



Appendix 4D

For the half year ended 31 December 2021

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 2021

Half year ended: 31 December 2021

Previous corresponding period: 31 December 2020

Result Summary

		%		\$'000
Consolidated Revenue from Operations	down	39.6	to	91,165
Underlying Net profit after tax attributable to shareholders	down	805.1	to	(3,437)
Net profit after tax attributable to shareholders	down	173.8	to	(3,645)

The Group's performance deteriorated due to ongoing COVID-19 induced supply chain disruption and power cuts in China that adversely affected pulp production and reduced demand for woodfibre by major customers.

Lower sales volumes, a lower dry fibre content and a higher currency compared to the previous corresponding period all contributed to a reduction in underlying EBITDA to \$1.0 million.

For a further explanation of the results above, refer to the Company's ASX/Media Announcement for the half year ended 31 December 2021.

Dividends / distributions

	Amount per security	Franked amount per security at 30%
2021 interim dividend (no dividend declared)	-	-
2021 final dividend (no dividend declared)	-	-

No interim dividend has been declared in respect of the half year ending 31 December 2021.

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	152.2 cents	152.2 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 2021 Half Year Financial Report.

Contents

Review of Results and Operations	4
Directors' Report	6
Auditor's Independence Declaration	8
Consolidated Statement of Comprehensive Income	9
Consolidated Balance Sheet	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Consolidated Half Year Financial Statements	13
Directors' Declaration	22
Independent Auditor's Review Report	23

Review of Results and Operations

Review of results

For the period ending 31 December

\$'000	Notes	2021	2020	Change
Revenue and other income				
Sales revenue		91,165	150,948	(59,783)
Other income		2,466	1,171	1,295
		93,631	152,119	(58,488)
Less: expenses				
Changes in inventories of finished goods and work in progress		6,932	(7,853)	14,785
Raw Materials, consumables and other procurement expenses		(69,076)	(95,471)	26,395
Employee benefits expense		(9,384)	(10,154)	770
Plantation management expenses		(47)	(51)	4
Freight and shipment costs		(14,576)	(22,127)	7,551
Repairs and maintenance costs		(3,661)	(3,586)	(75)
Other operating expenses		(3,764)	(3,773)	9
Share of profit/(loss) of equity accounted investments		922	(1,058)	1,980
EBITDA – S (underlying)		977	8,046	(7,069)
Depreciation & Amortisation		(5,074)	(5,533)	459
EBIT – S (underlying)		(4,097)	2,513	(6,610)
Net finance expense		(1,135)	(1,346)	211
Net profit/(loss) before tax – S (underlying)		(5,232)	1,167	(6,399)
Income tax benefit/(expense)		1,861	(661)	2,522
Net profit/(loss) after tax – S (underlying)		(3,371)	506	(3,877)

Reconciliation of underlying net profit after tax to statutory net profit after tax (NPAT)	31-Dec-21	31-Dec-20
NPAT (underlying)	(3,371)	506
Net fair value (decrement)/increment on biological assets	2,985	(2,008)
Non-cash interest expense (AASB 15 strategy impact) ¹	(2,612)	(846)
JobKeeper	-	1,222
Impairment loss on Non-Current Assets (Bio Growth Partners Pty Ltd)	(98)	-
Transaction costs incurred	(483)	(186)
Net profit / (loss) after tax - Statutory	(3,579)	(1,312)

Prior period comparatives have been restated in relation to underlying NPAT to reflect the impact of adopting AASB 16, where as in the prior period operating leases were accounted for under the old leasing standard AASB 117.

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.

Reconciliation of underlying Earnings, before interest, tax, depreciation and amortisation to statutory Earnings, before interest, tax, depreciation and amortisation (EBITDA)

	31-Dec-21	31-Dec-20
EBITDA - S (underlying)	977	8,046
Net fair value (decrement)/increment on biological assets	4,264	(2,868)
JobKeeper	-	1,745
Impairment loss on Non-Current Assets (Bio Growth Partners Pty Ltd)	(98)	-
Transaction costs incurred	(690)	(264)
EBITDA - statutory	4,453	6,659

Prior period comparatives have been restated in relation to underlying EBITDA to reflect the impact of adopting AASB 16, where as in the prior period operating leases were accounted for under the old leasing standard AASB 117.

Earnings summary

The Group's underlying EBITDA-S deteriorated by \$7.1M to \$1.0M for the six months ending 31 December 2021 compared to the prior corresponding period (pcp).

Ongoing COVID-19 induced supply chain disruption and power cuts in China that adversely affected pulp production and reduced demand for woodfibre by major customers.

Lower sales volumes, a lower dry fibre content and a higher currency all contributed to the reduction.

Sales volumes were predominately down at Midway Geelong, where there were four shipments less of E Globulus the highest margin product.

Major customers were also seeking lower quality woodfibre from Vietnam and Thailand in order to offset higher freight costs.

The Group has seen a positive start to the second half of the financial year whereby demand for woodfibre has improved.

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 2021 and the auditor's report thereon.

Directors

The names and details of the Company's directors in office during the half 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 Price	Managing Director and CEO	Retired 24 January 2022
Tony McKenna	Managing Director and CEO	Appointed 24 January 2022

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 2021.

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 2021 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 2021.

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,

24 February 2022



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 2021 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.

A stylized, handwritten-style logo of the letters 'KPMG' in a light blue color.

KPMG

A handwritten signature in black ink, appearing to read 'Simon Dubois'.

Simon Dubois

Partner

Melbourne

24 February 2022

Consolidated Statement of Comprehensive Income

For the period ended 31 December

	Notes	2021 \$'000	2020 \$'000
Revenue and other income			
Sales revenue	3	91,165	150,948
Other income	3	2,466	2,916
		93,631	153,864
Less: expenses			
Changes in inventories of finished goods and work in progress		6,932	(7,853)
Materials, consumables and other procurement expenses		(69,076)	(95,471)
Depreciation and amortisation expense	3	(5,074)	(5,533)
Employee benefits expense		(9,384)	(10,154)
Biological assets net fair value (decrement)/increment	8	4,264	(2,868)
Plantation management expenses		(47)	(51)
Freight and shipping expense		(14,576)	(22,127)
Repairs and maintenance expense		(3,661)	(3,586)
Impairment loss on non-current assets		(98)	-
Other expenses		(4,454)	(4,037)
		(95,174)	(151,680)
Finance expense	3	(4,866)	(2,618)
Finance income	3	-	62
Net finance expense		(4,866)	(2,556)
Share of net profits from equity accounted investments	5	922	(1,058)
Profit / (loss) before income tax expense		(5,487)	(1,430)
Income tax benefit/(expense)		1,908	118
Profit / (loss) for the period		(3,579)	(1,312)
<i>Items that will not be reclassified to profit and loss</i>			
Revaluation of land fair value adjustment, net of tax		8,937	1,554
<i>Items that may be reclassified subsequently to profit and loss</i>			
Cash flow hedges - effective portion of changes in fair value, net of tax		(2,824)	4,594
Foreign operations – foreign currency translation differences		-	(84)
Equity accounted investees - share of OCI		70	-
Other comprehensive income for the period		6,183	6,064
Total comprehensive income for the period		2,604	4,752
Profit / (loss) is attributable to:			
- Owners of Midway Limited		(3,645)	(1,331)
- Non-controlling interests		66	19
		(3,579)	(1,312)
Total comprehensive income is attributable to:			
- Owners of Midway Limited		2,547	4,664
- Non-controlling interests		57	88
		2,604	4,752
Earnings per share for profit attributable to equity holders:			
Basic (loss)/earnings per share		-\$0.04	-\$0.02
Diluted (loss)/earnings per share		-\$0.04	-\$0.02

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

Consolidated Balance Sheet

As at

	Notes	31-Dec-2021 \$'000	30-Jun-2021 \$'000
Current assets			
Cash and cash equivalents		6,639	12,956
Receivables		12,715	17,329
Inventories		22,351	15,645
Biological assets	8	3,373	2,501
Current tax receivable		1,143	1,301
Other assets		7,324	6,561
Assets held for sale	13	17,429	2,997
Total current assets		70,974	59,290
Non-current assets			
Biological assets	8	43,974	41,589
Other Receivables		6,711	5,876
Investments accounted for using the equity method	5	10,880	9,978
Intangible assets		1,971	1,971
Loan receivables		610	3,127
Property, plant and equipment		137,760	141,067
Total non-current assets		201,906	203,605
Total assets		272,880	262,895
Current liabilities			
Trade and other payables		16,466	22,354
Borrowings	9	20,112	9,552
Strategy financial liability		7,981	8,202
Derivative financial liability		6,200	2,165
Provisions		3,835	4,094
Total current liabilities		54,594	46,367
Non-current liabilities			
Borrowings	9	33,944	34,882
Strategy financial liability		31,330	31,850
Provisions		147	176
Deferred tax liabilities		17,944	17,379
Total non-current liabilities		83,365	84,287
Total liabilities		137,959	130,654
Net assets		134,921	132,241
Contributed Equity			
Share capital		64,888	64,888
Reserves		88,205	81,939
Retained loss		(19,412)	(15,768)
Equity attributable to owners of Midway Limited		133,681	131,059
Equity attributable to non-controlling interests		1,240	1,182
Total equity		134,921	132,241

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 2020	64,888	73,793	(10,405)	1,843	130,119
Profit for the period	-	-	(1,331)	19	(1,312)
Revaluation of land, net of tax	-	1,554	-	-	1,554
Cash flow hedges - effective portion of changes in fair value, net of tax	-	4,525	-	69	4,594
Foreign operations – foreign currency translation differences	-	(84)	-	-	(84)
Total comprehensive income for the year	-	5,995	(1,331)	88	4,752
Other Transactions:					
Issuance of ordinary shares, net of transaction costs	-	-	-	-	-
Issuance of performance rights	-	-	-	-	-
Share based payments expense	-	13	-	-	13
Transfers to profits reserve	-	-	-	-	-
Transactions with owners in their capacity as owners:					
Dividends	-	-	-	-	-
Total other transactions	-	13	-	-	13
Balance as at 31 December 2020	64,888	79,801	(11,736)	1,931	134,884
Balance as at 1 July 2021	64,888	81,939	(15,767)	1,182	132,242
Profit / (loss) for the period	-	-	(3,645)	66	(3,579)
Revaluation of land, net of tax	-	8,937	-	-	8,937
Cash flow hedges - effective portion of changes in fair value, net of tax	-	(2,746)	-	(8)	(2,754)
Foreign operations – foreign currency translation differences	-	-	-	-	-
Total comprehensive income for the year	-	6,191	(3,645)	58	2,604
Other Transactions:					
Issuance of ordinary shares, net of transaction costs	-	-	-	-	-
Issuance of performance rights	-	-	-	-	-
Share based payments expense	-	75	-	-	75
Transfers to profits reserve	-	-	-	-	-
Transactions with owners in their capacity as owners:					
Dividends	-	-	-	-	-
Total other transactions	-	75	-	-	75
Balance as at 31 December 2021	64,888	88,205	(19,412)	1,240	134,921

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	2021 \$'000	2020 \$'000
Cash flow from operating activities			
Receipts from customers		97,573	141,294
Payments to suppliers and employees		(106,959)	(140,034)
Interest paid		(862)	(1,031)
Income tax received		-	(499)
JobKeeper received		-	1,745
Net cash provided by / (used) in operating activities		(10,248)	1,475
Cash flow from investing activities			
Payment for property, plant and equipment		(2,399)	(1,237)
Proceeds from sale of property, plant and equipment		148	236
Payment for non-current biological assets		(1,097)	(1,105)
Acquisition of BioGrowth Partners Pty Ltd, net cash		448	-
Net cash used in investing activities		(2,900)	(2,106)
Cash flow from financing activities			
Repayment of Strategy financial liability		(4,343)	(3,224)
Principal repayment of lease liabilities		(3,245)	(2,462)
Proceeds from bank borrowings		12,650	3,657
Repayment of bank borrowings		(650)	(600)
Proceeds from loan receivable		2,419	249
Net cash provided by / (used) in financing activities		6,831	(2,380)
Reconciliation of cash			
Cash at beginning of the financial period		12,956	11,049
Net increase/(decrease) in cash held		(6,317)	(3,011)
Cash at end of financial period (net of overdrafts)		6,639	8,038

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 2021 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 plantation management.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2021 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 2021. As the half-year report does not include notes of the type normally included in an annual financial report, it should be read in conjunction with the most recent annual financial report.

These half year financial statements were authorised for issue by the Company's Board of Directors on 24 February 2022.

(a) Accounting policies

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.

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 2021.

COVID-19 continues to have an effect on the Group and can lead to volatility in certain assumptions such as forecast pricing and foreign exchange rates, which are key to the Group's estimates in impairment, biological assets and property, plant & equipment.

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
Woodfibre	Includes primary operations whereby the Group purchases and sells both own and third party wood. SWF is also proportionally consolidated at 51% for segment reporting which reflects 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 haulage. Forestry logistics also provides harvesting, processing and delivery service to BioGrowth Partners (100% owned by Midway Ltd) which supplies biomass woodchips and sawdust to domestic customers in WA. Midway Limited acquired the remaining 60% in BioGrowth Partners on 30 July 2021 for a nominal amount. The buy-out provides Midway with total control over that business and its customers contracts in WA.
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	Represents any one off, transactional and other non recurring costs.

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-21

(\$'000)	Woodfibre	Forestry logistics	Plantation management	Ancillary	Eliminations	Total
Sales revenue	82,307	2,263	1	-	6,594	91,165
Inter segment sales	-	-	4,406	-	(4,406)	-
Other income	4,433	182	26	-	(2,175)	2,466
Total revenue and other income	86,740	2,445	4,433	-	13	93,631
Share of equity accounted profits/(loss)	-	-	-	-	922	922
EBITDA – S⁽¹⁾	5,702	(2,027)	(1,080)	(25)	(1,593)	977
Significant items	-	(98)	-	(690)	-	(788)
Fair value (gain) on biological assets	-	-	4,264	-	-	4,264
EBITDA	5,702	(2,125)	3,184	(715)	(1,593)	4,453
Depreciation and amortisation	(4,278)	(1,087)	(817)	(8)	1,116	(5,074)
EBIT	1,424	(3,212)	2,367	(723)	(477)	(621)
Net finance expense	(1,093)	(77)	(3,778)	-	82	(4,866)
Net profit before tax	331	(3,289)	(1,411)	(723)	(395)	(5,487)
Income tax expense	107	957	439	10	395	1,908
Net profit after tax	438	(2,332)	(972)	(713)	-	(3,579)
Segment assets	186,553	4,533	171,339	4,867	(94,392)	272,880
Equity accounted investees	10,880	-	-	-	-	10,880
Capital expenditure	(2,513)	(1,208)	(138)	-	-	(3,859)
Segment liabilities	(74,388)	(13,725)	(98,734)	(3,295)	52,183	(137,959)

31-Dec-20

(\$'000)	Woodfibre	Forestry logistics	Plantation management	Ancillary	Eliminations	Total
Sales revenue	145,385	2,807	119	-	2,637	150,948
Inter segment sales	-	-	5,818	-	(5,818)	-
Other income	759	216	283	-	1,658	2,916
Total revenue and other income	146,144	3,023	6,220	-	(1,523)	153,864
Share of equity accounted profits/(loss)	-	(47)	-	-	(1,011)	(1,058)
EBITDA – S⁽¹⁾	10,934	(1,247)	(786)	(25)	(830)	8,046
Significant items	1,390	355	-	(264)	-	1,481
Fair value loss on biological assets	-	-	(2,868)	-	-	(2,868)
EBITDA	12,324	(892)	(3,654)	(289)	(830)	6,659
Depreciation and amortisation	(4,896)	(1,048)	(745)	(9)	1,165	(5,533)
EBIT	7,428	(1,940)	(4,399)	(298)	335	1,126
Net finance expense	(1,344)	(55)	(1,255)	-	98	(2,556)
Net profit before tax	6,084	(1,995)	(5,654)	(298)	433	(1,430)
Income tax expense	(1,753)	584	1,710	10	(433)	118
Net profit after tax	4,331	(1,411)	(3,944)	(288)	-	(1,312)
Segment assets (30-6-21)	187,165	2,980	154,372	4,864	(86,486)	262,895
Equity accounted investees	9,938	40	-	-	-	9,978
Capital expenditure	(578)	(442)	(217)	-	-	(1,237)
Segment liabilities (30-6-21)	(74,090)	(9,929)	(88,611)	(3,268)	45,244	(130,654)

(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-21

Revenue by geographic region	Woodfibre processing	Forestry logistics	Plantation management	Ancillary	Eliminations	Total
Australia	1,310	2,263	4,408	-	(4,407)	3,574
China	38,128	-	-	-	23,415	61,543
Japan	42,869	-	-	-	(16,821)	26,048
South East Asia	-	-	-	-	-	-
	82,307	2,263	4,408	-	2,187	91,165

31-Dec-20

Revenue by geographic region	Woodfibre processing	Forestry logistics	Plantation management	Ancillary	Eliminations	Total
Australia	1,376	2,807	5,922	-	(5,907)	4,198
China	111,273	-	-	-	7,928	119,201
Japan	32,736	-	-	-	(5,202)	27,534
South East Asia	-	-	15	-	-	15
	145,385	2,807	5,937	-	(3,181)	150,948

In the six months ending 31 December 2021 there were two (31 December 2020: three) 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		2021	2020
Individually significant items before tax	Notes	\$'000	\$'000
Impairment loss on non current assets (Bio Growth Partners Pty Ltd)		(98)	-
JobKeeper payments ⁽¹⁾		-	1,745
Transactions costs ⁽²⁾		(690)	(264)
Impact of individually significant items		(788)	1,481

(1) The Group has elected to account for JobKeeper payments received from the Federal Government as a grant income recorded in other income once reasonable assurance has been obtained regarding eligibility to receive the subsidy.

(2) Transactions costs refers to costs incurred relating to key business development opportunities.

Notes to the Consolidated Half Year Financial Statements

5. Interests in equity accounted investees

	Nature of relationship	Ownership interest		Carrying amount	
		31-Dec-21 %	30-Jun-21 %	31-Dec-21 \$'000	30-Jun-21 \$'000
South West Fibre Pty Ltd ⁽¹⁾	Ordinary shares	51	51	10,880	9,888
Bio Growth Partners Pty Ltd (BGP) ⁽²⁾	Ordinary shares	100	40	-	40
Plantation Export Group Pty Ltd (PEG) ⁽³⁾	Ordinary shares	-	50	-	50
				10,880	9,978

(1) South West Fibre Pty Ltd did not declare a dividend in respect of the half year period to the Company.

(2) Acquired the remaining 60% on 30 July 2021

(3) In liquidation

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.

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:

	2021 \$'000	2020 \$'000
Fully franked at 30% (2019: 30%)	-	-

No interim dividend has been declared in respect of the half year ending 31 December 2021.

Notes to the Consolidated Half Year Financial Statements

8. Biological assets

As at	31-Dec-21 \$'000	30-Jun-21 \$'000
Current		
Plantation hardwood at fair value	3,373	2,501
Non-Current		
Plantation hardwood at fair value	35,834	33,501
Plantation hardwood at fair value (new plantings)	8,140	8,088
	47,347	44,090
The treecrop is classified as current or non-current based on the anticipated timing of harvest.		
		Biological assets \$'000
at 30 June 2021		44,090
Harvested timber		(2,111)
New plantings		1,104
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		4,264
Balance at 31 December 2021		47,347

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 2021), 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.

In FY20, 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-21 \$'000	30-Jun-21 \$'000
Bank loans – current	16,725	4,725
Bank loans - non current	29,175	29,175
Hire purchase liabilities - current	2,764	3,327
Hire purchase liabilities - non current	1,437	2,848
AASB 16 lease liabilities	3,955	4,359
Cash and cash equivalents	(6,639)	(12,956)
	47,417	31,478

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.

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

Type	Utilised \$'000	Total \$'000	Maturity
Term debt	29,175	29,175	30-Sep-24
Working capital, asset finance (NAB)	16,980	31,200	31-May-22
Working capital (NAB)	-	10,000	1-Mar-22
Asset finance (ANZ)	3,371	10,000	30-Sep-24
Acquisition debt facility - tranche 2	575	1,550	30-Jun-22
Acquisition debt facility – Bell Bay	-	3,000	30-Sep-24

The Group has the ability to enter into purchase arrangements under the asset finance facility until it expires on 31-May-2022 (NAB) and 30-Sep-2022 (ANZ). Each outstanding finance arrangement will then be repaid within a five year 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 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

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 2025, unless the timing of tree crop rotation profiles justifies a longer period. In the case of Plantation Management Partners, the timeframes were modelled out to 2056, reflecting the likely timeframes for the next two rotations.

Long-term average growth rate

A terminal growth rate of 2.2% to 2.4% (2021: 2.2% to 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 pre-tax discount rate of between 11.9% and 15.2% (2021: 11.7% and 15.0%) 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, with the exception of Plantation Management Partners.

Projected cashflows for Plantation Management Partners include key assumptions such as a recovery in demand for lower quality Acacia and assumes the Group will manage logistics for the proposed rotation two on the Tiwi islands. In the event these key assumptions do not eventuate, this CGU is at risk of further impairment writedowns. Given the impacts of COVID-19 on global conditions any potential impacts cannot yet be quantified.

COVID-19

The impact of COVID-19 on the market recovery continues to be an area of uncertainty.

As a result of conducting the impairment tests as at 31 December 2021, no write-down's were required.

Notes to the Consolidated Half Year Financial Statements

11. Subsidiaries

As at 31 December	Ownership interest held by the Company		Ownership interest held by NCI	
	2021 %	2020 %	2021 %	2020 %
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	100	100	-	-
Resource Management Partners Pty Ltd	100	100	-	-
Plantation Management Partners Pte Ltd ⁽¹⁾	100	100	-	-
Midway Logistics Pty Ltd	100	100	-	-
Midway Logistics Unit Trust	100	100	-	-
BioGrowth Partners Pty Ltd ⁽²⁾	100	40	-	-

1. In liquidation

2. Acquired the remaining 60% on 30 July 2021

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. Asset Held-for-sale

	31-Dec-21 \$'000	30-Jun-21 \$'000
Opening balance	2,997	-
Revaluation of plantation land	172	2,997
Plantation land for sale	14,260	-
Closing balance	17,429	2,997

Assets held for sale relates to four plantation properties in the Upper Goulburn region expected to settle within twelve months of the balance date.

14. Commitments

The Group has entered into \$6.0M of commitments relating to capital expenditure as part of the Bell Bay woodfibre processing project during the six month period ending 31 December 2021.

15. Subsequent Events

There have been no matters or circumstances, which have arisen since 31 December 2021 that has significantly affected or may significantly affect:

- The operations, in financial periods subsequent to 31 December 2021, of the Group, or
- The results of those operations, or
- The state of affairs, in financial periods subsequent to 31 December 2021 of the Group.

Directors Declaration

The Directors declare that the consolidated interim financial statements and notes set out on pages 13 to 21 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 2021 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

24 February 2022



Independent Auditor's Review Report

To the shareholders of Midway Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Midway Limited.

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2021 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2021
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim 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 Midway Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 31 December 2021.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period 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.



KPMG



Simon Dubois

Partner

Melbourne

24 February 2022