Appendix 4D

For the half year ended 31 December 2018

ABN 44 005 616 044

This half year financial report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

for the half year ended 31 December 2018

Half year ended: 31 December 2018
Previous corresponding period: 31 December 2017

Result Summary

		%		$'000
Consolidated Revenue from Operations	up	45.9	to	124,212
Underlying Net profit after tax attributable to shareholders	up	104.1	to	5,641
Net profit after tax attributable to shareholders	up	414.0	to	14,208

The higher underlying profit is attributable to higher sales prices, better bone dry % and a more favourable FX rate.

For a further explanation of the results above, refer to the Company's ASX/Media Announcement for the half year ended 31 December 2018.

Dividends / distributions

	Amount per security	Franked amount per security at 30%
2018 interim dividend (declared and paid)	9.0 cents	Fully franked
2018 final dividend (declared and paid)	9.0 cents	Fully franked
2019 interim dividend (declared but not yet paid)	9.0 cents	Fully franked

Record date for determining entitlements to the interim dividend	15 March 2019
Date interim dividend payable	18 April 2019

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	147.9 cents	99.5 cents

Other information required by Listing Rule 4.2A

Other information requiring disclosure to comply with Listing Rule 4.2A is contained in the accompanying 31 December 2018 Half Year Financial Report.

Contents

Review of Results and Operations

Review of results

For the period ending 31 December

$'000	2018	2017	Change
Revenue and other income			
Sales revenue	124,212	85,154	39,058
Other income	2,558	2,004	554
	126,770	87,158	39,612
Less: expenses			
Changes in inventories of finished goods and work in progress	15,019	4,880	10,139
Raw Materials, consumables and other procurement expenses	(88,249)	(57,454)	(30,795)
Employee benefits expense	(10,976)	(5,796)	(5,180)
Plantation management expenses	(399)	(530)	131
Freight and shipment costs	(22,908)	(16,838)	(6,070)
Repairs and maintenance costs	(4,074)	(2,353)	(1,721)
Other operating expenses	(5,164)	(3,689)	(1,475)
Share of profit/(loss) of equity accounted investments	2,190	1,153	1,037
EBITDA – S (underlying)	12,209	6,531	5,678
Depreciation & Amortisation	(3,454)	(2,004)	(1,450)
EBIT – S (underlying)	8,755	4,527	4,228
Net finance expense	(1,417)	(1,135)	(282)
Net profit before tax – S (underlying)	7,338	3,392	3,946
Income tax expense	(1,697)	(712)	(985)
Net profit after tax – S (underlying)	5,641	2,680	2,961

Reconciliation of underlying net profit after tax to statutory net profit after tax (NPAT)	31-Dec-18 $'000
NPAT (underlying)	5,641
Net fair value increment on biological assets[2]	9,685
Non-cash interest expense (AASB 15 strategy impact) [(1)(2)]	(3,807)
Reversal of contingent consideration on business combinations[2]	2,402
Gain on bargain purchase of Softwood Logging Services[2]	627
Transaction costs incurred[2]	(265)
Group NPAT statutory	14,283

1. Non cash interest expense is incurred on the liability created on 1 July 2018 to repurchase trees under the Strategy arrangement, which was deemed a financing arrangement upon the adoption of AASB 15 Revenue from Contracts with Customers. The Strategy arrangement is a contractual obligation to repurchase hardwood trees the Group sold in February 2016.
2. Balances disclosed net of tax

Earnings summary

The Group's underlying EBITDA increased by $5.6M to $12.2M for the six months ending 31 December 2018 compared to the corresponding half. The Group's strong performance was largely as a result of the following factors:

- Sales prices increased on average by $12 USD / BDMT
- The average AUD / USD FX rate over the period was favourable by 6% (0.77 USD vs 0.73 USD cents)
- Bone dry % was more favourable by 0.6%, largely as a result of drier fibre at Midway Geelong primarily due to drier weather.

The favourable impacts were partially offset by:

- $7 GMT average supply cost increase due to pass through of higher sales prices and a more favourable FX rate which is partially passed to suppliers
- A slower than expected start to the restructured operations at Plantation Management Partners whereby expected production rates were not achieved due to breakdown of equipment. This is in the process of being rectified with a new maintenance program and new equipment arriving on Melville Island, funded by the capital raising that occurred during the period.

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising of Midway Limited (the Company) and its subsidiaries (the Group) for the period ending 31 December 2018 and the auditor's report thereon.

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:

Name	Position Held	Employment status
Directors		
Gregory McCormack	Non-Executive Chairman	
Nils Gunnersen	Non-Executive Director	
Tom Gunnersen	Non-Executive Director	
Gordon Davis	Independent Non-Executive Director	
Thomas Keene	Independent Non-Executive Director	
Anthony Bennett	Independent Non-Executive Director	
Anthony Price	Managing Director and CEO	

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

Dividends

The Board has declared an interim fully-franked dividend of 9.0 cents per share. This is in line with the current dividend policy, franked to the maximum extent available.

Significant Changes in the State of Affairs

Capital Raising

In September 2018, the Company completed a placement to institutional investors raising $33.7M at $3.00 per share, resulting in an additional 11,235,289 shares on issue.

Furthermore in October 2018, the Company completed a share purchase plan (SPP) of $3.1M at $3.00 per share.

Proceeds of the placement and SPP (collectively the capital raising) was used to partially fund the PMP restructure, fund acquisition and investment of Softwood Logging Services and Bio Growth Partners Pty Ltd respectively and will be used for future investments based on the Group's growth strategy.

Acquisition of Softwood Logging Services and interest in Bio Growth Partners

On 15 October 2018, the Company made two acquisitions in Western Australia (WA):

- 100% of Softwood Logging Services (SLS), a harvest and haul business in Western Australia. SLS provides Midway with access to equipment, management expertise and contracts for the harvesting and delivery of biomass and other forest products in south-west Western Australia; and
- 40% of Bio Growth Partners, a biomass procurement and marketing business which supplies woodfibre to the WA biomass market. Bio Growth Partners is not controlled by the Group and as such is equity accounted.

Plantation Management Partners (PMP) restructure

On 2 October 2018, Midway committed to investing up to $17.0M to restructure the Plantation Management Partners (PMP) operations. The restructure means that the Company will control the entire woodfibre supply chain and deliver to market an additional three to five vessels per annum by renegotiating contractual arrangements between PMP and its customer Tiwi Plantations Corporation (TPC).

PMP entered into agreements to perform the harvest, haul, processing and marketing of wood fibre on behalf of the customer. This change transforms the business from a labour hire planation management business to a wood fibre marketer and processer in line with other Group entities. As at 31 December 2018, the group invested $12.0M for the purchase of an inventory stockpile, additional property, plant and equipment (majority under hire purchase arrangements) and assignment of loan receivable from TPC's existing financiers.

Directors' Report

Significant Events Subsequent to the end of the Half Year

The Directors are not aware of any other matter or circumstance which has arisen since 31 December 2018 that has significantly affected or may significantly affect the operations of the Group in subsequent financial years, the results of those operations, or the state of affairs of the Group in future financial years.

Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 8 and forms part of the directors' report for the period ended 31 December 2018.

Rounding off

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Non-IFRS measures

Throughout this report the Group has used certain non-IFRS measures, predominately underlying EBIT and underlying EBITDA. The non-IFRS measures have been deemed useful for recipients in measuring the underlying performance of the Group. The non-IFRS measures have not been audited.

Non-IFRS measure	Description
EBIT	Earnings, before interest and tax
EBITDA	Earnings, before interest, tax, depreciation and amortisation
Underlying NPAT - S	Statutory net profit after tax adjusted to remove impact of one off or non-recurring items and the net fair value gain / (loss) on biological assets
Underlying EBITDA - S	Earnings, before interest, tax, depreciation and amortisation adjusted to remove impact of one off or non-recurring items and the net fair value gain / (loss) on biological assets

Signed in accordance with a resolution of the Directors.

Greg McCormack
Chairman

Melbourne,

21 February 2019

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 review of Midway Limited for the half-year ended 31 December 2018 there have been:

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

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

KPMG

KPMG

Vicky Carlson
Partner

Melbourne
21 February 2019

Consolidated Statement of Comprehensive Income

For the period ended 31 December

	Notes	2018 $'000	2017 $'000
Revenue and other income			
Sales revenue	4	124,212	85,154
Other income	4	5,587	2,004
		129,799	87,158
Less: expenses			
Changes in inventories of finished goods and work in progress		15,019	4,880
Materials, consumables and other procurement expenses		(88,249)	(57,454)
Depreciation and amortisation expense		(3,454)	(2,004)
Employee benefits expense		(10,976)	(5,796)
Biological assets net fair value increment		13,836	-
Plantation management expenses		(399)	(530)
Freight and shipping expense		(22,908)	(16,838)
Repairs and maintenance expense		(4,074)	(2,353)
Other expenses		(5,543)	(3,689)
		(106,748)	(83,784)
Finance expense		(6,987)	(1,135)
Finance income		132	-
Net finance expense		(6,855)	(1,135)
Share of net profits from equity accounted investments		2,190	1,153
Profit before income tax expense		18,386	3,392
Income tax expense		(4,103)	(712)
Profit for the period		14,283	2,680
Items that will not be reclassified to profit and loss			
Revaluation of land fair value adjustment, net of tax		1,900	406
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges - effective portion of changes in fair value, net of tax		(1,886)	(94)
Foreign operations – foreign currency translation differences		1	-
Equity accounted investees - share of Other Comprehensive Income		(72)	134
Other comprehensive income for the period		(57)	178
Total comprehensive income for the period		14,226	2,858
Profit is attributable to:			
- Owners of Midway Limited		14,208	2,764
- Non-controlling interests		75	(84)
		14,283	2,680
Total comprehensive income is attributable to:			
- Owners of Midway Limited		14,179	2,942
- Non-controlling interests		47	(84)
		14,226	2,858
Earnings per share for profit attributable to equity holders:			
Basic earnings per share		$0.17	$0.04
Diluted earnings per share		$0.17	$0.04

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at

	Notes	31-Dec-18 $'000	30-Jun-18 $'000
Current assets			
Cash and cash equivalents		4,567	10,356
Receivables		24,279	19,457
Inventories		25,350	6,146
Biological assets	9	1,232	12,172
Current tax receivable		1,355	-
Other assets		6,116	4,797
Total current assets		62,899	52,928
Non-current assets			
Biological assets	9	53,868	3,868
Investments accounted for using the equity method		17,119	12,948
Intangible assets		9,926	10,749
Loan receivables		2,608	-
Property, plant and equipment		123,186	107,848
Total non-current assets		206,707	135,413
Total assets		269,606	188,341
Current liabilities			
Trade and other payables		24,875	24,642
Current tax payable		-	614
Borrowings	10	6,202	7,304
Strategy financial liability	2	4,467	-
Derivative financial liability		3,164	484
Provisions		4,597	3,973
Total current liabilities		43,305	37,017
Non-current liabilities			
Borrowings	10	34,519	35,422
Strategy financial liability	2	35,349	-
Provisions		142	117
Deferred tax liabilities		17,297	16,557
Total non-current liabilities		87,307	52,096
Total liabilities		130,612	89,113
Net assets		138,994	99,228
Contributed Equity			
Share capital	14	64,791	29,045
Reserves		70,956	66,983
Retained earnings		1,614	1,614
Equity attributable to owners of Midway Limited		137,361	97,642
Equity attributable to non-controlling interests		1,633	1,586
Total equity		138,994	99,228

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

$'000	Share capital	Reserves	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 July 2017	28,833	59,049	1,614	1,549	91,045
Profit for the year	-	-	2,764	(84)	2,680
Revaluation of land, net of tax	-	406	-	-	406
Cash flow hedges - effective portion of changes in fair value, net of tax	-	(228)	-	-	(228)
Total comprehensive income for the year	-	178	2,764	(84)	2,858
Other Transactions:					
Issuance of performance rights	212	(212)	-	-	-
Share based payments expense	-	165	-	-	165
Transfers to profits reserve	-	2,764	(2,764)	-	-
Transactions with owners in their capacity as owners:					
Dividends	-	(6,734)	-	-	(6,734)
Total other transactions	212	(4,017)	(2,764)	-	(6,569)
Balance as at 31 December 2017	29,045	55,210	1,614	1,465	87,334
Balance as at 1 July 2018	29,045	66,983	1,614	1,586	99,228
Adjustment on adoption of AASB 15 (note 2)	-	(3,319)	-	-	(3,319)
Restated total equity at the beginning of the financial period	29,045	63,664	1,614	1,586	95,909
Profit for the year	-	-	14,208	75	14,283
Revaluation of land, net of tax	-	1,900	-	-	1,900
Cash flow hedges - effective portion of changes in fair value, net of tax	-	(1,930)	-	(28)	(1,958)
Foreign operations – foreign currency translation differences	-	1	-	-	1
Total comprehensive income for the year	-	(29)	14,208	47	14,226
Other Transactions:					
Issuance of ordinary shares, net of transaction costs	35,534	-	-	-	35,534
Issuance of performance rights	212	(212)	-	-	-
Share based payments expense	-	66	-	-	66
Transfers to profits reserve	-	14,208	(14,208)	-	-
Transactions with owners in their capacity as owners:					
Dividends	-	(6,741)	-	-	(6,741)
Total other transactions	35,746	7,321	(14,208)	-	28,859
Balance as at 31 December 2018	64,791	70,956	1,614	1,633	138,994

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cashflows

For the period ended 31 December

	Notes	2018 $'000	2017 $'000
Cash flow from operating activities			
Receipts from customers		128,293	86,990
Payments to suppliers and employees		(137,653)	(97,024)
Interest received		83	30
Interest paid		(1,006)	(688)
Income tax paid		(3,369)	(491)
Net cash used in operating activities		(13,652)	(11,183)
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		140	85
Payment for property, plant and equipment		(4,411)	(4,684)
Payment for non current biological assets		-	(6,853)
Acquisition of Softwood Logging Services, net of cash	11	(322)	-
Acquisition of Plantation Management Partners, net of cash		-	(5,387)
Acquisition of equity accounted investees		(3,622)	1,683
Dividends received from equity accounted investees		2,040	-
Payment of deferred consideration Plantation Management Partners		(1,500)	-
Restructure of Plantation Management Partners		(8,071)	-
Net cash used in investing activities		(15,746)	(15,156)
Cash flow from financing activities			
Proceeds from share issue		34,996	-
Net finance lease payments		(708)	(434)
Dividends paid		(6,741)	(6,734)
Proceeds from bank borrowings		-	20,850
Repayment of bank borrowings		(3,938)	-
Net cash provided by financing activities		23,609	13,682
Reconciliation of cash			
Cash at beginning of the financial period		10,356	15,025
Net increase/(decrease) in cash held		(5,789)	(12,657)
Cash at end of financial period (net of overdrafts)	10	4,567	2,368

The above Consolidated Statement of Cashflows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Half Year Financial Statements

1. Reporting Entity

Midway Limited (the Company) is a company domiciled in Australia. These consolidated half year financial statements as at and for the period ended 31 December 2018 are of Midway Limited and its subsidiaries (the Group). The Group is primarily involved in the production and export of wood fibre to producers of pulp, paper and associated products, forestry logistics and planation management.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2018 are available at http://www.midwaylimited.com.au/.

2. Basis of Preparation

These half year financial statements are prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001, and with IAS 34 Interim Financial Reporting.

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2018.

These half year financial statements were authorised for issue by the Company's Board of Directors on 21 February 2019.

(a) Accounting policies

Except as noted below, the same accounting policies and methods of computation have been applied by each entity in the consolidated Group and are consistent with those adopted and disclosed in the most recent Annual Report.

Adoption of AASB 15: Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 18 Revenue, AASB 11 Construction Contracts and IFRIC Customer Loyalty Programmes and has been adopted from 1 July 2018.

Strategy Arrangement

In relation to the sale of hardwood trees to Strategy[1], recognised as a sale by Midway in February 2016, it has been assessed the transaction would not meet the requirements for recognition of a sale under AASB 15 as Midway are contractually required to re-purchase the trees from Strategy in the future in accordance with an agreed harvest profile.

Accordingly, from 1 July 2018 the biological assets (hardwood trees) have been recognised on the balance sheet as an asset at fair value, with subsequent changes in fair value each reporting period recognised in the profit and loss. The Strategy arrangement is treated as a financing arrangement, which results in the recognition of a financial liability, initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. This liability represents the estimated net present value of amounts payable under the contract for repurchase of the trees in accordance with the contractual harvest profile. Although there is no embedded derivative and the liability is considered a fixed rate instrument, the cash flows are reassessed each reporting date for changes in Midway specific wood chip prices which results in a gain or loss recognised in the income statement each period.

An independent valuation has been performed in relation to the hardwood trees as at 30 June 2018 to recognise the opening balance sheet fair value and determine the impact to opening equity on 1 July 2018. The corresponding financial liability representing the Group's contractual liability to repurchase the trees from Strategy has then been calculated based on the Group's best estimate of contractual cashflows.

As the arrangement is treated as a financing arrangement, from 1 July 2018 until the settlement of the repurchase obligation to buy back mature trees, the Group financial statements will reflect an unwind of non-cash interest expense which materially affects statutory net profit after tax of the Group with the impact in the current period being $3.8M for the period ending 31 December 2018 recognised as "Finance Costs" in the profit and loss.

In accordance with the transition provisions in the standard, the Group has adopted AASB 15 using the cumulative effect method. Under this approach, comparatives are not restated, instead, the cumulative effect of adopting the new standard is recognised in the opening balance of reserves in the current reporting period. The new standard is only applied to contracts that remain in force at adoption date.

1: Legal entity is Strategy Timber Pty Ltd as trustee for the Strategy Timber Trust (Strategy), an investment managed by GMO Renewable Resources LLC, a Timber Management Organisation

Notes to the Consolidated Half Year Financial Statements

2. Basis of Preparation (continued)

In addition to selling the tree crop and repurchasing in accordance with the agreed harvest profile, the Group receives income from performing plantation management services on the tree crop that was sold to Strategy. Income received from Strategy for management of the hardwood estate cannot be recognised in the profit and loss as the trees are now on the Group's balance sheet. The sale and repurchase contracts are interlinked such that Strategy cannot replace Midway as the plantation manager easily and hence they must be assessed as a whole. As such, on initial recognition of the financing arrangement, the plantation management fees that will be received from Strategy is recognised as a financial asset.

AASB 15 Strategy Impacts

	$'000
Opening reserves balance as at 30 June 18 as previously reported	66,983
Decrease due to financial liability created to repurchase the hardwood trees	(34,247)
Increase due to financial asset created to receive plantation management fees	1,618
Increase due to the hardwood biological trees being re – recognised on the balance sheet	27,887
Net deferred tax asset	1,423
Restated opening reserves balance as at 1 July 2018	63,664

Sale of goods

A portion of the Group's export sales are sold on CIF (cost, insurance and freight) terms. Under CIF terms this is with when the wood fibre loading is completed at the port of origin, and therefore there is no change in policy under AASB 15.

The Group also arranges the insurance and freight for CIF vessels which is deemed a separate performance obligation. The performance obligation is satisfied over time until the shipment arrives at the destination port. Therefore, for the component of revenue relating to freight and insurance should also be recognised over time (i.e. as performance obligation settled). This will not have a material impact on the group financial statement's as only shipments that have not arrived at the destination port by balance date will be affected. As at 1 July 2018, there was no adjustment to opening equity for the change in accounting policy.

Marketing revenue

Where the Group performs the function of marketing third party wood fibre, the Group has assessed there is no changes in accounting treatment under AASB 15, whereby a principal vs agent is assessed on each transaction.

AASB 9: Financial instruments

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has adopted AASB 9 and related amendments from 1 July 2018, of which there was no significant impacts as a result of adoption.

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting. The Group's hedging relationships as at 1 July 2018 qualify as continuing hedges upon the adoption of AASB 9. Accordingly, adoption of AASB 9 did not have a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139 Financial Instruments: Recognition and Measurement. It applies to financial assets classified at amortised cost, debt instruments measured at Fair Value through Other Comprehensive Income (FVOCI) contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. At adoption date, no material provision for ECL was recognised on the basis that the receivables were short term in nature and the Group has historically had minimal to no write downs on receivables from export customers. Additionally, at transition date, there was only $0.2M over 90 days past due.

Notes to the Consolidated Half Year Financial Statements

2. Basis of Preparation (continued)

Use of Estimates and Judgements

In preparing these half year financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2018.

Notes to the Consolidated Half Year Financial Statements

3. Segment Reporting

(a) Description of segments

The Group 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.

In January 2019 the Group announced changes to its reportable segments, effective 31 December 2018. The revised reporting structure reflects the manner in which the Group manages each product/service offered.

Reportable Segments	Products / Services
Wood fibre processing	Includes primary processing facilities whereby the Group processes and sells Woodfibre to third parties. SWF is also accounted for at 51% reflecting how management views and makes decisions of its operations
Forestry Logistics	Forestry logistics provides support services to third parties engaged in growing woodfibre including harvest and haul
Plantation Management	Plantation management is the provision of silviculture services including on group owned trees. The segment also holds any group owned plantation land and trees.
Ancillary	Includes income earned from the marketing of third party woodfibre and other aggregated costs which are not individually significant

The Group evaluates the performance of its operating segments based on net sales (net of insurance and freight costs). 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.

Key adjustment items relate to the gross up of revenue and operating and other expenses to reflect cost, insurance and freight (CIF) sales and principal sales. Management accounts are prepared on a segment basis with 51% share of SWF joint venture included in woodfibre processing. For statutory accounts SWF is equity accounted with revenue and expenses of SWF eliminated.

Prior period comparative information has been restated to reflect the revised structure.

Notes to the Consolidated Half Year Financial Statements

3. Segment Reporting (continued)

(b) Segment information provided to senior management

31-Dec-18

($'000)	Woodfibre processing	Forestry logistics	Plantation management	Ancillary	Eliminations	Total
Sales revenue	128,617	1,814	3,696	-	(9,915)	124,212
Inter segment sales	-	-	8,802	-	(8,802)	-
Other income	1,786	137	805	1,383	1,476	5,587
Total revenue and other income	130,403	1,951	13,303	1,383	(17,241)	129,799
Share of equity accounted profits/(loss)	-	(268)	-	-	2,458	2,190
EBITDA – S(1)	13,162	(568)	33	1,361	(1,779)	12,209
Significant items	1,812	1,217	-	(379)	-	2,650
Fair value gain on biological assets	-	-	13,836	-	-	13,836
EBITDA	14,974	649	13,869	982	(1,779)	28,695
Depreciation and amortisation	(3,640)	(101)	(456)	-	743	(3,454)
EBIT	11,334	548	13,413	982	(1,036)	25,240
Net finance expense	(1,243)	(8)	(5,587)	-	(17)	(6,855)
Net profit before tax	10,091	540	7,826	982	(1,053)	18,386
Income tax expense	(2,756)	123	(2,405)	(118)	1,053	(4,103)
Net profit after tax	7,335	663	5,421	864	-	14,283
Segment assets	146,702	6,138	142,112	-	(25,346)	269,606
Equity accounted investees	12,871	4,248	-	-	-	17,119
Capital expenditure	(5,309)	-	(1,624)	-	151	(6,783)
Segment liabilities	(51,362)	(5,677)	(71,490)	-	(2,083)	(130,612)

31-Dec-17 (restated)

($'000)	Woodfibre processing	Forestry logistics	Plantation management	Ancillary	Eliminations	Total
Sales revenue	112,073	-	2,116	-	(29,035)	85,154
Inter segment sales	-	-	843	-	(843)	-
Other income	1,641	-	459	-	(96)	2,004
Total revenue and other income	113,714	-	3,418	-	(29,974)	87,158
Share of equity accounted profits	-	-	-	-	1,153	1,153
EBITDA – S(1)	8,263	-	(484)	(32)	(1,216)	6,531
Significant items	-	-	-	-	-	-
Fair value gain on biological assets	-	-	-	-	-	-
EBITDA	8,263	-	(484)	(32)	(1,216)	6,531
Depreciation and amortisation	(2,402)	-	(335)	-	733	(2,004)
EBIT	5,861	-	(819)	(32)	(483)	4,527
Net finance expense	(1,098)	-	(26)	-	(11)	(1,135)
Net profit before tax	4,763	-	(845)	(32)	(494)	3,392
Income tax expense	(1,552)	-	273	73	494	(712)
Net profit after tax	3,211	-	(572)	41	-	2,680
Segment assets	126,970	-	101,919	-	(55,358)	173,531
Equity accounted investees	12,726	-	-	-	-	12,726
Capital expenditure	(924)	-	(3,784)	-	(143)	(4,851)
Segment liabilities	(52,927)	-	(29,497)	-	(3,773)	(86,197)

(1) EBITDA – S: Earnings before interest, tax, depreciation and amortisation, significant items and net fair value gain / (loss) on biological assets.

Notes to the Consolidated Half Year Financial Statements

3. Segment Reporting (continued)

(c) Revenue by geographic region

The presentation of geographical revenue is based on the geographical location of customers.

31-Dec-18

Revenue by geographic region	Woodfibre processing	Forestry logistics	Plantation management	Ancillary	Eliminations	Total
Australia	-	1,814	11,971	-	(8,802)	4,983
China	80,539	-	-	-	(6,207)	74,332
Japan	48,078	-	-	-	(3,708)	44,370
South East Asia	-	-	527	-		527
	128,617	**1,814**	**12,498**	**-**	**(18,717)**	**124,212**

31-Dec-17

Revenue by geographic region	Woodfibre processing	Forestry logistics	Plantation management	Ancillary	Eliminations	Total
Australia		-	2,640	-	(843)	1,797
China	93,468	-	-	-	(24,099)	69,369
Japan	18,605	-	-	-	(4,936)	13,669
South East Asia	-	-	319	-		319
	112,073	**-**	**2,959**	**-**	**(29,878)**	**85,154**

In the six months ending 31 December 2018 there were five (31 December 2017: four) customers in China and Japan that individually made up 10% or above total sales for the Group.

4. Individually significant items

For period ended 31 December	2018	2017
Individually significant items before tax	$'000	$'000
Reversal of contingent consideration[1]	2,402	-
Gain on bargain purchase of Softwood Logging Services (SLS)	627	-
Transactions costs[2]	(379)	-
Impact of individually significant items	2,650	-

(1) Relates to the reversal of all contingent consideration for the PMP acquisition and partial reversal on the SLS acquisition. The reversal has arisen as the earnings targets set at acquisition time are unlikely to be achieved.

(2) Transaction costs incurred on acquisition of SLS and Bio Growth Partners (BGP), and restructuring the operations of Plantation Management Partners (see below).

Plantation Management Partners (PMP) restructure

On 2 October 2018, Midway committed to investing up to $17.0M to restructure the Plantation Management Partners (PMP) operations. The restructure means that the Company will control the entire woodfibre supply chain and deliver to market an additional three to five vessels per annum by renegotiating contractual arrangements between PMP and its customer Tiwi Plantations Corporation (TPC).

PMP entered into agreements to perform the harvest, haul, processing and marketing of wood fibre on behalf of the customer. This change transforms the business from a labour hire planation management business to a wood fibre marketer and processer in line with other Group entities. As at 31 December 2018, the group invested $12.0M for the purchase of an inventory stockpile, additional property, plant and equipment (majority under hire purchase arrangements) and assignment of loan receivable from TPC's existing financiers.

Notes to the Consolidated Half Year Financial Statements

5. Interests in equity accounted investees

	Nature of relationship	Ownership interest		Carrying amount	
		31-Dec-18	30-Jun-18	31-Dec-18	30-Jun-18
		%	%	$'000	$'000
South West Fibre Pty Ltd	Ordinary shares	51	51	12,871	12,525
Bio Growth Partners Pty Ltd (BGP)	Ordinary shares	40	-	2,177	-
ADDCO Fibre Group Limited	Ordinary shares	25	25	2,051	403
Plantation Export Group Pty Ltd (PEG)	Ordinary shares	33	33	20	20
				17,119	12,948

South West Fibre Pty Ltd paid and declared dividends of $2,040,000 (2017: $1,683,000) (fully franked) in respect of the half year period to the Company.

Bio Growth Partners

On 15 October 2018, Midway acquired 40% of Bio Growth Partners for $1.8M cash consideration. Contingent consideration was also recorded in the value of the investment for $0.5M, which is an estimate of fair value and is contingent on BGP meeting EBITDA targets.

6. Seasonality of Operations

General

The Company traditionally has higher sales in the second half of the financial year than the first half. Winter conditions in South West Victoria constrain the ability to source woodfibre in some locations that contain difficult terrain having a flow on effect on the amount of processed woodfibre available for shipment.

In addition, as sales are made in bulk via shipping vessels with volumes of approximately 35,000 to 60,000 green metric tonnes per shipment, any movement in anticipated timing of shipments from one half to another can alter the half year financial performance.

7. Dividends

The following dividends were declared and paid during the period ending 31 December:

	2018	2017
	$'000	$'000
Fully franked at 30% (2017: 30%)	6,741	6,773

On 20 February 2019, an interim dividend was declared for 9.0 cents per share (fully franked).

Notes to the Consolidated Half Year Financial Statements

8. Biological assets

As at	31-Dec-18 $'000	30-Jun-18 $'000
Current		
Plantation hardwood at fair value	1,232	12,172
Non Current		
Plantation hardwood at fair value	48,948	-
Plantation hardwood at fair value (new plantings)	4,920	3,868
	55,100	16,040

The treecrop is classified as current or non current based on the anticipated timing of harvest.

	Biological assets $'000
at 30 June 2018	16,040
Hardwood trees bought back on balance sheet as a result of adoption of AASB 15 at 1 July	27,887
Restated opening balance as at 1 July 2018	43,927
Harvested timber	(3,715)
New plantings	1,052
Purchase of standing timber	-
Change in fair value less estimated point of sale costs - due to:	-
Change in discount rate	-
Change in volumes, prices and markets	13,836
Balance at 31 December 2018	55,100

The Group engaged an independent valuer to prepare a treecrop valuation in accordance with AASB 13 Fair Value.

Notes to the Consolidated Half Year Financial Statements

9. Net Debt

As at	31-Dec-18 $'000	30-Jun-18 $'000
Bank loans - current	4,313	6,562
Bank loans - non current	32,625	34,313
Hire purchase liabilities - current	1,675	742
Hire purchase liabilities - non current	1,894	1,109
Other finance arrangements	215	-
Cash and cash equivalents	(4,567)	(10,356)
	36,155	32,370

Excludes any liability relating to the Strategy arrangement as this is held on the balance sheet as a result of the adoption of AASB 15 and is not taken into account in the Group's debt covenant obligations.

i. Assets pledged as security

The Midway facilities are secured by the following:

- A fixed and floating charge granted by Midway Limited, Midway Plantations Pty Ltd and Plantation Management Partners 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; and the property situated at 1A The Esplanade, North Shore VIC, granted by Midway Limited
- A number of plantation land titles in South West Victoria

ii. Facilities

During the period, the Group utilised its asset finance facility to fund mobile plant and equipment as apart of the PMP restructure (note 5) that occurred on 2 October 2018.

Type	Utilised $'000	Total $'000	Maturity
Term debt	29,400	29,400	31-Jul-21
Working capital, asset finance	4,569	20,620	31-May-19
Acquisition debt facility - tranche 1	2,813	5,625	30-Sep-19
Acquisition debt facility - tranche 2	4,725	5,850	31-Jul-21

The Group has the ability to enter into purchase arrangements under the asset finance facility until it expires. Each outstanding finance arrangement will then be repaid within a five year period.

Notes to the Consolidated Half Year Financial Statements

10. Business Acquisition

On 15 October 2018, the Company acquired 100% of Softwood Logging Services (SLS), a harvest and haul business in Western Australia. SLS provides Midway with access to equipment, management expertise and contracts for the harvesting and delivery of biomass and other forest products in South-West Western Australia.

Midway acquired SLS for a purchase price of $1.6 million, of which $1.0 million is contingent on the business meeting certain hurdle rates.

From the date of acquisition, SLS contributed $2.1 million revenue and a loss of $0.4 million EBITDA from continuing operations of the Group. If the acquisition had occurred on 1 July 2018, it is estimated the revenue contribution would be $4.1 million and EBITDA would be a loss of $1.0 million.

Transactions costs of $0.2 million were expensed and included in other expenses.

Consideration transferred

	Date payable	Purchase consideration fair value $'000
Cash and cash equivalents	Settlement	534
Contingent consideration(1)	30-Jun-19	1,023
		1,557

(1) Payable on meeting EBITDA targets and is an estimate of the fair value of the consideration at acquisition date. The maximum payout of contingent consideration is $1.7M, payable if the EBITDA target is met at 100%.

Assets acquired and liabilities assumed

At acquisition date	Fair value (provisional) $'000
Assets	
Cash and cash equivalents	212
Trade and other receivables	1,610
Intangible Assets	57
Property, plant and equipment	5,443
	7,322
Liabilities	
Trade and other payables	4,248
Employee entitlement provisions	234
Borrowings	656
	5,138
Total identifiable net assets at fair value	2,184
Purchase consideration	1,557
Gain on bargain purchase recognised in profit and loss	627

The acquisition resulted in a bargain purchase as the fair value of contingent consideration was valued at an amount lower than the maximum amount payable under the contract (based on meeting EBITDA targets). The fair value of contingent consideration reflected the inherent risks in the acquisition based on the entities' historical performance.

Notes to the Consolidated Half Year Financial Statements

11. Subsidiaries

As at 31 December	Ownership interest held by the Company 2018 %	Ownership interest held by the Company 2017 %	Ownership interest held by NCI 2018 %	Ownership interest held by NCI 2017 %
Subsidiaries of Midway Limited and controlled entities:				
Queensland Commodity Exports Pty Ltd	90	90	10	10
Midway Plantations Pty Ltd	100	100	-	-
Midway Properties Pty Ltd	100	100	-	-
Midway Tasmania Pty Ltd	100	100	-	-
Plantation Management Partners Pty Ltd[1]	100	100	-	-
Resource Management Partners Pty Ltd[1]	100	100	-	-
Plantation Management Partners Pte Ltd[1][2]	100	100	-	-
Softwood Logging Services Pty Ltd[3]	100	-	-	-
SLS Unit Trust[3]	100	-	-	-

1. Acquired on 26th October 2017
2. 50% held in Trust by an independent party, however all risks and benefits of ownership of the share are held by the Group
3. Acquired on 15th October 2018

12. Contingent Liabilities

As 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 Group's financial position or results from operations.

13. Contributed Equity

(a) Ordinary share capital

Share Capital	Number of shares 31-Dec-18	Number of shares 30-Jun-18	Company 31-Dec-18 $'000	Company 30-Jun-18 $'000
Ordinary Shares				
Opening balance – 1 July 2018	74,901,933	74,819,933	29,045	28,833
Performance rights vested	82,000	82,000	212	212
Issued during the year	12,287,289	-	36,862	-
Capital raising costs incurred net of recognised tax benefit	-	-	(1,328)	-
Closing balance 31 December 2018	87,271,222	74,901,933	64,791	29,045

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

In September 2018, the Company completed a placement to institutional investors raising $33.7M at $3.00 per share, resulting in an additional 11,235,289 shares on issue.

Furthermore in October 2018, the Company completed a share purchase plan (SPP) of $3.1M at $3.00 per share.

Proceeds of the placement and SPP (collectively the capital raising) was used to partially fund the PMP restructure, fund acquisition and investment of Softwood Logging Services and Bio Growth Partners respectively and will be used for future investments based on the Group's growth strategy.

Notes to the Consolidated Half Year Financial Statements

14. Commitments

The Group has entered into $2.0M of commitments prior to year end relating to capital equipment to be used on Melville Island as a result of the restructure of PMP's operations.

15. Subsequent Events

Dividend

An interim dividend of $7.9M was declared on 20 February 2019 for 9.0 cents per share.

There have been no other matters or circumstances, which have arisen since 31 December 2018 that has significantly affected or may significantly affect:

(a) The operations, in financial periods subsequent to 31 December 2018, of the Group, or
(b) The results of those operations, or
(c) The state of affairs, in financial periods subsequent to 31 December 2018 of the Group.

Directors Declaration

The Directors declare that the consolidated interim financial statements and notes set out on pages 13 to 24 in accordance with the Corporations Act 2001:

a) Comply with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

b) Give a true and fair view of the financial position of the Group as at 31 December 2018 and of its performance for the half year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the Group 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.

Chairman: ______________________

G H McCormack

21 February 2019

Independent Auditor's Review Report

To the shareholders of Midway Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Midway Limited (the Company).

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

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of its performance for the ***Half-year Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001.*

The ***Half-year Financial Report*** comprises:

- Consolidated balance sheet as at 31 December 2018
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year Period ended on that date
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises the Company and the entities it controlled at the Half year's end or from time to time during the Half-year Period.

The ***Half-Year Period*** is the 6 months ended 31 December 2018.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Midway Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

KPMG

KPMG

Vicky Carlson

Partner

Melbourne

21 February 2019