# Strategic expansion. Diversified production.

Annual Report
2020

Midway

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We are Australia's largest high-quality woodfibre processor and exporter. Founded in 1980, Midway is involved in the production and export of high-quality woodfibre. Midway's primary business is the purchasing, processing, marketing and exporting of woodfibre. Our operating environment consists of plantation and land ownership, the procurement of timber resources within Australia, processing, materials handling and exporting of woodfibre, and the international woodfibre market.

| $257.8m | 12.0m | 30% | 5.4 times |
|---|---|---|---|
| Revenue | EBITDA – S | Gearing | Interest cover |

# CHAIRMAN'S REPORT

The long-term outlook for woodfibre exports into Asia, especially China and Japan, remains positive. Increased investment in pulp manufacturing in China, tied to rising gross domestic product and higher middle class incomes, will drive import demand while woodfibre capacity in Asia is increasingly constrained.

**Greg McCormack**
Chairman

Adverse global trading conditions outside the control of the Company affected Midway operations in the last 12 months, but your Directors, the management team and staff focused on minimising the impacts on the business.

In the last 12 months, Midway woodfibre exports were affected by excess stocks of pulp in China, driven by over-production in Brazil, and impacted by the US-China trade war that reduced demand for pulp in China to make export packaging and the COVID-19 pandemic.

As a result of these global trading events, demand for Midway woodfibre from our Chinese and Japanese customers fell and global prices dropped in 2019.

In this trading environment, Midway recorded sales revenue of $257.8 million, 9.1 per cent down on the previous year, and earnings before interest, tax and amortisation before significant items of $12.0 million, down from $37.1 million in the previous year.

Midway recorded a net loss after significant items of $11.7 million due to a reduction in the net fair value of biological assets and impairment losses on non-current assets including investments in Plantation Management Partners and ADDCO. Midway also recorded a non-cash interest expense as a result of the AASB 15 accounting treatment of the former plantation hardwood company tree estate.

The reduction in sales revenue and the increase in working capital led to higher net debt of $39.4 million, partially offset by a stronger operating cashflow. However, with a strong underlying balance sheet and good long-term fundamentals, Midway was able to secure ongoing bank support for the Company in the form of extended banking facilities until September 2022.

In this environment, Midway Directors and senior executives took a pay cut and decided not to pay a full year dividend in the current financial year to shareholders.

The Directors are grateful that all shareholders that acquired shares in Midway following capital raisings in September 2018 and April 2019, and our large number of long-term, loyal retail shareholders have stuck with the Company through this extremely difficult period.

The Directors are also grateful for the support of the management team, staff and contractors during the COVID-19 pandemic. Midway remains an essential industry and continues to operate, but we have done so in a responsible manner with office based team members working from home where possible, and social isolation and enhanced personal protection for our team members working on site. So, far, we have not recorded any cases of COVID-19 amongst our workforce, but we remain vigilant and prepared to act quickly to protect our team members.

We recently announced a new Midway processing and export facility at Bell Bay, supported by long-term contracts with public and private growers that we believe will generate increased revenue and earnings as part of our diversification strategy.

The Company focused on reducing operating costs in FY20. As a result, Plantation Management Partners (PMP) temporarily closed its woodfibre processing mill (partly due to restricted access) on the Tiwi Islands and South West Fibre (SWF) also temporarily closed its woodfibre processing mill at Myamyn in south-west Victoria near Portland.

PMP and SWF expect to re-open these mills as soon as global trading conditions improve, as they make an important contribution to employment and income in the regions in which we operate.

Some of the expansion initiatives we invested in during the 2019 financial year are now starting to generate increased revenue. Midway Logistics and Bio Growth Partners in Western Australia have secured domestic biomass contracts with major local customers.

Increased demand from Chinese customers for lower quality woodfibre has also allowed Midway to build its own export business in Tasmania on top of our existing third-party chip trading business.

We recently announced a new Midway processing and export facility at Bell Bay, supported by long-term contracts with public and private growers that we believe will generate increased revenueand earnings as part of our diversification strategy.

The long-term outlook for woodfibre exports into Asia, especially China and Japan, remains positive. Increased investment in pulp manufacturing in China, tied to rising gross domestic product and higher middle class incomes, will drive import demand while woodfibre capacity in Asia is increasingly constrained.

The COVID-19 pandemic is currently disrupting production and supply chains and reducing demand for paper used in offices, but there are off-setting positive trends emerging with the increased emphasis on hygiene driving demand for paper-based tissues and personal protection equipment such as facemasks, and increased online sales increasing demand for pulp used in packaging.

These global trading issues may take some time to play out, so your Directors are prudently looking at additional cost reduction initiatives and diversification strategies that may generate future revenue and earnings. There are many growth opportunities for Midway that will benefit shareholders in the longer term.

**Greg McCormack**
Chairman

# MANAGING DIRECTOR'S REPORT

The Company supplies its highest quality woodfibre from Geelong and Portland for premium product requirements. However, Midway will also supply a range of other woodfibre products from Bell Bay in Tasmania, the Tiwi Islands and Brisbane to meet our customer requirements.

**Anthony Price**
Managing Director

I am pleased with the positive response by the Midway management team, staff and contractors to the challenges facing the Company in the 2020 financial year.

Everyone has worked hard under adverse circumstances to ensure that all of our employees and contractors, especially those in sensitive areas such as the Tiwi Islands, are protected from COVID-19.

At the time of writing this report, Victoria was still in Stage 4 lockdown in Metropolitan Melbourne, but our team in Geelong and around the State have kept working. We will continue to apply the highest standards of workplace safety and hygiene to ensure everyone is kept safe.

The global trade issues that have adversely affected demand for our export woodfibre in the last 12 months, including over production of Pulp in Brazil and the US-China trade war, have largely been outside the control of the Company.

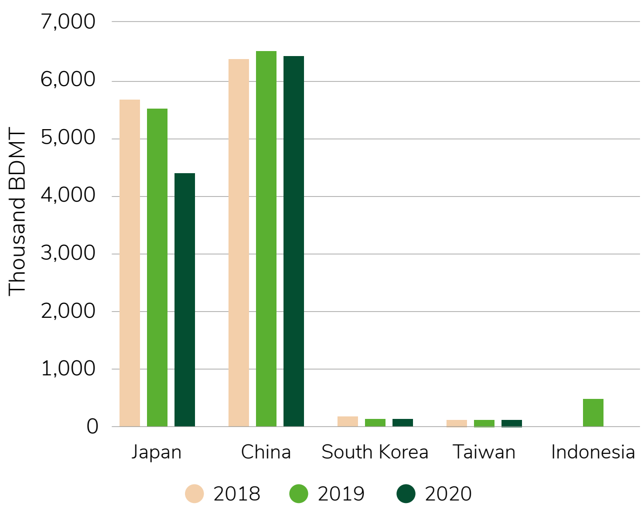
The impact of these external factors on the financial performance of the business has been disappointing for shareholders. Your management team recognises this and is doing everything within our power to improve earnings.

The management team and our employees have worked hard to at least partially mitigate the impact of the downturn on the business and ensure that we have a sustainable business for the future.

This meant that some decisions had to be taken to reduce costs and manage timber supply. For example, we decided to temporarily close the Plantation Management Partners (PMP) processing facility on the Tiwi Islands (partly due to restricted Island access) and the South West Fibre site near Portland.

These were difficult decisions given these regional communities rely on the employment and economic contribution these businesses provide. We intend to re-open these sites as soon as global conditions permit renewed production.

**Hardwood Chip Markets in Asia-Pacific Jan to Jun Imports**




## Trading Conditions

All Australian woodfibre exporters, including Midway, have been adversely affected by the unprecedented global market conditions and the COVID-19 pandemic.

The short-term global outlook is dominated by second wave effects of the COVID-19 pandemic, especially in Japan, and an ongoing overhang of woodfibre and paper pulp inventory in China that continues to depress export prices.

Midway has locked in export prices with its Japanese customers for high quality woodfibre for the 2020 calendar year at US$167.25 per bone dry tonne. This price was also recently settled with our Chinese customers for the first half FY21.

The recent announcement of a new woodfibre and export operation at Bell Bay in Tasmania is a good example of how Midway can fund business development to continue our growth strategy.

The medium to long-term outlook for the Company is positive given the strong balance sheet and asset base, and industry forecasts of an impending woodfibre supply deficit in Asia.

Midway retains a strong balance sheet with significant current and non-current assets and retains the support of National Australia Bank that has agreed revised banking facilities to the Company including extending our term debt maturity until September 2022.

GDP growth in China has rebounded after the first wave of COVID-19 and the long-term woodfibre supply deficit in Asia is expected to underpin a rebound in export prices once the pulp stock overhang has been eliminated.

**COVID-19 Impacts on Pulp Market**

| | Pulp Markets | Tissue | Paper | Packaging |
|---|---|---|---|---|
| Health | ↑ | ↑ | | |
| Remote Work | ↓ | | ↓ | |
| E Commerce | ↑ | | | ↑ |
| Sustainability | → | | | → |
| Intervention# | ↑ | | | |

# China ban on RCP imports.
Source: Fastmarkets: RISI, '...the forces driving the next normal', July 2020.

↑ Increase ↓ Decrease → Mix

# MANAGING DIRECTOR'S REPORT CONTINUED

## Business Performance

The Woodfibre segment generated total revenue of $223.0 million, down 25 per cent from $297.3 million in the previous year and recorded underlying EBITDA before significant items of $20.9 million.

The segment recorded a $1.3 million uplift from the impact of AASB 16 but included $5.5 million in significant items from write downs of PMP and redundancy costs. The Woodfibre segment recorded statutory EBITDA of $16.7 million and statutory net profit after tax of $1.5 million for FY20.

The Forestry Logistics segment recorded total revenue of $8.3 million in the last 12 months, up from $5.6 million in the previous financial year. However, the segment recorded an underlying EBITDA loss before significant items of $2.6 million for FY20.

The segment recorded an uplift of $0.2 million from the impact of AASB 16, but included a $2.1 million write down in the value of the Midway investment in ADDCO, which went into receivership as a result of the industry downturn. The Forestry Logistics segment recorded a statutory EBITDA loss of $4.8 million for FY20.

The Plantation Management segment recorded total revenue of $6.8 million in the last 12 months, down from $15.9 million in the previous financial year. The segment recorded an underlying EBITDA loss of $2.6 million in the last 12 months. The segment recorded an uplift of $0.4 million from the impact of AASB 16, but recorded a $4.9 million write down in the value of biological assets as a result of lower woodfibre prices. The Plantation Management segment recorded a statutory EBITDA loss of $7.0 million for FY20.

Midway re-allocated third party woodfibre trading from the ancillary segment during the year to the Woodfibre segment to better reflect the underlying nature of this business. The FY19 and FY20 accounts have been restated to reflect this. As a result, the ancillary business segment now only includes one-off transactional or non-recurring items.

## Business Development

Midway has identified a range of business opportunities to grow revenue, however some have been deferred given current trading conditions.

We will continue to internally fund projects where they will generate early and satisfactory returns. This is important to continue our expansion and diversification strategy.

The recent announcement of a new woodfibre and export operation at Bell Bay in Tasmania is a good example of how Midway can fund business development to continue our growth strategy.

Midway is also well progressed in evaluating a range of opportunities to increase the utilisation of the Geelong site. These include grain handling, woodchip handling and wood pellet production. The timing of these projects will be dependent on funding requirements.

An Information Memorandum has been provided to a number of parties expressing interest on investing in a second rotation plantation estate on the Tiwi Islands. We continue to progress discussions with parties interested in joining us in establishing plantations in south-west Victoria. We have also embarked in divestment program of surplus plantaton land north of Melbourne.

## Future Priorities

Midway will continue to prioritise our long-term relationships with key customers in China and Japan as they recover from the impacts of the COVID-19 pandemic.

The Company supplies its highest quality woodfibre from Geelong and Portland for premium product requirements. However, Midway will also supply a range of other woodfibre products from Bell Bay in Tasmania, the Tiwi Islands and Brisbane to meet our customer requirements.

Midway will build our domestic businesses, including Midway Logistics in Western Australia where a biomass industry is developing. We will also look at domestic and export opportunities for biomass products in other States where this provides profitable growth.

The Company will also continue to build its Plantation Management business where this reinforces our core operations of woodfibre production and export to our customers.

Midway believes that there are many opportunities for profitable growth in the future and will remain focused on generating sustainable returns to you, our shareholders, in the future.

**Tony Price**
Managing Director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# OVERVIEW OF BUSINESS ACTIVITIES

Midway is an Australian forestry company based in Geelong, Victoria, with majority shareholdings in South West Fibre Pty Ltd (SWF) based in the Green Triangle (South West Victoria), Queensland Commodity Exports Pty Ltd (QCE) based in Brisbane, Plantation Management Partners (PMP) based in the Tiwi Islands, Midway Tasmania based in Tasmania and Midway Logistics based in Western Australia.

Midway's core business is the production and marketing of woodfibre for supply to producers of pulp, paper and associated products in the Asian region. Woodfibre is primarily produced from plantation hardwood, which represents the majority of the Company's export sales, with the balance comprising woodfibre produced from plantation softwood logs and hardwood timber residues generated from the harvest of sawlogs from native hardwood forests. The Company has interests in three processing and export facilities in mainland Australia.

Midway has diversified since it commenced exporting 32 years ago in terms of geographical representation, product range, supply source and customer base. Growing from one export facility, one product, one customer and one supplier in 1986, today Midway:

- provides estate management, harvesting and transport and forestry consulting services;
- has well-developed processing and export facilities in three locations;
- supplies a diverse range of products in terms of species, quality and certification levels;
- sources timber supply from numerous major timber suppliers; and
- has strong relationships with key customers in the two major importing countries of Japan and China.

Midway staff and contractors conduct mechanical harvesting of logs in plantations, which are then transported to processing mills. Woodfibre is produced by both fixed chippers and mobile chippers, and is stockpiled at export facilities.

Woodfibre is used in the production of pulp, which is primarily used for the production of paper products such as writing and printing paper, newsprint, cardboard and tissue. Some hardwood woodfibre is also used for the production of dissolving pulp and chemi-thermomechanical pulp. Dissolving pulp is produced by additional chemical refinement and is used in textile manufacture such as rayon. The pulp and paper industry consumes the majority of the total traded woodfibre volume, with the balance being used in the production of reconstituted boards, speciality pulps and, more recently, biomass.

The primary use of internationally traded woodfibre is for the production of Kraft pulp. The Kraft process involves the chemical breakdown of the woodfibre into lignin (usually used as a fuel in the pulp mill) and cellulose fibre used for the production of a wide range of paper products. The uses of hardwood Kraft pulp are printing and writing papers, and in tissue products, whereas softwood Kraft pulp is mainly used in packaging, but also in tissue and to add strength to other paper grades.

**Partnerships**
Partner with local landowners and communities to grow sustainable woodfibre.

**Planning and Establishment**
Site selection using known and disciplined parameters to plant and grow the highest quality woodfibre.

**Plantations**
Pulpwood is grown and managed on freehold, leasehold and private land.

**Harvest**
Contractors harvest pulpwood sourced from Company-managed plantations or third party suppliers using mechanical harvesters.

**Haul**
Haulage contractors transport product from plantations to the mill.

**Processing**
Mills located at Geelong, Myamyn, Brisbane, Bell Bay as well as infield processing on Melville Island convert pulplogs to woodfibre.

**Stockpile**
Chip stockpiles located at mills and ports.

**Marketing and Export**
Ships carry woodfibre for export from GeelongPort, Port of Portland, Port of Brisbane, Port Melville and Bell Bay.

# PORT AND PROCESSING FACILITIES

## Midway Geelong

- 19 hectares of freehold land adjacent to GeelongPort.
- Two woodfibre mills (separate plantation and native processing facilities).
- Three stockpiles including three reclaimers with 200,000 green metric tonnes (GMT) total capacity.
- Capacity to process and export up to 1.8 million GMT per annum of woodfibre.

## QCE Brisbane

- Sole woodfibre exporter from Port of Brisbane – provides geographic and marketing diversity.
- 15-year leases on a four hectare site with the Port of Brisbane for producing, storing and loading.
- GrainCorp provides toll ship loading.
- 300,000 GMT per annum softwood export capacity.
- Hardwood exports commenced in 2016. Capacity of 300,000 GMT per annum.
- Stockpile capacity: 100,000 GMT of softwood and/or hardwood.

## South West Fibre Portland

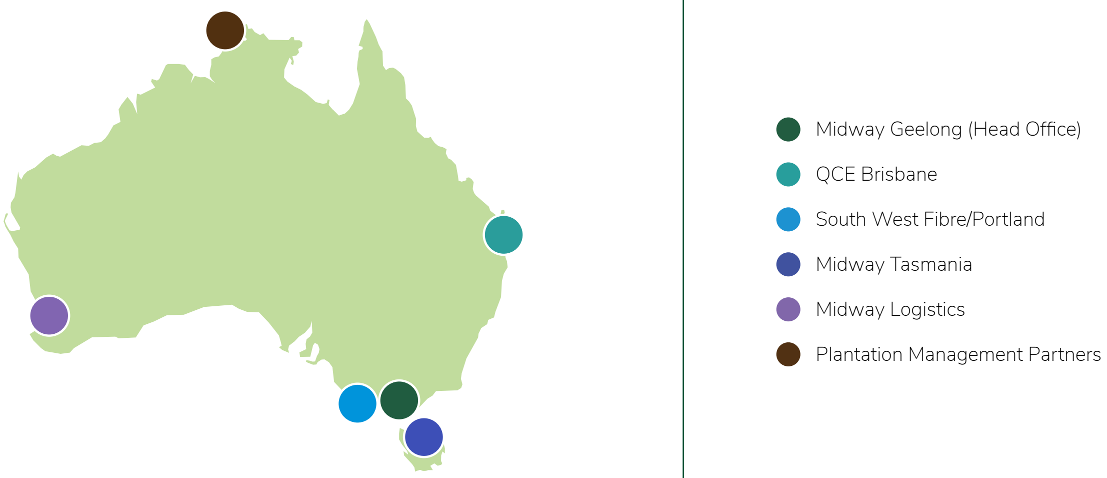
South West Fibre is the first plantation hardwood processing and marketing operation in the Green Triangle – provides geographic and future market diversity.

- Myamyn – 1.2 million GMT per annum current site capacity plus in-field chipping and 'upstream' chip and log storage.
- 10-year x 1.2 million GMT per annum supply agreement with Australian Bluegum Plantations, signed in July 2010.
- 51 per cent owned joint venture with Mitsui.
- Portside woodfibre receival, storage and loading facilities contracted with GrainCorp.
- 80,000 GMT woodfibre stockpile capacity.
- Woodfibre receival capacity of 1.8 million GMT per annum.

## Plantation Management Partners

### Melville Island

- Plantation Management Partners Pty Ltd (PMP) provides exclusive forestry management services to the 35,000 hectare Tiwi Islands' forestry plantation project, and provides woodchip marketing services to the project
- Acacia mangium woodchip exports commenced in November 2015 out of Port Melville.
- Stockpile capacity 60,000 tonnes.
- 400,000 GMT per annum export capacity.

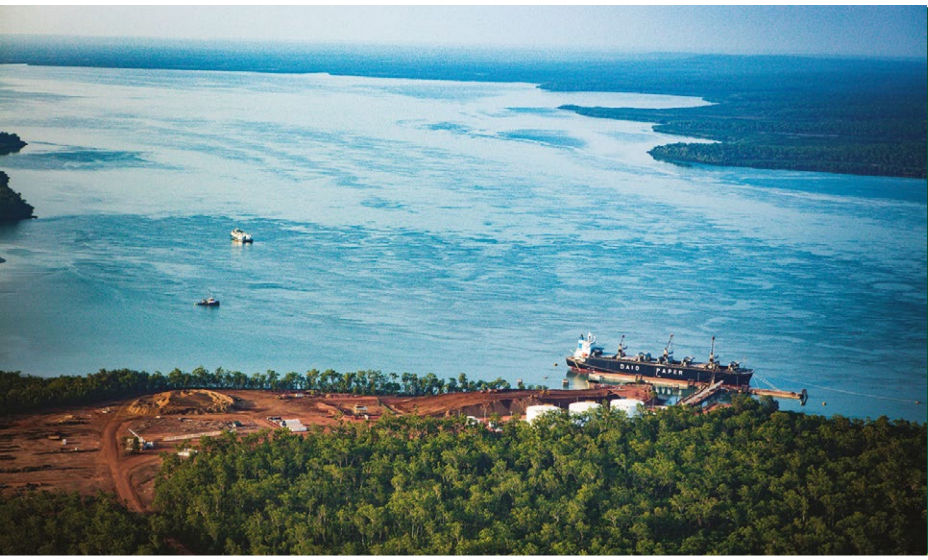


## Midway Tasmania

- Marketing and sales.
- Native hardwood shipments commenced September 2017 from a chipping, stockpiling and loading facility at Bell Bay.
- 450,000 GMT per annum export capacity.

## Midway Logistics

- Midway Logistics was previously known as Softwood Logging Services Pty Ltd, which was established in 1988 after being awarded with a 30,000m$^3$/pa contract with the Forest Products Commission (WA). Since then, the company has grown to become one of the most diverse and dynamic forestry harvesting organisations in Australia, now producing in excess of 650,000m$^3$/pa.
- The head office is based in Bunbury, Western Australia, with an expansive range of operational locations all through the south west of Western Australia. The company offers a range of forestry services, including infield chipping, conventional harvesting (cut to length), roadside processing, bio-energy production, stump pulling, woodchip screening, forestry consulting, transport/haulage (forest products) and low loader hire.



# OPERATIONAL REVIEW

The new business structure implemented by Midway in 2019 to reflect our future strategic priorities was embedded during 2020 despite the restructuring undertaken in response to adverse trading conditions.

Midway restructured some of its business operations during the year to reduce operating costs. Plantation Management Partners temporarily closed its woodfibre processing operation on the Tiwi Islands (partly due to restricted access) and South West Fibre also temporarily closed its mill near Portland.

Our business development focus over the next few years has been refined with an emphasis on expanding our core businesses, developing into adjacent businesses and developing emerging technologies.

The first initiative in expanding our core business is the recently announced investment in a new woodfibre processing and export terminal at Bell Bay in Tasmania.

The second initiative to develop into adjacent businesses includes a range of opportunities to increase the utilisation of the Geelong site. These include grain handling, woodchip handling and wood pellet production.

The third initiative is to exploit emerging technologies including the growth of the biomass industry in both Australia and in Asia.

## Business Structure

### Woodfibre

The Woodfibre segment recorded total revenue of $223.0 million, down 25 per cent from $297.3 million in the previous year and recorded underlying EBITDA before significant items of $20.9 million. The segment recorded a $1.3 million uplift from the impact of AASB 16, but included $5.5 million in significant items from write downs of intangible assets relating to PMP and redundancy costs. As a result, the Woodfibre segment recorded statutory EBITDA of $16.7 million and net profit after tax of $1.5 million for FY20.

### Plantation Management

The Plantation Management segment recorded total revenue of $6.8 million in the last 12 months, down from $15.9 million in the previous financial year. The segment recorded an underlying EBITDA loss of $2.6 million in the last 12 months due to difficult trading conditions.

The segment recorded an uplift of $0.4 million from the impact of AASB 16, but recorded a $4.9 million write down in the value of biological assets as a result of lower woodfibre prices. As a result, the Plantation Management segment recorded an EBITDA loss of $7.0 million for FY20.

An Information Memorandum has been provided to a number of parties keen on investing in a second rotation plantation on the Tiwi Islands. We continue to progress discussions with parties interested in joining us in establishing plantations in south-west Victoria. We have also embarked in a divestment program of surplus land north of Melbourne.

In the last 12 months, there were positive signs that our earnings diversification strategy is starting to gain traction even though the business results from Forestry Logistics and Plantation Management could be better.

## Forestry Logistics

The Forestry Logistics segment recorded total revenue of $8.3 million in the last 12 months, up from $5.6 million in the previous financial year. However, the segment recorded an underlying EBITDA loss before significant items of $2.6 million in the last 12 months as a result of the COVID-19 slow down in domestic demand.

The segment recorded an uplift of $0.2 million from the impact of AASB 16, but included a $2.1 million write down in the value of the Midway investment in ADDCO, which went into receivership as a result of the industry downturn. As a result, the Forestry Logistics segment recorded a statutory EBITDA loss of $4.8 million for FY20.

## Ancillary Businesses

Midway re-allocated third party woodfibre trading from the ancillary segment during the year to the Woodfibre segment to better reflect the underlying nature of this business. The FY19 and FY20 accounts have been restated to reflect this. As a result, the ancillary business segment now only includes one-off transactional or non-recurring items.

## Key Assets

Midway owns or manages over 44,000 hectares of plantation estates in Australia. Its plantation land estate includes 17,000 hectares of freehold and leased land in the Otway Ranges, Upper Goulburn and Ballarat regions in Victoria valued at $81.9 million as at 30 June 2020.

Midway also has strategically located processing and export facilities at a number of key sites including Geelong, Portland, Brisbane and the Tiwi Islands that allow it to maximise its competitive advantage in shipping quality woodfibre from Australia to our key customers in Japan and China.

## Strategic Diversification

The geographic footprint of Midway and strategic diversification of production sites allows the Company to increase overall sales revenue and earnings despite lower sale volumes at some sites in particular years.

In the last 12 months, there were positive signs that our earnings diversification strategy is starting to gain traction even though the business results from Forestry Logistics and Plantation Management could be better.

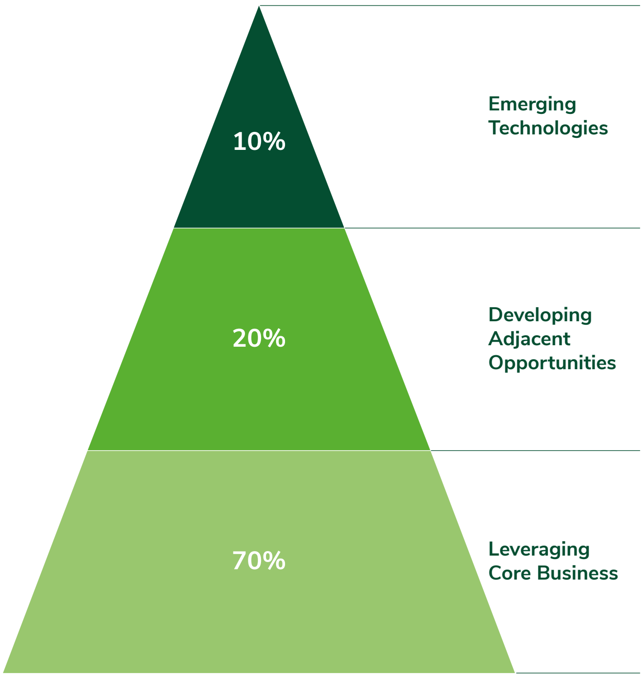
Midway reduced its exposure to China in the last 12 months to 70.8 per cent, from 75.4 per cent in the previous financial year, as the impact of COVID-19 adversely affected that market. The Company also slightly increased our exposure to the Japanese market to 21.7 per cent from 20 per cent in the previous year.

Nearly 7 per cent of total revenue now comes from domestic operations in Australia, up from 4.1 per cent last year. Midway expects to grow this domestic segment over time, reducing our reliance on overseas markets and US dollar currency exposures.


## Business Development Focus

Midway is focused on generating greater resilience in its earnings profile:

- **Improve operational efficiency** of existing assets e.g. increase site utilisation in Geelong and Brisbane, greater utilisation of harvest and haul assets.
- **Diversifying our hardwood woodfibre product offering** e.g. develop the north-eastern Tasmania processing operations.
- **Diversifying our customer base** e.g. a broader product offering increases the number of potential customers, both export and domestic.
- **Attract new capital into hardwood forestry plantation** in targeted locations e.g. Geelong, Tiwi, WA and Tasmania.
- **Diversifying our service offering** e.g. develop grain export infrastructure at ports adjacent to Australia's grain belt.
- **Utilise our geographic footprint** to provide new services to forestry and agricultural industry participants.
- **Leverage our commodity supply chain management capability** to source and process plantation residue for renewable energy market opportunities e.g. biomass pellets, biochar, pyrolysis etc.



## OUR FIBRE IS USED TO CREATE:

### KRAFT PULP

#### Printer and specialty stock

Packaging and coatings for high-quality containers including the food industry.

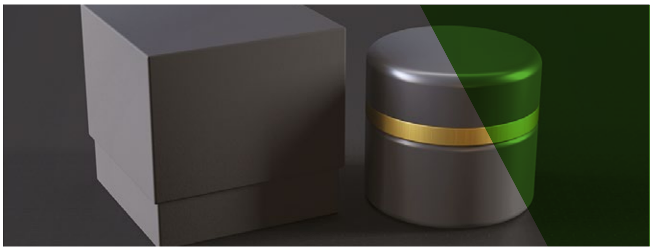

#### Magazines and brochures

Smooth, strong stock for beautiful detail and colour reproduction.

#### Tissue and toilet paper

Hygiene uses where high strength and softness are required.

### BLEACHED CHEMI-THERMOMECHANICAL PULP



#### High-end product packaging

Beautiful specialty boards for cosmetics, electronics and luxury brand products.

### DISSOLVING PULP

#### Viscose and high-grade cellulose

Perfect for clothing, personal hygiene, textiles, food industry and pharmaceuticals.

# SUSTAINABILITY

Midway (MWY) is an industry leader in the sustainable growth of forest products. Midway works closely with the communities in which it operates to provide employment, income and growth opportunities. The nature of Midway's activities provide significant opportunities for advancement of sustainability objectives.

## Certifications

Underpinning Midway's sustainability credentials it holds and maintains certification for:

- Sustainable Forest Management: AS 4708-2013;
- Chain of Custody for Forest Products AS 4707:2014;
- Occupational Health and Safety Management Systems AS/NZS 4801:2001;
- Quality Management Systems – Requirements: AS/NZS ISO 9001:2008;
- Chain of Custody Certification: FSC-STD-40-004 V3-0;
- Requirements for Sourcing FSC® Controlled Wood: FSC-STD-40-005 V3-1; and
- FSC Forest Management (GFA Interim Standard for FM), FSC FM Standard for Laos.

External certification covers and external audits of systems and operations are conducted on an annual basis.

## Employment and Safety

Over the reporting period management and staff decreased from 266 to 167 due to temporary closure of the SWF mill near Portland, suspension of the PMP harvesting operations on Melville Island, downsizing of Midway Logistics, and restructure of Midway Geelong.

Lost Time Injury Frequency Rate (LTIFR) improved significantly to 1.9 in FY20, down from 8.7 (FY19).

Committed to continuous improvement of safety for staff and contractors, Midway successfully undertook initiatives during the year including:

- implementation of a lone work solution across the Midway Group for workers exposed to the risks of working alone, utilising vehicle monitoring, satellite and cellular devices and 24X7 monitoring by a call centre;

| | Safety (AS4801) | Quality (ISO9001) | Forestry (AS4708) | AFS CoC (AS4707) (PEFC) | FSC CW, CoC | FSC FM |
|---|---|---|---|---|---|---|
| Midway | ✓ | ✓ | ✓ | ✓ | ✓ | |
| SWF | ✓ | ✓ | | ✓ | ✓ | |
| QCE | ✓ | ✓ | | ✓ | ✓ | |
| PMP | | ✓ | ✓ | ✓ | Tiwi Is. | Mekong Timber |
| Midway Logistics | | | | | | |
| Midway Tasmania | | | | ✓ | | |

- implementation of a 'CovidSafe' COVID-19 Response Plan. The COVID-19 committee was established in March 2020 to plan and implement the response to the pandemic, including business continuity planning, working from home support and arrangements; prevention, management and response to COVID-19 cases; and return to work plans. To-date there have been no cases of COVID-19 amongst Midway staff.
- in the communities across most of Australia where the company operates there have, fortunately, been very low case levels. Consequently, harvest and haul, silvicultural and processing operations have been able to continue in accordance with the Covidsafe plan.
- engagement of ***Rehab Management*** Australia wide to manage functional pre-employment screening and rehabilitation services;
- review of contractor management process conducted for contractor engagement, mobilisation, monitoring and evaluation;
- external audits of harvesting and haulage contractors were conducted using a forest industry standard for both system and field audits;
- gap assessment completed against ISO45001 safety standard for the Midway Group;
- successful implementation of near miss and hazard reporting KPI framework;
- Midway launched an Employee Assistance Program (EAP) and provided mental health training to support employees; and
- update of legacy QEHS system to cloud based ***Integrum*** system.

Midway lodged its second report with the Workplace Gender Equality Agency of the Federal Government:

- 10 of 48 managers in the business are female,
- 31 of Midway's non-managerial workforce are female.

Midway recognises the importance of developing managerial and leadership capability across the business. Retention and development of talented employees is a key initiative in the Company's strategic plan and has been identified as a means of being able to ensure that the organisation is more effective through people.

## Environmental Performance

Midway places a high priority on compliance with its environmental legislation and community obligations for a clean environment.

Incident, hazard and near miss reporting is a valuable opportunity for improvement that is supported by Midway's embedded management systems, and all staff are required to report at least 6 near miss and hazard reports per year for either Safety, Environment or Quality. A total of 349 environmental hazards/near misses were reported internally for FY20, of which 93 per cent are closed.

Externally reportable environmental incidents are summarised in the table below.:

| Incident No | Business Unit | Incident Description | Regulator or Report to Entity | Consequence | Mitigation |
|---|---|---|---|---|---|
| 12944 | Midway Geelong | Smouldering mulch pile. | Worksafe Victoria | Improvement notice was issued by WorkSafe | Increased frequency and intensity of temperature monitoring. Progressive removal of mulch stockpile from site. |
| 13012 | South West Fibre | Annual ambient air quality monitoring program potential exceedance. | Local government | Further investigation | Additional testing upon resumption of mill operations. |
| 12602 | Plantation management partners | Small tannin overflow from basin 4 at Port Melville during major rain event. | NT Department of Environment and Natural Resources | Reporting | Staff arrived on site at 8:15am on the 11th Jan, and motorised backup pumps were started, basin levels dropped below overflow by 9:30am. |
| 13067 | Plantation management partners | A show cause notice was issued from the regulator during the reporting period relating to the findings of an independent audit report prepared in December 2019. | Department of Agriculture, Water & Environment | Show cause Notice issued | A compliance action plan has been submitted and actions are underway to address all requirements under the notice. |

There are no outstanding compliance obligations with regard to the reportable incidents, and existing certifications and permits remain valid.

The company's certification to Responsible Wood Standard AS4708, and the FSC Controlled wood standard FSC-STD-40-005 provides a framework for stakeholder consultation with both interested and affected parties, a systematic approach to consider concerns raised by stakeholders, and an independent review of the process.

In preparation for future FSC FM certification for the Tiwi plantation estate, the company has commissioned an FSC FM pre-audit by SCS global services for elements of the FM standard, and has developed an action plan to address required elements.

Management instituted the Midway Sustainability Committee in FY20, consisting of representatives from across the company at Senior and Middle Management levels, to develop a framework and pathway to develop Midway's corporate sustainability strategy.

## Energy and Climate

The current carbon storage of plantation trees within Midway's defined forest area is estimated to be 4.949 million tonnes of $CO_2$ equivalents. This includes 1.314 million tonnes managed by Midway Plantations and 3.635 million tonnes of $CO_2$ equivalents managed by PMP. Midway is actively seeking partners to develop new plantations in the Otways, Green Triangle and Tiwi regions which will promote carbon sequestration.

Midway also aims to minimise fossil fuel emissions in its forest operations and at its processing sites. Cartage of wood from the forest to the mill is the major contributor to greenhouse gas emissions.

## Biodiversity

Midway partnered with Corangamite Catchment Management Authority to fence off and revegetate a floodplain area where two tributaries of the Gellibrand River meet. The project resulted in over 7,000 native trees shrubs and grasses being planted.

Midway also continued water quality monitoring in line with its biodiversity monitoring program.

PMP provided in-kind contribution to threatened species and small mammals research in addition to continued support for a CSIRO carbon study through the inclusion of the Tiwi Island carbon plots in the planned burning program. In addition, PMP joined the Red Goshawk National Recovery Team and provided comment and data on trends for the 10-year update of the conservation summary for the Red Goshawk, Tiwi Island Masked Owl and Partridge Pidgeon.

SWF and Midway received enquiries and complaints relating to a koala incident in south west Victoria reported in the media in February 2020. A media statement 'South West Fibre completely rejects claims of harming koalas' was issued by SWF and published on the Midway website. The matter is currently under investigation by the Office of the Conservation Regulator.

## Community Initiatives

Midway engages with key stakeholders in the communities in which we operate to manage our activities and mitigate adverse impacts on those communities. We also invite stakeholders to communicate concerns regarding high conservation values and other environmental and community values associated with Midway's wood supply area.

The Midway Group is a significant employer in regional communities, through direct employees and indirect contractor employees. Our policy is to support communities in the areas where we conduct our business and where our employees and contractors live. In addition to our direct economic support for employment and the local economy, we provide sponsorship to a range of community organisations in these areas.

Midway freehold land and forestry activities are centred around the Geelong region of Victoria including the Otway ranges and Heytesbury regions. Midway is a major sponsor of many community organisations including residents' groups, charity clubs and events, car truck and bike shows, business clubs, peak industry organisations, industry awards, local schools, scouts' groups and local festivals.

Midway is particularly proud of our association with the Tiwi people. Tiwi consistently represent up to 34 per cent of our labour workforce working on the Tiwi Island Forestry Project. We look forward to continuing to work with the Tiwi Plantation Corporation to achieve its vision of the sustainable development of the islands' resources.

# 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 for the financial year ended 30 June 2020 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 |
|---|---|
| **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.

### Greg McCormack

#### Non-Executive Chairman

Mr McCormack was the founding Director of Midway in 1980. Mr McCormack holds a Bachelor of Business and has a long-term commitment to the Australian forest products industry, holding senior positions with both the National and the Victorian Association of Forest industries (having served as President of both associations). Mr McCormack is the current President of the Australian Forest Products Association.

### Nils Gunnersen

#### Non-Executive Director

Mr Nils Gunnersen holds a Bachelor of Business (Agricultural Commerce) and is a graduate of the Australian Rural Leadership Programme. He was previously Executive Director and then Managing Director of Gunnersen Pty Ltd. He continues as a Trustee of the JWGottstein Trust. He has over 25 years' management experience in forest industries businesses across: resources, operations, finance, IT, compliance, sales and marketing; within Australia and overseas. He was appointed a Director on the Board of Midway Limited in 2012 and is currently a Director of Chebmont Pty Ltd. Mr Nils Gunnersen is the Chairman of the Work Health Safety and Sustainability Committee.

### Tom Gunnersen

#### Non-Executive Director

Mr Tom Gunnersen holds a Bachelor of Arts from the University of Melbourne and an MBA (Finance) from Bond University. He has 20 years of corporate, investment and capital markets experience and is currently a Director and Principle of boutique corporate advisory firm KG Capital Partners. Previously, he was a Director of Equities for global investment bank Canaccord Genuity Limited where he was mostly based in Hong Kong for several years. Mr Gunnersen is also a current Director of Chebmont Pty Ltd and sits on the Remuneration and Nomination Committee at Midway.

### Gordon Davis

#### Independent Non-Executive Director

Mr Davis holds a Master of Business Administration, a Master of Agricultural Science, and a Bachelor of Forest Science. Mr Davis is currently a Non-Executive Director of Nufarm Limited (since 2011), where he chairs the Health, Safety and Environment Committee and serves on the Audit and Risk, and Human Resources Committees. He is also a Non-Executive Director of Healius Limited (since 2015), where he is the Chair of the Audit Committee. Mr Davis was Managing Director and CEO of AWB Limited from 2006 to 2011. He was also Chair of VicForests from 2011 to 2016. He was previously the Chair of Greening Australia, and was a Trustee of The Nature Conservancy from 2013 to 2018. Mr Davis is the Chairman of the Remuneration and Nomination Committee, and a member of the Audit and Risk Management and Work Health Safety and Sustainability Committee.

### Leanne Heywood

#### Independent Non-Executive Director

Leanne is an experienced ASX non-executive director, Audit and Risk committee and Nominations and Remuneration committee chair with broad general management experience gained through an international career in the mining sector, including 10 years with Rio Tinto. Her experience includes strategic marketing, business finance and compliance and she has led organisational restructures, disposals and acquisitions. Additionally, she has had significant experience in complex cross-cultural negotiations and international customer and stakeholder relationship management (including governments, communities and investment partners). Leanne holds a Bachelor of Business (Accounting) from Charles Sturt University and an MBA from the Melbourne Business School, University of Melbourne. She is a member of the Australian Institute of Company Directors and CPA Australia. Leanne was appointed a director in March 2017 and is Chair of the Audit Committee.

### Thomas Keene

#### Independent Non-Executive Director

Mr Keene holds a Bachelor of Economics and is a Fellow of the Australian Institute of Company Directors. He has a strong commercial and agribusiness background, having held the position of Managing Director of GrainCorp Ltd between 1993 and 2008. In 2007, Mr Keene was awarded the NAB Agribusiness Leader of the Year. He was appointed a Director of Midway Limited in 2008. He is the former Chairman of Allied Mills Ltd and Grain Trade Australia and also a former Director of Cotton Seed Distributors Ltd. He is currently a Director of Australian Agricultural Company Limited (since 2011). Mr Keene is a member of the Audit and Risk Management Committee and Remuneration and Nomination Committees.

### Anthony Bennett

#### Independent Non-Executive Director

Mr Bennett holds a Diploma in Civil Engineering and a Graduate Diploma in Industrial Management and is a graduate of the Melbourne University School of Business. He has extensive background in production management, particularly in the manufacture of high volume/low margin products for use in civil engineering construction. His executive experience was gained in both the public company sphere as well as operating his own construction materials business for some 25 years. Mr Bennett is a member of the Work Health Safety and Sustainability Committee.

### Anthony Price

#### Managing Director and CEO

Mr Price holds a Bachelor of Science (Forestry) and a Post Graduate Diploma in Business Management, has attended the International Executive Programme at INSEAD in France and is a graduate member of the Australian Institute of Company Directors. Before joining Midway, he held a number of senior management positions in the hardwood plantation sector and has also run his own consultancy business. Mr Price has over 30 years' experience in the forestry sector. He is also currently a Chairman of Forestworks Ltd, an organisation which provides training packages to the forest industry.

## Company Secretary

### Robert Bennett

Mr Bennett holds a Bachelor of Commerce and has many years of company secretarial and governance experience with Coles Group Limited, AWB Limited, and Medibank Private Limited. He is a member of Chartered Accountants Australia and New Zealand, and Governance Institute of Australia.

## Committee Membership

As at the date of this report, the Company has an Audit and Risk Management Committee (ARMC), a Remuneration and Nomination Committee (RNC) and a Work, Health, Safety and Sustainability (WHSS) Committee of the Board of Directors.

| Name | ARMC | WHSS[1] | RNC | Comments |
|---|---|---|---|---|
| **Directors** | | | | |
| Gregory McCormack | | | | |
| Nils Gunnersen | | ✔ | | Chair WHSS |
| Tom Gunnersen | | | ✔ | |
| Gordon Davis | ✔ | ✔ | ✔ | Chair RNC |
| Leanne Heywood | ✔ | | | Chair ARMC |
| Thomas Keene | ✔ | | ✔ | |
| Anthony Bennett | | ✔ | | |
| Anthony Price | | | | CEO |

1. The OHS Committee was renamed Work, Health, Safety and Sustainability Committee (WHSS) on 29 October 2019.

## Meetings of Directors

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

| | Board | | ARMC | | RNC | | WHSS | |
|---|---|---|---|---|---|---|---|---|
| **Directors** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** |
| Gregory McCormack | 11 | 11 | 2 | 2 | - | - | - | - |
| Nils Gunnersen | 11 | 11 | - | - | 1 | 1 | 3 | 3 |
| Tom Gunnersen | 11 | 11 | - | - | 4 | 4 | - | - |
| Gordon Davis | 11 | 11 | 6 | 6 | 5 | 5 | 3 | 3 |
| Leanne Heywood | 11 | 9 | 4 | 4 | - | - | - | - |
| Thomas Keene | 11 | 11 | 6 | 6 | 5 | 5 | - | - |
| Anthony Bennett | 11 | 11 | - | - | - | - | 3 | 3 |
| Anthony Price | 11 | 11 | - | - | - | - | - | - |

## Principal Activities

The principal activities of the Group during the 2020 financial year are based on the reportable segments of the Group as below:

| 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 per cent 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 haul.<br>Forestry Logistics also provides services to Bio Growth Partners (40 per cent owned by Midway Ltd) harvesting and processing biomass woodchips for the domestic market. |
| **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** | Other aggregated costs which are not individually significant. |

# Operating and Finance Review

## Financial Results

### Full year results impacted by market forces and more recently COVID-19

- The Group achieved underlying earnings before interest, tax, depreciation and amortisation (EBITDA) before significant items of $12.0 million (2019: $37.1 million).
- Underlying net profit/(loss) before tax was ($1.3 million) and net profit/(loss) after tax was ($0.4 million).
- As a result of the Group being adversely impacted by external market forces, no dividend will be paid in respect of full year FY20 results.

### Segment performance

- The Woodfibre segment was impacted by reduced demand and lower pulp prices, leading to a lower USD FOB than the prior corresponding period. Given the performance, management has implemented cost cutting initiatives including a number of redundancies; however, some of the benefits will not be realised until FY21.
- In the Plantation Management segment, as a result of lower forecast USD FOB prices, a net decrement on the treecrop was recorded of ($4.9 million).
- Forestry Logistics was impacted by COVID-19, with the structural timber and chip export markets being impacting by lower demand.

A summary of the financials has been provided below to the previous corresponding period:

| $'000 | 2020 | 2019 | Change |
|---|---|---|---|
| **Revenue and other income** | | | |
| Sales revenue | 257,760 | 283,645 | (25,885) |
| Other income | 6,487 | 5,642 | 845 |
| | 264,247 | 289,287 | (25,040) |
| Less: expenses | | | |
| Changes in inventories of finished goods and work in progress | 6,066 | 12,500 | (6,434) |
| Raw materials, consumables and other procurement expenses | (164,106) | (172,436) | 8,330 |
| Employee benefits expense | (26,249) | (24,556) | (1,693) |
| Plantation management expenses | (840) | (977) | 137 |
| Freight and shipment costs | (50,702) | (53,021) | 2,319 |
| Repairs and maintenance costs | (8,001) | (9,099) | 1,098 |
| Other operating expenses | (11,186) | (11,464) | 278 |
| Share of profit/(loss) of equity accounted investments | 2,764 | 6,841 | (4,077) |
| **EBITDA – S (underlying)** | 11,993 | 37,075 | (25,082) |
| Depreciation and amortisation | (11,302) | (8,633) | (2,669) |
| **EBIT – S (underlying)** | 691 | 28,442 | (27,751) |
| Net finance expense | (1,963) | (1,995) | 32 |
| **Net profit before tax – S (underlying)** | (1,272) | 26,447 | (27,719) |
| Income tax expense | 842 | (5,959) | 6,801 |
| **Net profit after tax – S (underlying)** | (430) | 20,488 | (20,918) |

## Operating and Finance Review continued

### 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 |
| 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 |

### Reconciliation of underlying net profit/(loss) after tax to statutory net profit after tax (NPAT)

| | 2020 $'000 | 2019 $'000 | Change |
|---|---|---|---|
| **Net profit/(loss) after tax – S** | **(430)** | 20,488 | (20,918) |
| Net fair value increase/(decrease) on biological assets | **(3,421)** | 7,373 | (10,794) |
| Non-cash interest expense (AASB 15 strategy impact)[1] | **(2,342)** | (4,829) | 2,487 |
| Reversal of contingent consideration on business combinations | **-** | 3,291 | (3,291) |
| JobKeeper | **726** | - | 726 |
| Impairment loss on non-current assets (Plantation Management Partners Pty Ltd) | **(4,266)** | - | (4,266) |
| Impairment loss on non-current assets (ADDCO Fibre Pty Ltd) | **(1,446)** | - | (1,446) |
| Impact of AASB 16 | **(97)** | - | (97) |
| Gain on bargain purchase of SLS | **-** | 149 | (149) |
| Redundancies | **(169)** | - | (169) |
| Transaction costs incurred | **(288)** | (314) | 26 |
| **Net profit/(loss) after tax – statutory** | **(11,733)** | 26,158 | (37,891) |

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

| | 2020 $'000 | 2019 $'000 | Change |
|---|---|---|---|
| **EBITDA – S** | **11,993** | 37,075 | (25,082) |
| Net fair value increment/(decrement) on biological assets | **(4,887)** | 10,533 | (15,420) |
| Reversal of contingent consideration on business combinations | **-** | 3,291 | (3,291) |
| JobKeeper | **1,037** | - | 1,037 |
| Impairment loss on non-current assets (Plantation Management Partners Pty Ltd) | **(6,516)** | - | (6,516) |
| Impairment loss on non-current assets (ADDCO Fibre Pty Ltd) | **(2,066)** | - | (2,066) |
| Impact of AASB 16 | **1,843** | - | 1,843 |
| Gain on bargain purchase of SLS | **-** | 149 | (149) |
| Redundancies | **(240)** | - | (240) |
| Transaction costs incurred | **(412)** | (379) | (33) |
| **EBITDA** | **752** | 50,669 | (49,917) |

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.

## Performance against prior corresponding period

### Woodfibre

| | 2020 $'000 | 2019 $'000 | Δ |
|---|---|---|---|
| Revenue | 223,013 | 297,293 | -25% |
| EBITDA – S | 20,942 | 44,894 | -53% |
| EBITDA | 16,733 | 46,856 | -64% |

The reduced EBITDA is attributable to the adverse market conditions. Key metrics as follows:

- Volume is down 35 per cent across the segment, with 365,000 GMT at Geelong, the highest margin operations.
- The lag effect of supply cost increases impacted the segment, with a $10 – $15 GMT increase in supply costs over the prior corresponding period.
- The above was partially offset by:
  - a 1 per cent increase in Bone Dry percentage as a result of slower stock turn and a warmer climate; and
  - a stronger USD (1.44 cents) over the prior corresponding period.

The Group reduced contractor capacity and volumes in order to meet the reduced sales profile. Forced shutdowns also occurred on the Tiwi Islands and in Victoria in order to manage costs in line with volumes. Restructuring activity resulted in reduced overheads and staff, with full benefits to be realised in FY22.

### Forestry Logistics

| | 2020 $'000 | 2019 $'000 | Δ |
|---|---|---|---|
| Revenue | 8,264 | 5,637 | 47% |
| EBITDA – S | (2,635) | (2,411) | -9% |
| EBITDA | (4,780) | (933) | -412% |

FY20 had unplanned customer shutdowns as a result of COVID 19, which resulted in a significant impact on markets (structural timber market in Western Australia and chip exports) resulting in declined logistics support activities.

### Plantation Management

| | 2020 $'000 | 2019 $'000 | Δ |
|---|---|---|---|
| Revenue | 6,844 | 15,885 | -57% |
| EBITDA – S | (2,563) | (793) | -223% |
| EBITDA | (7,039) | 9,740 | -172% |

The reduced result is driven by the revaluation of the Group's treecrop, which resulted in a $4.9 million decrement due primarily to lower forecast USD FOB prices.

## Financial position

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Current assets | 54,769 | 71,322 |
| Non-current assets | 205,835 | 205,712 |
| **Total assets** | 260,604 | 277,034 |
| Current liabilities | 41,375 | 38,844 |
| Non-current liabilities | 89,110 | 95,530 |
| **Total liabilities** | 130,485 | 134,374 |
| **Net assets** | 130,119 | 142,660 |

## Operating and Finance Review continued

### Highlights

- Strong cash flow for the year (operating +$11.1 million) – operating conversion to EBITDA-S almost 1:1.
- Strong working capital position.
- $131.2 million of plantation land and trees on the balance sheet, valued at fair value underpinning a strong balance sheet.

| Net Debt | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Borrowings – Current | **11,610** | 6,637 |
| Borrowings – Non-current | **38,868** | 38,357 |
| | **50,478** | 44,993 |
| Less cash | | |
| Cash and cash equivalents | **(11,049)** | (15,518) |
| **Net debt** | **39,429** | 29,476 |

### Highlights

- Refinancing and extension of term debt maturity to 30 September 2022.
- As at 30 June 2020 the Group was within its covenant limits.

## Outlook

The Group's corporate strategy includes a number of initiatives aimed at long-term sustainability and growth including:

- securing existing fibre supply through active engagement with major plantation managers;
- continuing investment in replanting, where appropriate, on existing and newly acquired land portfolio to maximise supply in the long term; and
- seeking out new opportunities to acquire businesses in key forestry areas in Australia and overseas.

The Directors firmly believe that the long-term outlook for woodfibre exports into Asia, especially China and Japan, remains positive. Increased investment in pulp manufacturing in China, tied to rising gross domestic product and higher middle class incomes, will drive import demand while woodfibre supply capacity in the pacific rim is expected to become increasingly constrained.

The COVID-19 pandemic is currently disrupting production and supply chains and reducing demand for paper used in offices, but there are offsetting positive trends emerging with the increased emphasis on hygiene driving demand for paper-based tissues and personal protection equipment such as facemasks, and increased online sales increasing demand for pulp used in packaging.

These global trading issues may take some time to play out, so your Directors are prudently looking at additional cost reduction initiatives and diversification strategies that may generate future revenue and earnings streams. We remain confident that there are many growth opportunities for Midway that will benefit shareholders in the longer term.

## Key Risks and Business Challenges

The principal risks and business challenges for the Group are:

- Security of supply – There is a risk that Midway may not be able to secure sufficient timber supply necessary to meet growing customer demand.
- Risk that the COVID-19 pandemic that is currently disrupting production and supply chains continues for an extended period.
- Customer demand – As most sales are achieved on a short-term contractual basis, there can be no guarantee that these relationships will continue.
- Exposure to foreign exchange rates – As most sales are denominated in USD whilst costs are in AUD, any adverse exchange rate fluctuations would have an adverse effect on its future financial performance and position.

- Banking facilities – There is a risk that Midway may not be able to refinance its existing or future bank facilities as and when they fall due, or that the terms available to Midway on refinancing may not be as favourable as the terms of its existing or future bank facilities. In addition, Midway has a debt facility which is subject to various covenants. Factors such as a decline in Midway's operations and financial performance (including any decline arising from any adverse foreign exchange rate fluctuations) could lead to a breach of its banking covenants. If a breach occurs, Midway's financier may seek to exercise enforcement rights under the debt facility, including requiring immediate repayment, which may have a materially adverse effect on Midway's future financial performance and position.
- Excess system capacity – Midway is subject to a number of contracts which contain minimum annual volume commitments. Financial costs are imposed if these volume commitments are not met.
- Contamination of product – Woodfibre export contracts all contain similar contamination requirements. There is a risk of financial recourse in the event of a breach of contract.
- Costs – Midway's profitability could be materially and adversely affected by changes in costs which are in many respects beyond its reasonable control.
- Sale of freehold plantation land – In the event freehold plantation land is sold after harvest of the current rotation of trees, there is a risk Midway may not be able to achieve sales for some or all of the estate within its optimal timeframe at or in excess of book value.
- Vessel chartering – An increasing proportion of Midway's export sales are executed on a cost, insurance and freight (CIF) basis, there is a risk that Midway may not be able to finalise an export sale contract rendering the vessel idle.
- Employee recruitment risk and retention – There is a risk the Group may not be able to attract and retain key staff, particularly in remote regions.
- Port of Brisbane tenure – There is a risk that QCE will be unable to renew the lease expiring in 2022 and, therefore, would need to seek access to an alternative export facility.
- Risk of fire affecting timber supply – Loss of plantation resource and therefore supply due to fire is an ever-present industry risk.
- Risk of extreme weather events occurring in remote regions such as the Tiwi Islands.
- Other risks facing the Company include: failure to comply with laws, regulations and industry standards generally (and environmental matters and industry accreditations specifically), risk of litigation, claims and disputes, bribery and corruption in foreign jurisdictions.

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

## Dividends

There were no dividends declared during the 2020 financial year.

## Corporate Governance

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

## Significant Changes in the State of Affairs

### 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, US tariffs on Chinese paper imports and more recently the impacts of COVID-19 that has affected woodfibre input suppliers such as Midway, resulting in reduced profitability for the 2020 financial year. The tough economic conditions also lead to the impairment of non-current assets in the following entities, which was recorded in the 31 December 2019 half year financial statements:

### 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 at 31 December 2019 and the Group wrote off the previously recognised goodwill on acquisition in PMP of $1.0 million and unamortised portion of the customer contract intangible asset for $5.5 million.

### Impairment of ADDCO (25 per cent 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 $1.7 million and a further writedown of current receivables from ADDCO of $0.3 million, as no expected recovery is anticipated.

## Significant Events Subsequent to the End of the Financial Year

The Directors are not aware of any matter or circumstance which has arisen since 30 June 2020 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.

## Likely Developments and Expected Results of Operations

Midway will continue to pursue further growth opportunities through:

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

## Environmental Regulation

The Chief Executive Officer reports to the Board on any environmental and regulatory issues at each Directors meeting, if required. During the year, no significant incidents occurred.

## Greenhouse Gas and Energy Data Reporting Requirements

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

## Share Option Plan

The Company has adopted a Long Term Incentive Plan (LTIP) under which it has issued 199,003 performance rights to senior executives in the current financial year. The rights vest over a performance period ending 30 June 2022, subject to satisfaction of vesting conditions.

Refer to the Remuneration Report for details on the rights issued to KMP.

## Indemnification and Insurance of Directors and Officers

### Indemnification

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

### Insurance of Directors and Officers

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

### Insurance of auditor

No payment has been made to indemnify the Company's auditor during or since the financial year.

## Proceedings on behalf of the Company

There are no legal proceedings currently outstanding.

## Non-audit Services

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

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

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

| KPMG Australia | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Audit and assurance services | | |
| – Statutory audit fees | **242,819** | 233,807 |
| Other services | | |
| – Non-assurance services – other advisory services | **8,000** | 9,225 |
| – Agreed upon procedures | - | 20,500 |

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is set out on page 30 and forms part of this report.

## 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,
27 August 2020

# AUDITOR'S INDEPENDENCE DECLARATION

KPMG

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

### To the Directors of Midway Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Midway Limited for the financial year ended 30 June 2020 there have been:

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

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

KPMG

Vicky Carlson

*Partner*

Melbourne

27 August 2020

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

# REMUNERATION REPORT (AUDITED)

## Introduction

The Directors are pleased to present the FY20 Remuneration Report, which forms part of the Midway Limited (Company) Directors' Report. It outlines the Board's remuneration philosophy and remuneration information for the Company's Non-Executive Directors, Executive Directors and other Key Management Personnel (**KMP**) in accordance with the requirements of the *Corporations Act 2001* and its regulations.

For the purposes of this report, KMP is defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Executive remuneration represents remuneration for the Executive KMPs and other members of senior management. This report discloses remuneration as it relates to Executive KMP; however, the framework is applied more broadly to other members of senior management.

The information provided in this Remuneration Report, which forms part of the Directors' Report, has been audited as required by section 308(3C) of the *Corporations Act 2001*.

## Key Management Personnel Disclosed in this Report

| Name | Position Held |
|---|---|
| **Directors** | |
| Gregory McCormack | Non-Executive Chairman |
| Nils Gunnersen | Non-Executive Director |
| Tom Gunnersen | Non-Executive Director |
| Gordon Davis | Non-Executive Director |
| Leanne Heywood | Non-Executive Director |
| Thomas Keene | Non-Executive Director |
| Anthony Bennett | Non-Executive Director |
| **Executives** | |
| Anthony Price | Managing Director and CEO |
| Ashley Merrett | Chief Financial Officer |

## Principles Used to Determine Nature and Amount of Remuneration

The performance of the Group depends upon the quality and performance of its Directors and executives. To this end, the Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high performing executives;
- link executive rewards to shareholder value;
- have a portion of executive remuneration variable, dependent upon meeting performance benchmarks; and
- establish appropriate and demanding performance benchmarks in relation to variable executive remuneration.

This section of the Remuneration Report outlines the Company's remuneration framework and philosophy which is designed to attract, motivate and retain highly skilled Directors and executives.

## Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee to assist the Board in reviewing and making recommendations to the Board in relation to the Company's remuneration policy, and remuneration arrangements for the Directors and executives.

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

The Remuneration and Nomination Committee is comprised of Non-Executive Directors, the majority of whom are independent in accordance with the Remuneration and Nomination Committee Charter. The Board considers that having a separate remuneration committee serves as an efficient and effective mechanism to bring the transparency, focus and independent judgement needed on remuneration decisions.

The Board has also adopted a number of key policies to support the Company's remuneration framework. The Company's policies and the Remuneration and Nomination Committee Charter, which sets out the functions and responsibilities of that Committee, are available at www.midwaylimited.com.au.

## Remuneration Framework

In accordance with best practice corporate governance standards, the Company's remuneration policies and practices regarding the remuneration of Non-Executive Directors are separate and distinct from the remuneration of Executive Directors and other senior executives.

These policies and practices appropriately reflect the different roles and responsibilities of Non-Executive Directors compared with Executive Directors and other senior executives of the Company.

## Use of Remuneration Consultants

The Remuneration and Nomination Committee may, from time to time, engage external remuneration consultants to provide it with advice, information on current market practices, and other matters to assist the Committee in the performance of its duties.

The Remuneration and Nomination Committee did not engage any remuneration consultants throughout the financial year.

## Non-Executive Director Remuneration

### Objective

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors.

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

### Framework

Under the Company's Constitution, the Non-Executive Directors as a whole may be paid or remunerated for their services a total amount or value not exceeding $1.2 million per annum or such other maximum amount fixed by the Company in general meeting. An amount not exceeding the amount determined is then divided between the Non-Executive Directors as approved by the Board upon recommendation from the Remuneration and Nomination Committee.

The remuneration may be by way of salary or commission or participation in profits or by all or any of these modes, but may not be by commission on, or a percentage of, operating revenue.

Non-Executive Directors' fees and payments are reviewed periodically by the Remuneration and Nomination Committee.

Directors may also be reimbursed for expenses properly incurred by the Directors in connection with the affairs of the Company including travel and other expenses in attending to the Company's affairs.

### Current structure

The current structure of fees paid to Non-Executive Directors includes:

| | Board Base Fee $ | Additional Fee $ |
|---|---|---|
| Non-Executive Director | 120,000 | |
| Chairman | 220,000 | |
| Chairman – Audit and Risk Management Committee | | 11,000 |
| Chairman – Remuneration and Nomination Committee | | 11,000 |

The aggregate remuneration of Non-Executive Directors for the year ended 30 June 2020 was $963,066.

## Executive Remuneration

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

The executive remuneration and reward framework includes both fixed and 'at risk' reward components. 'At risk' reward includes short and long-term incentives which are based on performance outcomes. The structure has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- long-term share-based performance incentives; and
- other remuneration such as superannuation and long service leave.

From time to time the Remuneration and Nomination Committee may consider 'one-off' payments to executives, as part of their remuneration, in relation to specific events.

The combination of these comprises each executive's total remuneration.

### Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Remuneration and Nomination Committee, based on individual and business unit performance, the overall performance of the Company, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

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

### Variable remuneration

#### Objective

The objective of the variable remuneration component of executive remuneration, comprising short-term performance incentives and share-based performance incentives, is to link the achievement of the Company's targets with the remuneration received by the executives charged with meeting those targets, and to reward executives in a manner which is consistent with the interests of shareholders.

The total potential variable component is set at a level so as to provide sufficient incentive to the executive to achieve the targets and such that the cost to the Company is reasonable in the circumstances.

#### Structure

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

## Executive Remuneration continued

### Variable remuneration continued

The type of variable incentives and performance against KPIs of the Company and the individual performance of each executive are taken into account when determining the amount, if any, of the variable incentive that is to be awarded to each executive. Any variable incentives to be awarded to executives across the Company are subject to the approval of the Remuneration and Nomination Committee.

## 2020 Executive Remuneration

Total remuneration for the CEO and CFO includes a combination of fixed remuneration, short-term incentives and long-term incentives in the form of issued performance rights.

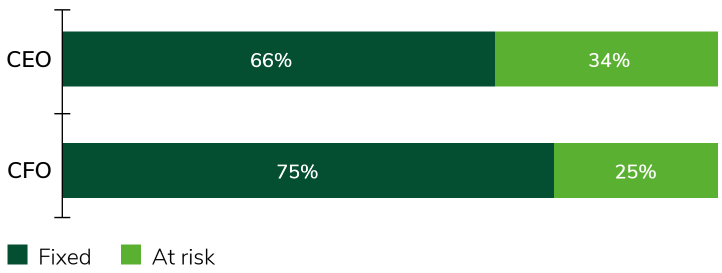
In assessing whether the KPIs for each variable component have been met, the Company measures actual results against internal targets.

A summary of contractual arrangements is provided below:

| | Base Salary[1] $ | Maximum STI $ | Eligibility LTIP | Termination Notice | Restraint of Trade Provisions |
|---|---|---|---|---|---|
| Chief Executive Officer | 512,192 | 256,096 | ✔ | 3 months | ✔ |
| Chief Financial Officer | 341,453 | 112,680 | ✔ | 3 months | ✔ |

1. Includes superannuation and car allowances.

The remuneration mix is outlined below:




### Short Term Incentive Plan

The Company's KMP and other members of senior management are eligible to participate in the Company's Short Term Incentive Plan (STI Plan).

Participants in the STI Plan have a maximum cash payment which is set as a percentage of their total fixed remuneration (TFR). Actual short-term incentive payments in any given year are dependent on the achievement of financial and non-financial criteria as set by the Remuneration and Nomination Committee. No incentive payment is payable if the threshold performance target is not met.

### FY2020 Short-term incentives

In FY20, an offer to participate in the STI Plan was made to the Company's executives including Executive KMP and other senior managers. Under the offer, employees will receive a short-term incentive (STI) payment calculated as a percentage of their TFR conditional on achieving performance measures including:

- Board-approved underlying Earnings Before Interest, Tax, Depreciation and Amortisation [EBITDA] Actual vs Budget measured annually;
- Lost Time Injury Frequency Rate (LTIFR) Actual vs Previous Year measured annually; and
- agreed and documented objectives specific to each executive's position measured annually.

EBITDA represents how the Company monitors its performance against budget, including achieving its strategic goals. Achieving the targeted EBITDA has a linkage to shareholder returns and therefore is an appropriate measure to incentivise executive performance.

LTIFR is an appropriate operational performance target as it is critical to the Company on two fronts: (1) It ensures the occupational health and safety measures implemented by the Company are first class to ensure employees are appropriately protected from any hazards in the workplace; and, (2) By having limited downtime due to workplace injuries ensures maximum operational time of the Company's equipment.

A summary of the key terms of the Company's FY20 STI Plan is set out as follows:

<table>
<tr><th>Term</th><th>Description</th></tr>
<tr><td>Objective</td><td>To reward participants for achieving targets linked to the Company's business strategy</td></tr>
<tr><td>Participants</td><td>All executive Key Management Personnel and selected senior management members</td></tr>
<tr><td>Performance period</td><td>Financial year ended 30 June 2020</td></tr>
<tr><td>Performance measures</td><td>STI is assessed against both financial and non-financial measures with the following weighting:
<table>
<tr><th>Measure</th><th>Weighting [CEO]</th><th>Weighting [CFO]</th></tr>
<tr><td>EBITDA[1]</td><td>40%</td><td>40%</td></tr>
<tr><td>LTIFR</td><td>20%</td><td>20%</td></tr>
<tr><td>Individual performance measures</td><td>40%</td><td>40%</td></tr>
</table>
</td></tr>
<tr><td>Payment</td><td>Upon final endorsement by Board</td></tr>
</table>

A sliding scale exists for each KPI target in relation to percentage of STI paid as set out below:

| | % of Target KPI [Maximum STI] | % of Target KPI [Minimum STI] |
|---|---|---|
| EBITDA CEO | 120% [max. $102,438] | 100%[1] |
| EBITDA CFO | 120% [max. $45,072] | 100%[1] |
| LTIFR CEO | 200% [max. $76,829] | 100%[1] |
| LTIFR CFO | 200% [max. $33,804] | 100%[1] |

1. No incentive will be paid if the minimum percentage of the KPI target is not met.

## FY20 Short-term incentive outcomes

The following is a breakdown of the short-term incentive outcomes achieved by Key Management Personnel at the end of the 2020 financial year:

| KMP | Maximum STI | % of Maximum STI Achieved |
|---|---|---|
| CEO | 256,096 | 0% |
| CFO | 112,680 | 0% |

## Long Term Incentive Plan

### Objective

The Company has established and adopted a Long Term Incentive Plan (LTIP), which is intended to assist in the motivation, retention and reward of certain executives. The LTIP is designed to align the interests of executives more closely with the interests of shareholders by providing an opportunity for senior executives to receive an equity interest in Midway through the granting of awards including shares, options and performance rights, subject to satisfaction of certain conditions.

In FY20, the Group issued performance rights to the Chief Executive Officer and Senior Executive Team. In total, 199,003 rights were issued based on the conditions set out in section (a).

### Structure

The key terms of the LTIP are summarised below.

| Term | Description |
|---|---|
| Administration | The Board has the discretion to determine which Directors and employees of Midway or any related Company are eligible to participate in the LTIP (Eligible Employees). |
| Eligibility | The awards (Awards) that may be issued under the LTIP currently include:<br>• shares;<br>• options; and<br>• performance rights. |
| Awards | The Board may determine that the Awards will be subject to performance, service or other conditions (Vesting Conditions) and, if so, will specify those Vesting Conditions in the offer. Vesting Conditions may include conditions relating to continuous employment, performance of the participant or the occurrence of particular events. |
| Vesting Conditions | Subject to the satisfaction of any applicable Vesting Conditions, Awards held by a participant will vest on the date specified in the terms of the offer for those Awards, which are to be determined by the Board at the time of offer and advised to the participant in individual offer documents. |
| Vesting date | Shares allocated on vesting of an Award carry the same rights and entitlements as other issued Shares, including dividend and voting rights. |
| Shares as an Award, or on vesting of an Award | Depending on the terms issued, the Shares may be subject to disposal and/or forfeiture restrictions, which means that they may not be disposed of or dealt with for a period of time and/or may be forfeited if certain further conditions are not satisfied. |
| Dividend and voting entitlements | Awards, other than Shares, are not entitled to dividend or voting rights. |
| Change of control | Upon the occurrence of a change of control of Midway, the Board may at its discretion and subject to such terms and conditions as it determines, resolve that the Vesting Conditions applicable to any unvested Awards be waived. |
| Restrictions | Without the prior approval of the Board or as expressly provided in the LTIP:<br>• options and performance rights may not be disposed of, transferred or encumbered; and<br>• unvested Shares may not be disposed of, dealt with or encumbered or transferred in any way whatsoever until the first to occur of the following: (i) the satisfaction of the applicable Vesting Conditions; and (ii) the time when the Participant is no longer employed by the Company or a related Company. |
| Loans | At the direction of the Board, the Company or a related company may offer a participant a loan for the purpose of acquiring any Shares offered to the participant under the LTIP. |
| Amendments | To the extent permitted by the Listing Rules, Midway may amend all or any of the provisions of the LTIP rules. |
| Other terms | The LTIP also contains customary and usual terms having regard to Australian law for dealing with the administration, variation, suspension and termination of the LTIP. |

## 2020 Long-term incentives

The LTIP offered to Midway's Executive KMP and other senior executives, is summarised below:

### (a) Performance rights

In FY2020, the Board granted the Chief Executive Officer and members of the Senior Executive Team 199,003 performance rights, subject to vesting conditions (see below). Following satisfaction of the vesting conditions the rights will automatically vest and the underlying shares will be issued. The performance period is until 30 June 2022.

| Term | Description |
|---|---|
| Eligibility | Chief Executive Officer and members of the Senior Executive Team. |
| Consideration for grant | Nil. |
| Instrument | performance rights issued on 15 November 2019 and 6 March 2020 respectively. |
| Number of rights granted | CEO 73,197; other senior executives 125,806. |
| Service conditions | Participant must maintain continuous employment over the performance period. |
| Performance period | 1 July 2019 to 30 June 2022. |
| Performance measure | The percentage of performance rights that will vest will depend on the Midway's total shareholder return (TSR) over the performance period, relative to the comparator Company (companies in the S&P/ASX 300 Index excluding mining and energy companies). Performance rights will only vest on the following conditions:<br>• less than median of the comparator company, no performance rights will vest;<br>• at median of the comparator Company, 50 per cent of the performance rights will vest;<br>• between median and the 75th percentile of the comparator Company, a straight-line pro rata vesting between 50 per cent and 100 per cent of the performance rights will occur; and<br>• greater than 75th percentile of the comparator Company, 100 per cent of the performance rights will vest. |
| Entitlement | Each performance right entitles the participant, on vesting of the performance right, to receive (at the discretion of the Board, other than as provided in the Plan Rules) by issue or transfer, one fully paid ordinary share in the capital of the Company (Share). |
| Restrictions | Performance rights are subject to the restrictions set out in the Plan Rules. In particular the participants must not:<br>• dispose of any performance rights without the prior consent of the Board or otherwise in connections with the Plan Rules; or<br>• enter into any arrangement for the purpose of hedging, or otherwise affecting the participants' economic exposure to the performance rights. |
| Fair value at grant date | Rights issued 15 November 2019 ($0.41 cents); Rights issued 6 March 2020 ($0.17 cents). |

1. Represents the fair value as calculated using a Monte Carlo Simulation model which incorporates the TSR performance conditions.

## Relationships between Company remuneration policy and Company performances

The relationship between remuneration policy and Company performance is only assessed for the current financial year and the prior three comparative periods, as the Company was not previously a disclosing entity. The measures set out below are not necessarily consistent with the measures used in determining variable amounts of remuneration to be awarded to KMP's. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

| Measure | FY2020 Actual $'000 | FY2019 Actual $'000 | FY2018 Actual $'000 | FY2017 Actual $'000 |
|---|---|---|---|---|
| Net profit/(loss) after tax | (11,733) | 26,158 | 18,397 | 14,921 |
| EBITDA | 752 | 50,669 | 31,308 | 24,916 |
| Underlying EBITDA[1] | 11,993 | 37,075 | 28,693 | 28,367 |
| Dividend paid (cents per share) | - | 18 | 18 | 18 |

1. Underlying figures have not been audited.

Other non financial measures such as Lost Time Injury Frequency Rate (LTIFR) Actual vs Previous Year are also taken into account when assessing the variable remuneration awarded.

As a result of the Group's performance, Directors and senior staff agreed to take a 20% pay reduction in from three months beginning 1 May 2020.

## Key Management Personnel Remuneration

The statutory remuneration disclosures for the year ended 30 June 2020 are detailed below and are prepared in accordance with Australian Accounting Standards (AASBs).

| | | Short-term Benefits | | | Post-employment | Long-term Benefits | | |
|---|---|---|---|---|---|---|---|---|
| | | Salary and Fees | STI | Non-monetary[1] | Super-annuation | Other[2] | Share-based Payments | Total |
| **Directors** | | | | | | | | |
| Gregory McCormack | 2020 | 195,605 | - | - | 19,168 | - | - | 214,773 |
| | 2019 | 201,563 | - | - | 18,437 | - | - | 220,000 |
| Nils Gunnersen | 2020 | 106,694 | - | - | 10,455 | - | - | 117,149 |
| | 2019 | 108,944 | - | - | 10,056 | - | - | 119,000 |
| Tom Gunnersen | 2020 | 106,694 | - | - | 10,455 | - | - | 117,149 |
| | 2019 | 118,983 | - | - | 3,017 | - | - | 122,000 |
| Gordon Davis | 2020 | 119,175 | - | - | 8,713 | - | - | 127,888 |
| | 2019 | 119,022 | - | - | 10,978 | - | - | 130,000 |
| Leanne Heywood | 2020 | 113,163 | - | - | 11,070 | - | - | 124,233 |
| | 2019 | 35,888 | - | - | 3,112 | - | - | 39,000 |
| Thomas Keene | 2020 | 110,005 | - | - | 10,799 | - | - | 120,804 |
| | 2019 | 119,022 | - | - | 10,978 | - | - | 130,000 |
| Anthony Bennett | 2020 | 106,694 | - | - | 10,455 | - | - | 117,149 |
| | 2019 | 108,944 | - | - | 10,056 | - | - | 119,000 |
| **Executives** | | | | | | | | |
| Anthony Price | 2020 | 423,419 | - | 52,704 | 25,873 | 24,563 | 7,142 | 533,701 |
| | 2019 | 421,238 | 80,202 | 52,704 | 23,686 | 21,750 | 60,697 | 660,277 |
| Ashley Merrett | 2020 | 285,982 | - | 23,000 | 25,873 | 4,335 | 674 | 339,864 |
| | 2019 | 284,882 | 51,885 | 23,000 | 24,083 | 1,369 | 13,709 | 398,928 |

1. Relates to vehicle allowance paid by the Group.
2. Includes the movement in annual leave and long service leave provisions.

## Equity instruments

| KMP | Held at 1 July 2019 | Shares Acquired | Shares Sold | Other Changes | Held at 30 June 2020 |
|---|---|---|---|---|---|
| Gregory McCormack | 9,504,599 | 100,000 | - | - | **9,604,599** |
| Nils Gunnersen | - | 9,829 | - | - | **9,829** |
| Tom Gunnersen | - | - | - | - | **-** |
| Gordon Davis | 65,000 | 25,000 | - | - | **90,000** |
| Leanne Heywood | - | 5,000 | - | - | **5,000** |
| Thomas Keene | 229,378 | - | - | - | **229,378** |
| Anthony Bennett | 2,760,356 | - | - | - | **2,760,356** |
| Anthony Price | 101,000 | *79,329 | - | - | **180,329** |
| Ashley Merrett | 19,000 | - | - | - | **19,000** |

* 65,000 of these Shares were issued upon vesting of performance rights issued under the Company's Long Term Incentive Plan.

## Details of equity incentives affecting current and future remuneration

The table below outlines each KMP's unvested performance rights at the end of the reporting period. Details of vesting profiles of the performance rights held by each KMP are detailed below:

| | Instrument | Number | Grant Date | % Vested in Year | % Forfeited in Year | Financial Year in Which Grant Vests |
|---|---|---|---|---|---|---|
| Anthony Price | Performance rights | 73,197 | 15/11/2019 | 0% | - | 2023 |
| Ashley Merrett | Performance rights | 29,278 | 06/3/2020 | 0% | - | 2023 |

## Other transactions with KMP

There are no other transactions between any of the KMP with any of the companies which are related to or provide services to Company unless disclosed in this Remuneration Report.

# FINANCIAL REPORT

## Introduction

This is the Financial Report of Midway Limited (the Company) and its subsidiaries (the Group). The Company is a for-profit entity for the purposes of preparing a Financial Report.

Accounting policies and critical accounting judgements applied to the preparation of the Financial Report are included throughout the Financial Report with the related accounting balance or financial statement matters to allow them to be easily understood by the users of this report.

## Contents

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Revenue and other income** | | | |
| Sales revenue | 1.1 | 257,760 | 283,645 |
| Other income | 4.8 | 7,524 | 9,082 |
| | | 265,284 | 292,727 |
| **Less: expenses** | | | |
| Changes in inventories of finished goods and work in progress | | 6,066 | 12,500 |
| Materials, consumables and other procurement expenses | | (164,106) | (172,436) |
| Depreciation and amortisation expense | 2.1\|2.6 | (13,094) | (8,633) |
| Employee benefits expense | | (26,249) | (24,556) |
| Biological assets net fair value increment/(decrease) | | (4,887) | 10,533 |
| Plantation management expenses | | (840) | (977) |
| Freight and shipping expense | | (50,702) | (53,021) |
| Repairs and maintenance expense | | (8,001) | (9,099) |
| Impairment loss on non-current assets | | (8,582) | - |
| Other expenses | | (9,995) | (11,843) |
| | | (280,390) | (257,532) |
| Finance expense | | (6,114) | (9,911) |
| Finance income | | 615 | 1,017 |
| Net finance expense | | (5,499) | (8,894) |
| Share of net profits from equity accounted investments | 4.2 | 2,764 | 6,841 |
| **Profit/(loss) before income tax expense** | | (17,841) | 33,142 |
| Income tax expense benefit/(expense) | 1.3 | 6,108 | (6,984) |
| **Profit/(loss) for the period** | | (11,733) | 26,158 |
| *Items that will not be reclassified to profit and loss* | | | |
| Revaluation of land fair value adjustment, net of tax | 2.1 | 4,495 | (5) |
| *Items that may be reclassified subsequently to profit and loss* | | | |
| Cash flow hedges effective portion of changes in fair value, net of tax | | 2,350 | (34) |
| Foreign operations – foreign currency translation differences | | 5 | 1 |
| Equity accounted investees – share of OCI | | 26 | 7 |
| Other comprehensive income for the period | | 6,876 | (31) |
| **Total comprehensive income for the period** | | (4,857) | 26,127 |
| **Profit/(loss) is attributable to:** | | | |
| – Owners of Midway Limited | | (12,019) | 25,787 |
| – Non-controlling interests | | 286 | 371 |
| | | (11,733) | 26,158 |
| **Total comprehensive income is attributable to:** | | | |
| – Owners of Midway Limited | | (5,155) | 25,767 |
| – Non-controlling interests | | 298 | 359 |
| | | (4,857) | 26,126 |
| **Earnings per share for profit attributable to equity holders:** | | | |
| Basic earnings per share | | ($0.14) | $0.31 |
| Diluted earnings per share | | ($0.14) | $0.31 |

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

# CONSOLIDATED BALANCE SHEET
## AS AT 30 JUNE

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 3.1 | **11,049** | 15,518 |
| Receivables | 2.5 | **3,564** | 22,752 |
| Inventories | 2.5 | **29,210** | 22,689 |
| Biological assets | 2.2 | **1,483** | 2,408 |
| Current tax receivable | | **451** | 1,907 |
| Other assets | | **6,187** | 6,048 |
| Derivative assets | | **2,825** | - |
| **Total current assets** | | **54,769** | 71,322 |
| **Non-current assets** | | | |
| Biological assets | 2.2 | **48,322** | 50,608 |
| Other receivables | | **5,460** | - |
| Investments accounted for using the equity method | 4.2 | **13,816** | 15,294 |
| Intangible assets | | **1,971** | 9,241 |
| Loan receivables | | **3,129** | 3,200 |
| Property, plant and equipment | 2.1 | **133,137** | 127,369 |
| **Total non-current assets** | | **205,835** | 205,712 |
| **Total assets** | | **260,604** | 277,034 |
| **Current liabilities** | | | |
| Trade and other payables | 2.5 | **20,090** | 27,282 |
| Borrowings | 3.1 | **11,610** | 6,637 |
| Strategy financial liability | | **5,523** | 434 |
| Derivative financial liability | | **-** | 483 |
| Provisions | | **4,152** | 4,008 |
| **Total current liabilities** | | **41,375** | 38,844 |
| **Non-current liabilities** | | | |
| Borrowings | 3.1 | **38,868** | 38,356 |
| Strategy financial liability | | **37,675** | 40,210 |
| Provisions | | **125** | 129 |
| Deferred tax liabilities | 1.3 | **12,442** | 16,835 |
| **Total non-current liabilities** | | **89,110** | 95,530 |
| **Total liabilities** | | **130,485** | 134,374 |
| **Net assets** | | **130,119** | 142,660 |
| **Contributed equity** | | | |
| Share capital | 3.3 | **64,888** | 64,791 |
| Reserves | 3.3 | **73,793** | 74,710 |
| Retained earnings | | **(10,405)** | 1,614 |
| **Equity attributable to owners of Midway Limited** | | **128,276** | 141,115 |
| Equity attributable to non-controlling interests | | **1,843** | 1,545 |
| **Total equity** | | **130,119** | 142,660 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE

| $'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 year | - | - | 25,787 | 371 | 26,158 |
| Revaluation of land, net of tax | - | (5) | - | - | (5) |
| Cash flow hedges effective portion of changes in fair value, net of tax | - | (15) | - | (12) | (27) |
| Foreign operations – foreign currency translation differences | - | 1 | - | - | 1 |
| **Total comprehensive income for the year** | - | (19) | 25,787 | 359 | 26,127 |
| **Other transactions:** | | | | | |
| Issuance of ordinary shares, net of transaction costs | 35,534 | - | - | - | 35,534 |
| Issuance of performance rights | 212 | (212) | - | - | - |
| Share-based payments expense | - | 86 | - | - | 86 |
| Transfers to profits reserve | - | 25,786 | (25,786) | - | - |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Dividends | - | (14,596) | - | (400) | (14,996) |
| **Total other transactions** | 35,746 | 11,065 | (25,786) | (400) | 20,624 |
| **Balance as at 30 June 2019** | 64,791 | 74,710 | 1,614 | 1,545 | 142,660 |
| **Balance as at 1 July 2019** | **64,791** | **74,710** | **1,614** | **1,545** | **142,660** |
| Adjustment on adoption of AASB 16 (note 4.11) | - | **166** | - | - | **166** |
| **Restated total equity at the beginning of the financial period** | **64,791** | **74,876** | **1,614** | **1,545** | **142,826** |
| Profit/(loss) for the year | - | - | **(12,019)** | **286** | **(11,733)** |
| Revaluation of land, net of tax | - | **4,495** | - | - | **4,495** |
| Cash flow hedges effective portion of changes in fair value, net of tax | - | **2,364** | - | **12** | **2,376** |
| Foreign operations – foreign currency translation differences | - | **5** | - | - | **5** |
| **Total comprehensive income for the year** | - | **6,864** | **(12,019)** | **298** | **(4,857)** |
| **Other transactions:** | | | | | |
| Issuance of ordinary shares, net of transaction costs | - | - | - | - | - |
| Issuance of performance rights | **97** | **(97)** | - | - | - |
| Share-based payments expense | - | **10** | - | - | **10** |
| Transfers to profits reserve | - | - | - | - | - |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Dividends | - | **(7,860)** | - | - | **(7,860)** |
| **Total other transactions** | **97** | **(7,947)** | - | - | **(7,850)** |
| **Balance as at 30 June 2020** | **64,888** | **73,793** | **(10,405)** | **1,843** | **130,119** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Receipts from customers | | 281,589 | 295,444 |
| Payments to suppliers and employees | | (269,874) | (276,558) |
| Interest received | | 26 | 184 |
| Interest paid | | (1,914) | (1,495) |
| Income tax (paid)/received | | 578 | (7,641) |
| JobKeeper | | 697 | - |
| **Net cash provided by operating activities** | 3.1 | **11,102** | 9,934 |
| **Cash flow from investing activities** | | | |
| Payment for property, plant and equipment | | (3,230) | (4,182) |
| Proceeds from sale of fixed assets | | 906 | 218 |
| Payment for non-current biological assets | | (3,754) | (3,336) |
| Acquisition of Softwood Logging Services, net of cash | | - | (322) |
| Acquisition of equity accounted investees | | (10) | (3,697) |
| Dividends received from associates | | 2,550 | 8,670 |
| Payment of deferred consideration Plantation Management Partners | | (105) | (1,500) |
| Restructure of Plantation Management Partners | | - | (8,964) |
| **Net cash used in investing activities** | | **(3,643)** | (13,113) |
| **Cash flow from financing activities** | | | |
| Proceeds from share issue | | - | 34,996 |
| Repayment of Strategy financial liability | | (1,133) | (1,526) |
| Principal repayment of lease liabilities | | (6,290) | (4,698) |
| Dividends paid | | (7,860) | (14,596) |
| Proceeds from bank borrowings | | 5,500 | - |
| Repayment of bank borrowings | | (2,658) | (6,353) |
| Proceeds from loan receivable | | 513 | 518 |
| **Net cash used in financing activities** | | **(11,928)** | 8,341 |
| **Reconciliation of cash** | | | |
| Cash at beginning of the financial period | | 15,518 | 10,356 |
| Net increase/(decrease) in cash held | | (4,469) | 5,162 |
| **Cash at end of financial period (net of overdrafts)** | | **11,049** | 15,518 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Section 1: Our Performance

This section provides an insight into the performance of Midway and its subsidiaries including:

- The Group has been adversely impacted by external market forces including excess production and stocks of paper pulp in Brazil and US tariffs on Chinese paper imports that have affected demand from woodfibre suppliers such as Midway. In addition, subdued global demand for goods as a result of COVID-19 has impacted the demand for woodfibre in the second half.
- The Group achieved an underlying EBITDA of $12.0 million (2019: $37.1 million).
- The Board has elected to not declare a dividend in light of the current performance.

### 1.1 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.

| 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 per cent for segment reporting which reflects how management views and makes decisions of its operations.<br><br>In the current year income earned from marketing third party woodfibre has been reallocated to this category, as this is how the chief operating decision maker reviews the financial information. |
| Forestry Logistics | Forestry logistics provides support services to third parties engaged in growing woodfibre including harvest, infield chipping and haulage.<br><br>Forestry Logistics also provides harvesting, processing and delivery service to Bio Growth Partners (40 per cent owned by Midway Ltd) which supplies biomass woodchips and sawdust to domestic customers 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 per cent share of SWF joint venture included in Woodfibre processing. For statutory accounts SWF is equity accounted with revenue and expenses of SWF eliminated.

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

## Section 1: Our Performance continued

### 1.1 Segment Reporting continued

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

| 2020 ($'000) | Woodfibre | Forestry Logistics | Plantation Management | Ancillary | Eliminations | Total |
|---|---|---|---|---|---|---|
| Sales revenue | 223,013 | 8,264 | 2,695 | - | 23,788 | 257,760 |
| Inter segment sales | - | - | 4,149 | - | (4,149) | - |
| Other income | 7,893 | 423 | 995 | - | (1,787) | 7,524 |
| **Total revenue and other income** | 230,906 | 8,687 | 7,839 | - | 17,852 | 265,284 |
| Share of equity accounted profits | 11 | 55 | - | - | 2,698 | 2,764 |
| **EBITDA – S** | 20,942 | (2,635) | (2,563) | (47) | (3,704) | 11,993 |
| Significant items | (5,479) | (2,307) | - | (411) | - | (8,197) |
| AASB 16 impact | 1,270 | 162 | 411 | - | - | 1,843 |
| Fair value gain/(loss) on biological assets | - | - | (4,887) | - | - | (4,887) |
| **EBITDA** | 16,733 | (4,780) | (7,039) | (458) | (3,704) | 752 |
| Depreciation and amortisation | (10,955) | (2,031) | (1,724) | (714) | 2,330 | (13,094) |
| **EBIT** | 5,778 | (6,811) | (8,763) | (1,172) | (1,374) | (12,342) |
| Net finance expense | (2,185) | (80) | (3,448) | - | 214 | (5,499) |
| **Net profit/(loss) before tax** | 3,593 | (6,891) | (12,211) | (1,172) | (1,160) | (17,841) |
| Income tax benefit/(expense) | (2,141) | 1,419 | 3,782 | 1,888 | 1,160 | 6,108 |
| **Net profit/(loss) after tax** | 1,452 | (5,472) | (8,429) | 716 | - | (11,733) |
| **Segment assets** | 149,754 | 3,744 | 144,564 | 4,881 | (42,339) | 260,604 |
| Equity accounted investees | 11,556 | 2,260 | - | - | - | 13,816 |
| Capital expenditure | (3,537) | (524) | (1,966) | - | 324 | (5,703) |
| **Segment liabilities** | (67,411) | (7,521) | (83,809) | (3,238) | 31,494 | (130,485) |

| 2019 ($'000) | Woodfibre | Forestry Logistics | Plantation Management | Ancillary | Eliminations | Total |
|---|---|---|---|---|---|---|
| Sales revenue | 297,293 | 5,637 | 4,834 | - | (24,119) | 283,645 |
| Inter segment sales | - | - | 11,051 | - | (11,051) | - |
| Other income | 6,334 | 458 | 1,346 | - | 944 | 9,082 |
| **Total revenue and other income** | 303,627 | 6,095 | 17,231 | - | (34,226) | 292,727 |
| Share of equity accounted profits | 35 | (639) | - | - | 7,445 | 6,841 |
| **EBITDA – S** | 44,894 | (2,411) | (793) | (43) | (4,572) | 37,075 |
| Significant items | 1,962 | 1,478 | - | (379) | - | 3,061 |
| Fair value gain on biological assets | - | - | 10,533 | - | - | 10,533 |
| **EBITDA** | 46,856 | (933) | 9,740 | (422) | (4,572) | 50,669 |
| Depreciation and amortisation | (6,138) | (1,282) | (912) | (1,760) | 1,459 | (8,633) |
| **EBIT** | 40,718 | (2,215) | 8,828 | (2,182) | (3,113) | 42,036 |
| **Net finance expense** | (2,245) | (21) | (6,920) | - | 292 | (8,894) |
| Net profit before tax | 38,473 | (2,236) | 1,908 | (2,182) | (2,821) | 33,142 |
| **Income tax expense** | (11,261) | 923 | (364) | 75 | 3,643 | (6,984) |
| Net profit after tax | 27,212 | (1,313) | 1,544 | (2,107) | 822 | 26,158 |
| **Segment assets** | 137,432 | 5,806 | 138,246 | 3,424 | (7,874) | 277,034 |
| Equity accounted investees | 11,361 | 3,933 | - | - | - | 15,294 |
| Capital expenditure | (18,071) | - | (3,559) | - | 324 | (21,306) |
| **Segment liabilities** | (65,470) | (6,252) | (75,284) | (18) | 12,650 | (134,374) |

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

### (c) Revenue by geographic region

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

| 2020<br>Revenue by Geographic Region | Woodfibre | Forestry Logistics | Plantation Management | Ancillary | Eliminations | Total |
|---|---|---|---|---|---|---|
| Australia | 8,584 | 8,264 | 5,370 | - | (4,409) | 17,809 |
| China | 141,044 | - | - | - | 41,447 | 182,491 |
| Japan | 73,385 | - | - | - | (17,399) | 55,986 |
| South East Asia | - | - | 1,474 | - | - | 1,474 |
| | 223,013 | 8,264 | 6,844 | - | 19,639 | 257,760 |

| 2019<br>Revenue by Geographic Region | Woodfibre | Forestry Logistics | Plantation Management | Ancillary | Eliminations | Total |
|---|---|---|---|---|---|---|
| Australia | 2,536 | 5,637 | 14,625 | - | (11,051) | 11,747 |
| China | 204,164 | - | - | - | 9,622 | 213,786 |
| Japan | 90,593 | - | - | - | (33,741) | 56,852 |
| South East Asia | - | - | 1,260 | - | - | 1,260 |
| | 297,293 | 5,637 | 15,885 | - | (35,170) | 283,645 |

For the financial year ending 30 June 2020 there were three (2019: three) customers in China and Japan that individually made up 10 per cent or above total sales for the Group.

### Policy

#### Revenue

Sales revenue is recognised on settlement of each performance obligation. Export woodfibre sales are generally on CIF or FOB shipping terms, with revenue recognised when last goods are loaded on board at the point when the performance obligation is settled under the shipping terms. All other sales are generally recognised as revenue at the time of delivery of the goods to the customer.

The Group also arranges the insurance and freight for CIF vessels which is deemed a separate performance obligation. The performance obligation is satisfied over time until the shipment arrives at the destination port. Therefore, the component of revenue relating to freight and insurance should also be recognised over time (i.e. as performance obligation settled).

Revenue from the rendering of services is recognised over time as the performance obligations within each contract are settled.

## 1.2 Individually Significant Items

| Individually Significant Items Before Tax | Notes | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| Impairment loss on non-current assets (ADDCO Pty Ltd) | 1.7 | (2,066) | - |
| Impairment of loss on non-current assets (Plantation Management Partners Pty Ltd) | 1.7 | (6,516) | - |
| JobKeeper payments[1] | | 1,037 | - |
| Redundancies | | (240) | - |
| Reversal of contingent consideration | | - | 3,291 |
| Gain on bargain purchase of Softwood Logging Services (now Midway Logistics) | | - | 149 |
| Transaction costs | | (412) | (379) |
| **Impact of individually significant items** | | (8,197) | 3,061 |

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.

## Section 1: Our Performance continued

### 1.3 Income Tax

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **(a) Current tax reconciliation** | | |
| Current tax | (2,521) | 5,198 |
| Deferred tax | (3,744) | 1,770 |
| Over provision in prior years | 157 | 16 |
| | (6,108) | 6,984 |
| **(b) Prima facie tax payable** | | |
| The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows: | | |
| Prima facie income tax payable on profit before income tax at 30.0% (2019: 30.0%) | (5,352) | 9,943 |
| – Effect of taxes in foreign jurisdictions | (71) | (61) |
| Add tax effect of: | | |
| – Other nonallowable items | 295 | 157 |
| | (5,128) | 10,039 |
| Less tax effect of: | | |
| – Over provision for income tax in prior years | 31 | 16 |
| – Share of profits/(losses) in joint ventures | 829 | 2,052 |
| – Capital loss on ADDCO | 81 | - |
| – Other | 39 | - |
| – Reversal of contingent consideration on business combinations | - | 987 |
| | 980 | 3,055 |
| **Income tax expense/(benefit) attributable to profit** | (6,108) | 6,984 |
| **(c) Deferred tax** | | |
| **Deferred tax assets** | | |
| Payables | 872 | 929 |
| Blackhole expenditure | 565 | 918 |
| Capital losses carried forward | 2,046 | 1,499 |
| Tax losses carried forward | 2,986 | - |
| Other | - | 6 |
| | 6,469 | 3,352 |
| **Deferred tax liabilities** | | |
| Biological assets | 482 | 2,141 |
| Property, plant and equipment | 17,415 | 16,177 |
| Intangible assets[1] | - | 1,869 |
| Hedge reserve | 848 | - |
| Other | 140 | - |
| | 18,885 | 20,187 |
| Net deferred tax liabilities | 12,416 | 16,835 |

1. Related to businesses acquired.

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **(d) Deferred income tax (revenue)/expense included in income tax expense comprises** | | |
| Decrease/(increase) in deferred tax assets | **416** | 186 |
| (Decrease)/increase in deferred tax liabilities | **(4,160)** | 1,586 |
| | **(3,744)** | 1,772 |
| **(e) Deferred income tax related to items charged or credited directly to equity** | | |
| Increase in deferred tax liabilities | **2,973** | 1,972 |

## Policy

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

### *Tax consolidation*

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

## Key estimates and judgements

From time to time the Group takes tax positions that require consideration, including an assessment of the recoverability of Deferred Tax Assets (DTA). The Group only recognises Deferred Tax Assets to the extent it is probable they will be realised in the foreseeable future.

## Section 1: Our Performance continued

### 1.4 Earnings Per Share

#### (a) Earnings per share

| | 2020 | 2019 |
|---|---|---|
| Earnings per share | ($0.14) | $0.31 |
| Diluted earnings per share* | ($0.14) | $0.31 |

| | 2020 Number | 2019 Number |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 87,325,715 | 84,264,989 |
| *Adjustments for calculation of diluted earnings per share:* | | |
| Performance rights | 199,003 | 65,000 |
| | 87,524,718 | 84,329,989 |

Basic earnings per share is calculated on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

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

### 1.5 Dividends

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Fully franked at 30% (2019: 30%)** | 7,860[1] | 14,596 |

1. Dividend was paid during the period (2019 final dividend).

The balance of the franking account at 30 June 2020 is 5,701,956 (2019: 7,673,334).

### 1.6 Business Acquisitions (2019)

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

Midway acquired Midway Logistics for a purchase price of $1.6 million, of which $1.0 million was contingent on the business meeting certain hurdle rates. Management was required to use estimates and judgements to fair value the contingent consideration at that point in time.

In the 2019 financial year, Midway Logistics contributed $6.1 million revenue and an EBITDA loss of $1.8 million from continuing operations of the Group. If the acquisition had occurred on 1 July 2018, it is estimated the revenue contribution would be $8.1 million and EBITDA would be a loss of $2.8 million.

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

#### Consideration transferred

| | Date Payable | Purchase Consideration Fair Value $'000 |
|---|---|---|
| Cash and cash equivalents | Settlement | 534 |
| Contingent consideration[1] | 30-Jun-19 | 1,023 |
| | | 1,557 |

1. Payable on meeting EBITDA targets and is an estimate of the fair value of the consideration at acquisition date. The maximum payout of contingent consideration is $1.7 million, payable if the EBITDA target is met at 100 per cent. The targets were not subsequently achieved and as such no amount was paid.

### Assets acquired and liabilities assumed

| At Acquisition Date | Fair Value $'000 |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 212 |
| Trade and other receivables | 1,610 |
| Intangible assets | 57 |
| Property, plant and equipment | 5,443 |
| | 7,322 |
| **Liabilities** | |
| Trade and other payables | 4,248 |
| Employee entitlement provisions | 234 |
| Borrowings | 656 |
| Deferred tax liability | 478 |
| | 5,616 |
| **Total identifiable net assets at fair value** | 1,706 |
| **Purchase consideration** | 1,557 |
| **Gain on bargain purchase recognised in profit and loss** | 149 |

The acquisition resulted in a bargain purchase as the fair value of contingent consideration was valued at an amount lower than the maximum amount payable under the contract (based on meeting EBITDA targets). The fair value of contingent consideration reflected the inherent risks in the acquisition based on the entity's historical performance. The fair value of assets acquired and liabilities assumed has now been finalised.

## 1.7 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, US tariffs on Chinese paper imports and more recently COVID-19 that have affected woodfibre input suppliers such as Midway. In addition, the market capitalisation of the Group has fallen below its net asset value.

These items are impairment indicators 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 Group's 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
- Bio Growth Partners

For FY20, 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.

## Section 1: Our Performance continued

### 1.7 Impairment of Non-financial Assets continued

#### 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 at 31 December 2019 did not exceed the carrying amount of the CGU and the Group has written off the previously recognised goodwill on acquisition of PMP of $1.0 million and unamortised portion of the customer contract intangible asset for $5.5 million. The CGU was reassessed for impairment at 30 June 2020 and no further writedowns were required.

#### 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 FY25, 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 per cent 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 per cent and 11.7 per cent 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.

#### COVID-19

The impact of COVID-19 on the expected market recovery is an area of uncertainty.

#### Impairment of ADDCO (25 per cent 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 $1.7 million and a further writedown of current receivables from ADDCO of $0.3 million, as no expected recovery is anticipated.

## Section 2: Our Asset Base

This section provides an insight into the asset base the Group requires to operate a forestry business.

- The Group sources wood supply from owned and third party plantation land, which is used to grow hardwood trees.
- The Group's plantation land portfolio increased in value by $7.1 million (before tax) in the current year due to increased prices for forestry land.
- The Group holds biological assets for harvest of which $7.5 million relates to seedlings and $42.3 million is plantation hardwood.
- The Group has low credit risk due to the nature and size of customers and use of letters of credit in the majority of cases.
- The Group optimises its working capital position regularly and excess cash is used to grow the business or returned to shareholders.
- Plantation land ($81.9 million) and biological assets ($49.8 million) are held on the balance sheet at fair value. As a result, any impacts from COVID-19 have been reflected in the independent valuations performed of these assets.

### 2.1 Property, Plant and Equipment

Each class of property, plant and equipment is set out below:

| | Plantation Land[1] $'000 | Freehold Land $'000 | Buildings $'000 | Plant and Equipment $'000 | Roading $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Depreciation policy | | | 2.5–27% | 3–25% | 5–15% | |
| **Year ended 30 June 2019** | | | | | | |
| Opening net book amount | 72,756 | 12,670 | 1,837 | 14,205 | 6,380 | 107,848 |
| Additions | 1,884 | - | 1,022 | 16,872 | 1,528 | 21,306 |
| Business acquired note 1.6 | - | - | - | 5,443 | - | 5,443 |
| Disposals | - | - | - | (155) | - | (155) |
| Depreciation | - | - | (90) | (6,196) | (782) | (7,068) |
| Revaluation | (5) | - | - | - | - | (5) |
| **Closing carrying amount** | 74,635 | 12,670 | 2,769 | 30,169 | 7,126 | 127,369 |
| **Year ended 30 June 2020** | | | | | | |
| Opening net book amount | **74,635** | **12,670** | **2,769** | **30,169** | **7,126** | **127,369** |
| Adoption of AASB 16 | **-** | **4,807** | **247** | **-** | **-** | **5,054** |
| Additions | **886** | **1,329** | **116** | **3,893** | **810** | **7,034** |
| Disposals | **(645)** | **-** | **-** | **(402)** | **-** | **(1,047)** |
| Depreciation | **-** | **(1,620)** | **(379)** | **(9,296)** | **(1,045)** | **(12,340)** |
| Revaluation | **7,067** | **-** | **-** | **-** | **-** | **7,067** |
| **Closing carrying amount** | **81,943** | **17,186** | **2,753** | **24,364** | **6,891** | **133,137** |

Right of use assets are now included within each category of property, plant and equipment above. Refer to note 2.4 for a full breakdown of right of use assets.

## Section 2: Our Asset Base continued

### 2.1 Property, Plant and Equipment continued

#### (a) Key estimates and judgements – fair value

| | 2020 Fair Value $'000 | Valuation Technique | Description of Valuation Technique |
|---|---|---|---|
| Freehold land | 12,670 | Market approach[1] | The Company's freehold land is stated at the revalued amount, being the fair value for its highest and best use at the date of revaluation. The fair value measurements of the Company's land as at 30 June 2020 were performed by an independent valuer. The valuation was performed using a direct market comparison approach. A change to inputs to the market approach assessment would result in differing valuation results. |
| Plantation land | 81,943 | Market approach/ net present value approach[1] | The Company's plantation land is stated at revalued amounts, being the fair value for its highest and best use at the date of revaluation. The highest and best use is subjective and judgemental given potential alternate uses. It requires careful analysis and detailed knowledge of the local market conditions and recent sales trends. As a result, the Group engaged an independent valuer to provide an independent valuation on an unencumbered basis as at 30 June 2020.<br><br>The independent valuation is adjusted by the Directors using a DCF methodology to estimate the fair value on an encumbered basis. Assumptions about clear fall period and reversion costs have been included where/as appropriate. In some instances, the valuations highest and best use is lifestyle differing from actual use, forestry. A change to inputs to the valuer's and/or the Directors' assessment would result in differing valuation results. |

1. The same valuation technique was used in 2019.

Freehold and forest plantation land have been classified as level three on the fair value hierarchy. Level three represents inputs that are not based on observable market data. No transfers in and out of level three occurred during the period.

The potential future impacts of COVID-19 remain uncertain and could impact the key estimates and judgements noted above.

#### *2020 plantation land measurement*

The unencumbered value of the plantation land is $99.0 million (2019: $90.7 million). The Directors have subsequently valued the land on an encumbered basis (i.e. in recognition of the existing tree crops being grown on the land which are legally owned by third parties), taking into account where appropriate reversionary costs and utilising a discounted cash flow analysis from the highest and best use determined by the independent valuation expert.

The key assumptions used in determining the encumbered land valuation are:

| Assumption | Variable |
|---|---|
| Discount rate | 7.25% |
| Growth rate | 2% to 5% |
| Reversionary costs | $0–$1,550 per hectare |
| Clearfall period | 2020 – 2028 |

## (b) Sensitivity analysis

As at the balance date, the impact of a change of assumptions on the plantation land of the Group (all other things being equal) would have resulted in the following impacts on other comprehensive income (OCI):

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Plantation Land at Fair Value** | **Increase $'000** | **Decrease $'000** | **Increase $'000** | **Decrease $'000** |
| Discount rate +/- 1% | **(3,198)** | **3,416** | (3,043) | 3,242 |
| Growth rate +/- 1% | **3,515** | **(3,346)** | 3,150 | (3,013) |
| Reversionary costs +/- 10% | **(181)** | **180** | (179) | 179 |

A change in assumptions for the following variables may have a significant impact on the value of the portfolio dependant on the assumptions utilised, as there is significant judgement involved:

- highest and best use classification of each block within the portfolio;
- clearfall period of when trees harvested; and
- rate per hectare applied to each individual block based on individual characteristics of that block.

### *Freehold land*

A 1 per cent change in assumptions to the $ rate per ha applied will increase the value by $0.1 million (2019: $0.1 million), or decrease by $0.1 million (2019: $0.1 million). Based on current and prior valuations of the land a 1 per cent rate change is considered reasonable.

## (c) Policy

### *Freehold and plantation land*

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

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

### Other items of property, plant and equipment

Other items of property, plant and equipment are measured on a cost basis and are a separate asset class to land assets.

Where roading is capitalised on third party or leased blocks, it is classified as an other asset if it is expected to be utilised within 12 months or an item of property, plant and equipment (leasehold improvement) if it will be used for a period greater than 12 months.

### *Depreciation*

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

Roading which has been built on land owned by Midway is amortised on a straight-line basis over the period of one harvest. Roading which is built on third party properties is amortised using the unit production method at the earliest of the lease agreement with the supplier or the wood supply running out for a particular operation to which the roading relates.

## Section 2: Our Asset Base continued

### 2.2 Biological Assets

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Current** | | |
| Plantation hardwood at fair value | **1,483** | 2,408 |
| **Non-current** | | |
| Plantation hardwood at fair value | **40,838** | 44,204 |
| Plantation hardwood at fair value (new plantings) | **7,484** | 6,404 |
| | **49,805** | 53,016 |

### (a) Reconciliation of carrying amount

| | Biological assets $'000 |
|---|---|
| **At 1 July 2019** | 53,016 |
| Harvested timber | **(2,077)** |
| New plantings | **2,631** |
| 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 and prices | **(4,887)** |
| **Balance at 30 June 2020** | **49,805** |

### Policy

Biological assets at cost comprise new plantings and trees purchased from third parties.

Biological assets are classified as current if it is anticipated they will be harvested within 12 months from balance date.

The fair value net increase or decrease to the carrying value of the standing timber revaluation is recognised in the statement of profit or loss and other comprehensive income.

Biological assets are classified as level three on the fair value hierarchy. There were no transfers between level 1, 2 or 3 on the fair value hierarchy.

### New plantings

Fair value is unable to be reliably measured until year three; however, cost is considered to approximate fair value up until this point. Once the trees are three years old they are measured at fair value and remeasured each year after via an independent valuation if the carrying amount is significant.

Site preparation costs are capitalised into the cost of the asset. Where there are no plantings, these costs are expensed.

### (b) Key estimates and judgements – fair value (level three)

| Valuation Technique | Description of Valuation Technique | Significant Unobservable Inputs[1] | Inter-relationship Between Key Unobservable Inputs and Fair Value Measurement |
|---|---|---|---|
| Net present value approach | An independent market valuation is performed based on a net present value (NPV) calculation. NPV is calculated as the net of the future cash inflows and outflows associated with forest production activities discounted back to current values at the appropriate discount rate. Key assumptions underpinning the NPV calculation include:<br>• Forest valuations are based on the expected volumes of merchantable timber that will be realised from existing stands, given current management strategies and forecast timber recovery rates.<br>• Only the current crop (standing timber) is valued. The cash flow analysis is based on the optimised timing of the harvest of existing stands, which has been developed in the context of sustained yield management.<br>• Volume increments/decrements are determined both by periodic re-measurement of forest samples and by modelling growth from the date of the most recent measurement to date of harvest.<br>• Ancillary income earned from activities such as the leasing of land for grazing and other occupancy rights is added to the net harvest revenues. | • Estimated future timber market prices per tonne (weighed average USD/BDMT $192.7 2019: $202.4).<br>• Estimated yields per hectare (weighed average gmt/ha 246 2019: 248).<br>• Estimated harvest and transportation costs (weighted average $45.3/gmt 2019: $44.6/gmt).<br>• Risk-adjusted discount rate 8 per cent (2019: 8 per cent). | The estimated fair value would increase/(decrease) if the:<br>• estimated timber prices per tonne were higher/(lower);<br>• estimated yield per hectare or estimated timber projections were higher/(lower);<br>• estimated average direct and indirect costs were lower/(higher); and/or<br>• discount rate was lower/(higher).<br>The potential future impacts of COVID-19 remain uncertain and could impact the key estimates and judgements noted above. |

### (c) Sensitivity analysis

As at the balance date, the impact of a change of assumptions on the assets of the Group (all other things being equal) would have resulted in the following impacts on the fair value of biological assets:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Biological Assets** | **Increase $'000** | **Decrease $'000** | **Increase $'000** | **Decrease $'000** |
| Discount rate +/- 1% | **(1,838)** | **1,960** | (2,087) | 2,221 |
| Expected future sales prices +/- 10% | **12,700** | **(12,700)** | 12,320 | (12,320) |
| Expected future costs +/- 10% | **(7,500)** | **7,800** | (6,938) | 6,938 |
| Expected future changes in volume +/- 10% | **5,700** | **(5,700)** | 5,944 | (5,944) |

## Section 2: Our Asset Base continued

### 2.2 Biological Assets continued

#### (d) Strategy agreement[1]

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

The sale resulted in a gain of $615,713 being recognised in 2016 and trees being derecognised from the balance sheet.

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

- Midway Plantations Pty Ltd (Midway Plantations) and Strategy entered into a Sale Agreement on 5 February 2016 pursuant to which Midway Plantations sold substantially all of the Pinus radiata plantation trees (Softwood Trees) and Eucalyptus plantation trees (Eucalypt Trees) standing on Midway Plantations' freehold and leasehold land in Victoria (Strategy Trees). The sale of those trees was completed on 29 February 2016.
- Midway and Strategy entered into a Forest Management Agreement on 29 February 2016 pursuant to which Midway is contractually engaged to manage the Strategy Trees on behalf of Strategy on commercial terms.
- Midway Plantations and Strategy entered into a Stumpage Sale Agreement on 29 February 2016 pursuant to which Midway Plantations agrees to acquire back from Strategy the Eucalypt Trees. The agreement requires Midway Plantations to acquire the Eucalypt Trees by the end of specified five-year harvest windows in respect of those trees for a price that is determined in accordance with the agreement. The amount payable by Midway Plantations for each compartment of Eucalypt Trees repurchased under the agreement is based on a fixed quantity of timber which will be deemed to be derived from the compartment, regardless of the actual yield from or quantity of timber standing within the compartment when repurchased. The price per GMT of such fixed quantity payable by Midway Plantations is a price initially specified in the agreement as varied in accordance with a review mechanism which takes into account changes in the prevailing market FOB export pricing for E. globulus from the Port of Geelong and movements in the consumer price index.
- Midway Plantations and Strategy entered into a Softwood Harvest and Marketing Agreement on 29 February 2016 pursuant to which Midway Plantations is contractually engaged to provide various services on commercial terms to Strategy in relation to the harvesting, marketing and ultimate sale of the Softwood Trees.
- To facilitate the arrangements set out above, Midway Plantations granted to Strategy forestry rights registrable on title under the *Climate Change Act (Vic) 2010* (in respect of the freehold land owned by Midway Plantations on which the Strategy Trees stand) and a forestry licence agreement (in respect of the leasehold land on which the Strategy Trees stand). The documents, amongst other things, grant Strategy the right to access, maintain, manage, protect and harvest the Strategy Trees on the land.
- To secure the repurchase obligations of Midway Plantations under the Stumpage Sale Agreement, Midway Plantations has granted to Strategy a mortgage over its freehold land on which the Strategy Trees stand.

***Accounting impacts (AASB 15 adoption)***

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

Accordingly, from 1 July 2018 the biological assets (hardwood trees) have been recognised on the balance sheet as an asset at fair value, with subsequent changes in fair value each reporting period recognised in the profit and loss. The Strategy arrangement is treated as a financing arrangement, which results in the recognition of a financial liability, initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. This liability represents the estimated net present value of amounts payable under the contract for repurchase of the trees in accordance with the contractual harvest profile.

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

1. 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.

### Risk management strategy in relation to biological assets

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

## 2.3 Commitments

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| – not later than one year | **20,045** | 28,633 |
| – later than one year and not later than five years | **84,662** | 77,480 |
| – later than five years | **66,740** | 89,387 |
| | **171,447** | 195,500 |

1. Commitments are entered into by Midway Limited, parent entity.

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

## 2.4 Leases

### (a) Right of use assets

| Right of Use Assets by Category | Leased Freehold Land $'000 | Leased Building $'000 | Leased Property, Plant and Equipment $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2019 | 4,807 | 247 | 12,796 | 17,850 |
| Additions | 1,329 | 2 | 2,415 | 3,746 |
| Disposal | - | - | (486) | (486) |
| Depreciation | (1,620) | (172) | (4,777) | (6,659) |
| **Closing carrying amount** | 4,516 | 77 | 9,948 | 14,541 |

### (b) Profit and loss impacts

| | 2020 $'000 |
|---|---|
| **2020 – Leases under AASB 16** | |
| Interest on lease liabilities | **625** |
| Expenses relating to short-term leases | **94** |
| **2019 – Operating leases under AASB 117** | |
| Lease expense | 1,843 |

### (c) Amounts recognised in the Statement of Cash Flows

| | 2020 $'000 |
|---|---|
| Total cash outflows for leases | **6,675** |

## Section 2: Our Asset Base continued

### 2.4 Leases continued

#### Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

#### Policy

The Group recognises a right to use asset for a lease whereby there is right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date, a right to use asset is measured at cost and a corresponding lease liability is created to reflect the present value of the lease payments that are not paid at that date, discounted using the incremental borrowing rate specific to that lease.

The Group will not recognise a right to use asset for any short-term or insignificant leases.

### 2.5 Working Capital

| Working Capital | Section | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Cash and cash equivalents | | **11,049** | 15,518 |
| Inventories | a | **29,210** | 22,689 |
| Trade and other receivables | b | **3,564** | 22,752 |
| Trade and other payables | c | **(20,090)** | (27,282) |
| Provisions | | **(4,277)** | (4,008) |
| | | **19,456** | 29,669 |

#### (a) Inventories

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| At cost | | |
| Finished goods | **29,210** | 22,359 |
| Work in progress | **-** | 330 |
| | **29,210** | 22,689 |

#### Policy

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

COVID-19 impacted USD FOB sale prices for woodfibre during the period. At each balance date, the Group measures inventory to ensure it is held at the lower of cost and net realisable value. No write-downs occurred as a result of this test, albeit lower prices than the previous corresponding period were used.

#### Key estimates and judgements

Woodfibre is purchased in Green Metric Tonnes (GMTs), (fibre inclusive of moisture) and is sold in Bone Dry Metric Tonnes (BDMTs), being fibre exclusive of moisture. Cost is determined on an actual cost basis. Moisture content and production losses are applied to the GMT values. Factors vary depending on the timber species and variations in moisture content.

Volumetric chip stack surveys are used in determining inventory volumes at year end. Conversion from M3 to GMT ranges from 2.2 to 2.4 – the range depends upon factors such as timber species type and seasonal factors.

### (b) Trade and other receivables

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Trade debtors | 6,818 | 20,728 |
| Accrued income | 808 | - |
| GST receivable | 1,398 | 2,024 |
| | 9,024 | 22,752 |

### Policy

Trade and other receivables are measured at fair value and subsequently measured at amortised cost using the effective interest method.

### (c) Trade and other payables

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Unsecured liabilities** | | |
| Trade creditors | 8,556 | 11,080 |
| Sundry creditors and accruals | 11,534 | 16,202 |
| | 20,090 | 27,282 |

### Policy

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

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

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## 2.6 Intangible Assets

The reconciliation of the carrying amount is set out below:

| | Notes | Goodwill $'000 | Customer Contacts $'000 | Total $'000 |
|---|---|---|---|---|
| **Year ended 30 June 2019** | | | | |
| Opening net book amount | | 2,955 | 7,794 | 10,749 |
| Business acquired (note 1.6) | | - | 57 | 57 |
| Amortisation | | - | (1,565) | (1,565) |
| **Closing carrying amount** | | 2,955 | 6,286 | 9,241 |
| **Year ended 30 June 2020** | | | | |
| Opening net book amount | | 2,955 | 6,286 | 9,241 |
| Impairment loss on non-current assets | 1.7 | (984) | (5,532) | (6,516) |
| Amortisation | | - | (754) | (754) |
| **Closing carrying amount** | | 1,971 | - | 1,971 |

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. The customer contract intangible asset acquired is amortised over its useful life.

## Section 3: Funding Structures

The Group has a disciplined approach applying key principles in capital management and maximising shareholder returns. This includes:

- Forward cover taken out against the USD in accordance with the Group's hedging policy to safeguard against volatility and maximise profits (see section 3.2).
- Maintaining a gearing ratio which allows flexibility in the balance sheet (<0.32).

### 3.1 Net Debt

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Bank loans – current | 7,000 | 2,432 |
| Bank loans – non-current | 30,150 | 31,874 |
| Hire purchase liabilities – current | 3,006 | 3,990 |
| Hire purchase liabilities – non-current | 5,867 | 6,482 |
| Other finance arrangements | 215 | 215 |
| AASB 16 Lease liabilities | 4,240 | - |
| Cash and cash equivalents | (11,049) | (15,518) |
| | 39,429 | 29,475 |

#### i. Assets pledged as security

The Midway facilities are secured by the following:

- A fixed and floating charge granted by Midway Limited and Midway Plantations Pty Ltd.

A property mortgage over:

- the property situated at 150-190 Corio Quay Road, North Shore, VIC, granted by Midway Limited;
- the property situated at 10 The Esplanade, North Shore, VIC, granted by Midway Properties Pty Ltd; and the property situated at 1A The Esplanade, North Shore, VIC, granted by Midway Limited; and
- a number of plantation blocks in south-west Victoria.

#### ii. Refinancing

The following amounts represent the Group's outstanding liabilities with external financiers:

| Type | Utilised $'000 | Total $'000 | Maturity |
|---|---|---|---|
| Term debt | 29,175 | 29,175 | 30-Sep-22 |
| Working capital, asset finance (NAB) | 7,358 | 28,650 | 31-May-21 |
| Working capital (NAB) | - | 10,000 | 31-Dec-20 |
| Asset finance (ANZ) | 7,017 | 10,000 | 30-Sep-20 |
| Acquisition debt facility – tranche 2 | 2,475 | 2,525 | 30-Jun-22 |

The Group has the ability to enter into purchase arrangements under the asset finance facility until it expires on 31 May 2021 (NAB) and 30 September 20 (ANZ). Each outstanding finance arrangement will then be repaid within a five-year period.

#### Policy

Borrowings are initially recognised at fair value, net of transactions costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months following the reporting period.

### (a) Cash and cash equivalents

Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the related items in the Consolidated Balance Sheet as follows:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Cash on hand | 1 | 1 |
| Cash at bank | 11,048 | 15,517 |
| At call deposits with financial institutions | - | - |
| | 11,049 | 15,518 |
| **Reconciliation of cash flow from operations with profit after income tax** | | |
| Profit from ordinary activities after income tax | (11,733) | 26,158 |
| **Adjustments and non-cash items** | | |
| Depreciation and amortisation | 13,094 | 8,633 |
| Net (gain)/loss on disposal of property, plant and equipment | (426) | (62) |
| Sundry movements | 13 | 23 |
| Share of equity accounted investees profit | (2,764) | (6,841) |
| Fair value (increment)/decrement on revaluation of biological assets | 4,887 | (10,533) |
| Reversal of contingent consideration | - | (3,291) |
| Impairment of non-current assets | 8,582 | - |
| Non-cash interest expense | 3,921 | 7,122 |
| **Changes in operating assets and liabilities** | | |
| (Increase)/decrease in receivables | 13,910 | (847) |
| (Increase)/decrease in other assets | (182) | (1,232) |
| (Increase)/decrease in inventories | (6,521) | (13,143) |
| Increase in biological assets (net of revaluation increment/decrement) | 1,089 | 5,788 |
| Increase/(decrease) in payables | (7,192) | (1,493) |
| (Increase)/decrease in deferred taxes | (7,277) | 1,980 |
| Increase/(decrease) in tax provision | 1,456 | (2,520) |
| Increase/(decrease) in provisions | 245 | 192 |
| **Cash flows provided from operating activities** | 11,102 | 9,934 |

### Policy

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

### (b) Finance expense

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Interest expenses | 1,532 | 2,012 |
| Strategy finance expenses | 3,686 | 7,377 |
| Bank charges | 271 | 357 |
| Interest expense on lease liabilities | 625 | 165 |
| | 6,114 | 9,911 |

## Section 3: Funding Structures continued

### 3.1 Net Debt continued

#### (c) Reconciliation of liabilities arising from financing activities

| | Borrowings – Current $'000 | Borrowings – Non-current $'000 | Strategy Financial Liability Current $'000 | Strategy Financial Liability – Non-current $'000 |
|---|---|---|---|---|
| **Balance at 1 July 2019** | 6,637 | 38,356 | 434 | 40,210 |
| **Cash changes** | | | | |
| Proceeds from borrowings | 5,500 | - | - | - |
| Repayment of borrowings | (7,223) | (1,725) | (434) | (698) |
| **Total cash flows** | (1,723) | (1,725) | (434) | (698) |
| **Non-cash changes** | | | | |
| AASB 16 lease liabilities 1 July | 1,648 | 3,407 | - | - |
| Lease additions | 3,746 | - | - | - |
| Interest | 190 | - | - | 3,686 |
| Other | (58) | - | - | - |
| Transfer | 1,170 | (1,170) | 5,523 | (5,523) |
| **Balance at 30 June 2020** | 11,610 | 38,868 | 5,523 | 37,675 |

### 3.2 Financial Risk Management

#### Capital risk management

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

#### Risk management framework

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

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

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

The Board of Directors has overall responsibility for identifying and managing operational and financial risks.

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

(a) market risk;

(b) credit risk; and

(c) liquidity risk.

The Group holds the following financial instruments:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 11,049 | 15,518 |
| Receivables | 6,818 | 20,728 |
| Other receivables | 2,206 | 2,024 |
| Derivatives | 2,825 | - |
| | 22,898 | 38,270 |
| **Financial liabilities** | | |
| Bank and other loans | 37,365 | 34,521 |
| Creditors | 8,556 | 11,080 |
| AASB 16 lease liabilities | 4,240 | - |
| Finance lease liability | 8,873 | 10,472 |
| Other payables | 11,534 | 16,202 |
| Derivatives | - | 483 |
| | 70,568 | 72,758 |

## (a) Market risk

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

### i. Currency risk

The Group has an Australian Dollar (AUD) presentation currency, which is also the functional currency of its Australian entities. The Group is exposed to currency risk as below:

| What is the risk? | How does Midway manage the risk? | Impact at 30 June 2020 |
|---|---|---|
| If transactions are denominated in currencies other than AUD. There is a risk of an unfavourable financial impact if there is an adverse movement in foreign currency.<br><br>Export sales are denominated in US Dollars (USD), with one of the Group's bank accounts being in USD. | The Group mitigates currency risk by entering into forward exchange/swap contracts and fX options to sell specified amounts of USD usually within 12 months at stipulated exchange rates in accordance with the Group's hedging policy. The objective in entering the contracts is to protect the Group against unfavourable exchange rate movements for contracted and anticipated future sales undertaken in USD. | At balance date the notional amount of outstanding forward exchange contracts was $45.3 million (2019: $75.6 million), and AUD options was $88.3 million (2019: $31.2 million).<br><br>Sensitivity analysis has been performed below. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

## Section 3: Funding Structures continued

### 3.2 Financial Risk Management continued

#### Policy

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

At the inception of each hedging transaction, the Group documents the relationship between the hedging instruments and hedged items, its risk management objective and its strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair value or cash flows of hedged items. The Group determines the existence of an economic relationship between the hedging instrument and hedge items based on the currency and amount of timing of their respective cash flows.

The Group designates the spot element of forward exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1.

The effective portion of changes in the fair value of the derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. The Group does not speculate in the trading of derivative instruments.

In these hedge relationships the main sources of ineffectiveness are:

- the effect of the counterparties and the Groups own credit risk on the fair value of the forward exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in timing of the hedged transactions.

All exchange differences arising on settlement or revaluation are recognised as income or expenses for the financial year.

| | 2020 USD $'000 | 2019 USD $'000 |
|---|---|---|
| Cash | **502** | 323 |
| Trade receivables | **91** | 1,987 |

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

#### Sensitivity

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

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **USD Movement Impact [+/- 10%]** | **Increase $'000** | **Decrease $'000** | **Increase $'000** | **Decrease $'000** |
| Impact on profit after tax | **(47)** | **51** | (203) | 237 |
| Impact on equity | **665** | **804** | 8,764 | (11,605) |

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

### ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

| What is the risk? | How does Midway manage the risk? | Impact at 30 June 2020 |
|---|---|---|
| The Group has variable interest rate debt, and therefore if interest rates increase, the amount of interest the Group is required to pay will also increase. | Monitoring of announcements from the central banking authority and other sources which may impact movements in the variable rate.<br><br>Effective interest rate monitored by Audit and Risk Management Committee.<br><br>No swaps are currently taken out. | If interest rates were to increase/ decrease by 100 basis points from rates applicable at the reporting date, assuming all other variables that might impact on fair value remain constant, the impact on profit for the year and equity is not significant. |

The Group's exposure to interest rate risk in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

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

| 2020 | Interest Bearing $'000 | Non-interest Bearing $'000 | Total Carrying Amount $'000 | Weighted Average Effective Interest Rate | |
|---|---|---|---|---|---|
| *Financial assets* | | | | | |
| Cash | 11,048 | 1 | 11,049 | 0.00% | Floating |
| Trade receivables | - | 6,818 | 6,818 | | |
| Other receivables | - | 2,206 | 2,206 | | |
| Derivatives | - | 2,825 | 2,825 | | |
| | 11,048 | 11,850 | 22,898 | | |
| *Financial liabilities* | | | | | |
| Bank and other loans | 37,150 | 215 | 37,365 | 2.51% | Floating |
| Creditors | - | 8,556 | 8,556 | | |
| AASB 16 lease liability | 4,240 | - | 4,240 | | |
| Finance lease liability | 8,873 | - | 8,873 | 3.91% | Fixed |
| Sundry creditors and accruals | - | 11,534 | 11,534 | | |
| | 50,263 | 20,305 | 70,568 | | |

## (b) Credit risk

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

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

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

## Section 3: Funding Structures continued

### 3.2 Financial Risk Management continued

| What is the risk? | How does Midway manage the risk? | Impact at 30 June 2020 |
|---|---|---|
| The Group has significant exposure to export customers in China, as they represent a significant portion of the Group's annual sales. | Letters of credit with reputable financial institutions are used to mitigate credit risk with all Chinese customers which comprises the majority of the Group's annual woodfibre sales.<br><br>The balance of woodfibre sales are made to long-standing Japanese customers with the short trading terms applicable to these customers, being payment within seven business days of invoicing. | As at 30 June 2020 there are only receivables for two vessel outstanding, of which the cash was subsequently collected within 10 days as expected.<br><br>Based on management's assessment of its exposure, the Group has low credit risk. |
| As a result of the Plantation Management Partners acquisition and subsequent operational restructure, the Group is exposed to credit risk on plantation management activities in addition to the sale of woodfibre to customers in China. | The Group produces and markets woodfibre on the Tiwi Islands on behalf of the wood owners. Receiving outstanding receivables is contingent on the Group performing its obligations successfully in terms of producing and marketing woodfibre. This limits the Group's credit risk on the receivables given receipt of the debt is linked to the Groups performance (within Group's control). | $4.7 million is outstanding over 90 days relating to trade receivables from the wood owners, in addition to a $2.2 million non-current loan receivable.<br><br>Given the impacts of COVID-19 and adverse market conditions, it is not expected to recover the receivables for at least 12 months and as such the trade debtor has been reclassified to non-current. The Group is expecting to be able to market woodfibre from the Tiwi Islands once the market recovers and therefore no expected credit loss provision has been recorded, as the Group will be able to recover it directly from the proceeds of woodfibre sales, of which the group is responsible for marketing the wood. |

As at 30 June 2020, the ageing of trade and other receivables that were not impaired was as follows:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Neither past due nor impaired | **3,362** | 17,747 |
| Past due 1–30 days | **721** | 164 |
| Past due 31–60 days | **150** | 64 |
| Past due 61–90 days | **83** | 164 |
| Over 90 days | **4,708**[1] | 4,613[1] |
| | **9,024** | 22,752 |

1. Relates to receivables from a key customer of Plantation Management Partners. $5.5 million in trade receivables from the customer were transferred to non-current as at 30 June 2020.

#### (c) Liquidity risk

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

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

#### Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial assets and liabilities and management's expectation for settlement of undiscounted maturities.

| 2020 | < 6 Months $'000 | 6-12 Months $'000 | 1-5 Years $'000 | > 5 Years $'000 | Total Contractual Cash Flows $'000 | Carrying Amount $'000 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 11,049 | - | - | - | 11,049 | 11,049 |
| Loan receivables | 256 | 256 | 3,471 | 324 | 4,307 | 3,129 |
| Receivables | 3,564 | - | 5,460 | - | 9,024 | 9,024 |
| Derivatives | 2,825 | - | - | - | 2,825 | 2,825 |
| Payables | (20,090) | - | - | - | (20,090) | (20,090) |
| Strategy financial liability | (3,005) | (3,005) | (42,095) | (37,426) | (85,531) | (43,198) |
| Finance lease | (2,573) | (2,244) | (8,233) | (1,153) | (14,203) | (13,113) |
| Borrowings | (1,591) | (6,765) | (30,885) | - | (39,241) | (37,365) |
| Net maturities | (9,565) | (11,758) | (72,282) | (38,255) | (131,860) | (87,739) |
| **2019** | | | | | | |
| Cash and cash equivalents | 15,518 | - | - | - | 15,518 | 15,518 |
| Loan receivables | 265 | 265 | 3,445 | 366 | 4,341 | 3,200 |
| Receivables | 22,752 | - | - | - | 22,752 | 22,752 |
| Derivatives | (483) | - | - | - | (483) | (483) |
| Payables | (27,282) | - | - | - | (27,282) | (27,282) |
| Strategy financial liability | (237) | (237) | (40,877) | (47,115) | (88,466) | (40,644) |
| Finance lease | (2,757) | (1,556) | (6,773) | - | (11,086) | (10,472) |
| Borrowings | (2,167) | (1,023) | (32,393) | - | (35,583) | (34,521) |
| Net maturities | 5,609 | (2,551) | (76,598) | (46,749) | (120,289) | (71,932) |

## 3.3 Contributed Equity

### (a) Ordinary share capital

| | Number of Shares | | Company | |
|---|---|---|---|---|
| Share Capital | 2020 | 2019 | 2020 $'000 | 2019 $'000 |
| *Ordinary shares* | | | | |
| Opening balance – 1 July | 87,271,222 | 74,901,933 | 64,791 | 29,045 |
| Performance rights vested | 65,000 | 82,000 | 97 | 212 |
| Issued during the year | - | 12,287,289 | - | 36,862 |
| Capital raising costs incurred net of recognised tax benefit | - | - | - | (1,328) |
| Closing balance 30 June 2020 | 87,336,222 | 87,271,222 | 64,888 | 64,791 |

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

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

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

Proceeds of the placement and SPP (collectively the capital raising) was used to partially fund the PMP restructure, fund the acquisition and investment of Softwood Logging Services (now Midway Logistics) and fund the investment of 40 per cent ownership in Bio Growth Partners.

## Section 3: Funding structures continued

### 3.3 Contributed Equity continued

#### (b) Reserves

| Reserves | 2020 $'000 | 2019 $'000 |
|---|---|---|
| *Movements:* | | |
| *Cash flow hedge reserve*[1] | | |
| Opening balance | (387) | (372) |
| Cash flow hedges – *effective portion* | 3,377 | (21) |
| Deferred tax | (1,013) | 6 |
| **Balance 30 June** | 1,977 | (387) |
| *Share-based payments reserve*[2] | | |
| Opening balance | 99 | 225 |
| Share rights granted | 10 | 86 |
| Share rights issued/vested | (97) | (212) |
| **Balance 30 June** | 12 | 99 |
| *Asset revaluation reserve*[3] | | |
| Opening balance | 32,424 | 32,429 |
| Revaluation of land | 7,025 | (7) |
| Asset disposals | (604) | - |
| Deferred tax | (1,926) | 2 |
| **Balance 30 June** | 36,919 | 32,424 |
| *Profit reserve*[4] | | |
| Opening balance | 42,569 | 34,697 |
| Adjustment on adoption of AASB 15 | - | (3,319) |
| Adjustment on adoption of AASB 16 | 166 | - |
| Restated opening balance | 42,735 | 31,378 |
| Transfers of current year profits | - | 25,787 |
| Dividends paid | (7,860) | (14,596) |
| **Balance 30 June** | 34,875 | 42,569 |
| *Foreign currency translation reserve* | | |
| Opening balance | 5 | 4 |
| Foreign currency translation differences | 5 | 1 |
| **Balance 30 June** | 10 | 5 |

**1. Cash flow hedge reserve**

The hedging reserve is used to record the effective portion of gains and losses on cash flow hedges that are recognised in other comprehensive income as described in section 3.2. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

**2. Share-based payment reserve**

The shared based payment reserve is used to recognise the expense over the vesting period.

**3. Asset revaluation reserve**

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

**4. Profit reserve**

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

## Section 4: Other Disclosures

This section includes additional financial information that is required by the accounting standards and the *Corporations Act 2001*.

### 4.1 Subsidiaries

| | Ownership Interest Held by the Company | | Ownership Interest Held by NCI | |
|---|---|---|---|---|
| | 2020 % | 2019 % | 2020 % | 2019 % |
| 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[2] | 100 | 100 | - | - |
| Midway Logistics Unit Trust[2] | 100 | 100 | | |

1. 50 per cent held in trust by an independent party; however, all risks and benefits of ownership of the share are held by the Group.
2. Acquired on 15 October 2018, previously known as 'Softwood Logging Services Pty Ltd' and 'SLS Unit Trust'.

#### Policy

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

### 4.2 Interest in Joint Ventures

#### (a) Carrying amount

| | | Ownership Interest | | Carrying Amount | |
|---|---|---|---|---|---|
| | Nature of Relationship | 2020 % | 2019 % | 2020 $'000 | 2019 $'000 |
| South West Fibre Pty Ltd | Ordinary shares | 51 | 51 | 11,481 | 11,307 |
| Bio Growth Partners (BGP) | Ordinary shares | 40 | 40 | 2,260 | 2,206 |
| ADDCO[1] | Ordinary shares | 25 | 25 | - | 1,727 |
| Plantation Export Group (PEG) | Ordinary shares | 50 | 33 | 75 | 54 |
| | | | | 13,816 | 15,294 |

1. ADDCO entered into liquidation during the period.

#### Policy

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

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

## Section 4: Other Disclosures continued

### 4.2 Interest in Joint Ventures continued

#### Key estimates and judgements

##### 1. South West Fibre Pty Ltd

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

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

### (b) South West Fibre Pty Ltd financial information

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Cash and cash equivalents | 10,585 | 17,321 |
| Other current assets | 8,245 | 16,035 |
| Total current assets | 18,830 | 33,356 |
| Property, plant and equipment | 21,515 | 12,476 |
| Total non-current assets | 21,515 | 12,476 |
| Total current liabilities | (8,047) | (23,211) |
| Total non-current liabilities | (9,786) | (450) |
| **Net assets** | 22,512 | 22,171 |
| Revenue | 125,636 | 206,077 |
| Interest income | 24 | 123 |
| Depreciation and amortisation | (4,567) | (2,859) |
| Income tax expense | (2,273) | (6,259) |
| **Total comprehensive income** | 5,291 | 14,599 |
| **Reconciliation to carrying amount of interest in joint venture:** | | |
| Opening net assets | 22,171 | 24,559 |
| Add: Current year profit | 5,291 | 14,559 |
| Less: Dividends paid | 5,000 | (17,000) |
| Hedge revaluation reserve | 50 | 53 |
| Closing net assets | 22,512 | 22,171 |
| Company's 51% share of net assets | 11,481 | 11,307 |
| **Carrying amount of investment** | 11,481 | 11,307 |

## 4.3 Midway Limited – Parent Entity

| Summarised Balance Sheet | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Assets** | | |
| Current assets | 85,372 | 84,681 |
| Non-current assets | 80,153 | 83,117 |
| **Total assets** | 165,525 | 167,798 |
| | | |
| **Liabilities** | | |
| Current liabilities | 24,527 | 24,940 |
| Non-current liabilities | 27,465 | 31,765 |
| **Total liabilities** | 51,992 | 56,705 |
| **Net assets** | 113,533 | 111,093 |
| | | |
| **Equity** | | |
| Share capital | 64,888 | 64,791 |
| Retained earnings | 1,614 | 1,614 |
| Reserves | 47,031 | 44,688 |
| **Total equity** | 113,533 | 111,093 |

| Summarised Statement of Profit or Loss and Other Comprehensive Income | | |
|---|---|---|
| Profit for the year after income tax | 8,029 | 32,345 |
| **Total comprehensive income** | 5,769 | 32,257 |

## 4.4 Share-based Payments

The Board has established a Long Term Incentive Plan (LTIP) under which Directors and employees of Midway may be invited by the Board to participate. The awards which may be issued under the LTIP include:

- Shares;
- Options; and
- Performance rights.

Currently the following share-based payment arrangements are in effect under the LTIP:

### (a) Long-term incentive rights (equity settled)

In FY20, the Board granted the Chief Executive Officer and members of the Senior Executive Team 199,003 performance rights, subject to vesting conditions (see below). Following satisfaction of the vesting conditions the rights will automatically vest and the underlying shares will be issued. The performance period is until 30 June 2022.

The rights were issued in two tranches, the first being on 15 November 2019 (73,197 shares) and second 6 March 2020 (125,806 shares).

## Section 4: Other Disclosures continued

### 4.4 Share-based Payments continued

#### (a) Long-term incentive rights (equity settled) continued

Inputs utilised in the assessment include:

| Assumption | | Vesting Conditions |
|---|---|---|
| **Tranche 1** | | |
| No. of shares | 73,197 | |
| Fair value at grant date[1] | $0.41 | |
| Share price | $1.95 | |
| Risk free rate | 0.76% | |
| Dividend yield | 5.4% | |
| Volatility | 35.0% | |
| Initial TSR | -41.5% | |
| **Tranche 2** | | |
| No. of shares | 125,806 | |
| Fair value at grant date[1] | $0.17 | |
| Share price | $1.41 | |
| Risk free rate | 0.38% | |
| Dividend yield | 5.4% | |
| Volatility | 37.0% | |
| Initial TSR | -57.7% | |

Vesting Conditions:

- Participant must maintain continuous employment over the performance period.
- The percentage of performance rights that will vest at the end of the performance period will depend on Midway's TSR over the performance period, relative to a comparator group of companies in the S&P/ASX 300 Index.

1. The fair value at grant date was derived using the Monte Carlo Simulation model which incorporates the total shareholder return (TSR) performance conditions.

The Group recorded a share-based payments expense of $0.01 million in 2020 (2019: $0.1 million).

### 4.5 Related Parties

KMP of the Group represent the Directors, CEO and CFO in line with their ability to influence strategy and decision making.

#### (a) Remuneration of Key Management Personnel

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Short-term employee benefits | **1,643** | 1,726 |
| Post-employment benefits | **133** | 114 |
| Share-based payments | **8** | 74 |
| Other long-term incentives | **29** | 23 |
| Total KMP remuneration expense | **1,813** | 1,938 |

Transactions between related parties are on normal commercial terms no more favourable than those available to other parties unless otherwise stated. An accrual for Directors' fees was recorded for eight days to year end to 30 June 2020.

The aggregate shareholdings of KMP at 30 June 2020 are 12,898,491 (2019: 12,679,334).

### (b) Transactions with South West Fibre Pty Ltd

| Nature | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Operator fee income | **1,911** | 3,091 |
| Reimbursement of costs | **1,302** | 300 |
| Dividends received | **2,550** | 8,670 |
| Sale of wood products (at cost) | **12,962** | 11,614 |
| | **18,725** | 23,675 |

The outstanding payable balance from South West Fibre Pty Ltd at 30 June 2020 is $0.4 million (2019: $0.2 million receivable).

### (c) Transactions with ADDCO Fibre Group Limited

| Nature | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Loan provided to ADDCO | **-** | 164 |
| Harvesting service received | **2,075** | 3,292 |
| Logging service received | **-** | 2,015 |
| | **2,075** | 5,471 |

The outstanding receivable balance from ADDCO Fibre Group Ltd at 30 June 2020 is $0 (2019: $161k).

### (d) Transactions with Bio Growth Partners

| Nature | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Production and cartage income | **2,585** | 1,660 |
| Equipment hire | **200** | 108 |
| | **3,785** | 1,768 |

The outstanding receivable balance from Bio Growth Partners at 30 June 2020 is $534k (2019: $236k) and loan payable $215k (2019: $215k).

## 4.6 Contingent Liabilities

### (a) Outstanding matters

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.

### (b) Bank guarantees

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Consolidated group** | | |
| Limit | **5,200** | 5,200 |
| Amount utilised | **3,321** | 2,248 |
| **Parent entity** | | |
| Limit | **4,250** | 4,250 |
| Amount utilised | **3,096** | 2,023 |

## Section 4: Other Disclosures continued

### 4.7 Remuneration of Auditors

| KPMG Australia | 2020 $ | 2019 $ |
|---|---|---|
| Audit and assurance services | | |
| – Statutory audit fees | **242,819** | 233,807 |
| | | |
| Other services | | |
| – Non-assurance services – other advisory services | **8,000** | 9,225 |
| – Agreed upon procedures | **-** | 20,500 |

### 4.8 Other Income

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Plantation management fees | **455** | 487 |
| SWF operating fee | **1,911** | 3,091 |
| Reversal of contingent consideration | **-** | 3,291 |
| Third party chip tolling | **2,269** | - |
| JobKeeper | **1,037** | - |
| Other | **1,852** | 2,214 |
| | **7,524** | 9,082 |

### Policy

#### *Dividend income*

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

#### *Other income*

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

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

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

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

### 4.9 Deed of Cross Guarantee

The parent entity, Midway Limited, and certain subsidiaries (Midway Plantations Pty Ltd, Resource Management Partners Pty Ltd, Plantation Management Partners Pty Ltd, Midway Tasmania Pty Ltd and Midway Properties Pty Ltd) are subject to a Deed of Cross Guarantee (Deed) under which each company guarantees the debts of the others.

By entering into the Deed, the wholly owned subsidiaries have been relieved from the requirement to prepare a Financial Report and Directors' Report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

A summarised consolidated statement of comprehensive income, retained earnings reconciliation and a consolidated balance sheet, comprising the Company and those controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2020 are set out below:

| Summarised Consolidated Statement of Comprehensive Income | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Sales revenue | 208,636 | 243,028 |
| Other income | 7,064 | 12,017 |
| | 215,700 | 255,045 |
| | | |
| Expenses | (235,936) | (227,794) |
| Share of net profits from equity accounted investments | 2,764 | 6,841 |
| **Profit before income tax expense** | (17,472) | 34,092 |
| Income tax expense | 6,183 | (6,299) |
| **Profit for the period** | (11,289) | 27,793 |
| Other comprehensive income for the period | 6,859 | (5) |
| **Total comprehensive income for the period** | (4,430) | 27,788 |
| | | |
| **Retained earnings at the beginning of the financial year** | 1,614 | 1,614 |
| Profit/(Loss) for the year | (11,289) | 27,793 |
| Transfers to/(from) reserves | - | (27,793) |
| **Retained profits at the end of the financial year** | (9,675) | 1,614 |

## Section 4: Other Disclosures continued

### 4.9 Deed of Cross Guarantee continued

| Consolidated Balance Sheet | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 8,740 | 13,176 |
| Receivables | 1,949 | 21,224 |
| Inventories | 23,505 | 16,082 |
| Biological assets | 1,483 | 2,408 |
| Other assets | 12,009 | 9,899 |
| Derivative assets | 2,825 | - |
| Current tax receivable | 940 | 2,141 |
| **Total current assets** | 51,451 | 64,930 |
| **Non-current assets** | | |
| Biological assets | 48,322 | 50,608 |
| Other receivables | 5,460 | - |
| Investments | 21,591 | 23,069 |
| Intangible assets | - | 7,213 |
| Property, plant and equipment | 125,621 | 120,201 |
| Loan receivables – NC | 3,129 | 3,200 |
| **Total non-current assets** | 204,123 | 204,292 |
| **Total assets** | 255,574 | 269,221 |
| **Current liabilities** | | |
| Trade and other payables | 21,347 | 23,803 |
| Borrowings | 10,247 | 6,422 |
| Provisions | 3,793 | 3,724 |
| Current tax liabilities | 5,523 | 434 |
| Derivative financial liability | - | 368 |
| **Total current liabilities** | 40,910 | 34,751 |
| **Non-current liabilities** | | |
| Borrowings | 37,749 | 38,357 |
| Provisions | 102 | 127 |
| Deferred tax liabilities | 11,460 | 15,339 |
| Other financial liabilities | 37,675 | 40,210 |
| **Total non-current liabilities** | 86,986 | 94,033 |
| **Total liabilities** | 127,896 | 128,784 |
| **Net assets** | 127,678 | 140,438 |
| **Contributed equity** | | |
| Share capital | 64,888 | 64,791 |
| Reserves | 72,465 | 74,033 |
| Retained earnings | (9,675) | 1,614 |
| **Total equity** | 127,678 | 140,438 |

## 4.10 Subsequent Events

There have been no other matters or circumstances, which have arisen since 30 June 2020 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2020, of the Group; or

(b) the results of those operations; or

(c) the state of affairs, in financial years subsequent to 30 June 2020 of the Group.

## 4.11 Basis of Preparation

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

The Financial Report was approved by the Board of Directors as at the date of the Directors' Report.

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

Unless explicitly highlighted in the Financial Report, cost approximates fair value for the carrying amounts of assets and liabilities held on the balance sheet.

### Compliance with IFRS

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

### Historical cost convention

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

### Significant accounting estimates and judgements

The preparation of the Financial Report requires the use of certain estimates and judgements in applying the Company's accounting policies. Those estimates and judgements significant to the Financial Report are disclosed throughout the Financial Report.

### Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures. Accounting policies for subsidiaries are consistently applied. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

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

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

### Functional and presentation currency

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

## Section 4: Other Disclosures continued

### 4.11 Basis of Preparation continued

#### Transactions and balances

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

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

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

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

#### Impairment of non-financial assets

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

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

Assets other than goodwill are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value-in-use.

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

#### 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.
- 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 $5.1 million;
- new right of use assets (included in property, plant and equipment) of $5.1 million; and
- opening adjustment to equity (included in reserves) $0.2 million.

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 per cent.

Midway Group has assessed the estimated pre-tax impact of AASB 16 on the statement of comprehensive income for the year ended 30 June 2020 as:

- increase in depreciation expense of $0.8 million;
- increase in interest expense of $0.1 million; and
- reduction in other operating expenses of $0.9 million.

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

## New Standards not yet effective

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

# DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 40 to 81 are in accordance with the *Corporations Act 2001* including;

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

   (b) as stated in Section 4.11, the consolidated financial statements also comply with International Financial Reporting Standards; and

   give a true and fair view of the financial position of the Company and the Group as at 30 June 2020 and its performance for the year ended on that date.

2. There are reasonable grounds to believe that the Company and the group entities identified in Note 4.9 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by S 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.

**G H McCormack**
Chairman

27 August 2020

# Independent Auditor's Report

## To the shareholders of Midway Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the ***Financial Report*** of Midway Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- *Consolidated Balance Sheet* as at 30 June 2020;
- *Consolidated Statement of Comprehensive Income*, *Consolidated Statement of Changes in Equity*, and *Consolidated Statement of Cash Flows* for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of Midway Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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**Key Audit Matters**

The ***Key Audit Matters*** we identified are:

- Valuation of Land;
- Valuation of Biological assets; and
- Recoverability of PMP intangibles and non-current receivables.

***Key Audit Matters*** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| **Valuation of Land** | |
|---|---|
| Refer to Note 2.1 Property, plant and equipment ($99.1m) | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| The Group's property assets are predominantly forestry plantation land which is measured at fair value. This was a key audit matter given the size of the balance (being 38% of total assets) and due to the complexity and judgment involved in determining fair value.<br><br>Management engaged an independent expert to perform a valuation of the unencumbered market value of the Group's land assets. Where appropriate, management adjust this valuation using a discounted cashflow model to determine the encumbered land valuation as at balance date.<br><br>Determining the fair value of land assets therefore involves significant estimation and judgment, including assessments of:<br><br>• General market conditions and expected future market volatility and fluctuation;<br><br>• The highest and best use of the land;<br><br>• Comparability of the Group's land to available market evidence including sales of forestry and non-forestry land;<br><br>• The physical condition of the land and amount of any reversionary costs to be incurred post-harvest in order to revert | Working with our valuation specialists, our procedures included:<br><br>• vouching land purchases during the period to underlying source documentation;<br><br>• reading the independent expert's report and making inquiries of management and the independent expert in order to assess our ability to rely on the unencumbered land valuation, including an assessment of the expert's independence, objectivity, competence and scope of work;<br><br>• performing a sensitivity analysis of the key assumptions in the Group's discounted cash flow model, including growth rates, discount rates, harvest profiles and reversionary costs to focus our work on the more sensitive assumptions;<br><br>• checking the consistency of key assumptions used in the model such as highest and best use, growth rates, discount rates, harvest profiles and reversionary costs to those determined by the independent expert and other information used by the Group including the biological assets valuations;<br><br>• using our industry knowledge and experience to assess the reasonableness of data and assumptions in the independent valuation and management's discounted cashflow model. This included comparing a sample of data to underlying supporting information and observable market transactions;<br><br>• We considered the appropriateness of the discounted |

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| | |
|---|---|
| the land to its assessed highest and best use; and<br>• Appropriate growth rates, discount rates and harvest profiles.<br>We spent considerable time and effort assessing the independent expert's work and the Group's discounted cashflow model. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter. | cashflow methodology applied by the Group to determine the encumbered valuation and the integrity of the model, including the accuracy of the underlying calculations;<br>• recalculating the change in fair value of the land and agreeing it to the revaluation reserve; and<br>• assessing the disclosure in the financial report using our understanding of the issue obtained from our testing against the requirements of the accounting standards. |

| **Valuation of biological Assets** | |
|---|---|
| Refer to Note 2.2 Biological assets ($49.8m) | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| Biological assets consist of unharvested plantation trees and are recorded at their fair value.<br>This was a key audit matter given the size of the balance (19.1% of total assets) and judgment required by us in considering the complexities and assumptions adopted by the Group in the valuation model for the biological assets.<br>Management engaged an independent expert to perform an assessment of the fair value of the Group's biological assets.<br>Determining the fair value of biological assets therefore involves significant estimation and judgment, including:<br>• assessments of expected yields and volumes (biological advancement), and harvest periods,<br>• discount rates, forecast production and harvesting costs; and<br>• expectations of future market pricing for woodfibre, taking into account fluctuations in demand and supply and the impact of foreign exchange rates given sales prices are generally denominated in USD, and the discount rate applied; | Working with our valuation specialists, our audit procedures included:<br>• assessing the design and implementation of key management controls over the preparation and review of inputs and outputs of the biological asset valuations;<br>• reading the independent expert's report on the fair value of biological assets and making inquiries of management and the independent expert to inform our understanding. We also assessed the expert's independence, objectivity competence and scope and the appropriateness of the methodology applied by the independent expert against accounting standard requirements;<br>• evaluating management's sensitivity analysis in respect of key assumptions, including the identification of areas of estimation uncertainty and reasonably possible changes in key assumptions;<br>• using our industry knowledge and experience to assess the reasonableness of inputs and assumptions in the valuation; including yield tables, harvest periods, production and harvest costs, woodfibre prices and the discount rate. We compared these variables to internal source documentation, market data (where available), historical trends and performance and other information used by the Group including the land valuations; |

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| | |
|---|---|
| We spent considerable time and effort assessing the independent expert's work and underlying valuation model inputs. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter. | • recalculating the change in fair value of biological assets and agreeing it to the net fair value increment recognised in profit and loss; and<br>• assessing the disclosure in the financial report using our understanding of the issue obtained from our testing against the requirements of the accounting standards. |

| **Recoverability of PMP intangibles and non-current receivables** | |
|---|---|
| Note 1.7 Impairment of non financial assets ($6.5m)<br>Note 3.2(b) Financial Risk Management – credit risk ($7.7m) | |
| **The key audit matter** | **How the matter was addressed in our audit** |
| We identified the recoverability of PMP intangibles and non-current receivables as a key audit matter. This was due to the complex auditor judgement and specialised skills needed to evaluate key inputs and assumptions in the Group's forecast cashflow model used for determining the recoverable amount of the PMP Cash Generating Unit (CGU) and non-current receivables.<br>The cash flow forecasts use forward looking assumptions which are inherently difficult to determine with precision and require judgement to be applied by the Group. Key inputs into these forward looking estimates include:<br>• Future woodfibre prices and volumes;<br>• Discount rates;<br>• Expected harvest period and the likelihood of future treecrop rotations; and<br>• Future capital and operating expenditures.<br>In addition, the collectability of $7.7m non-current receivables is contingent on the | Our audit procedures included:<br>• Testing internal controls in the Group's impairment assessment process. This included the determination, review and approval by the Group of indicators of impairment and key impairment model inputs;<br>• Considering the appropriateness of the CGU designation applied by the Group and the allocation of corporate assets to CGUs against accounting standard requirements;<br>• Assessing the consistency of key assumptions used in the Group's impairment assessment with those used in the biological asset and land valuations;<br>• Evaluating key inputs used in the Group's impairment model for the PMP CGU by:<br>  • Evaluating future woodfibre prices by comparing to published commodity prices and research reports from external parties, and considering historical experience and trends experienced by the PMP CGU and elsewhere in the Group;<br>  • Comparing forecast sale volumes, expected harvest periods and the likelihood of future treecrop rotations, and future capital and operating expenditures to the board approved plans and long term budgets;<br>  • Considering the sensitivity of the model by varying key assumptions, such as future woodfibre prices and volumes, discount rates and harvest periods |

| | |
|---|---|
| group producing and marketing woodfibre from the PMP CGU.<br><br>The Group determined there was an impairment indicator and recognised an impairment expense of $6.5m for PMP.<br><br>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter. | and the likelihood of future treecrop rotations and future operating expenditures.<br><br>• Working with our valuation specialists, we:<br>  • Independently developed a discount rate range for the CGU considering publicly available risk free rates and data of a group of comparable entities;<br>  • Assessed the integrity of the value in use model, including the accuracy of the underlying calculation formulas and calculation methodology against the requirements of the accounting standards;<br>  • Recalculating the impairment charge for PMP against the recorded amount disclosed;<br><br>• using our understanding obtained from our testing to assess the reasonableness of management's recoverability assessment of receivables due from wood owners; and<br><br>• assessing the appropriateness of the Group's disclosures in the financial report using our understanding obtained from our testing and against accounting standard requirements. |

## Other Information

Other Information is financial and non-financial information in Midway Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Audit's Report was the *Director's report including the Operating and Financial Review* and the *Remuneration Report*. The *Letter from the Chairman*, *Managing Director's Review*, *Midway Operational Review*, *Sustainability Report, Shareholder Information* and *Corporate Directory* are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

**Responsibilities of the Directors for the Financial Report**

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Report**

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Midway Limited for the year ended 30 June 2020, complies with *Section 300A of the Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Vicky Carlson

*Partner*

Melbourne

27 August 2020

# ADDITIONAL SHAREHOLDER INFORMATION
FOR THE YEAR ENDED 30 JUNE 2020

## Additional Securities Exchange information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 31 August 2020 (**Reporting Date**).

## Corporate Governance Statement

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Third Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement that sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website (https://www.midwaylimited.com.au/investor-center/), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by the Company, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on its website, https://www.midwaylimited.com.au/investor-center/.

## Substantial shareholders

The substantial holders in the Company as at the Reporting Date were:

| Substantial holders | Number of shares held | % of total issued share capital |
|---|---:|---:|
| Chebmont Pty Ltd | 20,798,294 | 23.81 |
| Gregory McCormack and McCormack Timbers | 9,604,599 | 11.00 |
| Regal Funds Management Pty Ltd | 7,007,672 | 8.02 |
| E.T and E.W Murnane Pty Ltd | 4,688,526 | 5.37 |

## Voting rights

At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands, and on a poll one vote for each ordinary share held.

The performance rights, which are unquoted, have no voting rights.

## Distribution of holders of equity securities

The distribution of holders of equity securities on issue in the Company as at the Reporting Date is as follows:

### Distribution of ordinary shareholders

| Holdings ranges | Number of holders | Total ordinary shares | % |
|---|---|---|---|
| 1 to 1,000 | 306 | 151,912 | 0.17 |
| 1,001 to 5,000 | 532 | 1,584,760 | 1.81 |
| 5,001 to 10,000 | 351 | 2,713,752 | 3.11 |
| 10,001 to 100,000 | 466 | 12,529,403 | 14.35 |
| 100,001 and over | 65 | 70,356,395 | 80.56 |
| **Total** | **1,720** | **87,336,222** | **100.00** |

## Less than marketable parcels of ordinary shares

The number of holders of less than a marketable parcel of ordinary shares as at the Reporting Date is as follows:

| Unmarketable parcels | Minimum parcel size | Holders | Units |
|---|---|---|---|
| Minimum $ 500.00 parcel at $ 0.9800 per unit | 511 | 172 | 41,219 |

## Twenty largest shareholders

The names of the 20 largest security holders of quoted equity securities (being ordinary shares) as at the reporting date are listed below:

### Ordinary shares

| Rank | Name | Number of shares | % |
|---|---|---|---|
| 1 | CHEBMONT PTY LTD | 20,798,294 | 23.81 |
| 2 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 5,539,541 | 6.34 |
| 3 | UBS NOMINEES PTY LTD | 5,252,925 | 6.01 |
| 4 | MCCORMACK TIMBER HOLDINGS PTY LTD | 5,193,036 | 5.95 |
| 5 | E T AND E W MURNANE PTY LTD | 4,688,526 | 5.37 |
| 6 | MCCORMACK TIMBERS PTY LTD | 2,913,152 | 3.34 |
| 7 | W.H. BENNETT & SONS PTY LTD | 2,560,356 | 2.93 |
| 8 | JR MICAH PTY LTD <JR MICAH SUPER FUND A/C> | 1,939,550 | 2.22 |
| 9 | CITICORP NOMINEES PTY LIMITED | 1,665,705 | 1.91 |
| 10 | J & J CORRIGAN NOMINEES PTY LTD <EUREKA TIMBER A/C> | 1,513,530 | 1.73 |
| 11 | MCCORMACK TIMBERS PTY LTD <STAFF SUPER FUND A/C> | 1,338,411 | 1.53 |
| 12 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 1,263,436 | 1.45 |
| 13 | CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C> | 1,249,988 | 1.43 |
| 14 | NATIONAL NOMINEES LIMITED | 1,067,590 | 1.22 |
| 15 | MS ESMA CLARA THIELE + MR MURRAY EDWARD THIELE | 916,843 | 1.05 |
| 16 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 758,058 | 0.87 |
| 17 | CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C> | 705,166 | 0.81 |
| 18 | JANAKIS PTY LTD <PETER STOLL FAMILY A/C> | 650,215 | 0.74 |
| 19 | J & J CORRIGAN NOMINEES PTY LTD <CORRIGAN FAMILY A/C> | 640,436 | 0.73 |
| 20 | JANAKIS PTY LTD <TIM STOLL FAMILY A/C> | 620,670 | 0.71 |
| | **Total** | **61,275,428** | **70.16** |
| | Balance of register | 26,060,794 | 29.84 |
| | **Grand total** | **87,336,222** | **100.00** |

## Stock exchange listing

The Company's ordinary shares are quoted on the Australian Securities Exchange (**ASX**) (ASX issuer code: **MWY**).

## On-market buy-back

The Company is not currently conducting an on-market buy-back.

# CORPORATE DIRECTORY

## Midway Limited
ABN 44 005 616 044

## Registered Office
10 The Esplanade
North Shore Victoria 3214
Australia

T +61 3 5277 9255
F +61 3 5277 0667

## Website
www.midwaylimited.com.au

## Board of Directors
Gregory McCormack (Chairman and Non-Executive Director)

Nils Gunnersen (Non-Executive Director)

Tom Gunnersen (Non-Executive Director)

Gordon Davis (Non-Executive Director)

Leanne Heywood (Non-Executive Director)

Thomas Keene (Non-Executive Director)

Anthony Bennett (Non-Executive Director)

Anthony Price (Chief Executive Officer and Executive Director)

## Auditor
KPMG Australia
727 Collins Street
Melbourne Victoria 3008
Australia

T +61 3 9288 5555

## Solicitors
SBA Law
Level 13, 607 Bourke Street
Melbourne Victoria 3000
Australia

T +61 3 9614 7000

## Share Registry
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067
Australia

T 1300 850 505 (within Australia) or +61 3 9415 4000 (international)

Midway

midwaylimited.com.au