Midway

ANNUAL REPORT 2021

Meeting global demand for sustainable products

Contents

We are one of Australia's largest high-quality woodfibre processors and exporters. 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, to the international woodfibre market.

$280.2m	$14.6m
Revenue	EBITDA-S
$22.3m	$31.5m
Operating cash flow	Net debt

Chairman's Report

Greg McCormack
Chairman

> As part of the Company's strategy to diversify its footprint and grow future earnings, the Board authorised Midway investments in new export projects.

The Board of Directors is pleased that shareholders have started to see a turnaround in Midway's financial performance over the last 12 months as global demand recovered following the first wave of the COVID-19 pandemic.

The Board would like to recognise the hard work of the management team and staff of Midway to improve performance of the business while remaining safe through the COVID-19 pandemic.

In the last 12 months, Midway generated revenue of $280.2 million, an 8.7 per cent increase on the previous year due to improved global market conditions for woodfibre, especially in our key markets of China and Japan.

Midway recorded underlying EBITDA of $14.6 million, up from $13.8 million in the previous year. Unfortunately, Midway recorded a statutory net loss after tax of $5.2 million, but this was a better result than the previous year of a statutory net loss after tax of $11.7 million.

The three biggest contributors to the net loss after tax included a non-cash interest expense of $1.77 million incurred under AASB 15 relating to trees held off balance sheet, a $1.6 million depreciation of the value of biological assets, and a $1.75 million impairment of the bio-fuels marketing business, Bio Growth Partners (BGP).

The Midway Board of Directors decided not to pay a final dividend in respect of FY21 in order to preserve cash to fund growth projects.

Midway recorded improved operating cash flow of $22.3 million, up from $11.1 million in the previous 12 months. After investing and financing activities, net debt at the end of the financial year was $31.5 million, down from $39.4 million in the previous financial year.

Midway continues to operate within its banking covenants and National Australia Bank has extended the Company's term debt maturity to September 2024.

While most Midway business units performed better in the last 12 months, our woodfibre business in the Tiwi Islands, Plantation Management Partners (PMP), continued to run at a loss.

The Board shares the disappointment of shareholders in the short-term performance of PMP and Midway Logistics as a result of the COVID-19 downturn and will continue to do everything in our control to improve the performance of these businesses.

The Board is very pleased that Midway recently signed contracts with a new Chinese customer to export woodfibre from the Tiwi Islands commencing in early 2022.

The Board has also decided to acquire the remaining 60 per cent interest in BGP for a nominal amount so that Midway will have total control over that business in future and we will intensify efforts to grow domestic sales.

As part of the Company's strategy to diversify its footprint and grow future earnings, the Board authorised Midway investments in new export projects.

The first project, a woodfibre processing operation at Bell Bay has the potential to provide material earnings growth over the next few years and we are well progressed with the approvals and development of a grain handling and export facility at the Geelong site.

The Board has also authorised engagement of an agent to market the divestment of surplus land north of Melbourne.

Once the trees have been harvested on surplus land north of Melbourne, the sale proceeds will be used to reduce debt and invest in projects such as Bell Bay and Geelong Grain.

The Board looks forward to our new Managing Director and Chief Executive Officer, Mr Tony McKenna, joining Midway following the decision of the current MD and CEO, Mr Tony Price, to step down to pursue non-executive roles.

The Board believes that Mr McKenna has the right combination of skills and experience to lead Midway into a new phase of growth. He has extensive international experience in delivering growth strategies and major investment projects.

Mr McKenna also has a deep understanding of Australian agribusiness. He has been CEO and Managing Director of Ruyi Australia for the last five years. Before that he was an Executive Director of AgCap and Managing Director of Lempriere Capital.

Directors would like to thank Mr Price for his contribution to Company growth over the last six years, including the listing of Midway on the Australian Stock Exchange and domestic and international expansion.

Mr Price is highly regarded for his extensive forest industry experience and after he steps down, Mr Price has agreed to continue as an adviser to Midway on our forestry expansion plans in Tasmania.

Directors would like to thank Mr Price for his contribution to Company growth over the last six years, including the listing of Midway on the Australian Stock Exchange and domestic and international expansion.

The Board remains optimistic about the opportunities that Midway can take advantage of in the next few years under the leadership of Mr McKenna, and we continue to aspire to sustainable returns that will justify shareholder faith in the Company.

Greg McCormack
Chairman

Managing Director's Report

Anthony Price
Managing Director

As global economic conditions rebounded following the first wave of the COVID-19 pandemic, Midway recorded a positive underlying EBITDA contribution of $14.6 million in FY21 from increased demand for woodfibre volumes from customers in China and Japan.

The last 12 months have been very challenging for the management team and the staff of Midway Limited, but I am pleased to report that there are encouraging signs of a turnaround in performance.

The physical disruption, health concerns and mental anxiety caused by the COVID-19 pandemic have presented many hurdles for the business, but the team has managed to clear all of them without any safety concerns.

Our major customers in China and Japan also faced serious challenges to their businesses as a result of the COVID-19 pandemic, but they are now starting to support our recovery.

The Chairman's letter has referred to the subsequent improvement in overall financial performance in the last 12 months, so my report will focus on operational performance.

FY21 Operating Performance

The highlights of the FY21 results include:

- an 8.7 per cent increase in revenue to $280.2 million;
- a 5.8 per cent increase in underlying EBITDA to $14.6 million;
- improved operating cash flow of $22.3 million; and
- lower net debt of $31.5 million.

Earnings Drivers

The key drivers of increased revenue and improved underlying EBITDA in FY21 were increased woodfibre export volumes and lower input prices, but there were several factors that partially offset the improved results, including:

- lower woodfibre export prices as woodfibre prices lagged the recovery in paper pulp prices over the last 12 months;
- a lower bone-dry content of woodfibre exports due to La Nina weather patterns across eastern Australia over the last 12 months; and
- a slightly higher Australian dollar on woodfibre export sales to China and Japan over the last 12 months.

Business Performance

Woodfibre Processing and Sales

The woodfibre processing and export business experienced mixed fortunes during the last 12 months. Higher export volumes of woodfibre from Geelong, QCE in Brisbane and at Midway Tasmania were partly offset by lower export sales by South West Fibre (SWF) and from the Tiwi Islands.

Overall, woodfibre processing and export revenue fell 11 per cent from $223.0 million in 2020 to $198.3 million in 2021 as a result of the SWF and Tiwi Island COVID-19 shutdowns in 2021.

The woodfibre and processing business, excluding SWF, recorded a 34 per cent increase in underlying EBITDA of $21.1 million in FY21 from $15.8 million in the previous year as a result of increased export sales volumes, including increased volumes of higher quality woodfibre, E Globulus. After proportional consolidation of the SWF joint venture, underlying EBITDA for the segment fell 3.2 per cent to $21.5 million from $22.2 million.

SWF is now back in production and recently signed a new supply agreement with Australian Bluegum Plantations.

In addition, Midway recently signed contracts with a new Chinese customer for woodfibre sales from the Tiwi Islands, commencing in the first half of calendar 2022.

Midway also expects to realise the full benefits of higher prices with its major customers in FY22, The Japanese price for E. Globulus has been set at US$180 for the first half of FY22.

Plantation Management

Plantation management generated a 59 per cent increase in revenue of $12.4 million in 2021 from $7.8 million in the previous year from higher inter-company sales to Midway Geelong.

However, the increased revenue was offset by the revaluation of the plantation estate based on lower US dollar prices. As a result, the plantation management business recorded a statutory EBITDA loss of $4.5 million in 2021. This was 36 per cent lower than the statutory EBITDA loss of $7.0 million in the previous year.

PMP stopped managing timber estates in Asia. As a result, plantation management became solely focused on managing estates in Australia during FY21.

Forestry Logistics

Ongoing timber supply constraints and unplanned customer shutdowns in Western Australia as a result of the COVID-19 pandemic resulted in reduced domestic business by Midway Logistics.

Revenue fell 42 per cent to $4.8 million in 2021 from $8.3 million in the previous year. As a result, Midway Logistics recorded an underlying EBITDA loss of $2.7 million in 2021. This was 9 per cent higher than the $2.5 million underlying EBITDA loss in the previous year.

Midway subsequently decided to acquire the remaining 60 per cent interest in BGP for a nominal price. The buy-out provides Midway with total control over that business and its customer contracts in Western Australia.

The woodfibre processing and export business experienced mixed fortunes during the last 12 months. Higher export volumes for woodfibre from Geelong, QCE in Brisbane and at Midway Tasmania were partly offset by lower export sales by South West Fibre (SWF) and from the Tiwi Islands.

Managing Director's Report continued

Business Development

I am pleased to report that there has been substantive progress on implementation of the Midway strategy to grow and diversify our footprint and develop new businesses that will generate future earnings.

The Board has approved expansion plans for Midway Tasmania and the management team has commenced a range of projects on storage and loading facilities at Bell Bay.

I believe Midway Tasmania will generate the next phase of earnings growth for the Company over the next few years and I look forward to helping that part of the business grow.

We are well progressed with the authorisations required for the construction of a grain storage and handling facility at the Geelong site. The management team has reached agreement with GeelongPort to upgrade the shiploader converyors and are well progressed in planning to build storage silos. There is strong interest from a number of large grain exporters to utilise this facility, including our joint venture partner.

It was difficult during the COVID-19 pandemic to advance some of our strategic projects, but Midway has now progressed plans to establish a plantation investment vehicle.

I strongly believe that emerging technologies such as carbon storage and capture also offer exciting new growth opportunities for Midway and its shareholders.

It is with some regret therefore that I have decided to leave the business to start the next phase of my career as a Non-Executive Director. However, I am pleased to have had the opportunity to lead Midway over the last six years, in particular taking the Company through the ASX listing process.

It is now the right time for a new Managing Director and Chief Executive Officer to lead the business into the next exciting phase of growth, and I am confident that Tony McKenna has the right skills and experience to do that.

I therefore leave Midway in good hands and hope that loyal shareholders will stick with the Company as it comes through the tough times of the global pandemic and starts to reap the rewards of its growth strategy.

Tony Price
Managing Director


KEEP CLEAR
Valmet

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 natural hardwood forests. The Company has interests in three processing and export facilities in mainland Australia.

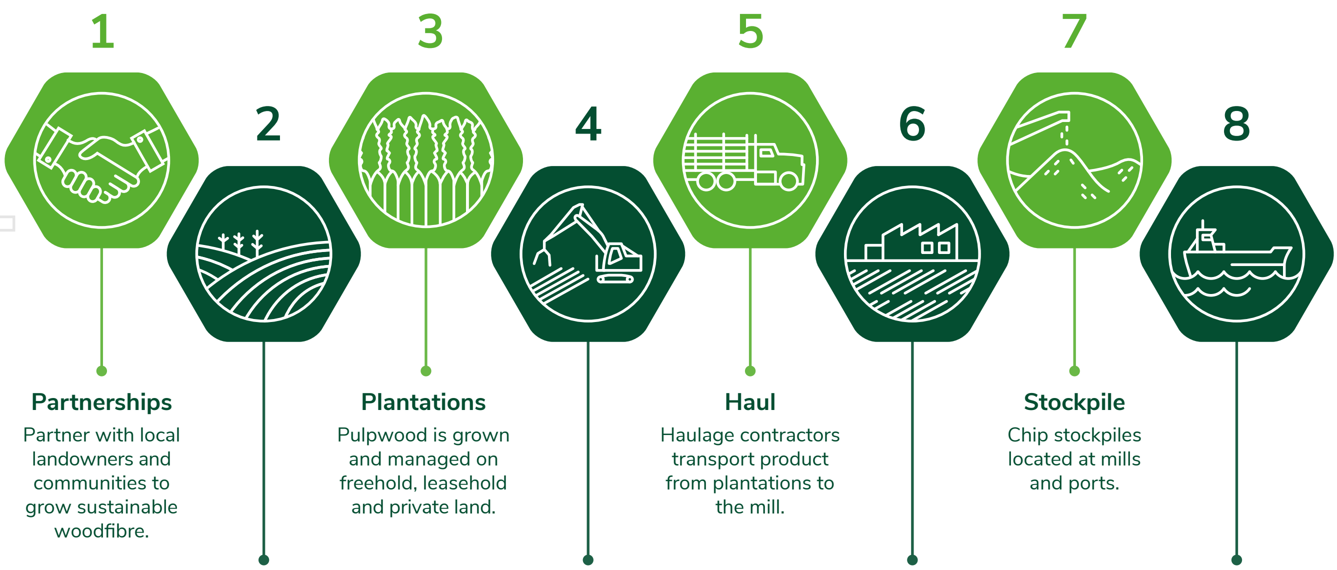
Midway has diversified since it commenced exporting 32 years ago in terms of geographical representation, product range, supply source and customer base. Growing from one export facility, one product, one customer and one supplier in 1986, today Midway:

- 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 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.



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

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

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

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

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

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

7 Stockpile
Chip stockpiles located at mills and ports.

8 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.
- Lease 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

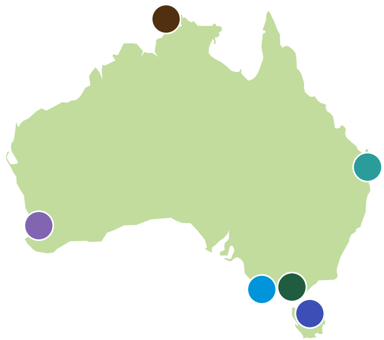
South West Fibre is the first plantation hardwood processing and marketing operation in the Green Triangle – provides geographic and future market diversity.

- Myamyn – 1.2 million GMT per annum current site capacity plus in-field chipping and ‘upstream’ chip and log storage.
- Supply agreement with Australian Bluegum Plantations.
- 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 Geelong (Head Office)
- QCE Brisbane
- South West Fibre/Portland
- Midway Tasmania
- Midway Logistics
- Plantation Management Partners

Midway Tasmania

- Marketing and sales.
- 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 a 30,000m^3/pa contract with the Forest Products Commission (WA). Midway recently acquired the remaining 60% of Bio Growth Partners for a nominal amount.
- 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.

Woodfibre end uses

Printer and specialty stock

Magazines and brochures

Tissue, towel and toilet paper

High-end product packaging

Clothing and textiles

Sustainability

Midway 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 provides 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.

External audits for each certification held are conducted on an annual basis.

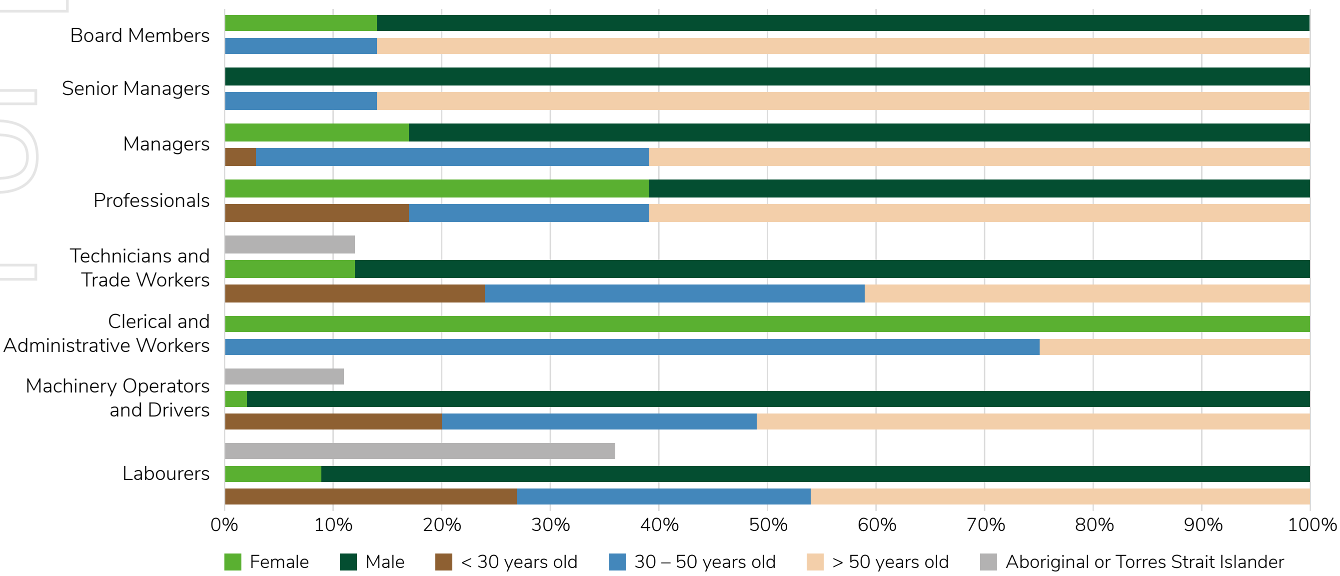
	Safety (AS4801)	Quality (ISO9001)	Forestry (AS4708)	AFS CoC (AS4707) (PEFC)	FSC® CW, CoC
Midway	✓	✓	✓	✓	✓
SWF	✓	✓		✓	✓
QCE	✓	✓		✓	✓
PMP		✓	✓	✓	Tiwi Is.
Midway Logistics					
Midway Tasmania				✓	

Employment and Safety

The COVID-19 pandemic continued to present challenges during the reporting period, particularly in Victoria where extended lockdowns and office restrictions required non-essential staff to work from home. To support this, Midway reviewed and updated the 'CovidSafe' COVID-19 response plan to support staff work arrangements, business continuity planning, and prevention management and response. In addition, the Geelong site conducted a COVID-19 drill to simulate incident response scenarios for a suspected and positive COVID-19 result from a member of Midway staff, family member, and site visitors.

Over the reporting period a total of 12 new full-time and 27 casual employees were recruited, representing 29 per cent of the total workforce. Staff turnover was lower than the previous year with a total of 61 during the 2020-2021 financial year, or 41 per cent of the workforce. 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.

Midway Governance Bodies and Employee Diversity Summary

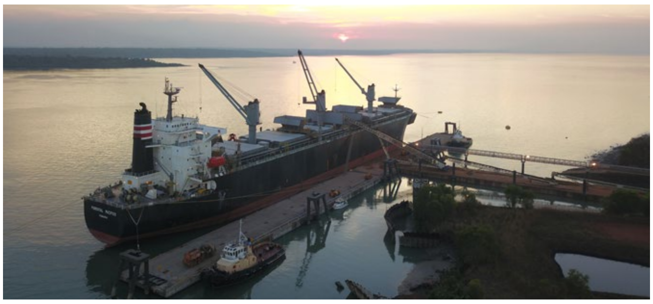


Midway recorded a total of two Lost Time Injuries (LTIs) during the reporting period and the same number as the previous year. Due to a reduction in the number of hours worked during the reporting period, the Lost Time Injury Frequency Rate (LTIFR) increased from 1.9 in the previous year to 2.6 in the current reporting period.

To support continuous improvement of a safety work environment culture for both staff and contractors, Midway undertook initiatives such as mental health first aid training, and completion of a job dictionary, which details functional and/or physical requirements of tasks to assist return to work requirements.

In the last quarter of the financial year certification audits for the ISO45001 Occupational Health and Safety were conducted for Midway Limited, Midway Tasmania, Midway Logistics and Queensland Commodity Exports, which will replace the AS4801 Safety Management System certifications already held.

An ISO45001 audit for South West Fibre is scheduled early in the 2021-2022 financial year. The scope of Midway's safety management system is dependent on business unit operations, however broadly covers forest management and harvesting activities, logistics, mill operations and offices.



Port Melville Acacia mangium shipment.

Midway Work Health and Safety Performance Summary

Measure	Midway Employees	Midway Contractors	Midway All
Total number recordable work-related injuries	3	-	3
Total number high consequence work-related injuries	-	-	-
Total number Lost Time Injuries	2	-	2
Total number of fatalities	-	-	-
Total recordable injury frequency rate	9.8	-	3.9
High consequence injury frequency rate	-	-	-
Lost Time Injury Frequency Rate (LTIFR)	6.5	-	2.6
Fatal accident frequency rate	-	-	-

Note: All frequency rates shown above are based on rate per 1,000,000 hours worked.

Environmental Performance

Managing our environmental compliance obligations and community expectations remains a high priority across the Group. Midway conducts annual stakeholder consultations for both interested and affected parties in accordance with requirements of the Responsible Wood Standard AS4708, and the FSC® Controlled Wood Standard (FSC-STD-40-005).

During the reporting period Plantation Management Partners (PMP) recorded two separate incidents that were notified to the federal Department of Agriculture, Water and the Environment in relation to overflow events following periods of significant rainfall. Incident investigation reports and corrective actions were subsequently submitted to the Department.

An external forestry audit of a completed harvesting operation in the Otways was conducted during the reporting period in response to a community complaint received by Colac Otway Shire Council. The audit findings showed the harvesting operation conformed with all requirements of the Code of Practice for Timber Harvesting in Victoria.

Annual ambient air quality monitoring was conducted for Geelong and Myamyn sites early in 2021. Results from both sites were compliant with the EPA Victoria air quality guideline limit of 4 g/m^2/month as a monthly average.

Midway Environmental Performance Summary

	2018/ 2019	2019/ 2020	2020/ 2021
Non-compliance with environmental laws and regulations	1	2	2

Energy and Climate

Group energy consumption and greenhouse gas emissions has been calculated for the 2020-2021 financial year for operations where Midway has financial control using the *National Greenhouse Accounts Factors 2020, Australian Government Department of Industry, Science, Energy and Resources.*

Energy consumption across the companies is primarily attributed to fuel consumption of mobile and stationary equipment for mill operations, Company vehicle fleet, and onsite electricity production for the Yapilika camp. A total of 103,225 gigajoules of energy was consumed during the 2020-2021 financial year, with electricity purchased from the grid accounting for 14 per cent of total energy consumption. A total of 3,929,246 kWh of electricity was purchased during the financial year. All energy consumed was sourced from non-renewable sources.

Sustainability continued

Energy intensity was calculated for mill operations as a measure of green metric tonnes (GMT) of chips produced based on total energy consumption. Woodchips received from outside sources were included as part of the total chip produced. Energy intensity for QCE's Brisbane mill was noted to be lower than Midway's Geelong mill due to use of a third party contractor for operation of the chipper onsite. This was also reflected in the greenhouse gas emissions intensity comparison.

Our greenhouse gas calculation includes scope 1 and 2 emissions and contributed to a total 10,044 tCO_2-e (scope 1 and 2 emissions) during the 2020-2021 financial year with Midway's energy portion accounting for 44 per cent.

The current carbon storage of plantation trees within Midway's defined forest area is estimated to be 6.20 million tonnes of CO_2 equivalents. This includes 1.21 million tonnes managed by Midway Plantations, 3.75 million tonnes managed by PMP and 1.24 million tonnes of CO_2 equivalents managed by Midway Tasmania.

PMP continued its annual savannah-burning program to prevent the risk of wildfires impacting plantation assets. The program is run in conjunction with the Tiwi Land Rangers and traditional owners and contributes to the Tiwi Islands Savannah Burning for Greenhouse Abatement project, which aims to reduce carbon emissions by conducting cool, mosaic burning to minimise the occurrence of hot, late season fires. PMP has also worked closely with the Tiwi Land Rangers and researchers on studying the impact of burning practices on the island.

Midway Energy and Greenhouse Gas Emissions Summary

FY20/21		Midway	MWT	MWL	QCE	PMP	Total
Energy							
Total energy consumption within the organisation	GJ/year	26,922	800	39,038	7,314	29,151	103,225
Total electricity purchased from the grid	kWh/year	3,602,140	-	75,406	251,700	-	3,929,246
Total fuel consumption within the organisation	GJ/year	13,954	800	38,767	6,408	29,151	63,878
Energy intensity	MJ/GMT	31.3	-	-	26.9	-	33.6
Greenhouse Gas (GHG) emissions							
Direct (scope 1) GHG emissions	tCO_2-e/year	979	56	2,727	450	2,046	6,258
Indirect (scope 2) GHG emissions	tCO_2-e/year	3,530	-	51.3	204	-	3,785
Indirect (scope 2) GHG emissions	$kgCO_2$-e/GMT	5.6	-	-	2.4	-	5.1

Figures are not audited.

Biodiversity

Midway owns or manages more than 62,000 hectares of land covering a broad geographical range including Victoria, Tasmania, and the Tiwi Islands, and includes both plantation and native forests and vegetation. These areas provide habitat for a wide range of terrestrial and aquatic organisms including species listed as rare, threatened, or endemic. Midway is committed to maintenance of biodiversity values within owned or managed estate in line with third party certification schemes and standards.

Midway continued water quality monitoring in key waterways in the Otways near planned, active or completed activities in line with its biodiversity monitoring program. PMP also continued to monitor and record sightings of key threatened species such as Red Goshawk, Tiwi Island Masked Owl and Partridge Pigeon in line with EPBC approval requirements.

Updated regulatory guidance for management of koalas in blue gum plantations in Victoria was issued by the Conservation Regulator in March 2021. Midway conducted a comprehensive review of its Koala Management Plan and associated management procedures in accordance with the requirements of the guidance, including expert review from a koala ecologist. The updated Koala Management Plan and associated procedures have been submitted to the Department of Environment, Land, Water and Planning, and adopted for Midway forestry operations.

Midway values the opportunity to work with Greening Australia (GA) on projects such as the revegetation works at Yuulong near the Gellibrand River pictured

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.

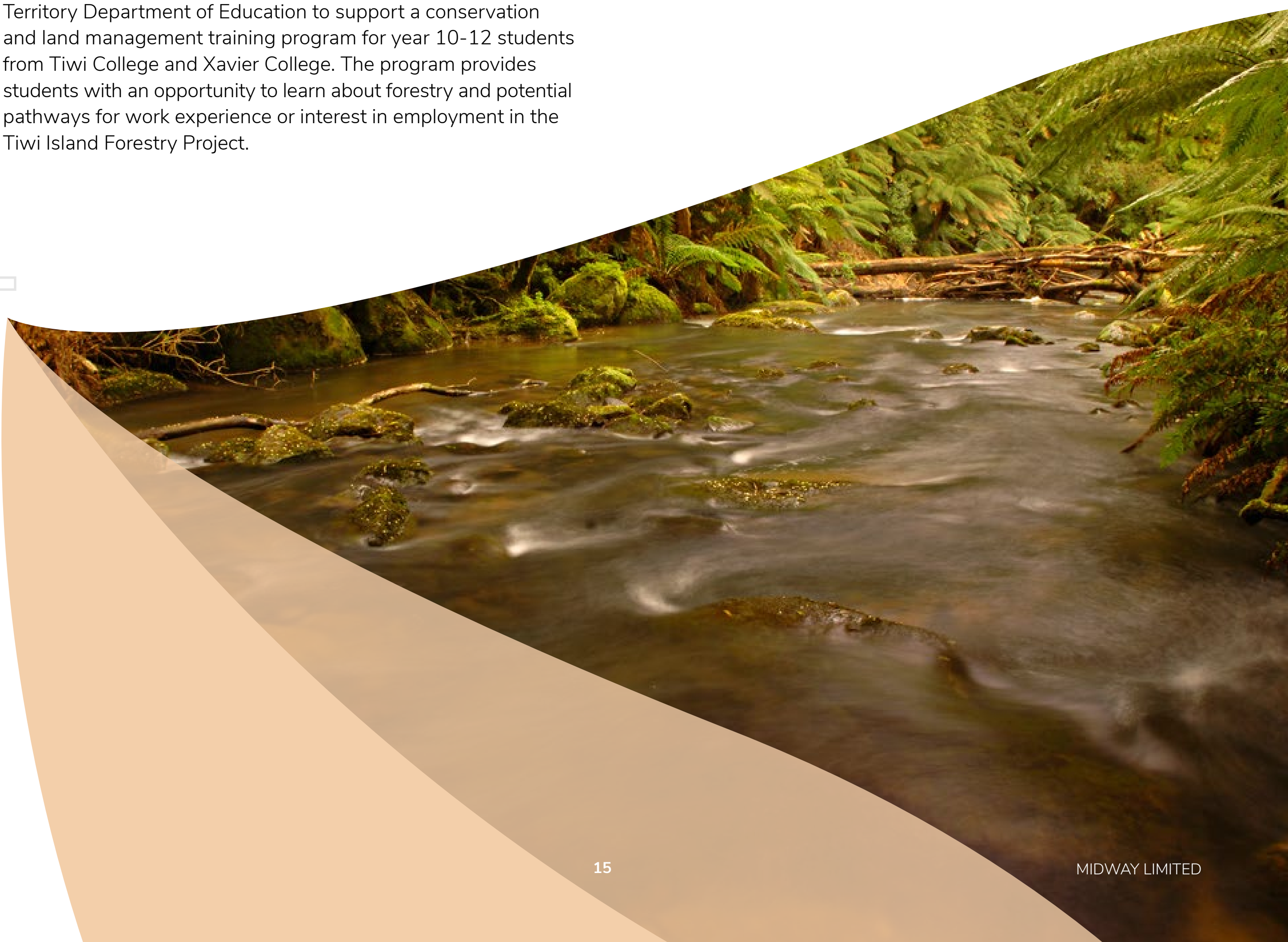
The Midway Group is a significant employer in regional communities, through direct employees and indirect contractor employees. Our policy is to support communities in the areas where we conduct our business and where our employees and contractors live. In addition to our direct economic support for 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 and the employment and training opportunities the Tiwi Island Forestry Project provides to local communities. During the reporting period, PMP worked with the Northern Territory Department of Education to support a conservation and land management training program for year 10-12 students from Tiwi College and Xavier College. The program provides students with an opportunity to learn about forestry and potential pathways for work experience or interest in employment in the Tiwi Island Forestry Project.

PMP are engaged with the schools on Tiwi Islands in a Vocational Education (VET) project. At Xavier college (on Bathurst Island) our PMP staff gave a presentation to the senior students.

This material references Disclosure 405-1 from GRI 405: Diversity and Equal Opportunity 2016, Disclosures 403-1 and 403-9 from GRI 403: Occupational Health and Safety 2018, Disclosures 302-1 and 302-3 from GRI 302: Energy 2016 Emissions, and Disclosures 305-1, 305-2 and 305-4 from GRI 305: Emissions 2016.



Board of Directors

Gregory McCormack

B.Bus

Non-Executive Chairman

Greg has spent his entire career in the forest products industries. He was the Managing Director of McCormack Timbers, a timber milling and wholesale business, and was a founding Director of Midway in 1980. He has held senior positions with both the National and the Victorian Association of Forest industries (having served as President of both associations). Greg is the current President of the Australian Forest Products Association. Greg was appointed a Director in November 1997.

Anthony Price

B.Sc (Forestry), Grad. Dip. Bus Mgt, GAICD

Managing Director and Chief Executive Officer

Tony has spent most of his career in the forestry sector, but spent some years working in the mining industry. He has held several senior management positions in the hardwood plantation sector and has also run his own consultancy business. He has attended the International Executive Programme at INSEAD in France. He is currently Chairman of Forestworks Ltd, an organisation which provides training packages to the forest industry. Tony was appointed Managing Director and Chief Executive Officer in November 2015.

Gordon Davis

B.Sc (Forestry), M.Sc (Ag), MBA

Independent Non-Executive Director

Gordon has spent most of his career in the forestry and commodities industries. He was Managing Director of AWB Limited from 2006 to 2011, and Chair of VicForests from 2011 to 2016. He has been a Director of Nufarm Limited (ASX: NUF) since 2011, and Healius Limited (ASX: HLS) since 2015. Gordon is the Chair of the Remuneration and Nomination Committee, and a member of the Audit and Risk Management and the Work Health Safety and Sustainability Committees, and was appointed a Director in April 2016.

Nils Gunnersen

B.Bus (Agricultural Commerce)

Non-Executive Director

Nils has over 25 years' experience across the forests and wood products industry. He is a graduate of the Australian Rural Leadership Programme. He was Executive Director of Operations and then Managing Director of Gunnersen Pty Ltd, a large independent wood products importer and distributor in Australia and New Zealand (2008-2019). He is a Trustee of the JW Gottstein Trust, a charitable trust which supports education in the forest products industry.
Nils is a Director of Chebmont Pty Ltd, which is a substantial holder of Midway shares.
Nils is Chair of the Work Health Safety and Sustainability Committee, and was appointed a Director in October 2012.

Tom Gunnersen

B.A (Melb), MBA (Finance) (Bond)

Non-Executive Director

Tom has 20 years of corporate, investment and capital markets experience in Australia and Asia. He is a co-founder and current Director of boutique corporate advisory firm KG Capital Partners and is a Director of Chebmont Pty Ltd, which is a substantial holder of Midway shares. Previously, Tom was a Director of Equities for global investment bank Canaccord Genuity Limited during which time he was based in Hong Kong for several years. Tom is a member of the Remuneration and Nomination Committee, and was appointed a Director in February 2018.

Thomas Keene

B.Ec, FAICD

Independent Non-Executive Director

Tom has a commercial and agribusiness background, having held the position of Managing Director of GrainCorp Ltd between 1993 and 2008. In 2007, Tom was awarded the NAB Agribusiness Leader of the Year. He is a former Chairman of Allied Mills Ltd and Grain Trade Australia and a former Director of Cotton Seed Distributors Ltd. He has been a Director of Australian Agricultural Company Limited (ASX: AAC) since 2011. Tom is a member of the Audit and Risk Management and the Remuneration and Nomination Committees, and was appointed a Director in August 2008.

Leanne Heywood

OAM, B.Bus (Acc), MBA, FCPA, GAICD

Independent Non-Executive Director

Leanne has 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. She has been a Director of Orocobre Limited (ASX: ORE) since 2016, Quickstep Holdings Limited (ASX: QHL) since February 2019, and she is also a Director of Australian Meat Processor Corporation Ltd. Leanne is Chair of the Audit and Risk Management Committee and a member of the Work Health Safety and Sustainability Committee, and was appointed a Director in March 2019.

Senior Management

Tony Price

Managing Director and Chief Executive Officer

Tony has spent most of his career in the forestry sector, but spent some years working in the mining industry. He has held several senior management positions in the hardwood plantation sector and has also run his own consultancy business. He has attended the International Executive Programme at INSEAD in France. He is currently Chairman of Forestworks Ltd, an organisation which provides training packages to the forest industry. Tony was appointed Managing Director and Chief Executive Officer in November 2015.

Stephen Roffey

General Manager – Marketing and Development

Stephen joined Midway in 1994 and holds forestry qualifications and is currently Marketing and Development Manager. Mr Roffey has formerly held management roles in resource supply, operations and plantation estate management and has 29 years' experience in forest management and operations.

Ashley Merrett

Chief Financial Officer

Ash joined Midway in 1993 and is responsible for all accounting, tax, Group forecasting and capital management (including debt facilities). He is the Company Secretary for SWF and QCE. He holds a Bachelor of Commerce and has over 20 years of experience in finance, accounting and office management.

Malcolm Hatcher

General Manager – Technical Services

Mal joined Midway in 2004 and is responsible for technical services. He has formerly held management roles in operations and business analysis. He has a forestry degree, with over 30 years' experience in forest management, forest harvesting, plantation establishment, processing, forest certification and management systems.

Glen Samsa

General Manager – Plantations

Glen brings over 20 years of industry expertise and is the Chief Executive Officer of the recently acquired Plantation Management Partners. He has extensive knowledge and skills in forestry analysis and valuation, project development, technical management, and financial management and reporting. Glen is a member of the Institute of Foresters of Australia, and the Australian Institute of Company Directors.

Bradley Winthrop

General Manager – Operations

Brad joined Midway in 2018. He holds qualifications in forestry, occupational health and safety and project management, with 28 years' forestry management experience in Australia and internationally. Prior to joining Midway he held senior executive, operational and strategic planning roles.

Mitch Morison

General Manager – Business Development

Mitch joined Midway in 2020 and has over 25 years' experience working in the agribusiness sector trading in various agricultural commodities, particularly in the grain industry. He has a deep knowledge of global commodity markets and has extensive international experience. Mr Morison also has an extensive background in developing and facilitating business growth strategies for natural resource businesses across Australia.

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 2021 and the auditor's report thereon.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows:

Name	Position Held	Employment Status
Directors		
Gregory McCormack	Non-Executive Chairman	
Nils Gunnersen	Non-Executive Director	
Tom Gunnersen	Non-Executive Director	
Gordon Davis	Independent Non-Executive Director	
Leanne Heywood	Independent Non-Executive Director	
Thomas Keene	Independent Non-Executive Director	
Anthony Bennett	Independent Non-Executive Director	Retired 1 December 2020
Anthony Price	Managing Director and CEO	

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

Gregory McCormack B.Bus

Non-Executive Chairman

Greg has spent his entire career in the forest products industries. He was the Managing Director of McCormack Timbers, a timber milling and wholesale business, and was a founding Director of Midway in 1980. He has held senior positions with both the National and the Victorian Association of Forest industries (having served as President of both associations). Greg is the current President of the Australian Forest Products Association. Greg was appointed a Director in November 1997.

Nils Gunnersen B.Bus (Agricultural Commerce)

Non-Executive Director

Nils has over 25 years' experience across the forests and wood products industry. He is a graduate of the Australian Rural Leadership Programme. He was Executive Director of Operations and then Managing Director of Gunnersen Pty Ltd, a large independent wood products importer and distributor in Australia and New Zealand (2008-2019). He is a Trustee of the JW Gottstein Trust, a charitable trust which supports education in the forest products industry. Nils is a Director of Chebmont Pty Ltd, which is a substantial holder of Midway shares. Nils is Chair of the Work Health Safety and Sustainability Committee, and was appointed a Director in October 2012.

Tom Gunnersen B.A (Melb), MBA (Finance) (Bond)

Non-Executive Director

Tom has 20 years of corporate, investment and capital markets experience in Australia and Asia. He is a co-founder and current Director of boutique corporate advisory firm KG Capital Partners and is a Director of Chebmont Pty Ltd, which is a substantial holder of Midway shares. Previously, Tom was a Director of Equities for global investment bank Canaccord Genuity Limited during which time he was based in Hong Kong for several years. Tom is a member of the Remuneration and Nomination Committee, and was appointed a Director in February 2018.

Gordon Davis B.Sc (Forestry), M.Sc (Ag), MBA

Independent Non-Executive Director

Gordon has spent most of his career in the forestry and commodities industries. He was Managing Director of AWB Limited from 2006 to 2011, and Chair of VicForests from 2011 to 2016. He has been a Director of Nufarm Limited (ASX: NUF) since 2011, and Healius Limited (ASX: HLS) since 2015. Gordon is the Chair of the Remuneration and Nomination Committee, and a member of the Audit and Risk Management and the Work Health Safety and Sustainability Committees, and was appointed a Director in April 2016.

Leanne Heywood OAM, B.Bus (Acc), MBA, FCPA, GAICD

Independent Non-Executive Director

Leanne has 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. She has been a Director of Orocobre Limited (ASX: ORE) since 2016, Quickstep Holdings Limited (ASX: QHL) since February 2019, and she is also a Director of Australian Meat Processor Corporation Ltd. Leanne is Chair of the Audit and Risk Management Committee and a member of the Work Health Safety and Sustainability Committee, and was appointed a Director in March 2019.

Thomas Keene B.Ec, FAICD

Independent Non-Executive Director

Tom has a commercial and agribusiness background, having held the position of Managing Director of GrainCorp Ltd between 1993 and 2008. In 2007, Tom was awarded the NAB Agribusiness Leader of the Year. He is a former Chairman of Allied Mills Ltd and Grain Trade Australia and a former Director of Cotton Seed Distributors Ltd. He has been a Director of Australian Agricultural Company Limited (ASX: AAC) since 2011. Tom is a member of the Audit and Risk Management and the Remuneration and Nomination Committees, and was appointed a Director in August 2008.

Anthony Price B.Sc (Forestry), Grad. Dip. Bus Mgt, GAICD

Managing Director and Chief Executive Officer

Tony has spent most of his career in the forestry sector, but spent some years working in the mining industry. He has held several senior management positions in the hardwood plantation sector and has also run his own consultancy business. He has attended the International Executive Programme at INSEAD in France. He is currently Chairman of Forestworks Ltd, an organisation which provides training packages to the forest industry. Tony was appointed Managing Director and Chief Executive Officer in November 2015.

Anthony Bennett Dip Eng, Grad Dip Ind Mgt

Independent Non-Executive Director

Tony's background is 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 public companies as well as operating his own construction materials business for some 25 years. Tony was a member of the Work Health Safety and Sustainability Committee, was appointed a Director in November 2013 and retired from the Board on 1 December 2020.

Company Secretary

Robert Bennett B.Com, CA, FGIA

Rob has many years' company secretarial and governance experience with Coles Group Limited, AWB Limited, and Medibank Private Limited.

Committee Membership

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

Name	ARMC	WHSSC	RNC	Comments
Directors				
Gregory McCormack				
Nils Gunnersen		✔		Chair WHSSC
Tom Gunnersen			✔	
Gordon Davis	✔	✔	✔	Chair RNC
Leanne Heywood	✔	✔		Chair ARMC
Thomas Keene	✔		✔	
Anthony Price				CEO

Directors' Report continued

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		WHSSC		Other Committees	
Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Gregory McCormack	15	15	–	–	–	–	–	–	1	1
Nils Gunnersen	15	15	–	–	–	–	3	3	–	–
Tom Gunnersen	15	15	–	–	4	4	–	–	–	–
Gordon Davis	15	15	6	6	4	4	–	–	2	2
Leanne Heywood	15	14	6	5	–	–	1	1	2	2
Thomas Keene	15	15	6	6	4	4	–	–	–	–
Anthony Bennett	7	7	–	–	–	–	2	2	–	–
Anthony Price	15	15	–	–	–	–	–	–	2	2

Principal Activities

The principal activities of the Group during the 2021 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.
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 $14.6 million (2020: $13.8 million).
- Underlying net profit/(loss) before tax was $1.1 million and net profit/(loss) after tax was ($0.6 million).
- No dividend will be paid in respect of full year FY21 results.

Segment Performance

- The Woodfibre segment was impacted by the lag effect of lower pricing in the prior corresponding period. In addition lower dry fibre as a result of the La Nina event in the eastern states contributed to lower EBITDA. These impacts were offset by additional volume shipped particularly out of Geelong. One of the largest impacts to the segment against the prior corresponding period was the performance of the Group's joint venture South West Fibre (SWF), which was adversely impacted by limited sales on the back of the adverse market conditions in FY20, resulting in an EBITDA loss of $1.5 million, which is $4.3 million lower than the corresponding period.
- SWF resumed operations and signed a new supply contract with Australian Bluegum Plantations.
- Midway recently signed contracts with a new Chinese customer for woodfibre sales from the Tiwi Islands in the next two financial years.
- In the plantation management segment, primarily as a result of appreciation of the AUD against the USD impacting log prices, a net decrement on the treecrop was recorded of ($2.3 million).
- Ongoing timber supply constraints and unplanned customer shutdowns in Western Australia as a result of the COVID-19 pandemic resulted in reduced domestic business by the Forestry Logistics segment.

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

$'000	2021	2020	Change
Revenue and other income			
Sales revenue	**280,197**	257,760	22,437
Other income	**2,155**	6,487	(4,332)
	282,352	264,247	18,105
Less: expenses			
Changes in inventories of finished goods and work in progress	**(12,654)**	6,066	(18,720)
Raw materials, consumables and other procurement expenses	**(179,675)**	(164,106)	(15,569)
Employee benefits expense	**(19,369)**	(26,249)	6,880
Plantation management expenses	**(199)**	(840)	641
Freight and shipment costs	**(40,161)**	(50,702)	10,541
Repairs and maintenance costs	**(6,438)**	(8,001)	1,563
Other operating expenses	**(7,749)**	(9,343)	1,594
Share of profit/(loss) of equity accounted investments	**(1,475)**	2,764	(4,239)
EBITDA – S (underlying)	**14,632**	13,836	796
Depreciation and amortisation	**(11,271)**	(13,094)	1,823
EBIT – S (underlying)	**3,361**	742	2,619
Net finance expense	**(2,188)**	(2,153)	(35)
Net profit/(loss) before tax – S (underlying)	**1,173**	(1,411)	2,584
Income tax (expense)/benefit	**(1,834)**	884	(2,718)
Net profit/(loss) after tax – S (underlying)	**(661)**	(527)	(134)
EBITDA – SL	**12,518**	11,993	525
Net profit/(loss) after tax – SL	**(637)**	(430)	(207)

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
Underlying NPAT – SL	Underlying NPAT – S adjusted for the impact of AASB 16. It includes operating lease expense as it was pre AASB 16 adoption and excludes right of use (ROU) asset depreciation and interest expenses on lease liability
Underlying EBITDA – SL	Underlying EBITDA – S adjusted for the impact of AASB 16. It includes operating lease expense as it was pre AASB 16 adoption and excludes ROU asset depreciation and interest expenses on lease liability

Directors' Report continued

Operating and Finance Review continued

Reconciliation of Underlying Net Profit/(Loss) After Tax to Statutory Net Profit After Tax (NPAT)

	2021 $'000	2020 $'000	Change
Net profit/(loss) after tax – SL	**(637)**	(430)	(207)
Lease expense (AASB16 adjustments)	**(24)**	(97)	73
Net profit/(loss) after tax – S	**(661)**	(527)	(134)
Net fair value decrease on biological assets	**(1,583)**	(3,421)	1,838
Non-cash interest expense (AASB 15 strategy impact)[1]	**(1,767)**	(2,342)	575
JobKeeper	**1,410**	726	684
Impairment loss on non-current assets (Plantation Management Partners Pty Ltd)	**–**	(4,266)	4,266
Impairment loss on non-current assets (Bio Growth Partners Pty Ltd)	**(1,749)**	–	(1,749)
Impairment loss on non-current assets (ADDCO Fibre Pty Ltd)	**–**	(1,446)	1,446
Restructuring cost	**(105)**	(169)	64
Transaction costs incurred	**(723)**	(288)	(435)
Net profit/(loss) after tax – statutory	**(5,178)**	(11,733)	6,555

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

Reconciliation of Underlying Earnings, Before Interest, Tax, Depreciation and Amortisation to Statutory Earnings, Before Interest, Tax, Depreciation and Amortisation (EBITDA)

	2021 $'000	2020 $'000	Change
EBITDA – SL	**12,518**	11,993	525
Lease expense (AASB16 adjustments)	**2,114**	1,843	271
EBITDA – S	**14,632**	13,836	796
Net fair value increment/(decrement) on biological assets	**(2,261)**	(4,887)	2,626
JobKeeper	**2,014**	1,037	977
Impairment loss on non-current assets (Plantation Management Partners Pty Ltd)	**–**	(6,516)	6,516
Impairment loss on non-current assets (Bio Growth Partners Pty Ltd)	**(2,269)**	–	(2,269)
Impairment loss on non-current assets (ADDCO Fibre Pty Ltd)	**–**	(2,066)	2,066
Restructuring cost	**(149)**	(240)	91
Transaction costs incurred	**(1,034)**	(412)	(622)
EBITDA	**10,933**	752	10,181

Performance Against Prior Corresponding Period

Woodfibre

	2021 $'000	2020 $'000	Δ
Revenue	**198,259**	223,013	-11%
EBITDA – S	**21,488**	22,212	-3%
EBITDA	**22,851**	16,733	37%

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

- Volume is up 32 per cent across the segment across Geelong, QCE and Midway Tasmania.
- This positive result was offset by our joint venture operations (South West Fibre), which had a volume decrease of 65 per cent leading to a lower NPAT contribution of $4.3 million to the Group over the prior corresponding period.
- Additionally, Plantation Management Partners only shipped one log vessel for the year leading to a $3.7 million negative EBITDA contribution. The Group recently signed contracts with a new Chinese customer for woodfibre sales from the Tiwi Islands in the next two financial years.
- Other key movements include:
  - a 1 per cent decrease in Bone Dry percentage due to the La Nina weather event throughout the eastern states; and
  - price decreases due to the lag effect of lower prices in FY20 offset by lower supply costs. More recently the Japanese price has been set at US$180/BDMT for the first half of FY22, which will lead to a positive impact for FY22.

Forestry Logistics

	2021 $'000	2020 $'000	Δ
Revenue	4,823	8,264	-42%
EBITDA – S	(2,705)	(2,473)	-9%
EBITDA	(4,473)	(4,780)	6%

In FY21, timber supply constraints and unplanned customer shutdowns in Western Australia as a result of the COVID-19 pandemic resulted in reduced domestic business by the Forestry Logistics segment. Additionally, operations in the last quarter were significantly impacted by wet weather in Western Australia impacting site access to produce forecast volumes.

Plantation Management

	2021 $'000	2020 $'000	Δ
Revenue	12,053	6,844	76%
EBITDA – S	(2,226)	(2,152)	-3%
EBITDA	(4,487)	(7,039)	36%

The reduced result is driven by the revaluation of the Group's treecrop, which resulted in a $2.3 million decrement primarily due to the appreciation of the AUD against the USD impacting log prices.

Revenue is up 76 per cent on the prior corresponding period due to more volume produced from the estate and sold to the Woodfibre segment (intra segment sales).

Financial Position

	2021 $'000	2020 $'000
Current assets	59,290	54,769
Non-current assets	203,605	205,835
Total assets	262,895	260,604
Current liabilities	46,367	41,375
Non-current liabilities	84,287	89,110
Total liabilities	130,654	130,485
Net assets	132,241	130,119

Highlights

- Improved cash flow for the year (operating +$22.2 million) – A strong operating cash flow conversion from EBITDA as a result of normalised stockpile levels.
- $139.8 million of plantation land and trees on the balance sheet, valued at fair value.
- No dividend declared in order to preserve cash to fund growth projects in FY22.

Directors' Report continued

Operating and Finance Review continued

Financial Position continued

Net Debt	2021 $'000	2020 $'000
Borrowings – current	**9,552**	11,610
Borrowings – non-current	**34,882**	38,868
	44,434	50,478
Less cash		
Cash and cash equivalents	**(12,956)**	(11,049)
Net debt	**31,478**	39,429

Highlights

- Refinancing and extension of term debt maturity to 30 September 2024.
- As at 30 June 2021 the Group was within its covenant limits.

Outlook

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 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 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 and retention risk – 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 2021 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 suffered from timber supply constraints and unplanned customer shutdowns in Western Australia as a result of the COVID-19 pandemic, which resulted in reduced domestic business that impacted our equity accounted investment Bio Growth Partners (BGP). Additionally, operations in the last quarter were significantly impacted by wet weather in Western Australia impacting site access to produce forecast volumes. The tough economic conditions lead to the write off the Group's 40 per cent investment in BGP for $2.2 million. Subsequent to year end, the Group purchased the remaining 60 per cent share in BGP for $1 per share. The Group is in negotiation with a major corporate customer in Western Australia in order to have security of supply (Biomass) moving forward, which would allow BGP to become a profitable business.

Significant Events Subsequent to the End of the Financial Year

The Group announced the appointment of Mr Tony McKenna as its next Managing Director and CEO on 20 July 2021. Mr McKenna has extensive international experience in delivering growth strategies and major investment projects that will directly assist Midway with its future growth plans. Mr McKenna is currently the CEO and Managing Director of Ruyi Australia. Mr McKenna will commence with Midway once he finalises his exit arrangements with his current employer.

Other than noted in this report, the Directors are not aware of any matter or circumstance which has arisen since 30 June 2021 that has significantly affected or may significantly affect the operations of the Group in subsequent financial years, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' Report continued

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 771,283 performance rights to senior executives in the current financial year. The rights vest over a performance period ending 30 June 2023, subject to satisfaction of vesting conditions such as comparator measure of Total Shareholder Return benchmarked against the top ASX 300 companies.

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	2021 $	2020 $
Audit and assurance services		
Statutory audit fees	**210,000**	242,819
Other services		
- Non-assurance services – other advisory services	**20,420**	8,000

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 2016/191 and in accordance with that Instrument, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors.

Greg McCormack
Chairman

Melbourne,
26 August 2021

Auditor's Independence Declaration

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 2021 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

26 August 2021

Remuneration Report (Audited)

Introduction

The Directors are pleased to present the FY21 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 KMP 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	Employment Status
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	Retired 1 December 2020
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 Report (Audited) continued

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 2021 was $878,195.

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.

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.

Remuneration Report (Audited) continued

2021 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.

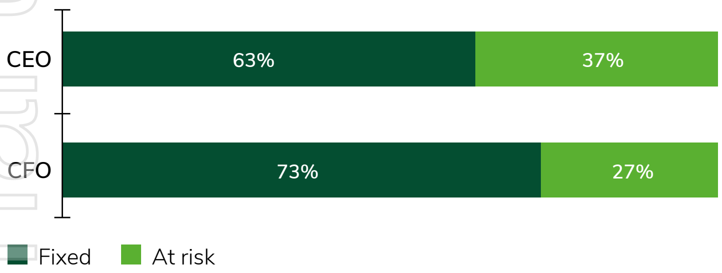
In assessing whether the KPIs for each variable component have been met, the Company measures actual results against internal targets.

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.

FY21 Short-term Incentives

In FY21, 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 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 FY21 STI Plan is set out as follows:

Term	Description
Objective	To reward participants for achieving targets linked to the Company's business strategy
Participants	All Executive key management personnel and selected senior management members
Performance period	Financial year ended 30 June 2021
Performance measures	STI is assessed against both financial and non-financial measures with the following weighting: (see table below)
Payment	Upon final endorsement by Board

Measure	Weighting [CEO]	Weighting [CFO]
EBITDA[1]	40%	40%
LTIFR	20%	20%
Individual performance measures	40%	40%

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.

FY21 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 2021 financial year:

KMP	Maximum STI	% of Maximum STI Achieved
CEO	256,096	25%
CFO	112,680	25%

Remuneration Report (Audited) continued

2021 Executive Remuneration continued

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 FY21, the Group issued performance rights to the Chief Executive Officer and Senior Executive Team. In total, 771,283 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: • shares; • options; and • 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: • options and performance rights may not be disposed of, transferred or encumbered; and • 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.

2021 Long-term Incentives

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

(a) Performance Rights

In FY21, the Board granted the Chief Executive Officer and members of the Senior Executive Team 771,283 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 2023.

Term	Description
Eligibility	Chief Executive Officer, Chief Financial Officer and members of the Senior Executive Team.
Consideration for grant	Nil.
Instrument	**2020 plan:** Performance rights issued on 15 November 2019 and 6 March 2020 respectively. **2021 plan:** Performance rights issued on 18 December 2021[1].
Number of rights granted	**2020 plan:** CEO 73,197; other senior executives 125,806. **2021 plan:** CEO 281,920; other senior executives 489,363.
Service conditions	Participant must maintain continuous employment over the performance period.
Performance period	**2020 plan:** 1 July 2019 to 30 June 2022. **2021 plan:** 1 July 2020 to 30 June 2023.
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: • less than median of the comparator company, no performance rights will vest; • at median of the comparator company, 50 per cent of the performance rights will vest; • 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 • 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: • dispose of any performance rights without the prior consent of the Board or otherwise in connections with the Plan Rules; or • 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	**2020 plan:** Rights issued 15 November 2019 ($0.41 cents); Rights issued 6 March 2020 ($0.17 cents). **2021 plan:** Rights issued 18 December 2020 ($0.53 cents).

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

Remuneration Report (Audited) continued

2021 Executive Remuneration continued

Relationships Between Company Remuneration Policy and Company Performance

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

Key Performance Indicator	FY21 Actual $'000	FY20 Actual $'000	FY19 Actual $'000	FY18 Actual $'000	FY17 Actual $'000
Net profit/(loss) after tax	(5,178)	(11,733)	26,158	18,397	14,921
EBITDA	10,933	752	50,669	31,308	24,916
Underlying EBITDA-SL[1]	12,518	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.

Key Management Personnel Remuneration

As a result of the Group's performance, Directors and senior staff agreed to take a 20 per cent pay reduction during the three months beginning 1 May 2020. The statutory remuneration disclosures for the year ended 30 June 2021 are detailed below and are prepared in accordance with Australian Accounting Standards (AASBs).

		Short-term Benefits			Post-employment	Long-term Benefits	Share-based Payments	Total
		Salary and Fees	STI	Non-monetary[1]	Superannuation	Other[2]		
Directors								
Greg McCormack	2021	197,915	–	–	18,802	–	–	216,717
	2020	195,605	–	–	19,168	–	–	214,773
Nils Gunnersen	2021	107,954	–	–	10,256	–	–	118,210
	2020	106,694	–	–	10,455	–	–	117,149
Tom Gunnersen	2021	107,954	–	–	10,256	–	–	118,210
	2020	106,694	–	–	10,455	–	–	117,149
Gordon Davis	2021	126,432	–	–	2,614	–	–	129,046
	2020	119,175	–	–	8,713	–	–	127,888
Leanne Heywood	2021	117,850	–	–	11,196	–	–	129,046
	2020	113,163	–	–	11,070	–	–	124,233
Thomas Keene	2021	107,954	–	–	10,256	–	–	118,210
	2020	110,005	–	–	10,799	–	–	120,804
Anthony Bennett	2021	44,526	–	–	4,230	–	–	48,756
	2020	106,694	–	–	10,455	–	–	117,149
Executives								
Anthony Price	2021	428,420	64,024	52,704	25,010	425	42,253	612,836
	2020	423,419	–	52,704	25,873	24,563	7,142	533,701
Ashley Merrett	2021	289,082	28,170	23,000	25,010	20,551	14,475	400,288
	2020	285,982	–	23,000	25,873	4,335	674	339,864

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 2020	Shares Acquired	Shares Sold	Other Changes	Held at 30 June 2021
Gregory McCormack	9,604,599	–	–	–	9,604,599
Nils Gunnersen	9,829	–	–	–	9,829
Tom Gunnersen	–	–	–	–	–
Gordon Davis	90,000	–	–	–	90,000
Leanne Heywood	5,000	–	–	–	5,000
Thomas Keene	229,378	–	–	–	229,378
Anthony Bennett	2,760,356	–	–	(2,760,356)*	–
Anthony Price	180,329	10,000	–	–	190,329
Ashley Merrett	19,000	–	–	–	19,000

* Held at resignation date and retired 1 December 2020.

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
Anthony Price	Performance rights	281,920	18/12/2020	0%	–	2024
Ashley Merrett	Performance rights	112,765	18/12/2020	0%	–	2024

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 the 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	2021 $'000	2020 $'000
Revenue and other income			
Sales revenue	1.1	280,197	257,760
Other income	4.8	4,169	7,524
		284,366	265,284
Less: expenses			
Changes in inventories of finished goods and work in progress		(12,654)	6,066
Materials, consumables and other procurement expenses		(179,675)	(164,106)
Depreciation and amortisation expense	2.1|2.7	(11,271)	(13,094)
Employee benefits expense		(19,369)	(26,249)
Biological assets net fair value increment/(decrease)		(2,261)	(4,887)
Plantation management expenses		(199)	(840)
Freight and shipping expense		(40,161)	(50,702)
Repairs and maintenance expense		(6,438)	(8,001)
Impairment loss on non-current assets		(2,269)	(8,582)
Other expenses		(8,932)	(9,995)
		(283,229)	(280,390)
Finance expense	3.1	(5,123)	(6,114)
Finance income		410	615
Net finance expense		(4,713)	(5,499)
Share of net profit/(loss) from equity accounted investments	4.2	(1,475)	2,764
Profit/(loss) before income tax expense		(5,051)	(17,841)
Income tax expense benefit/(expense)	1.3	(127)	6,108
Profit/(loss) for the period		(5,178)	(11,733)
Items that will not be reclassified to profit and loss			
Revaluation of land fair value adjustment, net of tax	2.1	11,707	4,495
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges effective portion of changes in fair value, net of tax		(3,487)	2,350
Foreign operations – foreign currency translation differences		(90)	5
Equity accounted investees – share of OCI		(95)	26
Other comprehensive income for the period		8,035	6,876
Total comprehensive income for the period		2,857	(4,857)
Profit/(loss) is attributable to:			
– Owners of Midway Limited		(5,363)	(12,019)
– Non-controlling interests		185	286
		(5,178)	(11,733)
Total comprehensive income is attributable to:			
– Owners of Midway Limited		2,678	(5,155)
– Non-controlling interests		179	298
		2,857	(4,857)
Earnings per share for profit attributable to equity holders:			
Basic earnings per share		($0.06)	($0.14)
Diluted earnings per share		($0.06)	($0.14)

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

Consolidated Balance Sheet
AS AT 30 JUNE

	Notes	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	3.1	12,956	11,049
Receivables	2.6	17,329	3,564
Inventories	2.6	15,645	29,210
Biological assets	2.3	2,501	1,483
Current tax receivable		1,301	451
Other assets		6,561	6,187
Assets held for sale	2.2	2,997	–
Derivative assets		–	2,825
Total current assets		59,290	54,769
Non-current assets			
Biological assets	2.3	41,589	48,322
Other receivables		5,873	5,460
Investments accounted for using the equity method	4.2	9,978	13,816
Intangible assets	2.7	1,971	1,971
Loan receivables		3,127	3,129
Property, plant and equipment	2.1	141,067	133,137
Total non-current assets		203,605	205,835
Total assets		262,895	260,604
Current liabilities			
Trade and other payables	2.6	22,354	20,090
Borrowings	3.1	9,552	11,610
Strategy financial liability		8,202	5,523
Derivative financial liability		2,165	–
Provisions		4,094	4,152
Total current liabilities		46,367	41,375
Non-current liabilities			
Borrowings	3.1	34,882	38,868
Strategy financial liability		31,850	37,675
Provisions		176	125
Deferred tax liabilities	1.3	17,379	12,442
Total non-current liabilities		84,287	89,110
Total liabilities		130,654	130,485
Net assets		132,241	130,119
Contributed equity			
Share capital	3.3	64,888	64,888
Reserves	3.3	81,939	73,793
Accumulated losses		(15,768)	(10,405)
Equity attributable to owners of Midway Limited		131,059	128,276
Equity attributable to non-controlling interests		1,182	1,843
Total equity		132,241	130,119

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 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
Balance as at 1 July 2020	**64,888**	**73,793**	**(10,405)**	**1,843**	**130,119**
Profit/(loss) for the year	–	–	(5,363)	185	(5,178)
Revaluation of land, net of tax	–	11,707	–	–	11,707
Cash flow hedges effective portion of changes in fair value, net of tax	–	(3,576)	–	(6)	(3,582)
Foreign operations – foreign currency translation differences	–	(90)	–	–	(90)
Total comprehensive income for the year	–	8,041	(5,363)	179	2,857
Other transactions:					
Issuance of ordinary shares, net of transaction costs	–	–	–	–	–
Issuance of performance rights	–	–	–	–	–
Share-based payments expense	–	105	–	–	105
Transfers to profits reserve	–	–		–	–
Transactions with owners in their capacity as owners:					
Dividends	–	–	–	(840)	(840)
Total other transactions	–	105	–	(840)	(735)
Balance as at 30 June 2021	**64,888**	**81,939**	**(15,768)**	**1,182**	**132,241**

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	2021 $'000	2020 $'000
Cash flow from operating activities			
Receipts from customers		268,764	281,589
Payments to suppliers and employees		(247,511)	(269,874)
Interest received		–	26
Interest paid		(1,777)	(1,914)
Income tax received		440	578
JobKeeper		2,354	697
Net cash provided by operating activities	3.1	22,270	11,102
Cash flow from investing activities			
Payment for property, plant and equipment		(3,427)	(3,230)
Proceeds from sale of fixed assets		332	906
Payment for non-current biological assets		(2,122)	(3,754)
Acquisition of equity accounted investees		–	(10)
Dividends received from associates		–	2,550
Payment of deferred consideration Plantation Management Partners		–	(105)
Net cash used in investing activities		(5,217)	(3,643)
Cash flow from financing activities			
Repayment of Strategy financial liability		(6,081)	(1,133)
Principal repayment of lease liabilities		(5,255)	(6,290)
Dividends paid		(840)	(7,860)
Proceeds from bank borrowings		–	5,500
Repayment of bank borrowings		(3,465)	(2,658)
Proceeds from loan receivable		495	513
Net cash used in financing activities		(15,146)	(11,928)
Reconciliation of cash			
Cash at beginning of the financial period		11,049	15,518
Net increase/(decrease) in cash held		1,907	(4,469)
Cash at end of financial period (net of overdrafts)		12,956	11,049

The above Consolidated Statement of Cashflows 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 Woodfibre segment was impacted by the lag effect of lower pricing in the prior corresponding period, along with COVID-19 impacts to the Midway Logistics business in Western Australia (supply constraints). Pulp pricing has begun to improve leading into FY22, with higher Japanese prices settled.
- The Group achieved an underlying EBITDA of $14.6 million (2020: $13.8 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. 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.
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.

Notes to the Consolidated Financial Statements continued

Section 1: Our Performance continued

1.1 Segment Reporting continued

(b) Segment Information Provided to Senior Management

2021 ($'000)	Woodfibre	Forestry Logistics	Plantation Management	Ancillary	Eliminations	Total
Sales revenue	198,084	4,823	476	–	76,814	280,197
Inter segment sales	174	–	11,577	–	(11,751)	–
Other income	8,190	355	320	–	(4,696)	4,169
Total revenue and other income	206,448	5,178	12,373	–	60,367	284,366
Share of equity accounted profits/(loss)	–	23	–	–	(1,498)	(1,475)
EBITDA – S[1]	21,488	(2,705)	(2,226)	(50)	(1,875)	14,632
Significant items	1,363	(1,768)	–	(1,033)	–	(1,438)
Fair value gain/(loss) on biological assets	–	–	(2,261)	–	–	(2,261)
EBITDA	22,851	(4,473)	(4,487)	(1,083)	(1,875)	10,933
Depreciation and amortisation	(9,855)	(2,228)	(1,486)	(17)	2,315	(11,271)
EBIT	12,996	(6,701)	(5,973)	(1,100)	440	(338)
Net finance expense	(2,205)	(51)	(2,646)	–	189	(4,713)
Net profit/(loss) before tax	10,791	(6,752)	(8,619)	(1,100)	629	(5,051)
Income tax benefit/(expense)	(3,412)	1,359	2,548	20	(642)	(127)
Net profit/(loss) after tax	7,379	(5,393)	(6,071)	(1,080)	(13)	(5,178)
Segment assets	187,165	2,980	154,372	4,864	(86,486)	262,895
Equity accounted investees	9,938	40	–	–	–	9,978
Capital expenditure	(2,591)	(489)	(615)	–	–	(3,695)
Segment liabilities	(74,090)	(9,929)	(88,611)	(3,268)	45,244	(130,654)

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	22,212	(2,473)	(2,152)	(47)	(3,704)	13,836
Significant items	(5,479)	(2,307)	–	(411)	–	(8,197)
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)

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.

2021 Revenue by Geographic Region	Woodfibre	Forestry Logistics	Plantation Management	Ancillary	Eliminations	Total
Australia	2,079	4,823	12,038	–	(11,751)	7,189
China	115,424	–	–	–	95,435	210,859
Japan	78,891	–	–	–	(18,621)	60,270
South East Asia	1,864	–	15	–	–	1,879
	198,258	4,823	12,053	–	65,063	280,197

2020 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

For the financial year ending 30 June 2021 there were three (2020: 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	2021 $'000	2020 $'000
Impairment loss on non-current assets (ADDCO Pty Ltd)	1.6	–	(2,066)
Impairment loss on non-current assets (Bio Growth Partners Pty Ltd)	1.6	(2,269)	–
Impairment of loss on non-current assets (Plantation Management Partners Pty Ltd)	1.6	–	(6,516)
JobKeeper payments[1]		2,014	1,037
Restructuring cost		(149)	(240)
Transaction costs		(1,034)	(412)
Impact of individually significant items		(1,438)	(8,197)

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.

Notes to the Consolidated Financial Statements continued

Section 1: Our Performance continued

1.3 Income Tax

	2021 $'000	2020 $'000
(a) Current Tax Reconciliation		
Current tax	1,644	(2,521)
Deferred tax	(1,543)	(3,744)
Over provision in prior years	26	157
	127	(6,108)
(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% (2020: 30.0%)	(1,515)	(5,352)
– Effect of taxes in foreign jurisdictions	25	(71)
Add tax effect of:		
– Write-off of goodwill	–	295
– Unfranked dividend	839	–
– Impairment on non-current assets (Bio Growth Partners)	165	–
– Under provision of income tax in prior years	26	–
– Other non-allowable items	144	–
	(316)	(5,128)
Less tax effect of:		
– Over provision for income tax in prior years	–	31
– Share of profits/(losses) from joint ventures	(443)	829
– Capital loss on ADDCO	–	81
– Other	–	39
	(443)	980
Income tax expense/(benefit) attributable to profit	127	(6,108)
(c) Deferred Tax		
Deferred tax assets		
Payables	884	872
Biological assets	642	–
Blackhole expenditure	385	565
Capital losses carried forward	2,046	2,046
Hedge reserve	623	–
Tax losses carried forward	–	2,986
Other	521	–
	5,101	6,469
Deferred tax liabilities		
Biological assets	–	482
Property, plant and equipment	22,480	17,415
Hedge reserve	–	848
Other	–	140
	22,480	18,885
Net deferred tax liabilities	17,379	12,416
(e) Deferred Income Tax (Revenue)/Expense Included in Income Tax Expense Comprises		
Decrease/(increase) in deferred tax assets	(1,618)	416
(Decrease)/increase in deferred tax liabilities	75	(4,160)
	(1,543)	(3,744)
(f) Deferred income tax related to items charged or credited directly to equity		
Increase in deferred tax liabilities	3,520	2,973

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 DTA to the extent it is probable they will be realised in the foreseeable future.

1.4 Earnings Per Share

(a) Earnings Per Share

	2021	2020
Earnings per share	**($0.06)**	($0.14)
Diluted earnings per share*	**($0.06)**	($0.14)

	2021 Number	2020 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**87,336,222**	87,325,715
Adjustments for calculation of diluted earnings per share:		
Performance rights[1]	–	–
	87,336,222	87,325,715

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

1. As at 30 June 2021, 970,286 performance rights (2020: 199,003) were excluded from the diluted weighed-average number of ordinary shares calculation because their effect would have been anti-dilutive.

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

1.5 Dividends

	2021 $'000	2020 $'000
Fully franked at 30% (2020: 30%)	–	7,860

The balance of the franking account at 30 June 2021 is $6,781,369 (2020: $5,701,956).

Notes to the Consolidated Financial Statements continued

Section 1: Our Performance continued

1.6 Impairment of Non-financial Assets

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

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

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

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 FY26, 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 11.3 per cent for all CGUs (2020: 8.6 per cent – 11.7 per cent).

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.

Other Assumptions

The impact of COVID-19 on global markets is an area of uncertainty, along with future potential impacts from climate change.

Impairment of Bio Growth Partners (40 per cent Equity Accounted Investee)

The Group has taken a writedown on carrying value in its investment in Bio Growth Partners for $2.2 million. The Group suffered from timber supply constraints and unplanned customer shutdowns in Western Australia as a result of the COVID-19 pandemic, which resulted in reduced domestic business that impacted our equity accounted investee Bio Growth Partners (BGP). Subsequent to year end, the Group purchased the remaining 60 per cent share in BGP for $1 per share. The Group is in negotiation with a major corporate customer in Western Australia in order to have security of supply (Biomass) moving forward, which would allow BGP to become a profitable business.

FY20

Plantation Management Partners Pty Ltd (PMP)

Due to the market downturn in FY20, the Group had been unable to market budgeted quantities of woodfibre from Plantation Management Partners, on the Tiwi Islands. As a result, the recoverable value did not exceed the carrying amount of the CGU and the Group wrote 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.

Impairment of ADDCO (25 per cent Equity Accounted Investee)

As a result of the adverse external market conditions, ADDCO entered voluntary administration during FY20. The Group took 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.

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 $16.7 million (before tax) in the current year, primarily due to increased prices for forestry land.
- The Group holds biological assets for harvest of which $8.1 million relates to seedlings and $36.0M 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.
- Plantation land ($95.7 million) and biological assets ($44.1 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 $'000	Freehold Land $'000	Leased 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 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	12,670	4,516	2,753	24,364	6,891	133,137
Year ended 30 June 2021							
Opening net book amount	**81,943**	**12,670**	**4,516**	**2,753**	**24,364**	**6,891**	**133,137**
Additions	**–**	**–**	**978**	**723**	**3,554**	**563**	**5,818**
Disposals	**–**	**–**	**(59)**	**(12)**	**(273)**		**(344)**
Depreciation	**–**	**–**	**(1,653)**	**(411)**	**(8,303)**	**(904)**	**(11,271)**
Reclassification to asset held for sale	**(2,997)**	**–**	**–**	**–**	**–**	**–**	**(2,997)**
Revaluation	**16,724**	**–**	**–**	**–**	**–**	**–**	**16,724**
Closing carrying amount	**95,670**	**12,670**	**3,782**	**3,053**	**19,342**	**6,550**	**141,067**

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.

Notes to the Consolidated Financial Statements continued

Section 2: Our Asset Base continued

2.1 Property, Plant and Equipment continued

(a) Key Estimates and Judgements – Fair Value

	2021 Fair Value $'000	Valuation Technique	Description of Valuation Technique
Freehold land	12,670	Market approach[1]	The Company's freehold land is stated at fair value. The fair value measurements of the Company's land as at 30 June 2021 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	98,667	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. The Group engaged an independent valuer to provide an independent valuation on an unencumbered basis as at 30 June 2021. The independent valuation is adjusted by the Directors using a discounted cash flow (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 2020.

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.

2021 Plantation Land Measurement

The unencumbered value of the plantation land is $113.0 million (2020: $99.0 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	6.75% (2020: 7.25%)
Growth rate	2% to 5%
Reversionary costs	$0-$1,550 per hectare
Clearfall period	2021 – 2028

(b) Sensitivity Analysis

As at the balance date, the impact of a change of certain 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):

	2021		2020	
Plantation Land at Fair Value	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Discount rate +/- 1%	(3,397)	3,606	(3,198)	3,416
Growth rate +/- 1%	3,651	(3,499)	3,515	(3,346)
Reversionary costs +/- 10%	(173)	173	(181)	180

A change in assumptions for the following variables may have a significant impact on the value of the portfolio dependent 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 (2020: $0.1 million), or decrease by $0.1 million (2020: $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 are 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 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.

Notes to the Consolidated Financial Statements continued

Section 2: Our Asset Base continued

2.2 Asset Held-for-sale

	2021 $'000	2020 $'000
Opening balance	–	–
Plantation land at fair value	2,997	–
Closing balance	2,997	–

In December 2020, the Group entered into a contract to sell plantation land from Upper Goulburn. Accordingly, the plantation land is reclassed from property, plant and equipment to assets held-for-sale and is due for settlement within 12 months.

Policy

Assets held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

2.3 Biological Assets

	2021 $'000	2020 $'000
Current		
Plantation hardwood at fair value	2,501	1,483
Non-current		
Plantation hardwood at fair value	33,501	40,838
Plantation hardwood at fair value (new plantings)	8,088	7,484
	44,090	49,805

(a) Reconciliation of Carrying Amount

	Biological Assets $'000
At 1 July 2020	49,805
Harvested timber	(5,576)
New plantings	2,122
Purchase of standing timber	–
Change in fair value less estimated point of sale costs – due to:	–
Change in discount rate	967
Change in volumes and prices	(3,228)
Balance at 30 June 2021	44,090

Policy

Biological assets are held at fair value, with exception of new plantings (see below).

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 calculation (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: • 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. • 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. • 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. • 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 $205.3 2020: $192.7). • Estimated yields per hectare (weighed average gmt/ha 209 2020: 246). • Estimated harvest and transportation costs (weighted average $45.7/gmt 2020: $45.3/gmt). • Risk-adjusted discount rate 7.5% (2020: 8%).	The estimated fair value would increase/(decrease) if the: • estimated timber prices per tonne were higher/(lower); • estimated yield per hectare or estimated timber projections were higher/(lower); • estimated average direct and indirect costs were lower/(higher); and/or • discount rate was lower/(higher). The potential future impacts of COVID-19 and climate change remain uncertain and could impact the key estimates and judgements noted above.

(c) Sensitivity Analysis

As at the balance date, the impact of key assumptions on the biological assets of the Group (all other things being equal) would have resulted in the following impacts in income statement:

	2021		2020	
Biological Assets	**Increase $'000**	**Decrease $'000**	**Increase $'000**	**Decrease $'000**
Discount rate +/- 1%	**(1,728)**	**1,839**	(1,838)	1,960
Expected future sales prices +/- 10%	**11,070**	**(11,070)**	12,700	(12,700)
Expected future harvest and transportation costs +/- 10%	**(6,560)**	**6,560**	(7,500)	7,800
Expected future changes in volume +/- 10%	**5,100**	**(5,100)**	5,700	(5,700)

Notes to the Consolidated Financial Statements continued

Section 2: Our Asset Base continued

2.3 Biological Assets continued

(d) Strategy Agreement

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.

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).

1. During the prior 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 have been novated as a part of the sales process and as such the sale does not have any ramifications for the Group.

2.4 Commitments

	2021 $'000	2020 $'000
– not later than one year	18,884	20,045
– later than one year and not later than five years	68,431	84,662
– later than five years	59,584	66,740
	146,899	171,447

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

2.5 Leases

(a) Right of Use Assets

Right of Use Assets by Category	Leased 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
Balance at 1 July 2020	**4,516**	**77**	**9,948**	**14,541**
Additions	**978**	**633**	**780**	**2,391**
Disposal	**(59)**	**(12)**	**(226)**	**(297)**
Depreciation	**(1,653)**	**(199)**	**(3,446)**	**(5,298)**
Closing carrying amount	**3,782**	**499**	**7,056**	**11,337**

(b) Amounts Recognised in Profit or Loss

	2021 $'000	2020 $'000
Interest on lease liabilities	**210**	625
Expenses relating to short-term leases	**88**	94

(c) Amounts Recognised in the Statement of Cash Flows

	2021 $'000	2020 $'000
Total cash outflows for leases	**5,255**	6,675

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.

Subsequently, the right to use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the asset's lease term. Lease liability is measured at amortised cost using the effective interest method.

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

Notes to the Consolidated Financial Statements continued

Section 2: Our Asset Base continued

2.6 Working Capital

Working Capital	Section	2021 $'000	2020 $'000
Cash and cash equivalents		12,956	11,049
Inventories	a	15,645	29,210
Trade and other receivables	b	17,329	3,564
Trade and other payables	c	(22,353)	(20,090)
Provisions		(4,270)	(4,277)
		19,307	19,456

(a) Inventories

	2021 $'000	2020 $'000
At cost		
Finished goods	15,645	29,210
Work in progress	–	–
	15,645	29,210

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.

A write-off of $0.5 million during the period occurred on the chip stack on the Tiwi Islands.

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 M^3 to GMT ranges from 2.2 to 2.9 – the range depends upon factors such as timber species type and seasonal factors.

(b) Trade and Other Receivables

	2021 $'000	2020 $'000
Trade debtors	9,755	1,358
Accrued income[1]	5,105	808
GST receivable	2,469	1,398
	17,329	3,564

1. Accrued income refers to vessel shipped in late June but not invoiced.

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

	2021 $'000	2020 $'000
Unsecured liabilities		
Trade creditors	9,553	8,556
Sundry creditors and accruals	12,800	11,534
	22,353	20,090

Policy

Financial liabilities include trade payables, other creditors and loans from third parties.

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.

2.7 Intangible Assets

The reconciliation of the carrying amount is set out below:

	Notes	Goodwill $'000	Customer Contracts $'000	Total $'000
Year ended 30 June 2020				
Opening net book amount		2,955	6,286	9,241
Impairment loss on non-current assets	1.6	(984)	(5,532)	(6,516)
Amortisation		–	(754)	(754)
Closing carrying amount		1,971	–	1,971
Year ended 30 June 2021				
Opening net book amount		1,971	–	1,971
Impairment loss on non-current assets		–	–	–
Amortisation		–	–	–
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 was written off in FY20.

Notes to the Consolidated Financial Statements continued

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 currency fluctuations on USD denominated sales 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 (<0.3).

3.1 Net Debt

	2021 $'000	2020 $'000
Bank loans – current	4,725	7,000
Bank loans – non-current	29,175	30,150
Hire purchase liabilities – current	3,327	3,006
Hire purchase liabilities – non-current	2,848	5,867
Other finance arrangements	–	215
AASB 16 lease liabilities	4,359	4,240
Cash and cash equivalents	(12,956)	(11,049)
	31,478	39,429

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-24
Working capital, asset finance (NAB)	4,474	31,200	31-May-22
Asset finance (ANZ)	5,201	10,000	30-Sep-21
Acquisition debt facility – tranche 2	1,225	1,550	30-Jun-22
Acquisition debt facility – Bell Bay	–	3,000	30-Sep-24

The Group has the ability to enter into purchase arrangements under the asset finance facility until it expires on 31 May 2022 (NAB) and 30 September 2021 (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:

	2021 $'000	2020 $'000
Cash on hand	1	1
Cash at bank	12,955	11,048
	12,956	11,049
Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	(5,178)	(11,733)
Adjustments and non-cash items		
Depreciation and amortisation	11,271	13,094
Net (gain)/loss on disposal of property, plant and equipment	(59)	(426)
Sundry movements	132	3
Share of equity accounted investees profit	1,475	(2,764)
Fair value (increment)/decrement on revaluation of biological assets	2,261	4,887
Impairment of non-current assets	2,269	8,582
Non-cash interest expense	2,734	3,921
Changes in operating assets and liabilities		
(Increase)/decrease in receivables	(8,810)	13,910
(Increase)/decrease in other assets	(5,852)	(182)
(Increase)/decrease in inventories	13,565	(6,521)
Increase in biological assets (net of revaluation increment/decrement)	5,576	1,089
Increase/(decrease) in payables	2,325	(7,192)
(Increase)/decrease in deferred taxes	(1,569)	(7,277)
Increase/(decrease) in tax provision	2,136	1,456
Increase/(decrease) in provisions	(6)	245
Cash flows provided from operating activities	22,270	11,102

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

	2021 $'000	2020 $'000
Interest expenses	1,503	1,532
Strategy finance expenses	2,935	3,686
Bank charges	176	271
Interest expense on lease liabilities	509	625
	5,123	6,114

Notes to the Consolidated Financial Statements continued

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 2020	11,610	38,868	5,523	37,675
Cash changes				
Repayment of borrowings	(7,206)	(1,514)	(5,523)	(558)
Total cash flows	(7,206)	(1,514)	(5,523)	(558)
Non-cash changes				
Lease additions	780	1,686	–	–
Interest	210	–	–	2,935
Transfer	4,158	(4,158)	8,202	(8,202)
Balance at 30 June 2021	**9,552**	**34,882**	**8,202**	**31,850**

3.2 Financial Risk Management

Capital Risk Management

The Group's objectives when managing capital are 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:

	2021 $'000	2020 $'000
Financial assets		
Cash and cash equivalents	12,956	11,049
Receivables	15,628	6,818
Other receivables	7,574	2,206
Derivatives	–	2,825
	36,158	22,898
Financial liabilities		
Bank and other loans	33,900	37,365
Creditors	9,553	8,556
AASB 16 lease liabilities	4,359	4,240
Finance lease liability	6,175	8,873
Other payables	12,800	11,534
Derivatives	2,165	–
	68,952	70,568

(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 2021
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. 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 $157.8 million (2020: $45.3 million), and USD options was $0 million (2020: $88.3 million). Sensitivity analysis has been performed below.

Derivative assets/(liabilities) held on the balance sheet representing the fair value of cash flow hedges at balance date are as follows:

	2021 $'000	2020 $'000
Derivative assets	–	2,825
Derivative financial liability	(2,165)	–

During the period there was no (2020: $0) hedge ineffectiveness resulting in a transfer to the income statement.

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, 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 Group's 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.

	2021 USD $'000	2020 USD $'000
Cash	85	502
Trade receivables	36	91

The forward exchange and swap contracts in place are to hedge cash flows associated with the above mentioned trade receivables and highly probable 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:

	2021		2020	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
USD movement impact [+/- 10%]				
Impact on profit after tax	(10)	11	(47)	51
Impact on equity	8,663	(12,711)	17,620	(19,629)

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

i. Interest Rate Risk

Interest rate risk is the risk that the fair value of 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 2021
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. Effective interest rate monitored by Audit and Risk Management Committee. 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.

	Interest Bearing $'000	Non-interest Bearing $'000	Total Carrying Amount $'000	Weighted Average Effective Interest Rate	
2020					
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	3.54%	Fixed
Finance lease liability	8,873	–	8,873	3.91%	Fixed
Sundry creditors and accruals	–	11,534	11,534		
	50,263	20,305	70,568		
2021					
Financial assets					
Cash	12,955	1	12,956	0.00%	Floating
Trade receivables	–	9,755	9,755		
Other receivables	–	7,574	7,574		
	12,955	17,330	30,285		
Financial liabilities					
Bank and other loans	33,900	–	33,900	2.61%	Floating
Creditors	–	9,553	9,553		
AASB 16 lease liability	4,359	–	4,359	3.98%	Fixed
Finance lease liability	6,175	–	6,175	3.78%	Fixed
Sundry creditors and accruals	–	12,800	12,800		
Derivatives	–	2,165	2,165		
	44,434	24,518	68,952		

Notes to the Consolidated Financial Statements continued

Section 3: Funding Structures continued

3.2 Financial Risk Management continued

(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.

What is the Risk?	How Does Midway Manage the Risk?	Impact at 30 June 2021
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. 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 2021, there are only receivables for one vessel outstanding, of which the cash was subsequently collected within 10 days as expected. Based on management's assessment of its exposure, the Group has low credit risk.
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 to a certain extent given receipt of the debt is linked to the Group's performance in producing and marketing the woodfibre.	$5.9 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. Given the impacts of COVID-19 and adverse market conditions, it is not expected to recover the receivables for at least 12 months. 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 2021, the ageing of trade and other receivables that were not impaired was as follows:

	2021 $'000	2020 $'000
Neither past due nor impaired	9,119	3,362
Past due 1–30 days	7,913	721
Past due 31–60 days	3	150
Past due 61–90 days	179	83
Over 90 days	5,988	4,708
	23,202	9,024

(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.

	< 6 Months $'000	6-12 Months $'000	1-5 Years $'000	>5 Years $'000	Total Contractual Cash Flows $'000	Carrying Amount $'000
2021						
Cash and cash equivalents	**12,956**	–	–	–	**12,956**	**12,956**
Loan receivables	**209**	**209**	**3,376**	–	**3,794**	**3,514**
Receivables	**17,329**	–	**5,873**	–	**23,202**	**23,202**
Derivatives	**(2,165)**	–	–	–	**(2,165)**	**(2,165)**
Payables	**(22,353)**	–	–	–	**(22,353)**	**(22,353)**
Strategy financial liability	**(4,462)**	**(4,462)**	**(51,225)**	**(13,950)**	**(74,099)**	**(40,052)**
Finance lease	**(3,971)**	**(2,634)**	**(7,288)**	**(2,198)**	**(16,091)**	**(10,534)**
Borrowings	**(795)**	**(4,220)**	**(29,194)**	–	**(34,209)**	**(33,900)**
Net maturities	**(3,252)**	**(11,107)**	**(78,458)**	**(16,148)**	**(108,965)**	**(69,332)**
2020						
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)

3.3 Contributed Equity

(a) Ordinary share capital

	Number of Shares		Company	
Share Capital	**2021**	**2020**	**2021 $'000**	**2020 $'000**
Ordinary shares				
Opening balance – 1 July	**87,336,222**	87,271,222	**64,888**	64,791
Performance rights vested	–	65,000	–	97
Issued during the year	–	–	–	–
Capital raising costs incurred net of recognised tax benefit	–	–	–	–
Closing balance 30 June 2021	**87,336,222**	87,336,222	**64,888**	64,888

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.

Notes to the Consolidated Financial Statements continued

Section 3: Funding Structures continued

3.3 Contributed Equity continued

(b) Reserves

Reserves	2021 $'000	2020 $'000
Movements:		
Cash flow hedge reserve[1]		
Opening balance	1,977	(387)
Cash flow hedges – effective portion	(5,109)	3,377
Deferred tax	1,533	(1,013)
Balance 30 June	(1,599)	1,977
Share-based payments reserve[2]		
Opening balance	12	99
Share rights granted	105	10
Share rights issued/vested	–	(97)
Balance 30 June	117	12
Asset revaluation reserve[3]		
Opening balance	36,919	32,424
Revaluation of land	16,724	7,025
Asset disposals	–	(604)
Deferred tax	(5,017)	(1,926)
Balance 30 June	48,626	36,919
Profit reserve[4]		
Opening balance	34,875	42,569
Adjustment on adoption of AASB 16	–	166
Restated opening balance	34,875	42,735
Transfers of current year profits	–	–
Dividends paid	–	(7,860)
Balance 30 June	34,875	34,875
Foreign currency translation reserve		
Opening balance	10	5
Foreign currency translation differences	(90)	5
Balance 30 June	(80)	10

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	
	2021 %	2020 %	**2021 %**	2020 %
Subsidiaries of Midway Limited and controlled entities:				
Queensland Commodity Exports Pty Ltd	**90**	90	**10**	10
Midway Plantations Pty Ltd	**100**	100	**–**	–
Midway Properties Pty Ltd	**100**	100	**–**	–
Midway Tasmania Pty Ltd	**100**	100	**–**	–
Plantation Management Partners Pty Ltd	**100**	100	**–**	–
Resource Management Partners Pty Ltd	**100**	100	**–**	–
Plantation Management Partners Pte Ltd[1]	**100**	100	**–**	–
Midway Logistics Pty Ltd	**100**	100	**–**	–
Midway Logistics Unit Trust	**100**	100		

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. Entered into liquidation during the period.

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

	Nature of Relationship	Ownership Interest 2021 %	Ownership Interest 2020 %	Carrying Amount 2021 $'000	Carrying Amount 2020 $'000
South West Fibre Pty Ltd	Ordinary shares	**51**	51	**9,888**	11,481
Bio Growth Partners (BGP)[1]	Ordinary shares	**40**	40	**40**	2,260
Plantation Export Group (PEG)	Ordinary shares	**50**	50	**50**	75
				9,978	13,816

1. Subsequent to year end, Midway Limited acquired the remaining 60 per cent of shares in Bio Growth Partners and as such will become a subsidiary from acquisition date.

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 is brought 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.

Notes to the Consolidated Financial Statements continued

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

	2021 $'000	2020 $'000
Cash and cash equivalents	3,215	10,585
Other current assets	12,798	8,245
Total current assets	16,013	18,830
Property, plant and equipment	16,978	21,515
Total non-current assets	18,236	21,515
Total current liabilities	(6,929)	(8,047)
Total non-current liabilities	(7,931)	(9,786)
Net assets	19,389	22,512
Revenue	38,875	125,636
Interest income	–	24
Depreciation and amortisation	(4,537)	(4,567)
Income tax benefit/(expense)	1,259	(2,273)
Total comprehensive income	(3,123)	5,291

Reconciliation to carrying amount of interest in joint venture:

	2021 $'000	2020 $'000
Opening net assets	22,512	22,171
Add: Current year profit/(loss)	(2,937)	5,291
Less: Dividends paid	–	5,000
Hedge revaluation reserve	(186)	50
Closing net assets	19,389	22,512
Company's 51% share of net assets	9,888	11,481
Carrying amount of investment	9,888	11,481

4.3 Midway Limited – Parent Entity

Summarised Balance Sheet	2021 $'000	2020 $'000
Assets		
Current assets	94,966	85,372
Non-current assets	75,336	80,153
Total assets	170,302	165,525
Liabilities		
Current liabilities	23,054	24,527
Non-current liabilities	27,569	27,465
Total liabilities	50,623	51,992
Net assets	119,679	113,533
Equity		
Share capital	64,888	64,888
Retained earnings	1,614	1,614
Reserves	53,177	47,031
Total equity	119,679	113,533

Summarised Statement of Profit or Loss and Other Comprehensive Income		
Profit for the year after income tax	9,672	8,029
Total comprehensive income	6,146	5,769

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 FY21, the Board granted the Chief Executive Officer and members of the Senior Executive Team 771,283 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 2023.

Notes to the Consolidated Financial Statements continued

Section 4: Other Disclosures continued

4.4 Share-based Payments continued

(a) Long-term Incentive Rights (Equity Settled) continued

2021 Plan

Assumption	
No. of shares	771,283
Fair value at grant date[1]	$0.53
Share price	$0.90
Risk free rate	0.11%
Dividend yield	3.0%
Volatility	46.0%
Initial TSR	8.4%

Vesting Conditions

- Participant must maintain continuous employment over the performance period, which ends 30 June 2023.
- The percentage of performance rights that will vest at the end of the performance period will depend on Midway's total shareholder return (TSR) over the performance period, relative to a comparator group of companies in the S&P/ASX 300 Index.

The Group recorded a share-based payments expense of $0.1 million in 2021 (2020: $0.01 million).

2020 Plan

Assumption	
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 which ends 30 June 2022.
- 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.

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

	2021 $'000	2020 $'000
Short-term employee benefits	**1,696**	1,643
Post-employment benefits	**118**	133
Share-based payments	–	8
Other long-term incentives	**21**	29
Total KMP remuneration expense	**1,835**	1,813

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 2021.

The aggregate shareholdings of KMP at 30 June 2021 are 10,148,135 (2020: 12,898,491).

(b) Transactions with South West Fibre Pty Ltd

Nature	2021 $'000	2020 $'000
Operator fee income	**548**	1,911
Reimbursement of costs	**291**	1,302
Dividends received	–	2,550
Sale of wood products (at cost)	**5,225**	12,962
	6,064	18,725

The outstanding receivable balance from South West Fibre Pty Ltd at 30 June 2021 is $0.6 million (2020: $0.2 million payable).

(c) Transactions with ADDCO Fibre Group Limited

Nature	2021 $'000	2020 $'000
Loan provided to ADDCO	–	–
Harvesting service received	–	2,075
Logging service received	–	–
	–	2,075

The outstanding receivable balance from ADDCO Fibre Group Ltd at 30 June 2021 is $0k (2020: $0k).

(d) Transactions with Bio Growth Partners

Nature	2021 $'000	2020 $'000
Production and cartage income	**1,239**	2,585
Loan repayment	**(215)**	–
Equipment hire	–	200
	1,024	3,785

The outstanding receivable balance from Bio Growth Partners at 30 June 2021 is $534k (2020: $534k) and no loan payable (2020: $215k).

Notes to the Consolidated Financial Statements continued

Section 4: Other Disclosures continued

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

	2021 $'000	2020 $'000
Consolidated group		
Limit	5,200	5,200
Amount utilised	2,276	3,321
Parent entity		
Limit	4,250	4,250
Amount utilised	2,051	3,096

4.7 Remuneration of Auditors

KPMG Australia	2021 $	2020 $
Audit and assurance services		
Statutory audit fees	210,000	242,819
Other services		
– Non- assurance services – other advisory services	20,420	8,000

4.8 Other Income

	2021 $'000	2020 $'000
Plantation management fees	48	455
SWF operating fee	548	1,911
Third party chip tolling	–	2,269
JobKeeper	2,014	1,037
Other	1,559	1,852
	4,169	7,524

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 2021 are set out below:

Summarised Consolidated Statement of Comprehensive Income	2021 $'000	2020 $'000
Sales revenue	243,679	208,636
Other income	11,364	7,064
	255,043	215,700
Expenses	(248,432)	(235,936)
Share of net profits from equity accounted investments	(1,475)	2,764
Profit before income tax expense	5,136	(17,472)
Income tax expense	(694)	6,183
Profit for the period	4,442	(11,289)
Other comprehensive income for the period	8,131	6,859
Total comprehensive income for the period	12,573	(4,430)
Retained earnings at the beginning of the financial year	(9,675)	1,614
Profit/(Loss) for the year	4,442	(11,289)
Transfers to/(from) reserves	–	–
Retained profits at the end of the financial year	(5,233)	(9,675)

Notes to the Consolidated Financial Statements continued

Section 4: Other Disclosures continued

4.9 Deed of Cross Guarantee continued

Consolidated Balance Sheet	2021 $'000	2020 $'000
Current assets		
Cash and cash equivalents	11,823	8,740
Receivables	16,406	1,949
Inventories	10,475	23,505
Biological assets	2,500	1,483
Other assets	14,585	12,009
Asset held for sale	2,997	–
Derivative assets	–	2,825
Current tax receivable	2,027	940
Total current assets	60,813	51,451
Non-current assets		
Biological assets	41,589	48,322
Other receivables	5,873	5,460
Investments	17,753	21,591
Intangible assets	–	–
Property, plant and equipment	135,934	125,621
Loan receivables – NC	3,127	3,129
Total non-current assets	204,276	204,123
Total assets	265,089	255,574
Current liabilities		
Trade and other payables	19,407	21,347
Borrowings	8,664	10,247
Provisions	3,770	3,793
Current tax liabilities	8,202	5,523
Derivative financial liability	2,076	–
Total current liabilities	42,119	40,910
Non-current liabilities		
Borrowings	34,128	37,749
Provisions	159	102
Deferred tax liabilities	16,427	11,460
Other financial liabilities	31,850	37,675
Total non-current liabilities	82,564	86,986
Total liabilities	124,683	127,896
Net assets	140,406	127,678
Contributed equity		
Share capital	64,888	64,888
Reserves	85,193	72,465
Retained earnings	(9,675)	(9,675)
Total equity	140,406	127,678

4.10 Subsequent Events

There have been no other matters or circumstances which have arisen since 30 June 2021 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2021, of the Group; or

(b) the results of those operations; or

(c) the state of affairs, in financial years subsequent to 30 June 2021 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.

Notes to the Consolidated Financial Statements continued

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.

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 78 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 2021 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.

Chairman:
G H McCormack

26 August 2021

Independent Auditor's Report

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 2021 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 2021;
- *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 Plantation Land; and
- Valuation of Biological assets.

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 Plantation Land ($95.7m)

Refer to Note 2.1 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Group's plantation land is measured at fair value. This was a key audit matter given the size of the balance (being 36% of total assets) and due to the complexity and judgment involved by us in assessing the Group's fair value of plantation land. The Group engaged an external expert to perform a valuation of the unencumbered market value of the Group's plantation land assets. The Group adjust this valuation using a discounted cashflow model to determine the encumbered land valuation as at balance date. We spent considerable time and effort assessing the Group's external expert's work and their discounted cashflow model. We focused our procedures on the following significant assumptions impacting the valuation: • comparability of the Group's land valuation rates to observable market transactions; • highest and best use of the land; • forecast growth rates; and • discount rate. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Working with our valuation specialists, our procedures included: • assessing the appropriateness of the Group's accounting policies against the requirements of the accounting standards; • reading the external expert's report and making inquiries of the Group and the external expert; • assessing the objectivity, competence and scope of work of the external expert; • considering the appropriateness of the discounted cashflow methodology applied by the Group to determine the encumbered valuation against the requirements of the accounting standards; • assessing the integrity of the discounted cashflow model used, including the accuracy of the underlying calculation formulas; • considering the sensitivity of the discounted cashflow model by varying key assumptions, such as discount rate and forecast growth rates, within a reasonably possible range to focus our further procedures; • checking the consistency of significant assumptions used in the discounted cashflow model, such as, highest and best use of land, forecast growth rates, discount rate and land valuation rates to those in the external expert

Independent Auditor’s Report continued

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	valuation report and other information used by the Group, and tested by us, including the biological assets valuations; • using our industry knowledge and experience to assess the data and significant assumptions in the external expert report and their discounted cashflow model. This included checking significant assumptions and a sample of data to underlying documentation, such as, the Group’s plantation records, historical trends and observable market transactions; and • assessing the disclosure in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Valuation of Biological Assets ($44.1m)	
Refer to Note 2.3 to the Financial Report	
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. This was a key audit matter given the size of the balance (17% of total assets) and judgment required by us in considering the significant assumptions in the Group’s biological assets valuation model. The Group engaged an external expert to perform an assessment of the fair value of the biological assets. We spent considerable time and effort assessing the work performed by the external expert and underlying biological assets valuation model inputs. The significant assumptions we focused on were: • expected yields and volumes (yield tables), and harvest profile, • discount rates, forecast harvesting costs and expectations of future market pricing for woodfibre.	Our audit procedures included: • assessing the appropriateness of the Group’s accounting policies and methodology applied to fair value the biological assets against the requirements of the accounting standards; • assessing the design and implementation of key controls over the preparation of inputs and evaluation of outputs of the biological asset valuations; • reading the external expert’s report and making inquiries of the Group and their external expert to inform our understanding; • assessing the objectivity, competence and scope of the external expert; • considering the sensitivity of the model by varying key assumptions such as discount rate and harvest profile, within a reasonably possible range, to focus our further procedures; • using our industry knowledge and experience to assess the inputs and significant

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	assumptions in the biological asset valuation, including yield tables, harvest profiles, forecasting harvesting costs, and woodfibre prices. This included comparing significant inputs and assumptions to underlying documentation, such as the Group's plantation records, published reports of industry commentators, historical trends and performance and other information used by the Group, and tested by us, including the land valuations; • working with our valuation specialists, we analysed the Group's discount rate against comparable companies and biological assets; and • assessing the disclosure in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

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 and will 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.

Independent Auditor's Report continued

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
- 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.

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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Midway Limited for the year ended 30 June 2021, 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 pages 17 to 25 of the Directors' report for the year ended 30 June 2021.

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

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Vicky Carlson

Partner

Melbourne

26 August 2021

Additional Shareholder Information

FOR THE YEAR ENDED 30 JUNE 2021

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 26 August 2021 (**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 (Fourth 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

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	322	162,105	0.19
1,001 to 5,000	462	1,364,091	1.56
5,001 to 10,000	296	2,296,306	2.63
10,001 to 100,000	427	12,247,507	14.02
100,001 and over	72	71,266,213	81.60
Total	**1,579**	**87,336,222**	**100.00**

Distribution of Performance Rights

Holdings Ranges	Number of Holders	Total Performance Rights	%
10,001 to 100,000	4	336,471	34.68
100,001 and over	3	633,815	65.32
Total	**7**	**970,286**	**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 $1.0300 per unit	486	143	24,254

Additional Shareholder Information continued

FOR THE YEAR ENDED 30 JUNE 2021

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	MCCORMACK TIMBER HOLDINGS PTY LTD	5,193,036	5.95
3	CITICORP NOMINEES PTY LIMITED	4,180,388	4.79
4	UBS NOMINEES PTY LTD	3,323,653	3.81
5	MCCORMACK TIMBERS PTY LTD	2,913,152	3.34
6	W.H. BENNETT & SONS PTY LTD	2,560,356	2.93
7	LUSHERI FARMING PTY LTD	2,344,263	2.68
7	M & M MURNANE HOLDINGS PTY LTD	2,344,263	2.68
9	NATIONAL NOMINEES LIMITED	2,265,141	2.59
10	JR MICAH PTY LTD <JR MICAH SUPER FUND A/C>	1,968,000	2.25
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,640,604	1.88
12	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	1,635,584	1.87
13	J & J CORRIGAN NOMINEES PTY LTD <EUREKA TIMBER A/C>	1,513,530	1.73
14	MCCORMACK TIMBERS PTY LTD <STAFF SUPER FUND A/C>	1,338,411	1.53
15	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	931,716	1.07
16	MS ESMA CLARA THIELE + MR MURRAY EDWARD THIELE	916,843	1.05
17	EMINENT ASSET MANAGEMENT PTY LTD <EMINENT ASSET MGT SF A/C>	861,500	0.99
18	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	747,825	0.86
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	732,676	0.84
20	JANAKIS PTY LTD <PETER STOLL FAMILY A/C>	650,215	0.74
	Total	**58,859,450**	**67.39**
	Balance of register	28,476,772	32.61
	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 Price (Managing Director and Chief Executive Officer)

Auditor
KPMG Australia
727 Collins Street
Melbourne Victoria 3008
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Solicitors
SBA Law
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Australia

T +61 3 9614 7000

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