



## Appendix 4D

For the half year ended 31 December 2017

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 2017

Half year ended: 31 December 2017

Previous corresponding period: 31 December 2016

## Result Summary

		%		\$'000
Consolidated Revenue from Operations	down	3.2	to	85,154
Net profit after tax from ordinary activities attributable to shareholders	down	68.1	to	2,764
Net profit after tax attributable to shareholders	down	57.6	to	2,764

The lower result was mainly due to the impact of foreign exchange (higher AUD) and the timing of two vessels which moved into the second half. The Company is still anticipating a full year result in line with the current market profit guidance range.

For a further explanation of the results above, refer to the Company's ASX/Media Announcement for the half year ended 31 December 2017.

## Dividends / distributions

	Amount per security	Franked amount per security at 30%
2017 interim dividend (declared and paid)	9.0 cents	Fully franked
2017 final dividend (declared and paid)	9.0 cents	Fully franked
2018 interim dividend (declared but not yet paid)	9.0 cents	Fully franked

Record date for determining entitlements to the interim dividend

16 March 2018

Date interim dividend payable

20 April 2018

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	99.5 cents	121.9 cents

The net tangible assets per ordinary security decreased primarily due to intangible assets arising from the acquisition of Plantation Management Partners Pty Ltd in the current period.

## Other information required by Listing Rule 4.2A

Other information requiring disclosure to comply with Listing Rule 4.2A is contained in the accompanying Half Year Financial Report for the half year ended 31 December 2017

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# 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 2017 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
<b>Directors</b>		
Gregory McCormack	Non-Executive Chairman	
Nils Gunnensen	Non-Executive Director	
Thorold Gunnensen AM	Non-Executive Director	(resigned as a Director 25/10/17)
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.

## Non-IFRS measures

Throughout this report the Group has used certain non-IFRS measures, predominately EBIT and 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
Pro forma NPAT	Statutory net profit after tax adjusted to remove impact of one off or non-recurring items
Pro forma EBITDA	Earnings, before interest, tax, depreciation and amortisation adjusted to remove impact of one off or non-recurring items

## Dividends

Given the full year outlook, the Directors of Midway have declared an FY18 interim dividend of 9 cents per share, which is consistent with the current dividend policy

## Significant Changes in the State of Affairs

### Acquisition of Plantation Management Partners Pty Ltd

On 26<sup>th</sup> October 2017, the Company acquired 100% of the ordinary shares of Plantation Management Partners Pty Ltd (PMP), a Company incorporated in Australia. PMP is a plantation management business with over 70,000 hectares of plantation currently under management in Northern Australia and Southeast Asia. It has a strong industry reputation as a high-quality plantation manager.

# Directors' Report

## Significant Events Subsequent to the end of the Half Year

### Investment in ADDCO Fibre Group Limited

Midway acquired a 25% stake in ADDCO Fibre Group Limited, a forestry and logistics services business with bases in New Zealand and Australia.

ADDCOs activities are predominately in the Australasian forestry and products sectors. The main focus for the business is providing harvesting, haulage, processing and materials handling services.

Other than mentioned above, the Directors are not aware of any other matter or circumstance which has arisen since 31 December 2017 that has significantly affected or may significantly affect the operations of the Group in subsequent financial periods, the results of those operations, or the state of affairs of the Group in future financial periods.

### Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the period ended 31 December 2017.

### Rounding off

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191b 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.

Signed in accordance with a resolution of the Directors.



**Greg McCormack**  
Chairman

Melbourne,

22 February 2018



# 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 2017 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

Vicky Carlson

Partner

Melbourne

22 February 2018

# Consolidated Statement of Comprehensive Income

For the period ended 31 December

	2017 \$'000	2016 \$'000
<b>Revenue and other income</b>		
Sales revenue	85,154	87,978
Other income	2,004	1,849
	<b>87,158</b>	<b>89,827</b>
<b>Less: expenses</b>		
Changes in inventories of finished goods and work in progress	4,880	6,873
Materials, consumables and other procurement expenses	(57,454)	(62,151)
Depreciation and amortisation expense	(2,004)	(1,661)
Employee benefits expense	(5,796)	(4,040)
Finance expense	(1,135)	(725)
Plantation management expenses	(530)	(324)
Freight and shipping expense	(16,838)	(12,807)
Repairs and maintenance expense	(2,353)	(2,007)
Other expenses	(3,689)	(6,102)
	<b>(84,919)</b>	<b>(82,944)</b>
Share of net profits from equity accounted investments	1,153	1,568
<b>Profit before income tax expense</b>	<b>3,392</b>	<b>8,451</b>
Income tax expense	(712)	(1,915)
<b>Profit for the period</b>	<b>2,680</b>	<b>6,536</b>
<i>Items that will not be reclassified to profit and loss</i>		
Revaluation of land fair value adjustment, net of tax	406	1,394
<i>Items that may be reclassified subsequently to profit and loss</i>		
Cash flow hedges – reclassified to profit and loss, net of tax	(94)	(835)
Equity accounted investees - share of OCI	(134)	-
Other comprehensive income for the period	178	559
<b>Total comprehensive income for the period</b>	<b>2,858</b>	<b>7,095</b>
<b>Profit is attributable to:</b>		
- Owners of Midway Limited	2,764	6,525
- Non-controlling interests	(84)	11
	<b>2,680</b>	<b>6,536</b>
<b>Total comprehensive income is attributable to:</b>		
- Owners of Midway Limited	2,942	7,084
- Non-controlling interests	(84)	11
	<b>2,858</b>	<b>7,095</b>
<b>Earnings per share for profit attributable to equity holders:</b>		
Basic earnings per share	\$0.04	\$0.09
Diluted earnings per share	\$0.04	\$0.09

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

# Consolidated Balance Sheet

As at

	Notes	31 Dec 2017 \$'000	30 June 2017 \$'000
<b>Current assets</b>			
Cash and cash equivalents		2,368	15,025
Receivables		11,118	7,781
Inventories		12,562	7,682
Derivative financial assets		-	135
Biological assets		3,369	-
Other assets		5,677	3,827
Current tax receivable		1,126	1,263
<b>Total current assets</b>		<b>36,220</b>	<b>35,713</b>
<b>Non-current assets</b>			
Biological assets		9,503	5,416
Investments accounted for using the equity method	5	12,726	13,390
Intangible assets		12,843	1,971
Property, plant and equipment		102,239	98,318
<b>Total non-current assets</b>		<b>137,311</b>	<b>119,095</b>
<b>Total assets</b>		<b>173,531</b>	<b>154,808</b>
<b>Current liabilities</b>			
Trade and other payables		14,592	17,458
Borrowings	9	12,829	714
Provisions		1,924	1,701
<b>Total current liabilities</b>		<b>29,345</b>	<b>19,873</b>
<b>Non-current liabilities</b>			
Borrowings	9	39,466	30,949
Provisions		1,591	59
Deferred tax liabilities		15,795	12,882
<b>Total non-current liabilities</b>		<b>56,852</b>	<b>43,890</b>
<b>Total liabilities</b>		<b>86,197</b>	<b>63,763</b>
<b>Net assets</b>		<b>87,334</b>	<b>91,045</b>
<b>Contributed Equity</b>			
Share capital		29,045	28,833
Reserves		55,210	59,049
Retained earnings		1,614	1,614
<b>Equity attributable to owners of Midway Limited</b>		<b>85,869</b>	<b>89,496</b>
Equity attributable to non-controlling interests		1,465	1,549
<b>Total equity</b>		<b>87,334</b>	<b>91,045</b>

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



# Consolidated Statement of Changes in Equity

	Share capital	Reserves	Retained earnings	Non-controlling interests	Total equity
<b>\$'000</b>					
<b>Balance as at 1 July 2016</b>	28,833	58,617	1,614	1,482	90,545
Profit for the period	-	-	6,525	11	6,536
Revaluation of land, net of tax	-	1,394	-	-	1,394
Cash flow hedges - effective portion of changes in fair value, net of tax	-	(835)	-	-	(835)
<b>Total comprehensive income for the period</b>	-	559	6,525	11	7,095
<b>Other Transactions:</b>					
Transfers to profits reserve	-	6,525	(6,525)	-	-
<b>Transactions with owners in their capacity as owners:</b>					
Dividends	-	(4,489)	-	-	(4,489)
<b>Total transactions</b>	-	2,036	(6,525)	-	(4,489)
<b>Balance as at 31 December 2016</b>	28,833	61,211	1,614	1,493	93,151
<b>Balance as at 1 July 2017</b>	28,833	59,049	1,614	1,549	91,045
Profit for the period	-	-	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)
<b>Total comprehensive income for the period</b>	-	178	2,764	(84)	2,858
<b>Other Transactions:</b>					
Issuance of performance rights	212	(212)	-	-	-
Share based payments expense	-	165	-	-	165
Transfers to profits reserve	-	2,764	(2,764)	-	-
<b>Transactions with owners in their capacity as owners:</b>					
Dividends	-	(6,734)	-	-	(6,734)
<b>Total other transactions</b>	212	(4,017)	(2,764)	-	(6,569)
<b>Balance as at 31 December 2017</b>	29,045	55,210	1,614	1,465	87,334

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

	2017 \$'000	2016 \$'000
<b>Cash flow from operating activities</b>		
Receipts from customers	86,990	96,763
Payments to suppliers and employees	(97,024)	(95,526)
Interest received	30	187
Interest paid	(688)	(565)
Income tax paid	(491)	(3,364)
<b>Net cash provided by operating activities</b>	<b>(11,183)</b>	<b>(2,505)</b>
<b>Cash flow from investing activities</b>		
Proceeds from sale of property, plant and equipment	85	148
Payment for property, plant and equipment	(4,684)	(364)
Payment for non-current biological assets	(6,853)	-
Acquisition of Plantation Management Partners, net of cash	(5,387)	-
Dividends received from associates	1,683	1,020
<b>Net cash provided by investing activities</b>	<b>(15,156)</b>	<b>804</b>
<b>Cash flow from financing activities</b>		
Net finance lease payments	(434)	(362)
Dividends paid	(6,734)	(4,489)
Proceeds from bank borrowings	20,850	-
<b>Net cash used in financing activities</b>	<b>13,682</b>	<b>(4,851)</b>
<b>Reconciliation of cash</b>		
Cash at beginning of the financial period	15,025	11,180
Net increase/(decrease) in cash held	(12,657)	(6,552)
<b>Cash at end of financial period (net of overdrafts)</b>	<b>2,368</b>	<b>4,628</b>

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 2017 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.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2017 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 2017.

These half year financial statements were authorised for issue by the Company's Board of Directors on 22 February 2018.

## 3. 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 2017.

## 4. 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 Group manages its business primarily on a geographic basis. Accordingly, the Group determined its reportable operating segments, which are generally based on the location of its operations, to be Midway, Queensland Commodity Exports (QCE), South West Fibre (SWF) (51%) and the newly acquired Plantation Management Partners (PMP). Each operating segment provides similar products, with the exception of Plantation Management Partners, which provides plantation management services to the Australasian region.

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. The Group does not include inter-company transfers between segments for management reporting purposes.

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. For statutory accounts SWF is equity accounted with revenue and expenses of SWF eliminated.

# Notes to the Consolidated Half Year Financial Statements

## 4. Segment Reporting (continued)

### (b) Segment information provided to senior management

The following table shows information by segment:

31-Dec-17 (\$'000)	100% Midway	100% QCE	51% SWF	100% PMP <sup>(1)</sup>	Adjustments	Total
Sales revenue	59,264	11,077	41,732	2,107	(29,026)	85,154
Other income	1,472	-	96	15	421	2,004
<b>Total income</b>	<b>60,736</b>	<b>11,077</b>	<b>41,828</b>	<b>2,122</b>	<b>(28,605)</b>	<b>87,158</b>
Operating and other expenses	(55,068)	(12,118)	(39,459)	(1,607)	26,472	(81,780)
Share of profit/(loss) of equity accounted investments	1,153	-	-	-	-	1,153
<b>EBITDA before significant items</b>	<b>6,821</b>	<b>(1,041)</b>	<b>2,369</b>	<b>515</b>	<b>(2,133)</b>	<b>6,531</b>
Significant items	-	-	-	-	-	-
<b>EBITDA</b>	<b>6,821</b>	<b>(1,041)</b>	<b>2,369</b>	<b>515</b>	<b>(2,133)</b>	<b>6,531</b>
Depreciation and amortisation	(1,613)	(154)	(733)	(237)	733	(2,004)
<b>EBIT</b>	<b>5,208</b>	<b>(1,195)</b>	<b>1,636</b>	<b>278</b>	<b>(1,400)</b>	<b>4,527</b>
Net finance expense	(893)	8	11	(6)	(255)	(1,135)
<b>Net profit before tax</b>	<b>4,315</b>	<b>(1,187)</b>	<b>1,647</b>	<b>272</b>	<b>(1,655)</b>	<b>3,392</b>
Income tax expense	(952)	359	(494)	(81)	456	(712)
<b>Net profit after tax</b>	<b>3,363</b>	<b>(828)</b>	<b>1,153</b>	<b>191</b>	<b>(1,199)</b>	<b>2,680</b>

(1) Consolidated results from 26 October 2017

<b>Segment assets</b>	<b>187,833</b>	<b>10,051</b>	<b>18,872</b>	<b>12,132</b>	<b>(55,357)</b>	<b>173,531</b>
Equity accounted investees	12,726	-	-	-	-	12,726
Capital expenditure	(4,448)	(988)	(1,110)	-	1,695	(4,851)
<b>Segment liabilities</b>	<b>(85,962)</b>	<b>(1,896)</b>	<b>6,146</b>	<b>(712)</b>	<b>(3,773)</b>	<b>(86,197)</b>

31-Dec-16 (\$'000)	100% Midway	100% QCE	51% SWF	100% PMP	Adjustments	Total
Sales revenue	67,538	11,664	40,811	-	(32,035)	87,978
Other income	1,345	-	594	-	(89)	1,849
<b>Total income</b>	<b>68,883</b>	<b>11,664</b>	<b>41,405</b>	<b>-</b>	<b>(32,124)</b>	<b>89,827</b>
Operating and other expenses	(56,973)	(11,361)	(38,466)	-	29,299	(77,502)
Share of profit/(loss) of equity accounted investments	1,568	-	-	-	-	1,568
<b>EBITDA before significant items</b>	<b>13,478</b>	<b>303</b>	<b>2,939</b>	<b>-</b>	<b>(2,826)</b>	<b>13,894</b>
Significant items	(3,057)	-	-	-	-	(3,057)
<b>EBITDA</b>	<b>10,421</b>	<b>303</b>	<b>2,939</b>	<b>-</b>	<b>(2,826)</b>	<b>10,837</b>
Depreciation and amortisation	(1,516)	(145)	(716)	-	716	(1,661)
<b>EBIT</b>	<b>8,905</b>	<b>158</b>	<b>2,222</b>	<b>-</b>	<b>(2,109)</b>	<b>9,176</b>
Net finance expense	(609)	(3)	18	-	(131)	(725)
<b>Net profit before tax</b>	<b>8,296</b>	<b>155</b>	<b>2,241</b>	<b>-</b>	<b>(2,241)</b>	<b>8,451</b>
Income tax expense	(2,935)	(47)	(672)	-	1,739	(1,915)
<b>Net profit after tax</b>	<b>5,360</b>	<b>109</b>	<b>1,568</b>	<b>-</b>	<b>(501)</b>	<b>6,536</b>

As at 30 June 2017

<b>Segment assets</b>	<b>168,397</b>	<b>11,093</b>	<b>8,618</b>	<b>-</b>	<b>(33,300)</b>	<b>154,808</b>
Equity accounted investees	13,390	-	-	-	-	13,390
Capital expenditure	(4,161)	(988)	(1,110)	-	1,110	(5,149)
<b>Segment liabilities</b>	<b>(64,024)</b>	<b>(2,013)</b>	<b>(8,360)</b>	<b>-</b>	<b>10,634</b>	<b>(63,763)</b>

# Notes to the Consolidated Half Year Financial Statements

## 5. Interests in Joint Venture

As at	Nature of relationship	Ownership interest		Carrying amount	
		2017	2016	31 Dec	30 Jun
		%	%	2017	2017
				\$'000	\$'000
South West Fibre Pty Ltd	Ordinary shares	51	51	12,726	13,390

South West Fibre Pty Ltd paid and declared dividends of \$1,683,000 (2016: 1,020,000) (fully franked) in respect of the half year period to the Company.

## 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 wood fibre in some locations that contain difficult terrain having a flow on effect on the amount of processed wood fibre 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, 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:

	2017	2016
	\$'000	\$'000
<b>Fully franked at 30% (2016: 30%)</b>	<b>6,773</b>	<b>4,489</b>

On 21 February 2018, a final dividend was declared for 9.0 cents per share (fully franked).

## 8. Biological assets

As at	31 Dec	30 Jun
	2017	2017
	\$'000	\$'000
<b>Current</b>		
Plantation hardwood at fair value (trees ready for harvest)	3,369	-
<b>Non Current</b>		
Plantation hardwood at fair value (trees ready for harvest)	6,199	2,979
Plantation hardwood at fair value (new plantings)	3,304	2,437
	<b>12,872</b>	<b>5,416</b>

During the period, the Group acquired an additional \$6.8 million of mature Eucalypt Globules as a part of a land and trees purchase in South West Victoria.

# Notes to the Consolidated Half Year Financial Statements

## 9. Net Debt

As at	31 Dec 2017 \$'000	30 Jun 2017 \$'000
Bank loans - current	12,100	-
Bank loans - non current	38,150	29,400
Other finance arrangements <sup>1</sup>	2,045	2,263
Cash and cash equivalents	(2,368)	(15,025)
	<b>49,927</b>	<b>16,638</b>

1: Includes current and non-current balances for finance lease liabilities and accrued interest

### 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 acquisition facility to fund the acquisition of Plantation Management Partners Pty Ltd and a land and tree purchase in South West Victoria.

Type	Utilised \$'000	Total \$'000	Maturity
Term debt	29,400	29,400	31-Mar-19
Working capital, asset finance	8,895	13,950	31-Mar-18
Acquisition debt facility	14,000	15,000	31-Mar-19

The Group has the ability to enter into purchase arrangements under the asset finance facility until it expires on 31 March 2018. Each outstanding finance arrangement will then be repaid within a five year period.

The Company's loan agreements are subject to covenant clauses. Subsequent to the end of the reporting period, the Group did not fulfil the capital adequacy ratio, primarily as a result of the recognition of \$11,076k of intangible assets (including goodwill) resulting from the PMP acquisition. The Company received a waiver from the bank and is expected to be able to meet all contractual obligations from borrowings going forward.

# Notes to the Consolidated Half Year Financial Statements

## 10. Business Acquisitions

On 26<sup>th</sup> October 2017, the Company acquired 100% of the ordinary shares of Plantation Management Partners Pty Ltd (PMP), a Company incorporated in Australia. PMP is a plantation management business with over 70,000 hectares of plantation currently under management in Northern Australia and Southeast Asia. It has a strong industry reputation as a high-quality plantation manager.

From the date of acquisition, PMP contributed \$2.1 million revenue and \$0.5 million EBITDA from continuing operations of the Group. If the acquisition had occurred on 1 July 2017 and assuming no changes to the market conditions, it is estimated the revenue contribution would be \$4.4 million and EBITDA would be \$1.0 million.

Transactions costs of \$0.1 million were expensed and included in other expenses.

### Consideration transferred

	Date payable	Purchase consideration fair value value \$'000
Cash and cash equivalents	Settlement	6,500
Contingent consideration <sup>(1)</sup>	30-Jun-19	1,432
Deferred consideration	31-Dec-18	1,433
Balance sheet adjustment from target <sup>(2)</sup>		1,503
		<b>10,868</b>

(1) Payable on meeting the contracted EBITDA target

(2) Higher cash and trade debtors were acquired than the contracted target. It is anticipated payment will be made by 31 December 2018.

### Assets acquired and liabilities assumed

	Fair value (provisional) \$'000
<b>At acquisition date</b>	
<b>Assets</b>	
Cash and cash equivalents	1,113
Trade and other receivables	2,267
Intangible Assets	8,567
Property, plant and equipment	821
	<b>12,768</b>
<b>Liabilities</b>	
Trade and other payables	1,029
Employee entitlement provisions	484
Current tax liabilities	449
Deferred tax liability	2,447
	<b>4,409</b>
<b>Total identifiable net assets at fair value</b>	<b>8,359</b>
<b>Purchase consideration</b>	<b>10,868</b>
<b>Goodwill created on acquisition</b>	<b>2,509</b>

Goodwill was created due to the recognition of a deferred tax liability on the intangible assets for which no tax deduction will arise until the disposal of the business. As it is not probable at this stage the business will be disposed, there can be no offsetting deferred tax asset recognised on the goodwill created for tax purposes.

# Notes to the Consolidated Half Year Financial Statements

## 11. Related parties

### Significant transactions with related entities

Aggregate amounts of significant transactions with related entities for the period ended 31 December:

#### Transactions with South West Fibre Pty Ltd

Nature	2017 \$'000	2016 \$'000
Operator fee income	1,227	1,200
Reimbursement of costs	140	132
Dividends received	1,683	1,020
Sale of wood products (at cost)	3,231	4,456
Purchase of wood products (at cost)	-	(371)

## 12. Subsidiaries

As at 31 December	Ownership interest held by the Company		Ownership interest held by NCI	
	2017 %	2016 %	2017 %	2016 %
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 <sup>(1)</sup>	100	100	-	-
Plantation Management Partners Pty Ltd <sup>(2)</sup>	100	-	-	-
Resource Management Partners Pty Ltd <sup>(2)</sup>	100	-	-	-
Plantation Management Partners Pte Ltd <sup>(2)(3)</sup>	100	-	-	-

1. Midway Tasmania Pty Ltd was incorporated on 5th September 2016

2. Acquired on 26th October 2017

3. 50% held in Trust by an independent party, however all risks and benefits of ownership of the share are held by the Group

## 13. 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 Company's financial position or results from operations.

## 14. Individually material items

The following individually material items are included with the consolidated statement of profit or loss and other comprehensive income for the period ended 31 December:

	2017 \$'000	2016 \$'000
Initial Public Offering transaction costs	-	3,057



# Notes to the Consolidated Half Year Financial Statements

## 15. Commitments

The Group has not entered into any other significant commitments during the period.

## 16. Subsequent Events

### (a) Investment in ADDCO Fibre Group Limited

Midway acquired a 25% stake in ADDCO Fibre Group Limited, a forestry and logistics services business with bases in New Zealand and Australia.

ADDCOs activities are predominately in the Australasian forestry and products sectors. The main focus for the business is providing harvesting, haulage, processing and materials handling services.

### (b) Dividend

Given the full year outlook, the Directors of Midway have declared an FY18 interim dividend of \$6.7M or 9 cents per share, which is consistent with the current dividend policy.

Other than the above, there have been no other matters or circumstances, which have arisen since 31 December 2017 that has significantly affected or may significantly affect:

- (a) The operations, in financial periods subsequent to 31 December 2017, of the Group, or
- (b) The results of those operations, or
- (c) The state of affairs, in financial periods subsequent to 31 December 2017 of the Group.

# Directors Declaration

The Directors declare that the consolidated interim financial statements and notes set out on pages 11 to 17 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 Company as at 31 December 2017 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

22 February 2018



# 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.

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 2017 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 balance sheet as at 31 December 2017
- 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 16 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 Half year's end or from time to time during the Half-year.

### 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*; and
- 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 2017 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.



KPMG



Vicky Carlson

Partner

Melbourne

22 February 2018