Ltd.
- A property mortgage over:
  - the property situated at 150-190 Corio Quay Road, North Shore VIC, granted by Midway Limited;
  - the property situated at 10 The Esplanade, North Shore VIC, granted by Midway Properties Pty Ltd;
  - the property situated at 1A The Esplanade, North Shore VIC, granted by Midway Limited;

	2016	2015
Loan facilities	**$**	**$**
Loan facilities		
Amount utilised	43,350,000	43,350,000
Unused loan facilities	(30,900,961)	(30,196,870)
	12,449,039	13,153,130

The major facilities are summarised as follows:		
Banking overdrafts		
Limit	1,500,000	1,500,000
Amount utilised	$0	$0
Bank overdraft facilities are arranged with the National Australia Bank with the general terms and conditions as outlined in the bank letter of offer. Interest rates are variable and subject to change.		
Commercial bill facility		
Limit	37,400,000	37,400,000
Amount utilised	29,400,000	29,400,000
Commercial bill facility is provided by the National Australia Bank. Interest rates are variable and subject to change.		
Asset finance facilities		
Limit	4,450,000	4,450,000
Amount utilised	1,500,961	796,870
Asset finance facilities are provided by National Australia Bank to finance the purchase of plant and equipment. Interest rates are fixed however are subject to change on an item by item basis.		

NOTE 18: EQUITY

		2016	2015
Share capital		**$**	**$**
Issued and paid up capital			
74,819,933 (2015: 74,819,933) ordinary shares	(a)	28,833,038	28,833,038

The Company does not have authorised capital or par value in respect of its issued shares.

	2016		2015	
	Number	**$**	**Number**	**$**
(a) Ordinary shares				
Opening balance	74,819,933	28,833,038	74,819,933	28,833,038
At reporting date	74,819,933	28,833,038	74,819,933	28,833,038

Ordinary

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share has voting rights in proportion to their number of shares held.

		2016	2015
Reserves		**$**	**$**
Asset revaluation reserve	18(a)	32,179,493	37,656,784
Cash flow hedge reserve	18(b)	256,325	-
Plantation valuation reserve	18(c)	-	(1,723,469)
Profits reserve	18(d)	26,180,702	12,889,208
		58,616,520	48,822,523

(a) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of land and reclassified to retained earnings on disposal. Movements in the year relate to revaluation and sale of plantation land.

	2016	2015
	$	**$**
Movements in reserve		
Opening balance	37,656,784	41,316,600
Revaluation of land, net of tax	(5,296,380)	(1,700,448)
Transfer to retained earnings	(180,911)	(1,959,368)
Closing balance	32,179,493	37,656,784

NOTE 18: EQUITY (CONTINUED)

(b) Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective portion of the change in fair value of cash flow hedges. Movements in the current year relate to outstanding forward and swap contracts at year end.

	2016	2015
	$	$
Movements in reserve		
Opening Balance	-	-
Cash flow hedges – effective portion of changes in fair value	256,325	-
Closing balance	256,325	-

(c) Plantation revaluation reserve

The Plantation revaluation reserve isolates fair value movements on biological assets from retained earnings. The closing balance of the reserve at 30 June 2016 is nil as a result of the sale of biological assets to Strategy as outlined in note 13.

	2016	2015
	$	$
Movements in reserve		
Opening balance	(1,723,469)	(2,966,584)
Transfer to retained earnings	1,723,469	-
Increment / (decrement) of plantations, net of tax	-	1,243,115
Closing balance	-	(1,723,469)

(d) Profits reserve

The profits reserve is used to record transfers of profits that would otherwise be offset against accumulated losses. The balance of the profits reserve is available for distribution as a dividend in future periods. Movements in the current year relate to transfers to retained earnings for dividend payments and transfers in of current year profits.

	2016	2015
	$	$
Movements in reserve		
Opening balance	12,889,208	-
Transfers of current year profits	26,180,702	12,889,208
Transfers to retained earnings	(12,889,208)	-
Closing balance	26,180,702	12,889,208

Retained earnings		
Retained earnings at beginning of year	62,131,898	61,415,645
Net profit	26,180,702	18,635,379
Transfers (to) / from reserves	(14,834,052)	(12,172,955)
Dividends provided for or paid out of retained earnings	(71,864,546)	(5,746,171)
	1,614,002	62,131,898

NOTE 19: DIVIDENDS

	2016	2015
Dividends paid during the period:	$	$
Fully franked at 30% (2015:30%)	71,904,070	5,896,174
Franking account	2,139,013	8,671,638

On 27 September 2016, a final dividend was declared for 6 cents per share.

Balance of franking account on a tax paid basis at financial year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years. To enable a dividend payment in respect of the biological asset sale as outlined in note 13, the Company prepaid additional tax during the year.

NOTE 20: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position is as follows:

	2016	2015
	$	$
Cash on hand	1,170	1,069
Cash at bank	7,679,190	12,992,640
At call deposits with financial institutions	3,500,000	16,187,886
	11,180,360	29,181,595

(b) Reconciliation of cash flow from operations with profit after income tax

	2016	2015
	$	$
Profit from ordinary activities after income tax	26,416,075	18,824,975
Adjustments and non cash items		
Depreciation & amortisation	3,460,277	3,459,323
Net (gain) / loss on disposal of property, plant and equipment	122,774	(815,338)
Net plantation revaluation increment/(decrement)	180,000	(1,775,878)
Share of equity accounted SWF net profit	(5,663,192)	(3,025,939)
Finance lease charges	33,520	66,267
Net gain on sale of biological assets	(615,713)	-
Costs incurred in the sale of Biological Assets	(635,622)	-

NOTE 20: CASH FLOW INFORMATION (CONTINUED)

	2016	2015
	$	$
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	1,970,097	(1,094,003)
Increase in other assets	(823,810)	(2,085,263)
Increase in inventories	(1,274,035)	(6,632,622)
Increase in biological assets (net of revaluation increment/ decrement)	(2,954,566)	(1,080,734)
Increase / (decrease) in payables	1,563,888	(352,027)
(Increase) / decrease in deferred taxes	(15,777,896)	2,260,879
Increase / (decrease) in provisions	(135,525)	268,445
Increase / (decrease) in tax provision	(2,850,685)	3,723,692
	(23,400,488)	(7,083,198)
Cash flows provided from operating activities	3,015,587	11,741,777

NOTE 21: CAPITAL AND OTHER COMMITMENTS

	2016	2015
(a) Finance lease commitments	$	$
Payable		
• not later than one year	520,938	612,261
• later than one year and not later than five years	1,116,796	225,746
Minimum finance lease payments	1,637,734	838,007
Less future finance charges	(136,948)	(41,257)
Total finance lease liability	1,500,786	796,750
Represented by:		
• Current liability	464,552	578,741
• Non current liability	1,036,234	218,009
	1,500,786	796,750
(b) Operating lease commitments		
Non cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
• not later than one year	1,583,410	1,760,842
• later than one year and not later than five years	5,677,655	5,910,428
• later than five years	7,355,228	8,571,949
	14,616,293	16,243,219
(c) Other Commitments		
Payable		
• not later than one year	23,966,374	19,822,794
• later than one year and not later than five years	91,565,141	81,054,237
• later than five years	148,736,791	145,699,330
	264,268,306	246,576,361

NOTE 21: CAPITAL AND OTHER COMMITMENTS (CONTINUED)

Other commitments relate to the minimum charges under the Port of Geelong bulk loader agreement and various supply agreements for the supply of timber to be used in production for which the Group is required to pay minimum amounts. In addition, the Group has also secured a significant proportion of its long term supply of wood fibre through a number of executory contracts which allow for the Group to purchase wood fibre at market prices.

NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the Company

	2016	2015
	$	$
short term employee benefits	819,684	1,001,502
short term employee benefits - Incentive scheme	137,235	157,250
post employment benefits	65,287	81,166
	1,022,206	1,239,918

The names of directors who have held office during the year are:

Name	Appointment and resignation dates during the year[1]
G H McCormack (Chairman)	
J P D Frederick	(Resigned as a Director on 30/09/2015)
A R Price	(Appointed as a Director on 10/11/2015)
T H Gunnersen AM	
T B Keene	
N G Gunnersen	
A C Bennett	
G R Davis	(Appointed as a Director on 06/04/2016)

Nils Koren was an alternate Director for Thorold Gunnersen up until 28 May 2016.

The names of other key management personnel during the year and prior period are:

Name
Ashley Merrett

[1] For the full period unless otherwise stated

NOTE 23: RELATED PARTY TRANSACTIONS

(a) The name of each person holding the position of Director of Midway Ltd during the financial year have been disclosed in Note 22.

(b) Transactions with other related entities.

Transactions between related parties are on normal commercial terms no more favourable than those available to other parties unless otherwise stated.

An accrual was recorded in respect of Directors fees for six days to year end in both 30 June 2015 and 30 June 2016.

Aggregate number of shares of Midway Ltd held directly, indirectly or beneficially by the Directors of the Company or the Company or their Director related entities at 30 June 2016.

	2016 Number	2015 Number
Ordinary shares (Executive and Non-Executive Directors)	47,558,161	47,558,161

Transactions with Non-Executive Directors and Director related entities

Aggregate amounts of transactions with Non-Executive Directors and their Director related entities for the year ended 30 June 2016:

Company Name	Director Name	# Shares	Directors' fees	Directors' fees
			2016	2015
			$	$
McCormack Timbers	G H McCormack	12,978,379	201,509	179,384
Gunnersen Companies	TH & NG Gunnersen	28,525,892	230,962	209,280
	A C Bennett	5,075,356 [1]	110,831	79,726
	G R Davis	Nil	24,220	-
	T B Keene	224,378	120,905	109,623
			688,427	578,013

[1] AC Bennett holds 120,000 shares directly and is a shareholder of WH Bennett & Sons, which holds 4,955,356 shares in the Company.

Directors are also reimbursed for business relates expenses.

NOTE 23: RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with other related entities (Continued)

- Aggregate amounts of transactions with other related entities for the year ended 30 June 2016:

		2016	2015
		$	$
Company Name	**Nature of transaction**		
South West Fibre Pty Ltd	Operator fee income	(2,514,265)	(2,161,696)
	Reimbursement of costs	(313,520)	(316,577)
	Loan repayments (net)	(2,661,527)	(2,040,000)
	Sale of wood products (at cost)	(9,778,121)	(943,615)
	Purchase of wood products (at cost)	4,206,988	6,622,370
	Sale of fixed assets	(1,750)	-
Victorian Treefarm Project*	Plantation management fees	-	1,509
	Reimbursement of costs	-	(1,588)
	Purchase of wood product	-	195,739
	Final block payments	-	100,355
		(11,062,195)	1,456,497

* The Victorian Treefarm Project is no longer operative.

(c) Aggregate amounts receivable from other related entities at 30 June 2016:

South West Fibre Pty Ltd	-	2,661,527

At 30 June 2016 the above loans to associates represented amounts receivable from South West Fibre Pty Ltd. At year end the loan was fully repaid. Historically the entity has not paid dividends, rather reducing loans provided in the entity's infancy.

Trade Debtors includes trade receivables from South West Fibre Pty Ltd of $1,230,356 at 30 June 2016 and $932,838 at 30 June 2015.

NOTE 24: FINANCIAL RISK MANAGEMENT

Capital risk management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital, so that it can provide returns to the shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Audit & Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors have overall responsibility for identifying and managing operational and financial risks.

The Company is exposed to a variety of financial risks comprising:

(a) Market risk

(b) Credit risk

(c) Liquidity risk

The Company holds the following financial instruments:

	2016	2015
	$	$
Financial assets		
Cash and cash equivalents	11,180,360	29,181,595
Receivables	8,343,214	10,313,311
Other receivables	1,571,601	985,328
Related party receivables	-	2,661,527
Derivatives	366,307	-
	21,461,482	43,141,761
Financial liabilities		
Bank and other loans	29,400,000	29,400,000
Creditors	14,316,676	14,153,740
Finance lease liability	1,500,786	796,750
Other payables	3,636,993	2,247,284
	48,854,455	46,597,774

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bills, leases and derivatives. The objective of market risk management is to maintain and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The functional currency of the Company is Australian Dollars (AUD).

Export Sales are denominated in U.S Dollars (USD), with one of the Company's bank accounts being in USD. The Company mitigates currency risk by entering into forward exchange and swap contracts to sell specified amounts of USD usually within 12 months at stipulated exchange rates. The objectives in entering the forwards exchange and swap contracts is to protect the Company against unfavourable exchange rate movements for the contracted and anticipated future sales undertaken in USD.

The accounting policy for forward exchange and swap contract is detailed in Note 1(o). The effective portion of changes in the fair value of the derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. The Company does not speculate in the trading of derivative instruments.

At balance date the notional amount of outstanding forward exchange contracts was $32,717,768 (2015: $NIL).

In respect to other monetary assets, the Company's policy is to ensure exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

	2016	2015
	USD	USD
Cash	3,315,836	26,821
Trade Receivables	7,428,364	9,737,633

The forward exchange contracts in place are to hedge cash flows associated with the above mentioned trade receivables and expected future sales.

Sensitivity

If foreign exchange rates were to change by 10% from $USD rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, including effective hedging, then the impact on profit for the year and equity is as follows:

	2016	2015
	$	$
+ 10%		
Impact on profit after tax	(301,440)	(2,438)
Impact on equity	(2,315,563)	-
10%		
Impact on profit after tax	331,584	2,682
Impact on equity	2,007,681	-

A 10% change is deemed reasonable given recent historical trends in the AUD/USD.

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's exposure to interest rate risk in relation to future cashflows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2016

Financial instruments	Interest bearing	Non interest bearing	Total carrying amount	Weighted average effective interest rate	
	$	$	$		
Financial assets					
Cash	7,679,190	1,170	7,680,360	1.75%	Floating
Trade receivables	-	8,343,214	8,343,214	0.0%	
Other receivables	-	1,571,601	1,571,601	0.0%	
Derivatives	-	366,307	366,307	0.0%	
Term Deposit	3,500,000	-	3,500,000	2.84%	Fixed
	11,179,190	10,282,292	21,461,482		
Financial liabilities					
Bank and other loans	29,400,000	-	29,400,000	3.66%	Floating
Creditors	-	14,316,676	14,316,676	0.0%	
Finance lease liability	1,500,786	-	1,500,786	4.51%	Fixed
Sundry creditors and accruals	-	3,636,993	3,636,993	0.0%	
	30,900,786	17,953,669	48,854,455		

2015

Financial instruments	Interest bearing	Non interest bearing	Total carrying amount	Weighted average effective interest rate	
	$	$	$		
Financial assets					
Cash	12,992,640	1,069	12,993,709	1.5%	Floating
Trade receivables	-	10,313,311	10,313,311	0.0%	
Other receivables	-	985,328	985,328	0.0%	
Related party receivables	-	2,661,527	2,661,527	0.0%	
Term deposit	16,187,886	-	16,187,886	3.0%	Fixed
	29,180,526	13,961,235	43,141,761		
Financial liabilities					
Bank and other loans	29,400,000	-	29,400,000	4.1%	Floating
Creditors	-	14,153,740	14,153,740	0.0%	
Finance lease liability	796,750	-	796,750	6.2%	Fixed
Sundry creditors and accruals	-	2,247,284	2,247,284	0.0%	
	30,196,750	16,401,024	46,597,774		

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

If interest rates were to increase/decrease by 100 basis points from rates applicable at the reporting date, assuming all other variables that might impact on fair value remain constant, the impact on profit for the year and equity is not significant to the Company. A 100 basis point change is deemed reasonable given historical interest rate fluctuations.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in statement of financial position and notes to financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure of forward exchange and swap contracts is the net fair value of these contracts.

The Company has significant exposure to 4 customers in China, as they represent 82% of the Company's annual sales. Letters of credit with reputable financial institutions are used to mitigate credit risk with all Chinese customers which comprises the majority of the Company's annual sales. The balance of sales are made to 2 long standing Japanese customers with the short trading terms applicable to these customers, being payment within 7 business days of invoicing, offsetting the credit risk for these customers.

Refer to note 10 for trade receivable balances and ageing.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Refer to Note 17 for more information.

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

Year ended 30 June 2016	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
Cash and cash equivalents	7,680,360	3,500,000	-	11,180,360	11,180,360
Receivables	9,914,815	-	-	9,914,815	9,914,815
Derivatives	366,307	-	-	366,307	366,307
Payables	(17,953,669)	-	-	(17,953,669)	(17,953,669)
Borrowings	(29,632,276)	(232,276)	(1,036,234)	(30,900,786)	(30,900,786)
Net maturities	(29,624,463)	3,267,724	(1,036,234)	(27,392,973)	(27,392,973)
Year ended 30 June 2015					
Cash and cash equivalents	12,993,709	16,187,886	-	29,181,595	29,181,595
Receivables	11,298,639	2,661,527	-	13,960,166	13,960,166
Payables	(16,389,781)	-	-	(16,389,781)	(16,389,781)
Borrowings	(29,680,955)	(280,955)	(234,840)	(30,196,750)	(30,196,750)
Net maturities	(21,778,388)	18,568,458	(234,840)	(3,444,770)	(3,444,770)

Borrowings consist of commercial bills. The Group expects to and has the discretion to refinance or rollover the bank loans for at least 12 months after the end of the reporting period under the existing banking facility. Refer to note 17 for details of terms and conditions on bank loans.

NOTE 25: PARENT ENTITY INFORMATION

Summarised presentation of the parent entity, Midway Ltd's, financial statements:

(a) Summarised consolidated statement of financial position

	2016	2015
Assets	**$**	**$**
Current assets	27,351,296	53,744,679
Non current assets	70,088,066	64,749,069
Total assets	97,439,362	118,493,748
Liabilities		
Current liabilities	18,527,188	43,595,418
Non current liabilities	29,647,930	29,614,470
Total liabilities	48,175,118	73,209,888
Net assets	49,264,244	45,283,860

Equity

Share capital	28,833,038	28,833,037
Retained earnings	16,313,460	5,101,207
Reserves	4,117,746	11,349,616
Total equity	49,264,244	45,283,860

(b) Summarised consolidated statement of profit or loss and other comprehensive income

Profit for the year after income tax	75,588,621	13,243,366
Total comprehensive income	75,844,946	13,243,366

NOTE 26: CONTINGENT LIABILITIES

From time to time, the Company is party to claims from customers and suppliers arising from operations in the ordinary course of business. Legal proceedings have recently been commenced against the Company in the Victorian Civil and Administrative Tribunal (VCAT). Based on the claimant's application, the claim appears to primarily relate to sedimented water flow from the Company's plantation onto the claimant's property and historical aerial herbicide spraying of the plantation by the Company. The claimant seeks damages and compensation in an unquantified amount. Given the early stage of the proceeding, and the lack of specificity in the claimant's application, it is premature for the Company to speculate on when it might be resolved or whether the proceeding could have a material impact on the Company's financial position or financial performance. The Company intends to vigorously defend the action.

Other than as noted above, at the date of this report there are no claims or contingent liabilities that are expected to materially impact, either individually or in aggregate, the Company's financial position or results from operations.

NOTE 26: CONTINGENT LIABILITIES (CONTINUED)

Bank Guarantees

(a) Consolidated Group

	2016 $	2015 $
Limit	5,200,000	3,450,000
Amount Utilised	2,461,279	1,332,279

(b) Midway Limited – Parent entity

	2016 $	2015 $
Limit	4,250,000	2,500,000
Amount Utilised	2,236,279	1,392,721

NOTE 27: INTERESTS IN JOINT VENTURE

(a) Joint Venture

	Nature of relationship	Ownership interest		Measurement basis	Carrying value	
Joint Venture		**2016 %**	**2015 %**		**2016 %**	**2015 %**
South West Fibre Pty Ltd	Ordinary shares	51	51	Equity accounted	12,998,318	7,335,126
Country of incorporation: Australia						

(b) Summarised financial information for the Joint Venture

SWF is a joint venture in which the Company has a 51% ownership. Voting rights are proportionately in line with share ownership. The Company has significant influence but not ultimate control over the venture as the shareholder agreement requires a special resolution when making key decisions. The purpose of the joint venture is to harvest and sell woodchips. The key risks associated with the joint venture are foreign exchange rate fluctuations, natural disasters effecting supply and difficulties sourcing adequate volumes of wood fibre.

Refer to Note 23 for transactions between the Company and SWF.

The following table summarises the financial information of SWF as included in its own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Company's interest in SWF.

NOTE 27: INTERESTS IN JOINT VENTURE

	South West Fibre Pty Ltd $	South West Fibre Pty Ltd $
	2016	**2015**
Cash and cash equivalents	9,291,159	5,339,099
Other current assets	18,623,209	10,946,591
Total current assets	27,914,368	16,285,690
Property, plant and equipment	17,864,415	18,853,464
Other non current assets	-	-
Total non current assets	17,864,415	18,853,464
Total current liabilities	(20,137,413)	(20,629,163)
Total non current liabilities	(154,471)	(127,391)
Net assets	25,486,899	14,382,600
Revenue	167,667,539	144,361,077
Interest Income	106,697	79,788
Depreciation & Amortisation	(2,572,754)	(2,444,991)
Income tax expense	(4,772,557)	(2,551,749)
Total comprehensive Income	11,104,299	5,951,774
Reconciliation to carrying amount of interest in Joint Venture:		
Opening net assets	14,382,600	8,430,826
Add: Current year profit	11,104,299	5,951,774
Closing net assets	25,486,899	14,382,600
Company's 51% share of net assets	12,998,318	7,335,126
Carrying amount of investment	12,998,318	7,335,126

Commitments to purchase capital assets at year-end were $1,050,600.

NOTE 28: INTERESTS IN SUBSIDIARIES

	Country of incorporation	Ownership interest held by the Company		Ownership interest held by NCI	
Subsidiaries of Midway Limited and controlled entities:		**2016 %**	**2015 %**	**2016 %**	**2015 %**
Queensland Commodity Exports Pty Ltd	Australia	90	90	10	10
Ownership interest are the same as voting rights					
Midway Plantations Pty Ltd	Australia	100	100	-	-
Ownership interest are the same as voting rights					
Midway Properties Pty Ltd	Australia	100	100	-	-
Ownership interest are the same as voting rights					
Midway Tree Farms Pty Ltd	Australia	100	100	-	-
Ownership interest are the same as voting rights					
Midway Tree Farms Pty Ltd was deregistered effective 12 June 2016.					

Midway Limited is not restricted to access of subsidiary assets.

NOTE 29: FAIR VALUE MEASUREMENT

(a) Fair Value Hierarchy

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data

The following table provides the fair value classification of those assets and liabilities held by the Company that are measured either on a recurring or non recurring basis at fair value. No financial assets have been pledged as collateral. Cost approximates fair value for assets and liabilities not specified below, these items are outlined elsewhere within this report.

	Level 1	Level 2	Level 3	Total
2016	**$**	**$**	**$**	**$**
Financial assets				
Foreign currency hedging instrument	-	366,307	-	366,307
Non financial assets				
Freehold land	-	-	80,965,738	80,965,738
Biological assets – plantations	-	-	2,954,566	2,954,566
2015				
Non financial assets				
Freehold land	-	-	83,526,076	83,526,076
Biological assets – plantations	-	-	54,200,000	54,200,000

NOTE 29: FAIR VALUE MEASUREMENT (CONTINUED)

(b) Valuation techniques and inputs used in fair value measurements

2016 Fair value measurements Financial Assets	Fair Value $	Valuation Technique	Description of valuation technique and inputs used
Foreign currency hedging instrument	$366,307	Income approach	The fair value of the foreign currency forward and swap contracts are calculated using the present value of estimated future cash flows based on observable forward exchange rates and maturity and yield characteristics. A change to inputs would result in differing valuation results.

2016 Fair value measurements Non-financial Assets	Fair Value $	Valuation Technique	Description of valuation technique and inputs used
Freehold land	$12,670,000	Market approach	The Company's unencumbered land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, plus any subsequent capital improvements. The fair value measurements of the Company's land and buildings as at 30 June 2016 were performed by Opteon, independent valuers. The valuation was performed using a direct market comparison approach. A change to inputs to the valuation market approach assessment would result in differing valuation results.
Forest plantation land	$68,295,738	Market Approach/ Net present value approach	The Company's plantation land is stated at revalued amounts, being the assets fair value for its highest and best use at the date of revaluation. This is adjusted by the Directors using a DCF methodology to an encumbered value to take into account clear fall period, reversionary costs and rental income for current use. The fair value measurements of the Company's plantation land as at 30 June 2016 were performed by VRC Property, independent valuers based on its highest and best use. In many instances, the valuation highest and best use is Agriculture or Lifestyle differing from actual use, Forestry. A change to inputs to the expert valuer's assessment, or the Directors discounted cash flow would result in differing valuation results.

NOTE 29: FAIR VALUE MEASUREMENT (CONTINUED)

2016 Fair value measurements Non-financial Assets	Fair Value $	Valuation Technique	Description of valuation technique and inputs used
Biological Assets	$2,954,566	Market approach	Up to the date of sale of Biological assets to Strategy (see note 13), these assets were measured at fair value using techniques and inputs consistent with that applied in 2015 (refer below). For Biological assets re-purchased as part of the strategy agreement and Nursery Trees, cost approximates fair value.

2015 Fair value measurements Non-financial Assets	Fair Value $	Valuation Technique	Description of valuation technique and inputs used
Freehold land	$12,670,000	Market approach	The Company's unencumbered land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, plus any subsequent capital improvements. The fair value measurements of the Company's land and buildings as at 30 June 2015 were performed by Opteon, independent valuers. The valuation was performed using a direct market comparison approach. A change to inputs to the valuation market approach assessment would result in differing valuation results.
Forest plantation land	$70,856,076	Market Approach / Net present value approach	The Company's plantation land is stated at revalued amounts, being the assets fair value for its highest and best use at the date of revaluation. This is adjusted by the Directors using a DCF methodology to an encumbered value to take into account clear fall period, reversionary costs and rental income for current use. The fair value measurements of the Company's plantation land as at 30 June 2016 were performed by VRC Property, independent valuers based on its highest and best use. In many instances, the valuation highest and best use is Agriculture or Lifestyle differing from actual use, Forestry. A change to inputs to the expert valuer's assessment, or the Directors discounted cash flow would result in differing valuation results.

NOTE 29: FAIR VALUE MEASUREMENT (CONTINUED)

2015 Fair value measurements Non-financial Assets	**Fair Value $**	**Valuation Technique**	**Description of valuation technique and inputs used**
Biological Assets	$54,200,000	Net present value approach	The fair value of biological assets has been determined using a discounted cash flow methodology over twelve years. The following key assumptions were applied: - a pre-tax discount rate of 8% to take into account the uncertainty associated with plantation growth, price received for logs and chips as well as fluctuations in input costs including exposure to climatic risk; - harvest yields are based on wood flow optimisation models with a single rotation of existing crops; - future log and chip prices are forecast based on industry information; - development costs relating to maintenance of existing crops set based on expected expenditures; and - the other costs associated with maintaining the plantations and processing logs are based on expected costs.

NOTE 29: FAIR VALUE MEASUREMENT (CONTINUED)

(c) Reconciliation of level 3 fair value movements

For each asset and liability categorised as level 3 fair value measurements, the following table presents the reconciliation of fair value from opening balances to the closing balances.

Property, Plant and Equipment – Plantation land at fair value	**2016**	**2015**
	$	**$**
Opening balance	70,856,076	75,356,702
Additions	5,221,919	-
Disposals	(216,000)	(2,071,414)
Valuation adjustment, net of rental, reversion and clear fall period adjustments	(7,566,257)	(2,429,212)
Closing balance	68,295,738	70,856,076
Biological assets		
Opening balance	54,200,000	51,343,388
Purchases	2,954,566	2,124,122
Disposals	(54,020,000)	-
Transfers from biological assets at cost	-	(1,043,388)
Harvest during the period	(2,950,000)	(9,000,000)
Net fair value increment recognised in profit or loss	2,770,000	10,775,878
Closing balance	2,954,566	54,200,000

Cost approximates fair value for Biological assets recorded at cost.

There were no transfers between level 1, 2 or level 3 during the year.

NOTE 29: FAIR VALUE MEASUREMENT (CONTINUED)

(d) Sensitivity Analysis

30 June 2016	Impact on OCI	
	Increase in assumption $	Decrease in assumption $
Plantation land at fair value		
Discount rate +/- 1%	(3,771,801)	4,073,500
Growth rate +/- 1%	4,461,736	(4,196,823)
Reversionary costs +/- 10%	(541,419)	492,199

30 June 2015	Impact on OCI	
	Increase in assumption $	Decrease in assumption $
Plantation land at fair value		
Discount rate +/- 1%	(4,193,499)	4,540,671
Growth rate +/- 1%	4,491,605	(4,218,710)
Reversionary costs +/- 10%	(341,914)	310,831

30 June 2015	Impact on Profit	
	Increase in assumption $	Decrease in assumption $
Biological Assets		
Discount rate +/- 1%	(2,552,531)	2,766,904
Exchange rate +/- 1%	(1,402,715)	1,431,053

NOTE 30: EVENTS SUBSEQUENT TO REPORTING DATE

A final 2016 dividend was declared on 27 September 2016 for 6 cents per share.

There has been no other matters or circumstances, which have arisen since 30 June 2016 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2016, of the Company, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 30 June 2016, of the Company.

DIRECTORS DECLARATION

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 20 to 73 are in accordance with the Corporations Act 2001: including;

   (a) comply with Accounting Standards in Australia and the Corporations Regulations 2001; and

   (b) as stated in Note 1, the consolidated financial statements also comply with International Financial Reporting Standards; and

   (c) give a true and fair view of the financial position of the Company as at 30 June 2016 and its performance for the year ended on that date.

2. In the directors' opinion 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 Board of Directors.

Director: ....

G H McCormack

Dated this 7th day of October 2016

Independent auditor's report to the members of Midway Limited

Report on the financial report

We have audited the accompanying financial report of Midway Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

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 Midway Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

KPMG

KPMG

Paul J McDonald

Paul J McDonald

Partner

Melbourne
7 October 2016