Appendix 4D

For the half year ended 31 December 2019

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 2019

Half year ended: 31 December 2019
Previous corresponding period: 31 December 2018

Result Summary

		%		$'000
Consolidated Revenue from Operations	down	1.0	to	**122,989**
Underlying Net profit after tax attributable to shareholders	down	124.2	to	**(1,347)**
Net profit after tax attributable to shareholders	down	94.2	to	**828**

The Group has been adversely affected by external market forces including excess production and stocks of paper pulp in Brazil and US tariffs on Chinese paper imports that has affected wood fibre input suppliers such as Midway, resulting in a lower first half underlying profit.

For a further explanation of the results above, refer to the Company's ASX/Media Announcement for the half year ended 31 December 2019.

Dividends / distributions

	Amount per security	Franked amount per security at 30%
2019 interim dividend (declared and paid)	9.0 cents	Fully franked
2019 final dividend (declared and paid)	9.0 cents	Fully franked

No interim dividend has been declared in respect of the half year ending 31 December 2019.

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	154.6 cents	147.9 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 2019 Half Year Financial Report.

Contents

Review of Results and Operations

Review of results

For the period ending 31 December

$'000	Notes	2019	2018	Change
Revenue and other income				
Sales revenue		**122,989**	124,212	(1,223)
Other income		**4,505**	2,558	1,947
		127,494	126,770	724
Less: expenses				
Changes in inventories of finished goods and work in progress		**7,478**	15,019	(7,541)
Raw Materials, consumables and other procurement expenses		**(82,867)**	(88,249)	5,382
Employee benefits expense		**(15,580)**	(10,976)	(4,604)
Plantation management expenses		**(421)**	(399)	(22)
Freight and shipment costs		**(23,591)**	(22,908)	(683)
Repairs and maintenance costs		**(4,403)**	(4,074)	(329)
Other operating expenses		**(6,308)**	(5,164)	(1,144)
Share of profit/(loss) of equity accounted investments		**2,412**	2,190	222
EBITDA – S (underlying)		**4,214**	12,209	(7,995)
Depreciation & Amortisation		**(5,959)**	(3,454)	(2,505)
EBIT – S (underlying)		**(1,745)**	8,755	(10,500)
Net finance expense		**(1,032)**	(1,417)	385
Net profit/(loss) before tax – S (underlying)		**(2,777)**	7,338	(10,115)
Income tax benefit/(expense)		**1,569**	(1,697)	3,266
Net profit/(loss) after tax – S (underlying)		**(1,208)**	5,641	(6,849)

Reconciliation of underlying net profit after tax to statutory net profit after tax (NPAT)[2]	**31-Dec-19**	31-Dec-18
NPAT (underlying)	**(1,208)**	5,641
Net fair value increment on biological assets	**9,020**	9,685
Non-cash interest expense (AASB 15 strategy impact)	**(528)**	(3,807)
Reversal of contingent consideration on business combinations	-	2,402
Impairment loss on Non-Current Assets (Plantation Management Partners Pty Ltd)	**(4,858)**	-
Impairment loss on Non-Current Assets (ADDCO Fibre Pty Ltd)	**(1,446)**	-
Impact of AASB 16 on earnings for six months to 31 December 2019	**(13)**	-
Gain on bargain purchase of SLS	-	627
Transaction costs incurred	-	(265)
NPAT Statutory	**967**	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 decreased by $8.0M to $4.2M for the six months ending 31 December 2019 compared to the corresponding half.

The Group's earnings were adversely affected by the weakness in market demand as a result of over-production of pulp in Brazil leading to lower pulp prices and the US-China trade-war in 2019.

The biggest impact on 1H20 sales and earnings was reduced demand in China for high quality wood fibre from Geelong in the first six months of the financial year, approximately half the normal vessels shipped for this period.

Reduced demand for lower quality wood fibre has also meant the overall profit margin on sales was lower in 1H20.

A lower dry fibre content of export shipments in 1H20 of 56.8% compared with the corresponding period of 57.0% also contributed to lower earnings.

The impact of reduced sales volume was partially offset by an increase in export prices on an FOB basis for higher quality eucalypt wood fibre from Geelong than the previous corresponding period.

A favourable average exchange rate in 1H20 of 0.71 cents, two cents more favourable than the previous corresponding period of 0.73 cents, also partially offset the impact of lower volumes on Midway earnings.

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 2019 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	
Leanne Heywood	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

No interim dividend has been declared in respect of the half year ending 31 December 2019.

Significant Changes in the State of Affairs

Impairment of non financial assets

The Group has been adversely affected by external market forces including excess production and stocks of paper pulp in Brazil and US tariffs on Chinese paper imports that has affected wood fibre input suppliers such as Midway, resulting in a lower first half underlying profit. The tough economic conditions also lead to the impairment of non current assets in the following entities:

Plantation Management Partners Pty Ltd (PMP)
Due to the market downturn, the Group has been unable to market budgeted quantities of woodfibre from Plantation Management Partners, on the Tiwi Islands. As a result the value in use discounted cash flow model did not exceed the carrying amount of the CGU and the Group will write off the previously recognised goodwill on acquisition in PMP of $1.0M and unamortised portion of the customer contract intangible asset for $5.5M.

Impairment of ADDCO (25% equity accounted investee)
ADDCO entered voluntary administration during the period. The Group has taken a writedown on the full amount of its carrying value of its investment in ADDCO of $1.7M and a further writedown of current receivables from ADDCO of $0.3M, as no expected recovery is anticipated.

Directors' Report

Significant Events Subsequent to the end of the Half Year

The Directors are not aware of any matter or circumstance which has arisen since 31 December 2019 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 2019.

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,

27 February 2020

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 2019 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
27 February 2020

Consolidated Statement of Comprehensive Income

For the period ended 31 December

	Notes	2019 $'000	2018 $'000
Revenue and other income			
Sales revenue	3	122,989	124,212
Other income	3	4,505	5,587
		127,494	129,799
Less: expenses			
Changes in inventories of finished goods and work in progress		7,478	15,019
Materials, consumables and other procurement expenses		(82,867)	(88,249)
Depreciation and amortisation expense	3	(6,770)	(3,454)
Employee benefits expense		(15,580)	(10,976)
Biological assets net fair value increment	8	12,885	13,836
Plantation management expenses		(421)	(399)
Freight and shipping expense		(23,591)	(22,908)
Repairs and maintenance expense		(4,403)	(4,074)
Impairment loss on non-current assets	10	(8,582)	-
Other expenses		(5,430)	(5,543)
		(127,281)	(106,748)
Finance expense	3	(2,409)	(6,987)
Finance income	3	536	132
Net finance expense		(1,873)	(6,855)
Share of net profits from equity accounted investments	5	2,412	2,190
Profit before income tax expense		752	18,386
Income tax benefit/(expense)		215	(4,103)
Profit for the period		967	14,283
Items that will not be reclassified to profit and loss			
Revaluation of land fair value adjustment, net of tax		1,095	1,900
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges - effective portion of changes in fair value, net of tax		(40)	(1,886)
Foreign operations – foreign currency translation differences		3	1
Equity accounted investees - share of OCI		(11)	(72)
Other comprehensive income for the period		1,047	(57)
Total comprehensive income for the period		2,014	14,226
Profit is attributable to:			
- Owners of Midway Limited		828	14,208
- Non-controlling interests		139	75
		967	14,283
Total comprehensive income is attributable to:			
- Owners of Midway Limited		1,869	14,179
- Non-controlling interests		145	47
		2,014	14,226
Earnings per share for profit attributable to equity holders:			
Basic earnings per share		$0.01	$0.17
Diluted earnings per share		$0.01	$0.17

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

Consolidated Balance Sheet

As at

	Notes	31-Dec-2019 $'000	30-Jun-2019 $'000
Current assets			
Cash and cash equivalents		7,744	15,518
Receivables		17,615	22,752
Inventories		30,817	22,689
Biological assets	8	2,412	2,408
Current tax receivable		567	1,907
Other assets		6,007	6,048
Total current assets		65,162	71,322
Non-current assets			
Biological assets	8	64,940	50,608
Investments accounted for using the equity method	5	13,949	15,294
Intangible assets	10	1,971	9,241
Loan receivables		5,183	3,200
Property, plant and equipment		131,370	127,369
Total non-current assets		217,413	205,712
Total assets		282,575	277,034
Current liabilities			
Trade and other payables		20,440	27,282
Current tax payable		-	-
Borrowings	9	23,776	6,637
Strategy financial liability		3,420	434
Derivative financial liability		562	483
Provisions		3,948	4,008
Total current liabilities		52,146	38,844
Non-current liabilities			
Borrowings	9	39,344	38,356
Strategy financial liability		37,685	40,210
Provisions		94	129
Deferred tax liabilities		16,325	16,835
Total non-current liabilities		93,448	95,530
Total liabilities		145,594	134,374
Net assets		136,981	142,660
Contributed Equity			
Share capital		64,888	64,791
Reserves		68,789	74,710
Retained earnings		1,614	1,614
Equity attributable to owners of Midway Limited		135,291	141,115
Equity attributable to non-controlling interests		1,690	1,545
Total equity		136,981	142,660

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 2018	29,045	66,983	1,614	1,586	99,228
Adjustment on adoption of AASB 15	-	(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 period	-	-	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
Balance as at 1 July 2019	**64,791**	**74,710**	**1,614**	**1,545**	**142,660**
Adjustment on adoption of AASB 16 (note 2)	**-**	**166**	**-**	**-**	**166**
Restated total equity at the beginning of the financial period	**64,791**	**74,876**	**1,614**	**1,545**	**142,826**
Profit for the period	**-**	**-**	**828**	**139**	**967**
Revaluation of land, net of tax	**-**	**1,095**	**-**	**-**	**1,095**
Cash flow hedges - effective portion of changes in fair value, net of tax	**-**	**(57)**	**-**	**6**	**(51)**
Foreign operations – foreign currency translation differences	**-**	**3**	**-**	**-**	**3**
Total comprehensive income for the year	**-**	**1,041**	**828**	**145**	**2,014**
Other Transactions:					
Issuance of ordinary shares, net of transaction costs	**-**	**-**	**-**	**-**	**-**
Issuance of performance rights	**97**	**(97)**	**-**	**-**	**-**
Share based payments expense `	**-**	**1**	**-**	**-**	**1**
Transfers to profits reserve	**-**	**828**	**(828)**	**-**	**-**
Transactions with owners in their capacity as owners:					
Dividends	**-**	**(7,860)**	**-**	**-**	**(7,860)**
Total other transactions	**97**	**(7,128)**	**(828)**	**-**	**(7,859)**
Balance as at 31 December 2019	**64,888**	**68,789**	**1,614**	**1,690**	**136,981**

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	2019 $'000	2018 $'000
Cash flow from operating activities			
Receipts from customers		**132,858**	128,293
Payments to suppliers and employees		**(143,301)**	(137,653)
Interest received		**22**	83
Interest paid		**(889)**	(1,006)
Income tax paid		**1,002**	(3,369)
Net cash used in operating activities		**(10,308)**	(13,652)
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		**514**	140
Payment for property, plant and equipment		**(2,477)**	(4,411)
Payment for non-current biological assets		**(1,122)**	-
Acquisition of Softwood Logging Services, net of cash		**-**	(322)
Acquisition of equity accounted investees		**-**	(3,622)
Dividends received from equity accounted investees		**2,040**	2,040
Payment of deferred consideration Plantation Management Partners		**(105)**	(1,500)
Restructure of Plantation Management Partners		**-**	(8,071)
Net cash used in investing activities		**(1,150)**	(15,746)
Cash flow from financing activities			
Proceeds from share issue		**-**	34,996
Lease payments		**(4,293)**	(708)
Dividends paid		**(7,860)**	(6,741)
Proceeds from bank borrowings		**17,600**	-
Repayment of bank borrowings		**(1,763)**	(3,938)
Net cash provided by financing activities		**3,684**	23,609
Reconciliation of cash			
Cash at beginning of the financial period		**15,518**	10,356
Net increase/(decrease) in cash held		**(7,774)**	(5,789)
Cash at end of financial period (net of overdrafts)		**7,744**	4,567

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 2019 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 2019 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 2019.

These half year financial statements were authorised for issue by the Company's Board of Directors on 27 February 2020.

(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.

AASB 16: Leases

AASB 16 provides a new lease accounting model which requires a lessee to recognise a right of use asset representing its right to use the underlying asset and lease liabilities. The depreciation of the right of use asset and interest on the lease liability will be recognised in the consolidated income statement. Upon application the key balance sheet metrics such as gearing and finance ratios, and profit or loss metrics such as earnings before interest, tax, depreciation and amortisation (EBITDA) will be impacted. The consolidated cash flow statement will also be impacted as payments for the principal portion of the lease liability will be presented within financing activities.

Midway Group applied AASB 16 using the modified retrospective approach from 1 July 2019, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for previous period is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

The Group made the following additional choices, as permitted by IFRS 16, for existing operating leases:

- not to bring leases with 12 months or fewer remaining to run as at 1 July 2019 (including reasonably certain options to extend) on balance sheet. Costs for these items will continue to be expensed directly to the income statement.
- for contracts in place at 1 July 2019, the Group continued to apply its existing definition of leases under the previous standards, AASB 17 'Leases' and IFRIC 4 'Determining Whether an Arrangement Contains a Lease' ('grandfathering'), instead of reassessing whether existing contracts were or contained a lease at the date of application of the new standard.
- for all leases, the lease liability was measured at 1 July 2019 as the present value of any future lease payments discounted using the appropriate incremental borrowing rate. The right of use asset was measured as equal to the lease liability and adjusted for any accruals or prepayments already on the balance sheet. The Group also excluded any initial direct costs (e.g. legal fees) from the measurement of the right of use assets at transition.
- to apply the use of hindsight when reviewing the lease arrangements for determination of the measurement or term of the lease under the retrospective option; and
- in some cases, to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

Midway Group has assessed the impact of AASB 16 on the statement of financial position as at 1 July 2019 as:

- New operating lease liabilities (included in Borrowings) of $5.1M;
- New right of use assets (included in Property, plant and equipment) of $5.1M; and
- Opening adjustment to equity (included in Reserves) $0.2M.

Notes to the Consolidated Half Year Financial Statements

2. Basis of Preparation (continued)

AASB 16: Leases (continued)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average incremental borrowing rate for the Group as at 1 July 2019 was 3.95%.

Midway Group has assessed the estimated pre-tax impact of AASB 16 on the statement of comprehensive income for the half year ended 31 December 2019 as:

- Increase in depreciation expense of $0.8M;
- Increase in interest expense of $0.1M; and
- Reduction in other operating expenses of $0.9M.

The most significant differences between the Group's undiscounted non-cancellable operating lease commitments of $4.6M at 30 June 2019 and lease liabilities upon transition of $5.1M are as follows:

	$'000
Operating lease commitments reported as at 30 June 19 under AASB 117	4,556
Include/Add	
Leases commencing on 1 July 2019 (undiscounted)	621
Extension options reasonably certain to be exercised	228
Finance Lease liability as at 30 June 2019 - Current	3,990
Finance Lease liability as at 30 June 2019 – Non-current	6,482
Sub total	15,877
Effect of discounting on payments included in the calculation of the lease liability (excluding finance lease balances)	(352)
Lease liability opening balance reported as at 1 July 2019 under AASB 16	15,525

The Group's activities as a lessor are not material and hence there has not been a material impact as a result of the adoption of AASB 16 on the financial statements.

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 2019.

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.

The segment 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.

Notes to the Consolidated Half Year Financial Statements

3. Segment Reporting (continued)

(b) Segment information provided to senior management

31-Dec-19

($'000)	Woodfibre processing	Forestry logistics	Plantation management	Ancillary	Eliminations	Total
Sales revenue	111,915	4,281	1,402	-	5,391	122,989
Inter segment sales	-	-	1,711	-	(1,711)	-
Other income	1,991	249	461	1,634	170	4,505
Total revenue and other income	113,906	4,530	3,574	1,634	3,850	127,494
Share of equity accounted profits/(loss)	(12)	20	-	-	2,404	2,412
EBITDA – S(1)	6,611	(1,246)	(456)	1,611	(2,306)	4,214
Significant items	(6,516)	(2,066)	-	-	-	(8,582)
AASB 16 impact	635	80	163	-	-	878
Fair value gain on biological assets	-	-	12,885	-	-	12,885
EBITDA	730	(3,232)	12,592	1,611	(2,306)	9,395
Depreciation and amortisation	(6,099)	(1,033)	(797)	(8)	1,167	(6,770)
EBIT	(5,369)	(4,265)	11,795	1,603	(1,139)	2,625
Net finance expense	(1,146)	(42)	(791)	-	106	(1,873)
Net profit before tax	(6,515)	(4,307)	11,004	1,603	(1,033)	752
Income tax expense	1,572	678	(3,077)	9	1,033	215
Net profit after tax	(4,943)	(3,629)	7,927	1,612	-	967
Segment assets	**167,042**	**5,177**	**157,068**	**4,889**	**(51,601)**	**282,575**
Equity accounted investees	11,723	2,226	-	-	-	13,949
Capital expenditure	(2,475)	(24)	(1,209)	-	22	(3,686)
Segment liabilities	**(91,048)**	**(7,194)**	**(84,048)**	**(3,224)**	**39,920**	**(145,594)**

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	(3,632)	(101)	(456)	(8)	743	(3,454)
EBIT	11,342	548	13,413	974	(1,036)	25,240
Net finance expense	(1,243)	(8)	(5,587)	-	(17)	(6,855)
Net profit before tax	10,099	540	7,826	974	(1,053)	18,386
Income tax expense	(2,756)	123	(2,405)	(118)	1,053	(4,103)
Net profit after tax	7,343	663	5,421	856	-	14,283
Segment assets	**141,796**	**6,138**	**142,112**	**4,906**	**(25,346)**	**269,606**
Equity accounted investees	12,871	4,248	-	-	-	17,119
Capital expenditure	(5,309)	-	(1,624)	-	151	(6,783)
Segment liabilities	**(48,164)**	**(5,677)**	**(71,490)**	**(3,198)**	**(2,083)**	**(130,612)**

(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-19

Revenue by geographic region	Woodfibre processing	Forestry logistics	Plantation management	Ancillary	Eliminations	Total
Australia	6,599	4,281	2,375	-	(1,711)	11,544
China	61,641	-	-	-	17,881	79,522
Japan	43,675	-	-	-	(12,490)	31,185
South East Asia	-	-	738	-		738
	111,915	**4,281**	**3,113**	**-**	**3,680**	**122,989**

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**

In the six months ending 31 December 2019 there were five (31 December 2018: five) 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		2019	2018
Individually significant items before tax	Notes	**$'000**	$'000
Impairment loss on non current assets (ADDCO Pty Ltd)	10	**(2,066)**	-
Impairment of loss on non current assets (Plantation Management Partners Pty Ltd)	10	**(6,516)**	-
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		**(8,582)**	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 were unlikely to be achieved. At 30 June 2019, the remainder of the provision for contingent consideration was reversed for SLS/BGP/PMP ($3.2M total reversal for the full year to 30 June 2019).

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

Notes to the Consolidated Half Year Financial Statements

5. Interests in equity accounted investees

	Nature of relationship	Ownership interest		Carrying amount	
		31-Dec-19	30-Jun-19	31-Dec-19	30-Jun-19
		%	%	$'000	$'000
South West Fibre Pty Ltd(1)	Ordinary shares	51	51	11,682	11,307
Bio Growth Partners Pty Ltd (BGP)	Ordinary shares	40	40	2,226	2,206
ADDCO Fibre Group Limited(2)	Ordinary shares	25	25	-	1,727
Plantation Export Group Pty Ltd (PEG)	Ordinary shares	33	33	41	54
				13,949	15,294

(1) South West Fibre Pty Ltd paid and declared dividends of $2.0M (2018: $2.0M) (fully franked) in respect of the half year period to the Company.

(2) As a result of adverse external market conditions, ADDCO entered voluntary administration during the period. The Group has taken an impairment write-down on the full amount of its carrying value of its investment in ADDCO of $1.7M.

6. Seasonality of Operations

General

The Group 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.

The Group's earnings for the period ending 31 December 2019 were adversely affected by the slump in market demand as a result of over-production of pulp in Brazil and the US-China trade-war in 2019. The biggest impact on sales and earnings was reduced demand in China for high quality wood fibre – with only five shipments from Geelong in the first six months of the financial year, half the normal shipping rate for this period.

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:

	2019	2018
	$'000	$'000
Fully franked at 30% (2018: 30%)	7,860	6,741

No interim dividend has been declared in respect of the half year ending 31 December 2019.

Notes to the Consolidated Half Year Financial Statements

8. Biological assets

As at	31-Dec-19	30-Jun-19
	$'000	$'000
Current		
Plantation hardwood at fair value	2,412	2,408
Non-Current		
Plantation hardwood at fair value	58,268	44,204
Plantation hardwood at fair value (new plantings)	6,672	6,404
	67,352	53,016

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

	Biological assets $'000
at 30 June 2019	53,016
Harvested timber	(902)
New plantings	1,231
Purchase of standing timber	1,122
Change in fair value less estimated point of sale costs - due to:	-
Change in discount rate	-
Change in volumes, prices and markets	12,885
Balance at 31 December 2019	67,352

The Group engaged an independent valuer to update the treecrop valuation prepared in the prior year for revised assumptions in accordance with AASB 13 Fair Value.

As noted in section 2.2 (d) of the Group's most recent Consolidated Financial Statements (as at 30 June 2019), a portion of the Group's treecrop was legally owned by Strategy Timber Pty Ltd, an investment trust managed by a third-party Timber Management Investment Organisation.

During the period, Strategy Timber Pty Ltd, sold its investment in the treecrop to another third party, Hancock Natural Resource Group (HNRG), who acquired the Strategy hardwood plantation trees in Victoria on behalf of its investment clients. The existing agreements in place concerning Midway's commitment to repurchase the hardwood treecrop has been novated as a part of the sales process and as such does not have any ramifications for the group.

Notes to the Consolidated Half Year Financial Statements

9. Net Debt

As at	31-Dec-19	30-Jun-19
	$'000	$'000
Bank loans - current	19,100	2,432
Bank loans - non current	31,044	31,874
Bank Hire purchase liabilities - current	4,068	3,990
Bank Hire purchase liabilities - non current	4,678	6,482
Other Lease liabilities (recognized on balance sheet on adoption of AASB 16)	4,015	-
Other finance arrangements	215	215
Cash and cash equivalents	(7,744)	(15,518)
	55,376	29,475

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 increased its working capital facility in order to fund short term working capital requirements.

Type	Utilised	Total	Maturity
	$'000	$'000	
Term debt	29,319	29,319	30-Sep-21
Working capital, asset finance(1)	26,346	38,620	31-May-20
Working capital(1)	-	5,000	31-Mar-20
Acquisition debt facility - tranche 2	3,225	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.

(1) Working capital facility increased through the period

Notes to the Consolidated Half Year Financial Statements

10. Impairment of non financial assets

Impairment tests for all assets are performed when there is an indicator of impairment, although goodwill is tested at least annually. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to the income statement.

The Group has been adversely affected by external market forces including excess production and stocks of paper pulp in Brazil and US tariffs on Chinese paper imports that have affected wood fibre input suppliers such as Midway. This is an impairment indicator and as such the recoverable amount of the assets relating to certain cash generating units (CGUs) within the Group have been assessed using a value-in-use discounted cash flow model.

The Groups' CGUs consist of individual business units at the lowest level at which cash inflows are made including:

- Midway Geelong
- Queensland Commodity Exports
- Midway Logistics
- Midway Tasmania
- Plantation Management Partners
- South West Fibre

For H1 FY2020, with the exception of Plantation Management Partners Pty Ltd, the estimated recoverable amount for all these CGUs exceeded the carrying amount and as such no impairment loss has been recognised.

Plantation Management Partners Pty Ltd (PMP)
Due to the market downturn, the Group has been unable to market budgeted quantities of woodfibre from Plantation Management Partners, on the Tiwi Islands. As a result, the value in use discounted cash flow model did not exceed the carrying amount of the CGU and the Group has written off the previously recognised goodwill on acquisition of PMP of $1.0M and unamortised portion of the customer contract intangible asset for $5.5M.

Key assumptions and estimates
Key assumptions and estimates used in the impairment analysis consist of:

Projected cash flows
The recoverable amount of a CGU is based on value in use calculations that are based on detailed management prepared forecasts for five years through to FY 2024, unless the timing of tree crop rotation profiles justifies a longer period.

Long-term average growth rate
A terminal growth rate of between 2.2% and 2.4% has been used and only applied to CGUs whereby it is likely they will exceed into perpetuity and there is a reasonable chance of sourcing woodfibre in each catchment whereby a CGU resides.

Discount rate
The Group used a post-tax discount rate of between 8.6% and 11.4% for all CGUs.

Sensitivity analysis
The Group believes any reasonable possible change in the key assumptions would not cause the carrying value of the CGUs to exceed their recoverable amount.

Impairment of ADDCO (25% equity accounted investee)
As a result of the adverse external market conditions, ADDCO entered voluntary administration during the period. The Group has taken a writedown on the full amount of its carrying value of its investment in ADDCO of $1.7M and a further writedown of current receivables from ADDCO of $0.3M, as no expected recovery is anticipated.

Notes to the Consolidated Half Year Financial Statements

11. Subsidiaries

	Ownership interest held by the Company		Ownership interest held by NCI	
As at 31 December	**2019**	2018	**2019**	2018
	%	%	**%**	%
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	**-**	-
Midway Logistics Pty Ltd(3) (previously Softwood Logging Services Pty Ltd)	**100**	100	**-**	-
Midway Logistics Unit Trust(3) (previously SLS Unit Trust)	**100**	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.

Notes to the Consolidated Half Year Financial Statements

13. Commitments

The Group has not entered into any new significant commitments during the six month period ending 31 December 2019.

14. Subsequent Events

There have been no matters or circumstances, which have arisen since 31 December 2019 that has significantly affected or may significantly affect:

(a) The operations, in financial periods subsequent to 31 December 2019, of the Group, or
(b) The results of those operations, or
(c) The state of affairs, in financial periods subsequent to 31 December 2019 of the Group.

Directors Declaration

The Directors declare that the consolidated interim financial statements and notes set out on pages 13 to 23 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 2019 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

27 February 2020

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 2019 and of 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*.

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

- Consolidated statement of financial position as at 31 December 2019
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 14 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 2019

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 2019 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	Vicky Carlson
	Partner
	Melbourne
	27 February 2020