25 August 2017

Manager, Company Announcements
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Via E-Lodgement

Dear Sir/Madam

Mayne Pharma Group Limited
Preliminary Final Report and accompanying announcement

Please find attached the following documents relating to the results for the year ended 30 June 2017.

- Appendix 4E

This announcement comprises the information required by ASX Listing Rule 4.3A.

Yours faithfully,
Mayne Pharma Group Limited

Nick Freeman
Group CFO and Company Secretary

RESULTS FOR ANNOUNCEMENT TO THE MARKET
APPENDIX 4E – PRELIMINARY FINAL REPORT

	% CHANGE	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Revenue from ordinary activities	114%	572,595	267,280
Profit from ordinary activities before income tax expense	133%	115,935	49,837
Profit from ordinary activities after income tax expense	149%	86,026	34,523
Attributable to:			
Equity holders of the parent		88,567	37,355
Non-controlling interests		(2,541)	(2,832)
		86,026	**34,523**
Other comprehensive profit/(loss) attributable to members after income tax expense		(17,784)	2,607
		68,242	**37,130**
Attributable to:			
Equity holders of the parent		71,106	39,652
Non-controlling interests		(2,864)	(2,522)
		68,242	**37,130**
Total comprehensive income attributable to members after income tax expense	79%	71,106	39,652
Net tangible assets per ordinary share		$0.05	$0.06

	2017 Cents	2016 Cents	2015 Cents
Basic earnings per share	6.18	4.77	1.18
Diluted earnings per share	6.06	4.62	1.15
Final dividend in respect of the financial year ended 30 June per share	Nil	Nil	Nil

No dividend has been declared in relation to the period ended 30 June 2017.

Refer to the Commentary on Operating Performance and the accompanying ASX announcement dated 25 August 2017 for a brief commentary on the results.

MAYNE PHARMA GROUP LIMITED

ABN 76 115 832 963

APPENDIX 4E
PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017
(PRIOR CORRESPONDING PERIOD: YEAR ENDED 30 JUNE 2016)

DIRECTORS

The Directors of Mayne Pharma Group Limited ("the Company") during the financial year and up to the date of this report are:

Mr Roger Corbett, AO (Chairman)
Mr Scott Richards (Managing Director and Chief Executive Officer)
Hon Ron Best
Ms Nancy Dolan (appointed 21 September 2016)
Mr William (Phil) Hodges
Mr Bruce Mathieson
Prof Bruce Robinson, AM
Mr Ian Scholes

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company announced on 28 June 2016 that it had entered into an agreement to acquire 37 approved and 5 FDA filed products from Teva Pharmaceutical Industries Limited (Teva) and Allergan plc (Allergan) for cash consideration of US$652m. The acquisition of these products (the acquired Teva portfolio) was completed on 3 August 2016 and significantly transformed the scope and breadth of the Generic Products Division. The acquisition substantially increased and diversified the earnings of the Company and its controlled entities (collectively the Group, or Consolidated Entity or Mayne Pharma) across more products, therapeutic areas, dosage forms and complex technologies, and builds upon Mayne Pharma's expertise in modified-release, potent compounds and controlled substances.

The acquisition was funded by a fully underwritten A$601m 1-for-1.725 entitlement offer, a A$287m placement and an extension of existing debt facilities.

On 18 August 2016, the Company acquired a portfolio of on-market dermatology foam assets from GlaxoSmithKline (GSK) for US$50.1m (Foam Assets). The Foam Assets include US rights to Fabior® and Sorilux®, Canadian rights to Luxiq® and Olux-E® and Mexican rights to betamethasone foam. Under the terms of the agreement Mayne Pharma acquired the approved regulatory filings, trademarks, marketing materials, select product inventory, related medical and technical data and licenses for related patents.

Both Fabior and Sorilux were re-launched in January 2017 using the existing sales team in Mayne Pharma's Specialty Brands Division.

The non-US dermatology Foam Assets will continue to be distributed by GSK in the short term and Mayne Pharma will seek to out-license these products to new partners.

These changes are discussed in the Principal Activities, Results of Operations and Likely Developments section of this report.

PRINCIPAL ACTIVITIES

Mayne Pharma is an ASX-listed specialty pharmaceutical company focused on applying its drug delivery expertise to commercialise branded and generic pharmaceuticals. Mayne Pharma also provides contract development and manufacturing services to more than 100 clients worldwide.

Mayne Pharma has a 30-year track record of innovation and success in developing new oral drug delivery systems and these technologies have been successfully commercialised in numerous products that have been marketed around the world.

Mayne Pharma has two product development and manufacturing facilities based in Salisbury, South Australia and Greenville, North Carolina US with expertise in formulating complex oral dose forms including highly potent compounds, controlled substances, modified release products and inherently unstable compounds.

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

Summary of financial performance

Set out below is a summary of the financial performance attributable to Mayne Pharma shareholders for the 2017 financial year (FY17) compared to the prior corresponding period (pcp). This summary includes non-IFRS financial information that is stated excluding certain non-operating income and expense items. The results are set out this way as the Directors consider them to be a meaningful comparison from period to period. Earnings before interest tax, depreciation and amortisation (EBITDA) is used as a key measure of the earnings considered by management in operating the business and assessing performance.

SALES AND PROFIT	NOTES	2017 $M	2016 $M	CHANGE ON PCP $M	%
Revenue		**572.6**	**267.3**	**305.3**	**114%**
Gross profit		**315.8**	**168.4**	**147.4**	**88%**
Gross profit %		*55.1%*	*63.0%*		
Adjusted EBITDA		206.5	88.5	118.0	133%
Adjustments	1	(2.5)	(11.6)	9.1	
Reported EBITDA		**204.0**	**76.9**	**127.1**	**165%**
Depreciation / Amortisation		(73.3)	(20.9)	(52.4)	
Reported PBIT		**130.7**	**56.0**	**74.7**	**133%**
Net Interest		(12.1)	(3.2)	(8.9)	
Reported PBT		**118.6**	**52.8**	**65.8**	**125%**
Income tax expense		(30.0)	(15.5)	(14.5)	
Reported NPAT attributable to Mayne Pharma shareholders		**88.6**	**37.4**	**51.2**	**137%**

1. Adjustments to Reported EBITDA in the full year include $22.4m net patent litigation gains ($26.2m of patent settlement income less $3.8m of litigation expenses relating to Mayne Pharma's allegation that Merck's Noxafil® product infringes a Mayne Pharma patent); $20.2m intangible asset impairment; $5.6m of transaction and other related costs; $5.3m credit for the revaluation of HPPI warrants; $1.5m of legal costs associated with the US Department of Justice investigation and $2.9m to remove the HedgePath Pharmaceuticals Inc. (HPPI) losses attributable to members of the Company.

The non IFRS financial information is unaudited and the IFRS information is in the process of being audited.

Review of operations

The following information is provided on a total group basis, rather than that attributable to Mayne Pharma's members and hence includes 100% of the revenues and expenses incurred by HedgePath Pharmaceuticals Inc ("HPPI") where applicable. Mayne Pharma controls 53.5% of HPPI from an accounting perspective and has consolidated HPPI in these financial statements.

The Group recorded revenue of $572.6m, up 114% on pcp and gross profit was $315.8m up 88% on pcp.

Gross profit margin as a percentage of revenue was 55.1% down from 63.0% which reflects lower average margin on the acquired Teva portfolio, the significant contribution from dofetilide which is a 50:50 profit share with the API supplier and reduced contribution from Specialty Brands which has a higher margin than Generic Products.

The reported profit before tax was $115.9m and the net profit after tax was $86.0m, up 149% on pcp.

As the majority of the Company's operations are US based, the strengthening of the AUD compared to the prior year had an adverse impact on the operating results for the current year compared to the pcp. The estimated impact on the current year result, determined by translating the US operations current year performance using the prior year average rate of 0.728 instead of the current year rate of 0.754, would have resulted in an increase to adjusted EBITDA of approximately $5m. This value excludes foreign currency gains and losses recorded by the Australian operations which largely relate to transactions between the Australian and US operations. The Australian operations recorded a foreign exchange loss in the current year of $2.8m compared to a foreign exchange gain of $4.5m in the prior period. The Group also incurred an unrealised foreign exchange loss of $0.9m in the current year relating to the restatement of deferred consideration payable in Euro for an asset acquisition.

Expenses

Gross research and development costs (expensed and capitalised) increased by $4.8m to $36.1m. Development costs of $27.8m (2016: $22.6m) was capitalised during the period as it related to qualifying products under development in accordance with Australian Accounting Standards, leaving net R&D expenses of $8.3m compared to $8.7m in the pcp.

Marketing and distribution expenses increased by $1.1m to $39.1m.

Finance costs of $12.3m include interest and line fees on the USD loan facility (facility was amended and re-stated in July 2016), plus the amortisation of related borrowing costs and the unwinding of discount associated with earn-out liabilities and deferred liabilities.

Impairments of $20.2m were recognised as a result of a detailed review of the Company's intangible assets. The review considered the current and projected US market dynamics for the portfolio and the industry.

Administration and other expenses increased by $77.5m to $153.1m. This category includes amortisation of intangible assets which was $67.2m (2016: $16.3m) for the year, an increase of $50.9m on pcp. The increase in the current year amortisation is primarily due to the Teva and GSK asset acquisitions. This category also includes foreign exchange losses of $3.7m. Foreign exchange gains were recorded in the prior period ($4.5m) and were included in other income in the prior year. The balance of the increase in administration and other expenses relates to increased legal, supply chain and corporate costs. Administration and other expenses also include the US Department of Justice matter, Merck Noxafil patent litigation cost and transaction costs for the Teva and GSK acquisitions.

Tax

The tax expense of $29.9m comprised:

- Current period income tax expense for the year to 30 June 2017 of $44.9m;
- An increase in current year tax in respect of prior years of $0.5m; and
- A reduction in income tax expense of $15.5m relating to the movement in deferred tax assets and liabilities.

Financial position

Set out below is a summary of the financial position as at 30 June 2017 compared to the position as at 30 June 2016.

BALANCE SHEET EXTRACT	NOTES	2017 $M	2016 $M	CHANGE ON PCP $M	CHANGE ON PCP %
Cash		63.0	47.5	15.5	33%
Receivables		232.7	92.1	140.6	153%
Inventory		106.4	38.9	67.5	174%
PP&E		189.3	84.4	104.9	124%
Intangible assets and goodwill		1,235.4	332.5	902.9	272%
Teva/Allergan product acquisition asset rights		-	876.1	(876.1)	(100%)
Other assets		88.1	54.3	33.8	62%
Total assets		**1,914.9**	**1,525.8**	**389.1**	**26%**
Interest-bearing debt		340.2	76.8	263.4	343%
Trade and other payables		154.5	112.8	41.7	37%
Other financial liabilities		41.0	19.0	22.0	116%
Other liabilities		66.8	64.9	1.9	3%
Teva/Allergan product acquisition asset obligation		-	876.1	(876.1)	(100%)
Total liabilities		**602.5**	**1,149.6**	**(547.1)**	**(48%)**
Equity		**1,312.4**	**376.2**	**936.2**	**249%**

There were a number of significant changes to the Company's balance sheet since 30 June 2016. The major changes related to the acquired Teva portfolio.

At 30 June 2016, the Company recognised "Contract rights relating to the Teva transaction settled post year-end" (as an Other Current Asset) and a "Settlement obligation in relation to the Teva transaction" (as a Current Payable) as the Company had entered into an agreement with Teva and Allergan for the acquired Teva portfolio for cash consideration of US$652m.

At 30 June 2016, the contract was subject to conditions which were subsequently met and settlement occurred on 3 August 2016. Following contract completion, the contract obligation was extinguished (by paying the cash amount due) and the Company de-recognised the Contracts rights asset and recognised the intangible assets acquired ($875m), the inventory acquired ($6.9m) and an amount for capital equipment ($0.7m) acquired.

On 18 August 2016, the Company acquired the Foam Assets from GSK for a total consideration of $72.9m. This amount has been recognised as an intangible asset.

The Company funded these acquisitions (and part of the resulting working capital investment) via an extension of its existing debt facility, and a fully underwritten equity raise of $601m, in the form of a 1-for-1.725 accelerated non-renounceable entitlement offer and a $287m placement.

The material changes to the operating assets and liabilities of the business were as follows:

Cash

Cash increased by $15.5m compared to 30 June 2016. Refer below for further commentary.

Inventory, receivables and trade payables

As a result of the Teva portfolio and Foam Asset acquisitions and GPD base business growth, the Company invested approximately $67.5m in additional inventory. Additional levels of safety stock were purchased for the acquired Teva portfolio to ensure that no stock-outs occurred in the transition to Mayne Pharma distributing the products.

With the increased level of sales from the acquired Teva portfolio and growth in the GPD base business, the level of trade receivables and other receivables increased by $140.6m to $232.7m. The level of accrued rebates and allowances (included in Trade and Other Payables) also increased as a result of the increased sales values.

Intangible assets and goodwill

Intangible assets increased by $902.9m compared to the balance at 30 June 2016. The movement comprised of:

- An increase of $988.2m for the acquired Teva portfolio, Foam Assets and various smaller acquisitions;
- An increase of $27.8m for capitalised development costs;
- A decrease of $67.2m for amortisation;
- A decrease of $20.2m for impairments; and
- A decrease of $25.7m due to foreign currency translation as a result of the AUD / USD exchange rate increasing from 0.7442 at 30 June 2016 to 0.7686 at 30 June 2017.

Property, plant & equipment

Property, plant and equipment increased by $104.9m compared to the balance at 30 June 2016. The movement comprised of:

- An increase of $115.0m for additions which includes the capital works programs and general site maintenance capital expenditure;
- A decrease of $6.5m for depreciation; and
- A decrease of $3.7m due to foreign currency translation.

The strategic investments at Salisbury, South Australia and Greenville, North Carolina are on track to be completed in 2018 to support the pipeline of products under development, the transfer of ten Teva products and commercial contract manufacturing.

Interest bearing liabilities

Interest bearing liabilities increased to $340m from $77m at 30 June 2016 to partially fund the acquisition of the acquired Teva portfolio and the Foam Assets together with funding the working capital investment to support these acquisitions.

Other financial liabilities

Other financial liabilities as at 30 June 2017 include the earn-out liabilities and deferred consideration for the Myring® distribution rights, the liothyronine acquisition and various other product acquisitions and distribution rights.

Other financial liabilities increased by $22.0m from 30 June 2016 as a result of:

- An increase of $0.8m due to the non-cash unwinding of the discount for the various earn-out liabilities;
- A decrease of $1.3m due to re-assessments of various earn-out liabilities;
- An increase of $38.2m resulting from new asset acquisitions relating to ANDAs;
- A decrease of $13.9m due to payments made; and
- A decrease relating to foreign currency translation of $1.9m.

Equity

Equity movements include the fully underwritten equity raise of $601m, in the form of a 1-for-1.725 accelerated non-renounceable entitlement offer and a $287m placement used to fund the Teva portfolio acquisition.

The equity movements include current year profit and loss and other comprehensive income of $71.1m.

Cash flow

A summary of the net operating cash flows is as follows:

	2017 $	2016 $
Operating cash flow before working capital movements	165,654	47,796
Working capital (investment) / release	(180,891)	5,708
Net Operating cash flows	(15,237)	53,504

The acquired Teva portfolio was the main reason for increased working capital investment. This represents the net impact of increased receivables, increased inventory and increased trade payables and accruals.

Net operating cash for FY17 was an outflow of $15.2m after including $57.6m of tax payments, $10.0m of net interest payments, $180.9m net working capital investment and $17.7m net inflow from one-off items.

Cash on hand at 30 June 2017 was $63.0m representing an increase of $15.5m from 30 June 2016.

The Company had bank debt of $340.0m at 30 June 2017, with significant headroom against the facility's financial covenants.

Notable cash flows during the period included:

- Payment of $866m to Teva/Allergan for the acquired Teva portfolio;
- Payment of $65m to GSK for the acquisition of the Foam Assets;
- Equity raised of $860m (net of equity raising costs) to fund the Teva portfolio acquisition;
- Proceeds from borrowings of $270m (net of fees) to partially fund the Teva portfolio and Foam Asset acquisitions and the incremental working capital requirements to support these product acquisitions;
- $35m in payments for research and development (includes expensed and capitalised);
- Receipt of $26m as a result of the patent infringement litigation settlement (included in operating cash flows);
- Earn-out and deferred settlement payments totalling $14m relating to the oxycodone, liothyronine, Myring and various other transactions; and
- $104m in capital expenditure across the Group, mainly relating to the facilities upgrades.

Research and development

The Company continues to commit substantial resources in terms of people and research and development spend to develop and advance its pipeline globally. In FY17, the Company spent, in cash terms, $35.0m in research and development of which 79% was capitalised over the period to be amortised in the future in accordance with Australian Accounting Standards.

Mayne Pharma's development pipeline includes over 40 products targeting US markets with sales greater than US$6.5bn[1]. The Company has 19 products pending approval at the FDA with a total market value of more than US$1bn[1]. During the year, in the US, the Company added 14 products to its pipeline targeting markets with sales greater than US$1.8bn[1], filed 5 products with the FDA and received FDA approval for 4 generic products.

Recent strategic alliances have expanded the Company's research and development capabilities into more complex development and manufacturing dosage forms. Formulytica, a Melbourne based contract development organisation, is providing a platform for the development of medical dermatology foam products; Douglas Pharmaceuticals, a New Zealand based pharmaceutical company is providing access to semi-solid, soft-gel products requiring high containment manufacturing; and Corium, a specialist transdermal company, is providing access to its drug delivery technology in the form of transdermal patches.

In Australia, the Company launched three in-licensed injectable products and Myxazole® (clotrimazole/hydrocortisone cream) and received TGA approval for a new brand product Urorec® (Silodosin) capsules indicated for relief of lower urinary tract symptoms associated with benign prostatic hyperplasia in adult men. Urorec was launched in August and is being marketed by the Australian specialty sales team.

The Company continues to progress the commercialisation of its patented formulation of itraconazole for the treatment of certain fungal conditions and as a potential treatment for certain cancers. SUBA®-Itraconazole capsules are now sold in Australia, Spain and Germany as a treatment for certain fungal infections and have successfully captured 22% volume market share of the Australian itraconazole capsule market[2] and 32% volume market share in Spain[3]. Further country launches are expected in the coming year in Europe and South America. In the US, the Company is completing further clinical studies to support the NDA filing, and if approved, would be marketed through the US Specialty Brands business unit.

HedgePath Pharmaceuticals Inc. (HPPI), a partly owned subsidiary of Mayne Pharma, reported positive interim results from its ongoing Phase IIb clinical trial in patients with a genetic form of skin cancer called Basal Cell Carcinoma Nevus Syndrome (BCCNS or more commonly known as Gorlin Syndrome). These interim results suggest that SUBA-Itraconazole provides an effective and safe alternative to address the unmet medical need for non-surgical treatment. HPPI will now be undertaking further detailed analyses of the individual tumour responses from this ongoing trial to verify the robustness of SUBA-Itraconazole in reducing the target tumour burden in BCCNS patients. The program qualified for the FDA's Orphan Drug Designation in 2016.

In June 2017, Mayne Pharma executed a global licensing agreement with Nestlé Skin Health (parent entity of leading global dermatology and skin health franchise, Galderma) to develop and commercialise a new chemical entity, trifarotene, in rare disease indications. Trifarotene is a new retinoid developed by Galderma and formulated as a topical cream which has potent keratolytic properties making it a potentially viable treatment for a number of rare skin diseases. In 2014, the FDA granted Orphan Drug Designation for trifarotene in the treatment of the skin disease congenital ichthyosis, a group of skin scaling disorders. The collaboration with Galderma highlights Mayne Pharma as a trusted partner in dermatology while accelerating the Company's clinical and market development capabilities in the management of rare diseases.

Reporting Segments

The Consolidated Entity operates in four reporting segments being, Generic Products (GPD), Specialty Brands (SBD), Metrics Contract Services (MCS), and Mayne Pharma International (MPI).

Refer to Note 2 for further information about the reporting segments.

GPD

$MILLION	2017	2016	CHANGE %
Revenue	418.7	106.8	292%
Gross profit	218.3	60.8	259%
Gross profit %	52%	57%	

Nature of operations

GPD's revenues and gross profit are derived principally from the manufacture and distribution of generic pharmaceutical products in the US.

FY17 performance

The GPD reporting segment's sales were $418.7m, up 292% on FY16 and gross profit was $218.3m up 259% on FY16.

In US dollar terms, sales were up 306% to US$315.6m driven by the acquired Teva portfolio and strong performance of the underlying business with dofetilide being the key driver of growth year on year up 400% to US$56m. Key new product launches were generic Acticlate® (doxycycline hyclate immediate release) and generic BUPAP® (butalbital/acetaminophen tablets). Gross profit margins declined over the year, impacted by increased competition on a number of products driven by customer consolidation and increased approvals by the FDA.

Product transfers of 27 Teva products are advancing and expected to lead to improved product margins through accessing lower manufacturing costs. Annual cost savings of US$12m are expected to be generated from these product transfers by FY19.

[1] IMS Health, MAT Jun 2017
[2] IMS Health, Jun 2017 quarter
[3] IMS Health, Dec 2016 quarter

SBD

$MILLION	2017	2016	CHANGE %
Revenue	61.9	77.8	(20%)
Gross profit	58.6	73.4	(20%)
Gross profit %	95%	94%	

Nature of operations

The SBD reporting segment markets and distributes specialty branded pharmaceutical products in the US.

FY17 performance

The SBD reporting segment's sales were $61.9m, down 20% on FY16 and gross profit was $58.6m down 20% reflecting the loss of market exclusivity on Doryx® 50mg and 200mg in May 2016.

In US dollar terms, SBD's revenue was US$46.6m down from US$56.7m in the prior year.

The divisions performance improved in the 2HFY17 versus the 1HFY17 following the launch of Fabior and Sorilux with sales up 31% in USD terms. Fabior and Sorilux both surpassed the previous peak TRx performance achieved by the former brand owner and in the latest week of prescription data, total prescriptions written for Fabior were 1,476[4] and for Sorilux were 287[4]. Both products are tracking ahead of the acquisition business case and expected to exceed the original three-year sales guidance given at the time of the acquisition.

MCS

$MILLION	2017	2016	CHANGE %
Revenue	57.8	48.9	18%
Gross profit	32.1	26.4	22%
Gross profit %	55%	54%	

Nature of operations

MCS' revenue and gross profit are derived from the provision of contract analytical and pharmaceutical development services to third-party customers principally in the US.

FY17 performance

The MCS reporting segment's sales were $57.8m up 18% on FY16 and gross profit was $32.1m up 22% on FY16.

In US dollar terms, sales were up 22% to US$43.6m. The growth in revenue and gross profit remains well ahead of US CDMO industry growth rates of 6-7% per annum[5]. The strong financial performance reflects the increased prevalence of later stage, higher margin development work and ongoing operational efficiencies. Construction of the new solid oral dose manufacturing facility in Greenville and investments in new technical equipment has assisted MCS secure more business as well as creating a pipeline of commercial contract manufacturing business. A key highlight during the year was MCS supporting a New Drug Application (NDA) filing for a client, that if approved, would be manufactured at the Greenville facility.

The analytical laboratory efficiency program has created additional capacity and improved revenue per employee. The FY17 revenue growth has been achieved with no additional headcount added in MCS.

The committed business pipeline (next six months of signed purchase orders / statements of work) grew 10% over the year.

MPI

$MILLION	2017	2016	CHANGE %
Revenue	34.3	33.7	2%
Gross profit	6.8	7.8	(13%)
Gross profit %	20%	23%	

Nature of operations

MPI's revenues and gross profit are derived principally from the Australian manufacture and sale of branded and generic pharmaceutical products globally (ex-US) and provision of contract manufacturing services to third party customers within Australia.

FY17 performance

The MPI reporting segment's sales were $34.3m up 2% and gross profit was $6.8m, down 13%.

[4] IMS Health, 4 weekly average TRx / week as at 11 August 2017
[5] Pharmsource

Australian sales benefited from increased sales of Lozanoc® (SUBA-Itraconazole) and oxycodone tablets but were negatively impacted by reduced injectable and Kapanol® (morphine) sales. Rest of world sales grew 6% driven by a rebound of Astrix® (aspirin) sales in South Korea and growth of Kapanol (morphine) sales. The decline in gross profit reflects reduced one-off licensing fee income and international Kapanol royalties.

DIVIDENDS

The Directors have not declared an interim or final dividend for the 2017 financial year.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

No matter or circumstance has arisen since the reporting date which is not otherwise reflected in this report that significantly affected or may significantly affect the operations of the Group.

ROUNDING

Amounts in this report and in the financial report have been rounded off in accordance with ASIC Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission, to the nearest hundred thousand dollars or, in certain cases, to the nearest dollar.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	NOTE	CONSOLIDATED 2017 $'000	2016 $'000
Continuing operations			
Sale of goods		503,521	206,629
Services revenue		68,163	59,170
License fee revenue		53	391
Royalties revenue		858	1,090
Revenue	2	**572,595**	**267,280**
Cost of sales		(256,834)	(98,914)
Gross profit		**315,761**	**168,366**
Other income	3	33,241	7,491
Research and development expenses		(8,275)	(8,731)
Marketing and distribution expenses		(39,122)	(38,029)
Administration expenses and other expenses	4	(153,133)	(75,650)
Impairments		(20,213)	-
Finance expenses	4	(12,324)	(3,610)
Profit before income tax		**115,935**	**49,837**
Income tax expense	5	(29,909)	(15,314)
Net profit from continuing operations after income tax		**86,026**	**34,523**
Attributable to:			
Equity holders of the Parent		88,567	37,355
Non-controlling interests		(2,541)	(2,832)
		86,026	**34,523**
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified to profit or loss in future periods			
Unrealised gain / (loss) on cash flow hedges		2,279	(864)
Income tax effect			-
Exchange differences on translation		(19,740)	3,161
Income tax effect		-	-
Items that will not be reclassified to profit or loss in future periods			
Exchange differences on translation		(323)	310
Income tax effect			-
Total comprehensive income for the period		**68,242**	**37,130**
Attributable to:			
Equity holders of the Parent		71,106	39,652
Non-controlling interests		(2,864)	(2,522)
		68,242	**37,130**
Basic earnings per share	6	6.18 cents	4.77 cents
Diluted earnings per share	6	6.06 cents	4.62 cents

This statement is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTE	CONSOLIDATED 2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	18	63,027	47,481
Trade and other receivables	7	232,716	92,117
Inventories	8	106,394	38,943
Income tax receivable		7,972	7,399
Other financial assets	9	8,025	3,458
Other current assets	10	10,869	887,653
Total current assets		**429,003**	**1,077,051**
Non-current assets			
Property, plant and equipment	11	189,272	84,449
Deferred tax assets	5	61,204	31,799
Intangible assets and goodwill	12	1,235,441	332,483
Total non-current assets		**1,485,917**	**448,731**
Total assets		**1,914,920**	**1,525,782**
Current liabilities			
Trade and other payables	13	154,460	988,954
Interest-bearing loans and borrowings	14	13,124	503
Income tax payable		-	12,308
Other financial liabilities	15	24,050	13,273
Provisions		8,261	9,287
Total current liabilities		**199,895**	**1,024,325**
Non-current liabilities			
Interest-bearing loans and borrowings	14	327,122	76,331
Other financial liabilities	15	16,905	5,814
Deferred tax liabilities	5	56,912	41,640
Provisions		1,662	1,451
Total non-current liabilities		**402,601**	**125,236**
Total liabilities		**602,496**	**1,149,561**
Net assets		**1,312,424**	**376,221**
Equity			
Contributed equity	16	1,130,404	263,161
Reserves	17	23,337	39,058
Retained earnings		150,097	61,530
Equity attributable to equity holders of the Parent		**1,303,838**	**363,749**
Non-controlling interests		8,586	12,472
Total equity		**1,312,424**	**376,221**

This statement is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	NOTE	CONSOLIDATED 2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		560,491	208,745
Payments to suppliers and employees		(518,700)	(107,024)
Interest received		286	461
Interest paid		(10,313)	(1,422)
Tax paid		(57,578)	(26,496)
Net operating cash flows before research and non-capitalised development expenditure, set-up and transaction costs		**(25,814)**	**74,264**
Payments for research and non-capitalised development expenditure		(7,165)	(6,014)
Net patent litigation gains		22,362	-
Settlement costs relating to a distributor dispute		-	(6,668)
Teva acquisition set-up and transaction costs		(3,097)	(6,824)
Department of Justice matter related costs		(1,523)	(1,255)
Net cash flows from operating activities	18	**(15,237)**	**53,504**
Cash flows from investing activities			
Payments for property, plant and equipment		(104,416)	(29,590)
Payments for intangible assets		(951,704)	(10,665)
Payments for capitalised development costs		(27,802)	(22,593)
Earn-out payments		(13,875)	(20,950)
Net cash flows used in investing activities		**(1,097,797)**	**(83,798)**
Cash flows from financing activities			
Proceeds from issues of shares		892,138	995
Transaction costs on issue of shares		(28,357)	-
Equity contributions from non-controlling interests		806	3,658
Payment of employee withholding taxes relating to settlement of Restricted Stock Units by HPPI (shares withheld)		(4,841)	-
Repayment of borrowings		(463)	(344)
Proceeds from borrowings (net of fees)		270,382	13,681
Net cash flows from financing activities		**1,129,665**	**17,990**
Net increase / (decrease) in cash and cash equivalents		**16,631**	**(12,304)**
Cash and cash equivalents at the beginning of the period		47,858	59,567
Effect of exchange rate fluctuations on cash held		(1,097)	595
Cash at the end of the period		**63,392**	**47,858**
Less restricted cash		**(365)**	**(377)**
Cash at the end of the period (unrestricted)	18	**63,027**	**47,481**

This statement is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	CONTRIBUTED EQUITY	SHARE-BASED PAYMENTS RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOW HEDGE RESERVE	OTHER RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2016	**263,161**	**7,950**	**30,792**	**(864)**	**1,180**	**61,530**	**363,749**	**12,472**	**376,221**
Profit/(loss) for the period	-	-	-	-	-	88,567	88,567	(2,541)	86,026
Other comprehensive income									
Cash flow hedge	-	-	-	2,279	-	-	2,279	-	2,279
Foreign exchange differences	-	-	(19,740)	-	-	-	(19,740)	(323)	(20,063)
Total comprehensive income for the period	**-**	**-**	**(19,740)**	**2,279**	**-**	**88,567**	**71,106**	**(2,864)**	**68,242**
Transactions with owners in their capacity as owners									
Shares issued	892,138	-	-	-	-	-	892,138	-	892,138
Share issue costs (net of tax)	(28,357)	-	-	-	-	-	(28,357)	-	(28,357)
Change equity investment in subsidiary	-	-	-	-	(2,513)	-	(2,513)	326	(2,187)
Equity contributions by non-controlling interests	-	-	-	-	-	-	-	806	806
Payment of employee withholding taxes relating to settlement of Restricted Stock Units for HPPI	-	-	-	-	(2,687)	-	(2,687)	(2,154)	(4,841)
Tax effect of employee share options	(797)	-	-	-	-	-	(797)	-	(797)
Share-based payments	-	11,199	-	-	-	-	11,199	-	11,199
Share options exercised	4,259	(4,259)	-	-	-	-	-	-	-
Balance at 30 June 2017	**1,130,404**	**14,890**	**11,052**	**1,415**	**(4,020)**	**150,097**	**1,303,838**	**8,586**	**1,312,424**
Balance at 1 July 2015	**255,834**	**3,230**	**27,631**	**-**	**-**	**24,175**	**310,870**	**11,332**	**322,202**
Profit/(loss) for the period	-	-	-	-	-	37,355	37,355	(2,832)	34,523
Other comprehensive income									
Cash flow hedge	-	-	-	(864)	-	-	(864)	-	(864)
Foreign exchange differences	-	-	3,161	-	-	-	3,161	310	3,471
Total comprehensive income for the period	**-**	**-**	**3,161**	**(864)**	**-**	**37,355**	**39,652**	**(2,522)**	**37,130**
Transactions with owners in their capacity as owners									
Shares issued	995	-	-	-	-	-	995	-	995
Share issue costs (net of tax)	-	-	-	-	-	-	-	-	-
Change equity investment in subsidiary	-	-	-	-	1,180	-	1,180	-	1,180
Equity contributions by non-controlling interests	-	-	-	-	-	-	-	3,662	3,662
Tax effect of employee share options	5,943	-	-	-	-	-	5,943	-	5,943
Share-based payments	-	5,109	-	-	-	-	5,109	-	5,109
Share options exercised	389	(389)	-	-	-	-	-	-	-
Balance at 30 June 2016	**263,161**	**7,950**	**30,792**	**(864)**	**1,180**	**61,530**	**363,749**	**12,472**	**376,221**

This statement is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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NOTE 1 – BASIS OF PREPARATION

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The preliminary final report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The preliminary final report covers the consolidated group of Mayne Pharma Group Limited and its controlled entities (Consolidated Entity). Mayne Pharma Group Limited is a listed public company, incorporated and domiciled in Australia.

The preliminary final report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report.

It is recommended that the preliminary final report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by the Company during the reporting period in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The financial report is presented in Australian dollars and rounded to the nearest thousand dollars ($'000) unless otherwise stated.

NOTE 2 – REPORTING SEGMENTS

A reporting segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the reporting segment and assess its performance; and
- for which discrete financial information is available.

The Group is organised into reporting segments which are based on products and services delivered and geographical markets.

Reporting segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

The Consolidated Entity has identified its reporting segments based on the internal reports that are reviewed and used by the CEO (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The reporting segments are identified by management based on the nature of revenue flows and responsibility for those revenues. Discrete financial information about each of these operating segments is reported to the chief operating decision maker on at least a monthly basis.

The Consolidated Entity operates in four reporting segments being, Generic Products (GPD), Specialty Brands (SBD), Metrics Contract Services (MCS), and Mayne Pharma International (MPI).

GPD

GPD's revenue and gross profit are derived principally from the manufacture and distribution of generic pharmaceutical products in the US.

MCS

MCS' revenue and gross profit are derived from providing contract analytical and pharmaceutical development services to third-party customers principally in the US.

SBD

SBD's revenues and gross profit are derived principally from the marketing and distribution of specialty branded pharmaceutical products in the US.

MPI

MPI's revenues and gross profit are derived principally from the Australian manufacture and sale of branded and generic pharmaceutical products globally (ex-US) and provision of contract manufacturing services to third party customers within Australia.

The Consolidated Entity reports the following information on the operations of its identified reporting segments:

	GENERIC PRODUCTS $'000	METRICS CONTRACT SERVICES $'000	SPECIALTY BRANDS $'000	MPI $'000	TOTAL $'000
Year ended 30 June 2017					
Sale of goods	418,650	-	61,862	23,009	503,521
Services revenue	-	57,815	-	10,348	68,163
License fee revenue	-	-	-	53	53
Royalty revenue	-	-	-	858	858
Revenue	418,650	57,815	61,862	34,268	572,595
Cost of sales	(200,372)	(25,733)	(3,292)	(27,437)	(256,834)
Gross profit	218,278	32,082	58,570	6,831	315,761
Other income					33,241
Amortisation of intangible assets					(67,154)
Fair value movement in earn-out liability					517
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)					(166,430)
Profit before income tax					115,935
Income tax expense					(29,909)
Net Profit for the period					86,026

The combined revenue from the largest customer from each reporting segment was $210.1 million for the year ended 30 June 2017.

Approximately 59% of the Group's 2017 revenue was derived from the three largest customers which is not unusual for operations in the US pharmaceutical market where the majority of both branded and generic sales are made to a small number of key wholesale and retail organisations. These three customers trade with both the GPD and SBD segments.

	GENERIC PRODUCTS $'000	METRICS CONTRACT SERVICES $'000	SPECIALTY BRANDS $'000	MPI $'000	TOTAL $'000
Year ended 30 June 2016					
Sale of goods	106,824	-	77,835	21,970	206,629
Services revenue	-	48,886	-	10,284	59,170
License fee revenue	-	-	-	391	391
Royalty revenue	-	-	-	1,090	1,090
Revenue	106,824	48,886	77,835	33,735	267,280
Cost of sales	(46,048)	(22,492)	(4,436)	(25,938)	(98,914)
Gross profit	60,776	26,394	73,399	7,797	168,366
Other income					7,491
Amortisation of intangible assets					(16,335)
Fair value movement in earn-out liability					4,086
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)					(113,771)
Profit before income tax					49,837
Income tax expense					(15,314)
Net Profit for the period					34,523

Geographical information

Revenue from external customers	2017 $'000	2016 $'000
Australia	26,224	26,021
United States	538,327	233,654
Korea	3,397	2,465
Other	4,647	5,140
Total external revenue	572,595	267,280

Non-current assets	2017 $'000	2016 $'000
Australia	124,436	111,736
United States	1,300,277	305,196
Total non-current assets	1,424,713	416,932

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

Product information

Revenue by product group/service	2017 $'000	2016 $'000
Contract services	10,348	10,284
Analytical & formulation	57,815	48,886
Oral & other pharmaceuticals	503,574	207,020
Other revenue	858	1,090
Total external revenue	572,595	267,280

NOTE 3 – OTHER INCOME

	2017 $'000	2016 $'000
Interest received	286	461
Rental from excess office space	188	185
Litigation settlement receipt	26,175	-
Gain on restatement of HPPI warrants (refer Note 5)	5,307	470
Net gain on foreign exchange	-	4,462
Other	1,285	1,913
	33,241	7,491

NOTE 4 – EXPENSES

	2017 $'000	2016 $'000
Finance costs		
Interest expense – loan	7,982	1,504
Unused line fees	2,295	725
Amortisation of borrowing costs	1,204	209
Interest expense – finance leases	36	56
Change in fair value attributable to the unwinding of the discounting of the earn-out liabilities[1]	807	1,116
	12,324	3,610
Depreciation[2]	6,514	5,042
Inventory write offs	9,581	2,136
Inventory provision for obsolescence and net realisable value adjustments	9,270	798
Employee benefits expense[3]		
Wages and salaries	83,659	64,135
Superannuation expense	4,005	3,080
Other employee benefits expense	7,982	9,065
Share-based payments	11,199	5,109
Total employee benefits	106,845	81,389
Administration and other expenses include the following:		
Settlement costs relating to a distributor dispute	-	6,668
Department of Justice legal costs	1,523	1,255
Acquisition costs	3,097	3,382
Set-up costs re acquired Teva portfolio	-	3,442
Foreign exchange losses	3,737	-
Amortisation of intangible assets	67,154	16,335
Movement in undiscounted fair value of earn-out liabilities[4]	(1,324)	(5,202)

Notes:
1. The non-cash unwinding of the discount relates to all earn-out liabilities.
2. Depreciation expense is included in R&D expenses and cost of sales.
3. Employee benefit expense is included in various expense categories and cost of sales.
4. The movement in the undiscounted fair value of earn-out liabilities of $1,324,000 (2016: $5,202,000) was a non-cash (credit)/charge relating to re-assessment of the underlying assumptions for various earn-out liabilities.

Acquisition costs

In the current financial period $3,097,000 of acquisition costs relating to the acquired Teva portfolio, Foam Assets and other transactions were expensed.
In the prior period $3,382,000 of acquisition costs relating to the acquired Teva portfolio were expensed.

NOTE 5 – INCOME TAX

A. The major components of income tax expense are:

	2017 $'000	2016 $'000
Income tax expense		
Current income tax	(44,943)	(33,359)
Adjustment in respect of current income tax of previous years	(495)	232
Deferred income tax	15,525	17,813
Income tax expense in the consolidated statement of profit or loss and other comprehensive income	(29,909)	(15,314)
Deferred income tax benefit/(expense) included in income tax expense comprises		
Increase in deferred tax assets	32,598	25,684
(Increase) in deferred tax liabilities	(17,073)	(7,871)
	15,525	17,813

B. Numerical reconciliation between aggregate tax expense recognised in the consolidated statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate

	2017 $'000	2016 $'000
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:		
Profit/(loss) before income tax	115,935	49,837
Prima facie tax benefit/(expense) at 30%	(34,781)	(14,952)
Effect of R&D concessions	707	803
Over/(under) provision in respect of prior years	(495)	232
Non-deductible expenses for tax purposes		
Share-based payments	(974)	(546)
Acquisition costs	(337)	(44)
Adjustments relating to earn-out liabilities	155	957
Amortisation intangibles	(1,531)	(2,217)
Other non-deductible expenses	(4,792)	(172)
Non assessable income	18,013	141
Tax loss of HPPI not recognised	(1,559)	(1,511)
Restatement of deferred tax balances due to change in US state tax rate	(735)	-
Effect of higher tax rate in US	(2,252)	449
US State taxes	(2,097)	275
US Domestic production activity deduction	769	1,271
Income tax expense	(29,909)	(15,314)

C. Recognised deferred tax assets and liabilities

	2017 $'000	2016 $'000
Deferred tax assets		
Intangible assets	7,131	1,883
Provisions	5,245	2,542
Other		
Payables	45,957	18,944
Inventory	12,299	14,497
Employee share options	3,512	7,296
Equity raising costs	590	1,145
US State taxes	4,628	2,789
Earn-out liability	343	496
Other	972	55
	68,301	45,222
	80,677	49,647

	2017 $'000	2016 $'000
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Assets	80,677	49,647
Set off of Deferred Tax Liabilities that are expected to reverse in the same period	(19,473)	(17,848)
Net Deferred Tax Assets [1]	61,204	31,799

Note: 1. Represent Australian and US Deferred Tax Assets that cannot be offset.

	INTANGIBILE ASSETS $'000	PROVISIONS $'000	OTHER $'000	TOTAL $'000
Deferred tax asset movements				
Balance at 1 July 2015	2,023	2,138	13,958	18,119
Credit/(charge) to profit/loss	(140)	371	25,453	25,684
Credit direct to equity	-	-	5,943	5,943
Restatement of foreign currency balances	-	33	(132)	(99)
Balance at 30 June 2016	1,883	2,542	45,222	49,647
Credit/(charge) to profit/loss	5,248	2,727	24,623	32,598
Credit direct to equity	-	-	(797)	(797)
Restatement of foreign currency balances	-	(24)	(747)	(771)
Balance at 30 June 2017	7,131	5,245	68,301	80,677

	2017 $'000	2016 '000
Deferred tax liabilities		
Property, plant and equipment	6,339	4,468
Intangible assets	50,847	46,805
Other		
Unrealised foreign exchange gains	2,275	663
US State taxes	6,215	5,286
Prepayments	10,643	708
Other	66	1,558
	19,199	8,215
	76,385	59,488
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Liabilities	76,385	59,488
Set off of Deferred Tax Assets that are expected to reverse in the same period	(19,473)	(17,848)
Net Deferred Tax Liabilities[1]	56,912	41,640

	PROPERTY PLANT EQUIPMENT $'000	INTANGIBLE ASSETS $'000	OTHER $'000	TOTAL $'000
Deferred tax liability movements				
Balance at 1 July 2015	4,680	40,340	4,883	49,903
Charge to profit/loss	(283)	4,977	3,177	7,871
Restatement of foreign currency balances	71	1,488	155	1,714
Balance at 30 June 2016	4,468	46,805	8,215	59,488
Charge/(credit) to profit/loss	1,957	4,629	10,487	17,073
Restatement of foreign currency balances	(86)	(587)	497	(176)
Balance at 30 June 2017	6,339	50,847	19,199	76,385

Note: 1. Represent US Deferred Tax Liabilities that cannot be offset.

Deferred tax assets and deferred tax liabilities are presented based on their respective tax jurisdictions.

NOTE 6 – EARNINGS PER SHARE

	2017	2016
Earnings per share for profit attributable to the ordinary equity holders of the Parent:		
Basic earnings per share	6.18 cents	4.77 cents
Diluted earnings per share	6.06 cents	4.62 cents

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted EPS calculations:

	2017 $'000	2016 $'000
For basic earnings per share		
Net profit attributable to equity holders of the Company	88,567	37,355
For diluted earnings per share		
Net profit attributable to equity holders of the Company	88,567	37,355

	2017 '000	2016 '000
Weighted average number of ordinary shares for basic earnings per share	1,433,643	782,397
Effect of dilution:		
Share options and LTI shares	26,706	19,465
Weighted average number of ordinary shares adjusted for the effect of dilution	1,460,349	809,347

The calculation of weighted average number of ordinary shares adjusted for the effect of dilution does not include the following options and LTI shares which could potentially dilute basic earnings per share in the future, but were not dilutive in the periods presented:

	2017 '000	2016 '000
Number of potential ordinary shares	21,121	-

There have been no subsequent transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding at the end of the reporting period.

NOTE 7 – TRADE AND OTHER RECEIVABLES

	2017 $'000	2016 $'000
Current		
Trade receivables (net of charge-backs)	229,895	89,895
Trade receivables – profit share	1,872	1,670
Provision for impairment	(1,323)	(23)
Other receivables	2,272	575
	232,716	92,117

NOTE 8 – INVENTORIES

	2017 $'000	2016 $'000
Raw materials and stores at cost	25,682	11,301
Work in progress at cost	2,293	11,525
Finished goods at lower of cost and net realisable value	78,419	16,117
	106,394	38,943

NOTE 9 – OTHER FINANCIAL ASSETS

	2017 $'000	2016 $'000
Current		
Restricted cash	365	377
Unbilled client service fees	37	163
Mark to market value of interest rate swaps contracts	1,415	-
Warrants	6,208	2,918
	8,025	3,458

Restricted cash represents cash held as security for letters of credit.

The warrants represent options to acquire shares in HPPI as follows:

	EXERCISE PRICE (US CENTS)	EXPIRY DATE	BALANCE AT BEGINNING OF YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	BALANCE AT END OF YEAR	2017 $'000	2016 $'000
			Number	Number	Number	Number		
Unlisted options	8.78	24/06/19	10,259,569	-	10,259,569	-	-	350
Unlisted options	7.50	15/05/20	33,333,333	-	33,333,333	-	-	1,481
Unlisted options	12.00	27/05/21	28,364,236	-	4,860,000	23,504,236	6,208	1,087
			71,957,138	-	48,425,902	23,504,236	6,208	2,918

The warrants have been recognised at fair value using the Black-Scholes method. A fair value increment of $5,307,000 was recognised during the period in relation to the remaining warrants.

During the period, the Company exercised various HPPI warrants contributing additional capital of US$3.983m to HPPI.

NOTE 10 – OTHER ASSETS

	2017 $'000	2016 $'000
Current		
Prepayments	10,869	11,509
Contract rights relating to the acquired Teva portfolio settled post year-end	-	876,144
	10,869	887,653

On 28 June 2016, the Company announced it had entered into an agreement to acquire 37 approved and 5 FDA filed products from Teva and Allergan for cash consideration of US$652m. As the Company had a contractual obligation at 30 June 2016, the Company recognised both the rights and obligations under the contract at 30 June 2016.

The Teva portfolio acquisition was completed on 3 August 2016.

The Company funded the acquisition via an extension of its existing debt facility, and a fully underwritten $601m, 1-for-1.725 accelerated non-renounceable entitlement offer and $287m placement.

After the completion of the transaction, the assets acquired were recognised in the appropriate asset categories on the balance sheet with the majority relating to product rights intangible assets.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	LAND $'000	BUILDINGS $'000	PLANT AND EQUIPMENT $'000	CAPITAL UNDER CONSTRUCTION $'000	TOTAL $'000
Year ended 30 June 2017					
Balance at beginning of year net of accumulated depreciation	9,283	27,092	22,013	26,061	84,449
Additions	-	2,210	17,703	95,129	115,042
Disposals	-	-	(33)	-	(33)
Depreciation charge for year	-	(971)	(5,543)	-	(6,514)
Foreign currency restatement	(151)	(644)	(595)	(2,282)	(3,672)
Balance at end of year net of accumulated depreciation	9,132	27,687	33,545	118,908	189,272
At 30 June 2017					
At cost	9,132	32,928	59,259	118,908	220,227
Accumulated depreciation	-	(5,241)	(25,714)	-	(30,955)
Net carrying amount	9,132	27,687	33,545	118,908	189,272
Year ended 30 June 2016					
Balance at beginning of year net of accumulated depreciation	9,150	26,913	21,559	1,974	59,597
Additions	-	596	4,134	24,529	29,259
Disposals	-	-	-	-	-
Depreciation charge for year	-	(998)	(4,044)	-	(5,042)
Foreign currency restatement	133	581	364	(442)	636
Balance at end of year net of accumulated depreciation	9,283	27,092	22,013	26,061	84,449
At 30 June 2016					
At cost	9,283	31,462	42,602	26,061	109,408
Accumulated depreciation	-	(4,370)	(20,589)	-	(24,959)
Net carrying amount	9,283	27,092	22,013	26,061	84,449

NOTE 12 – INTANGIBLE ASSETS AND GOODWILL

	GOODWILL $'000	CUSTOMER CONTRACTS, CUSTOMER RELATIONSHIPS, PRODUCT RIGHTS AND INTELLECTUAL PROPERTY $'000	DEVELOPMENT EXPENDITURE $'000	MARKETING & DISTRIBUTION RIGHTS $'000	TRADE NAMES $'000	OTHER $'000	TOTAL $'000
Year ended 30 June 2017							
Balance at beginning of year net of accumulated amortisation	60,115	85,312	72,048	57,402	57,606	-	332,483
Additions	-	986,761	27,802	1,428	-	-	1,015,991
Amortisation	-	(56,410)	(3,224)	(2,160)	(5,360)	-	(67,154)
Impairments	-	(17,286)	(2,861)	(66)	-	-	(20,213)
Foreign currency restatement	(1,898)	(20,171)	(2,154)	(1,318)	(125)	-	(25,666)
Balance at end of year net of accumulated amortisation	58,217	978,206	91,611	55,286	52,121	-	1,235,441
As at 30 June 2017							
Cost	58,217	1,085,390	102,587	59,443	68,693	-	1,374,330
Accumulated amortisation	-	(90,228)	(5,164)	(4,092)	(16,520)	-	(116,004)
Accumulated impairments	-	(16,956)	(5,812)	(65)	(52)	-	(22,885)
Net carrying amount	58,217	978,206	91,611	55,286	52,121	-	1,235,441
The split between indefinite and definite life assets is as follows -							
Indefinite life assets	58,217	87,344	71,082	45,258	-	-	261,901
Definite life assets	-	890,862	20,529	10,028	51,121	-	973,540
Net carrying amount	58,217	978,206	91,611	55,286	52,121	-	1,235,441
Year ended 30 June 2016							
Balance at beginning of year net of accumulated amortisation	58,436	38,609	51,562	56,646	65,183	32,523	302,960
Transfers[1]	-	32,523	-	-	-	(32,523)	-
Additions	-	17,886	22,593	1,196	-	-	41,675
Amortisation	-	(5,500)	(1,189)	(1,992)	(7,654)	-	(16,335)
Impairments[2]	-	-	(1,701)	-	(54)	-	(1,755)
Foreign currency restatement	1,679	1,794	783	1,551	131	-	5,938
Balance at end of year net of accumulated amortisation	60,115	85,312	72,048	57,402	57,606	-	332,483
As at 30 June 2016							
Cost	60,115	120,725	77,180	59,677	68,855	-	386,552
Accumulated amortisation	-	(35,413)	(2,028)	(2,275)	(11,195)	-	(50,911)
Accumulated impairments	-	-	(3,104)	-	(54)	-	(3,158)
Net carrying amount	60,115	85,312	72,048	57,402	57,606	-	332,483

Notes:
1. Additions relating to HPPI temporarily classified as Other Intangibles for the year ended 30 June 2015 were reviewed and reclassified to the appropriate category in the prior period.
2. Development expenditure impairments are included in research and development expenses in the Statement of Profit or Loss and Other Comprehensive Income (for the year ended 30 June 2016).

Goodwill and intangibles

Goodwill arises in a business combination and is the excess of the consideration transferred to acquire a business over the underlying fair value of the net identified assets acquired. It is allocated to groups of cash-generating units (CGUs) which are usually represented by reported segments. Goodwill is tested for impairment annually at the CGU level and any impairment charges are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The aggregate carrying amounts of goodwill are allocated to the Group's cash-generating units as follows:

	2017 $'000	2016 $'000
GPD	38,332	39,595
MCS	19,494	20,129
MPI	391	391
Closing goodwill balance at 30 June	58,217	60,115

Goodwill arising from the acquisition of Mayne Pharma Inc (formerly Metrics Inc), has been allocated between two CGUs operating in the US, namely the GPD and MCS reporting segments. The allocation split was 65% to GPD and the balance to MCS. Goodwill arising on the acquisition of Libertas Pharma Inc (now part of Mayne Pharma Inc) has been allocated to the GPD CGU.

Intangible Assets

Intangible assets acquired separately, or in a business combination, are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

Indefinite life intangible assets are reviewed for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Certain intangible assets other than goodwill (i.e. customer contracts, relationships, intellectual property, distribution rights and trade marks) have been assessed as having finite useful lives and, as such, are amortised over their useful lives. Intangible assets relating to the Metrics, Libertas and HPPI acquisitions are also amortised on a straight line basis. The useful lives, range from five to fifteen years, and are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. During the year ended 30 June 2017, the useful life of Doryx and the Foam Assets (Fabior, Sorilux) were reassessed from 10 to 15 years from the time of acquisition, and the useful lives of the acquired Teva portfolio of generic assets were reassessed from 20 to 15 years. The amortisation expense on intangible assets with definite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Certain marketing and distribution rights are considered to have an indefinite life and hence are not amortised. These assets, considered on an individual asset basis, have been determined as indefinite life based on the expected life of the relevant product. The assessment of indefinite versus definite life is reviewed annually.

Significant accounting judgements

Research and development expenditure

Research costs are expensed as incurred. Development expenditures on an individual project, and acquired research and development intangible assets, which are still under development and have not yet obtained approval, are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

During the year ended 30 June 2017, 41 development projects (2016: 46 development projects) met the requirements for capitalisation with a life to date value of $71m.

Significant accounting estimates and assumptions

Impairment of goodwill and intangible assets

Impairments of $20.2m (being $16.6m in the Women's Health Therapeutic Group of the GPD reporting segment, $2.9m on internal R&D in process relating to three projects and $0.6m in relation to one partially impaired purchased R&D project) were recognised during the period as a result of a detailed review of the Company's intangible assets. The review considered the current and projected US market dynamics for the portfolio and the industry.

An asset is considered impaired when its balance sheet carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less cost of disposal and its value in use. Usually, the Group applies the value in use method which utilises net present value techniques using pre-tax cash flows and discount rates.

Fair value reflects estimates of assumptions that market participants would be expected to use when pricing the asset or CGUs and for this purpose management considers the range of economic conditions that are expected to exist over the remaining useful life of the asset.

The estimates used in calculating net present value are highly sensitive, and depend on assumptions specific to the nature of the Group's activities with regard to:

- amount and timing of projected future cash flows;
- long-term sales forecasts;
- sales erosion rates after the end of patent or other intellectual property rights protection and timing of entry of generic competition;
- selected tax rate;
- behaviour of competitors (launch of competing products, marketing initiatives, etc);
- selected discount and terminal growth rates; and
- in the case of unlaunched products:
    - the outcome of R&D activities (compound efficacy, results of clinical trials, etc);
    - amount and timing of projected costs to develop in process research and development into commercially viable products; and
    - probability of obtaining regulatory approvals.

Due to the above factors, actual cash flows and values could vary significantly from forecasted future cash flows and related values derived from discounting techniques.

Goodwill and Intangible Impairment Testing Methodology

For the purpose of impairment testing Intangible Assets are allocated to individual CGUs (which are the Therapeutic Groups or 'TG') which are then combined into the overall reporting segment CGUs of GPD, SBD, MCS and MPI for Goodwill testing. Assets not included in these CGUs are Purchased assets not yet launched, R&D in process and Mayne Pharma's investment in HPPI.

The Group's impairment testing for goodwill and intangible assets with indefinite lives is based on value-in-use calculations.

Each CGU or TG to which the Goodwill or Intangible asset is so allocated represents the lowest level within the Group at which the asset is monitored for internal management purposes and separately identifiable cash flows are present, and is not larger than a reporting segment.

The following CGU and TG structure has been determined for impairment testing:

- GPD segment with two Therapeutic Groups being 'Women's Health' (GPD WH) and 'Other' (GPD Other);
- SBD segment with one Therapeutic Group being 'Dermatology';
- MCS segment; and
- MPI segment with two Therapeutic Groups being 'Dermatology' (MPI Dermatology) and 'Other' (MPI Other).

Intangible assets have been grouped into the relevant CGUs and TGs. Impairment testing is then conducting at firstly the CGU level and then the TG level.

The testing methodology for the recoverable value of each asset is as follows:

- Allocate the asset value to the relevant CGU and/or TG including an allocation of corporate assets and costs;
- Estimate cash flows generated over the life of the CGU/TG;
- Calculate the Weighted Average Cost of Capital (WACC) of the CGU; and
- Discount the cash flows using WACC and compare to the CGU/TG allocated asset carrying value.

Certain indefinite life intangible assets and intangible assets not yet available for use are not included in CGUs/TGs and tested individually and on an annual basis. These include:

- Purchased assets not yet launched; and
- R&D in process.

Purchased assets not yet launched and R&D in process represent products in development but not yet launched. These assets are tested individually with specific consideration of:

- the outcome of R&D activities (compound efficacy, results of clinical trials, etc);
- amount and timing of projected costs to develop in process research and development into commercially viable products; and
- probability of obtaining regulatory approvals.

HPPI represents a similar asset to R&D in process, however Mayne Pharma has a controlling (but not 100%) ownership in the company undertaking the development.

As a result of individual testing, three internal R&D in process projects were impaired totalling $2.9m and one purchased R&D project was partially impaired totalling $0.6m for the year ended 30 June 2017 (2016: $1.7m).

Goodwill represents an indefinite life asset which is allocated to CGUs (GPD, MCS and MPI) and, as such, is tested at this level.

The allocation of intangible assets to CGUs is shown in the table below.

	MPI	GPD	SBD	MCS	OTHER	TOTAL
Definite Life assets	53,497	841,809	64,830	6,654	6,750	973,540
Indefinite life assets						
Launched products	13,820	44,917				58,737
Purchased assets not yet launched					49,929	49,929
R&D in process					71,082	71,082
HPPI					23,936	23,936
Goodwill	391	38,332		19,494		58,217
Total Intangibles	**67,708**	**925,058**	**64,830**	**26,148**	**151,697**	**1,235,441**

Key assumptions in impairment testing methodology include:

- Cash flow forecasts are based on FY18 forecast results as well as specific cash flows which have been forecast out to FY22 or FY24 (depending upon the CGU). A terminal growth rate is then applied;
- Only existing 'in use' assets and related cash flows have been included in the CGUs/TGs for testing. Pipeline (R&D in process) and other future growth assets (and their related cash flows) have not been included in CGUs/TGs as they are considered indefinite life assets and are separately tested. As such, the CGU future cash flow estimates may differ to market expectations;
- Development expenditure is related to R&D in process and is not included in CGU/TG cash flows as these assets are tested separately. This expenditure relates to the generation of future growth assets and their estimated cash flows have not been included in the CGU/TG forecasts;
- Corporate overhead has been allocated to CGUs and TGs;
- Other assets have been allocated to CGUs and TGs; and
- Individual CGU discount rates have been used.

Discount rates reflect Management's estimate of the time value of money and the risks specific to the CGU and have been determined using the WACC. The Cost of Equity was calculated using the Capital Asset Pricing Model methodology with betas (both Bloomberg and Barra) referenced from relevant peers per CGU. The Cost of Debt was determined using the Group's actual cost of debt from current facilities. The relevant discount rate was then calculated by applying appropriate weights to both the Cost of Equity and Cost of Debt based on target capital structures.

The pre-tax discount rates used are shown below:

- MCS: 15.6% (FY16: 15.9%);
- SBD: 15.6% (FY16: n/a);
- GPD: 14.8% (FY16: 17.2%)[1]; and
- MPI: 15.0% (FY16: n/a).[2]

Notes: 1. The Women's Health and Other TGs in GPD also use the same WACC.
2 The Dermatology and Other TGs in MPI also use the same WACC.

Discount rates have reduced from last year given:

- WACCs had not been reassessed since FY15 and the company has increased materially in size and diversity since that time; and
- Pipeline/growth assets have not been included meaning that forecast cash flows have less risk attached (as they relate to "in use" assets) and are also lower growth (especially in GPD).

A comparison of the MCS, GPD, SBD and MPI CGU segments and their related TGs assumed forecast net sales growth rates for the current year impairment testing is shown in the table below. These average growth rates are assumptions determined in accordance with applicable accounting standards but should not be used for guidance. These assumed average growth rates do not include growth applicable to Purchased assets not yet launched and R&D in process as these are tested separately.

	ASSUMED AVERAGE FORECAST GROWTH RATES FOR 1ST 5 YEARS	ASSUMED TERMINAL VALUE GROWTH RATE
MCS CGU forecast net sales growth	12%	2%
GPD CGU forecast net sales growth	-5%	-1%
GPD WH TG forecast net sales growth	*-10%*	*-1%*
GPD Other TG forecast net sales growth	*-2%*	*-1%*
SBD CGU forecast net sales growth	54%[1]	-3%
MPI CGU forecast net sales growth	8%	-2%
MPI Dermatology TG forecast net sales growth	*9%*	*-3%*
MPI Other TG forecast net sales growth	*7%*	*0%*

Note: 1. Significantly impacted by the acquisition of Fabior/Sorilux in FY17 and relaunch by Mayne Pharma in January 2017 (i.e. FY17 base year was not a full year of net sales).

The assumed net sales forecast growth rates used in the prior year (year ended 30 June 2016) impairment testing analysis are outlined below

- The average growth rate used for the MPI CGU for the first three years was 5%, for the next two years 5.0% and the terminal value growth rate of 2.5% for future periods.
- The average growth rate used for the GPD was 42% for the first three years, 6% for the next three years and a terminal value growth rate of 3% for future periods. The growth rates reflect new product approvals.
- The average growth rate used for the MCS CGU was 8% for the first three years, 12% for the next three years and a terminal value growth rate of 1% for future periods.

The table below shows the recoverable value and carrying value for the GPD CGU and related TGs. As a result of testing undertaken, an impairment of $16.9m was recognised for the year end 30 June 2017 in the GPD CGU in the Women's Health TG (2016: nil, as the Women's Health TG came into existence in the current year due to the purchase of the acquired Teva portfolio).

	RECOVERABLE VALUE	CARRYING VALUE[1]	DIFFERENCE
GPD	1,164,503	1,129,901[2]	34,602
GPD WH TG	*291,919*	*291,919*[3]	*0*
GPD Other TG	*872,584*	*799,650*[3]	*72,934*

Notes:
1. The sum of the carrying value for the two individual GPD TGs is less than the carrying value for the CGU as Goodwill is not pushed down to the TGs.
2. Includes intangible assets, goodwill, working capital and property, plant and equipment.
3. Includes intangible assets, working capital and property, plant and equipment.

Sensitivity to changes in assumptions

The tables below show the changes in key variables that would lead to the recoverable value being equivalent to the carrying value for the GPD CGU and relevant TGs.

	GPD CGU	*GPD WH TG*[1]	*GPD OTHER TG*
Change in net sales growth after FY18	-1.4%	*Refer Note 1*	*-3.8%*
Change in terminal value growth rate	-0.6%	*Refer Note 1*	*-1.8%*
Change in WACC[2]	+0.4%	*Refer Note 1*	*+1.1%*

Notes:
1. As noted above, an impairment was recognised for the year end 30 June 2017 in the GPD CGU in the Women's Health TG. As a result, at 30 June 2017, the carrying value for the Women's Health TG is equivalent to the recoverable value and so any adverse movement in any key assumption would lead to further impairment.
2. Change refers to the movement in the post-tax WACC (and not pre-tax WACC).

Based on currently available information, there are no reasonably possible changes to any of the above key assumptions that would result in the carrying value of the MCS CGU to materially exceed its recoverable value.

Estimation of useful lives of assets

The estimation of the useful lives of intangible assets has been based on the assets' contractual lives for the expected period of the future cash flows. The valuation assumptions used are assessed at least annually and considered against the useful life and adjustments to useful lives are made when considered necessary.

At the time of the Teva portfolio acquisition, a useful life of 20 years was adopted for the acquired Teva portfolio on the basis of the therapeutic life of the asset:

- The average age of the Teva assets was 30 years+ (average year of product launch was 1984);
- The risk of therapeutic substitution was considered low (supported by industry reports); and
- In market volumes were steady.

The therapeutic substitution assessment remains unchanged. However, given continued political focus on the price of pharmaceuticals in the US, recent consolidation of buying groups (which could be more structural in nature), current market circumstances and its impact on volumes (which may be short or longer term in nature), it is considered appropriate to adjust the useful life back to 15 years.

The useful lives of the Foam Assets and the Doryx asset have also been considered and reassessed from 10 to 15 years on the basis of:

- Stable growth in addressable markets;
- Mayne Pharma's stable position in these markets;
- Long term patent protection;
- Medically, the marketplace and use of the products (topical retinoids and oral tetracyclines) is not expected to change and risk of therapeutic substitution is considered low; and
- Promotional and R&D investment to further grow and hold market share.

These changes will align the useful lives of Mayne Pharma's major definite life assets. The net impact of the changes to useful lives was a before tax charge to the Consolidated Statement of Profit or Loss and Other Comprehensive Income of $4.3m (Doryx a credit of $1.1m, Foam Assets a credit of $1.0m and the acquired Teva portfolio an additional charge of $6.4m). As these changes were made effective 1 January 2017, these values represent changes for six months. It is therefore expected that the full year impact of these changes going forward will be approximately a net increase to amortisation of $8.6m pa (subject to AUD/USD exchange rate changes).

NOTE 13 – TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Current		
Trade payables	66,593	64,051
Accrued rebates, returns and loyalty programs	71,348	39,859
Other payables	16,519	8,901
Settlement obligation in relation to the Teva transaction	-	876,144
	154,460	988,954

On 28 June 2016, the Company announced it had entered into an agreement to acquire 37 approved and 5 FDA filed products from Teva and Allergan for cash consideration of US$652m. This asset purchase was completed and the liability was settled on 3 August 2016.

NOTE 14 – INTEREST-BEARING LOANS AND BORROWINGS

	2017 $'000	2016 $'000
Current		
Syndicated loan (working capital facility)	13,011	-
Lease liabilities	113	503
	13,124	503

	2017 $'000	2016 $'000
Non-current		
Syndicated loan	331,722	76,999
Borrowing costs (net of amortisation)	(4,683)	(836)
Lease liabilities	83	168
	327,122	76,331

As part of the funding for the acquired Teva portfolio, the syndicated loan facility was amended and restated 28 July 2016.

The loan facility is supported by a syndicate of nine banks. The loan facility limit was increased to US$400m comprising a 3 year US$150m term loan and a five year US$250m revolving facility with working capital facilities of A$10m and US$20m also available. The loan facility can be drawn down in either USD or AUD with USD expected to be the major currency drawn down. The total amount drawn at 30 June 2017 was US$265m (includes US$10m of the working capital facilities). The working capital facilities are subject to the same financial covenants as the syndicated loan facility. The working capital facilities had a one-year term which matured 28 July 2017. These facilities were extended for a two year period subsequent to reporting date.

The facilities are unsecured and incur interest based on either LIBOR (for USD) with no floor, or BBSY (for AUD) plus an agreed fixed margin. The facilities are subject to certain covenants and have an unused line fee payable based on the undrawn amounts.

The Group is in compliance with the covenants at reporting date. The Directors believe there is no risk of default at reporting date.

In the prior year, the syndicated loan facility was provided by Westpac and National Australia Bank (NAB) and was a five year revolving loan effective from 24 June 2015. The amount drawn at 30 June 2016 was US$57.3m. This facility had a limit of US$125m and could be drawn down in either USD or AUD with USD the major currency drawn down. NAB has also provided a working capital facility of A$10m.

At 30 June 2017, the average variable interest rate was 3.154% (30 June 2016: 1.943%).

Loan maturities are summarised as follows:

	2017 $'000	2016 '000
Current	13,011	-
Non-current	331,722	76,999
	344,733	76,999
Due by 30 June 2018	13,011	-
Due by 30 June 2019	-	-
Due by 30 June 2020	-	76,999
Due by 30 June 2021	195,160	-
Due by 30 June 2022	-	-
Due by 30 June 2023	136,562	-
	344,733	76,999

There were no defaults or breaches on any loans during the year ended 30 June 2017.

NOTE 15 – OTHER FINANCIAL LIABILITIES

	2017 $'000	2016 $'000
Current		
Earn-out liability – Libertas' former shareholder	-	1,343
Earn-out liability – Oxycodone	-	5,230
Earn-out liabilities – various products/distribution rights	3,980	4,684
Deferred consideration – various products/distribution rights	17,728	2,016
Completion of clinical studies obligation relating to acquired asset	2,342	-
	24,050	13,273
Non-current		
Completion of clinical studies obligation relating to acquired asset	2,512	-
Earn-out liabilities – various products/distribution rights	1,759	4,143
Deferred consideration – various products/distribution rights	12,634	1,671
	16,905	5,814

The consolidated entity has recognised various earn-out liabilities relating to various asset purchases. The majority of the earn-outs are based on a percentage of net sales and typically payable on a quarterly basis for a period of between two and five years.

Deferred consideration recognised includes amounts which have contingent conditions such as FDA approvals and on market conditions (e.g. no entry of a new competitor into the relevant market). At balance date the Group has assessed the amount expected to be paid for contingent amounts outlined in the asset purchase agreements.

NOTE 16 – CONTRIBUTED EQUITY

A. Movements in contributed equity

	2017 NUMBER	2016 NUMBER	2017 $'000	2016 $'000
Balance at beginning of year	810,046,346	786,754,531	263,161	255,834
Issued during the year:				
Teva portfolio acquisition funding[1]	661,048,634	-	860,487	-
Tax effect of employee share options	-	-	(797)	5,943
Options exercised	15,406,000	3,450,000	7,427	1,384
LTI shares issued (restricted)[2]	26,771,758	19,841,815	-	-
LTI shares forfeited	(2,343,065)	-	-	-
LTI shares exercised (and loan repaid)	-	-	126	-
Balance at end of year	1,510,929,673	810,046,346	1,130,404	263,161

Notes: 1. Shares issued are net of $28,36m of equity raising costs (net of income tax).
2. The shares were granted under the ESLS (and are subject to risk of forfeiture).

NOTE 17 – RESERVES

	2017 $'000	2016 $'000
Share-based payments reserve	14,890	7,950
Cash flow hedge reserve	1,415	(864)
Other reserve	(4,020)	1,180
Foreign currency translation reserve	11,052	30,792
	23,337	39,058

NOTE 18 – NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

A. Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and the for the purposes of the Statement of Cash Flows comprise cash at bank and in hand (excluding restricted cash) and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents at the end of the year as shown in the Statement of Financial Position and the Statement of Cash Flows comprise the following:

	2017 $'000	2016 $'000
Cash at bank and on hand	63,027	47,481

Cash at bank attracts floating interest at current market rates.

B. Reconciliation of net profit after income tax to net cash used in operating activities

	2017 $'000	2016 $'000
Net profit after income tax	86,026	34,525
Adjustments for:		
Depreciation	6,514	5,042
Amortisation of intangibles and borrowing costs	68,353	16,544
Share-based payments	11,199	5,109
Movement in earn-out liability	(517)	(4,086)
Asset impairments	20,213	1,756
Book value of intangible product rights disposed	-	563
Gain on restatement of HPPI investment and/or warrants	(5,307)	(470)
Net unrealised foreign exchange differences	6,842	(5)
Changes in tax balances		
(Increase) in deferred tax assets	(32,598)	(25,684)
Increase in current and deferred tax liabilities	4,929	14,502
Operating cash flows before working capital movements	165,654	47,796
Changes in working capital		
(Increase in receivables	(146,095)	(26,255)
(Increase) in inventories	(70,478)	(16,680)
(Increase) in prepayments	398	(5,697)
Increase in creditors	35,932	51,421
Increase/(decrease) in provisions	(648)	2,919
	(180,891)	5,708
Net cash from operating activities	(15,237)	53,504

NOTE 19 – RELATED PARTY DISCLOSURES

A. Subsidiaries

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

		% EQUITY INTEREST		INVESTMENT $'000	
	COUNTRY OF INCORPORATION	2017	2016	2017	2016
Mayne Pharma International Pty Ltd	Australia	100	100	39,205	39,205
Mayne Products Pty Ltd[1]	Australia	100	100	-	-
Mayne Pharma UK Limited[1]	United Kingdom	100	100	-	-
Mayne Pharma, Inc	United States	100	100	76,802	68,802
Mayne Pharma Ventures Pty Ltd	Australia	100	100	-	-
Mayne Pharma Ventures LLC[1]	United States	100	100	-	-
Swan Pharmaceuticals LLC[1]	United States	100	100	-	-
Tiger Pharmaceuticals LLC[1]	United States	100	100	-	-
HedgePath Pharmaceuticals Inc	United States	53.5	49.4	20,823	13,567
Mayne Pharma SIP Pty Ltd	Australia	100	100	255,270	-
Mayne Pharma LLC	United States	100	100	-	-
				392,100	121,574

Note: 1. Dormant subsidiaries.

B. Ultimate parent

Mayne Pharma Group Limited is the ultimate parent entity.

NOTE 20 – COMMITMENTS AND CONTINGENCIES

A. Commitments

Leasing commitments

The Group has entered into operating leases on warehouse and office space as well as equipment leases. Future minimum rentals payable under these operating leases are as follows:

	2017 $'000	2016 $'000
Within one year	3,024	982
After one year but not more than five years	7,310	1,860
After five years	-	235
Total minimum lease payments	10,334	3,077

Capital Commitments

The Group had $40.8m of contractual obligations for the purchase of capital equipment as at 30 June 2017 (2016: $3.9m).

The Company announced plans to upgrade and expand the US manufacturing facilities as well as an upgrade of the Australian facilities. This work commenced in FY16, continued during FY17 and will be completed in FY18.

B. Contingencies

Mayne Pharma has not made provisions for potential damage or other remedies for legal claims against it or its subsidiaries where Mayne Pharma currently believes that a payment is either not probable or cannot be reliably estimated.

Summary of significant legal proceedings in 2017 where legal claims were brought against the Company seeking damages or other remedies

Mayne Pharma Inc received a subpoena from the Antitrust Division of the US Department of Justice (DOJ) and the Office of the Attorney General in the State of Connecticut in FY16 seeking information relating to the marketing, pricing and sales of select generic products, and the investigation continued in FY17. Mayne Pharma is cooperating with this investigation which it believes to be part of a broader inquiry into industry practices. Mayne Pharma Inc has been sued alongside other generic pharmaceutical companies in a number of civil complaints alleging anticompetitive conduct in the doxycycline hyclate delayed-release market. Several of these cases have been consolidated into multidistrict litigation pending in the Eastern District of Pennsylvania. The claims are being vigorously contested. No outcome or possible related amounts can be reliably estimated and as such no amounts have been provided at reporting date.

Mayne Pharma Inc and a number of other pharmaceutical companies have been sued in class action complaints in California involving allegations relating to Amiodarone. The issues involved include allegations of failure to adequately warn about risks associated with Amiodarone, failure to provide the FDA-required medication guide, off-label promotion, and conspiring with the other defendants to downplay the risks of the drug. The claims are being vigorously contested. No outcome or possible related amounts can be reliably estimated and as such no amounts have been provided at reporting date.

NOTE 21 – DIVIDENDS

No dividends were paid or declared in the year ended 30 June 2017 (2016: nil).

NOTE 22 – EVENTS SUBSEQUENT TO THE REPORTING PERIOD

No matter or circumstance has arisen since the reporting date which is not otherwise reflected in this report that significantly affected or may significantly affect the operations of the Consolidated Entity.

COMPLIANCE STATEMENT

This report is based on financial statements that are in the process of being audited.

Nick Freeman, Company Secretary **25 August 2017**

INTELLECTUAL PROPERTY & GLOSSARY

Astrix®, Doryx®, Eryc®, Fabior®, Kapanol®, Lozanoc®, Luxiq®, Magnoplasm®, Myxazole®, Olux-E®, Sorilux® and SUBA® are registered trademarks of the Consolidated Entity. Acticlate®, BUPAP®, Myring®, Noxafil® and Tazorac® are registered trademarks of third parties.

For further information on Mayne Pharma's products, refer to the product section of the Company's website, http://www.maynepharma.com/products/us-products/ or http://www.maynepharma.com/products/australian-products/.

GLOSSARY

ANDA – Abbreviated New Drug Application. An application to market a generic drug in the USA. Generic drug applications are called "abbreviated" because they are generally not required to include preclinical (animal) and clinical (human) data to establish safety and effectiveness. Instead, a generic applicant must scientifically demonstrate that its product is bioequivalent (i.e., performs in the same manner as the innovator drug). Once approved, an applicant may manufacture and market the generic drug product to provide a safe, effective, low cost alternative to the American public.

API - Active Pharmaceutical Ingredient. An active ingredient is any component that provides pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body of man or animals.

BA – Bioavailability. A measure of the fraction of a drug that enters the systemic blood circulation after oral administration.

BE – Bioequivalence. Two drug products are considered bioequivalent if they exhibit the "same" Cmax, Tmax and AUC in a properly powered pharmacokinetic study. In other words the two drug products have the plot of "drug concentration in plasma" against "time". The actual definition of "same" when applied to the pharmacokinetic parameters varies from country to country. If two drug products are bioequivalent then it is assumed that they are therapeutically equivalent. A bioequivalence study is the cornerstone of an ANDA or any generic drug application, because for the reasons given here, bioequivalence obviates the need to perform long and expensive clinical studies.

DR - Delayed Release. A drug product (typically oral) that is not intended to release the drug substance immediately after ingestion. The delay is commonly related to change of pH in the gastrointestinal tract ("enteric coating") or less commonly may relate to a specific time after ingestion when the drug is released. Enteric coating is achieved by coating with polymers that are poorly soluble in low pH media (for example gastric fluid), but are soluble in media with pH values typically found lower in the intestine.

FDA – US Food and Drug Administration. The US FDA is responsible for protecting public health by assuring the safety, efficacy and security of, amongst other things, human drugs.

NDA - New Drug Application. When the sponsor of a new drug believes that enough evidence on the drug's safety and effectiveness has been obtained to meet FDA's requirements for marketing approval, the sponsor submits to FDA a new drug application (NDA). The application must contain data from specific technical viewpoints for review, including chemistry, pharmacology, medical, biopharmaceutics, and statistics. If the NDA is approved, the product may be marketed in the United States.

OTC - Over-the-Counter pharmaceuticals. Products that are considered safe and effective by the FDA and TGA for use by the general public without a doctor's prescription.

PIV - Paragraph IV filing. A type of filing to support the approval of an ANDA submitted while the originator product is covered by a patent. The filing asserts that either the patents supporting the originator product are invalid or that they are not applicable to the product that is the subject of the ANDA.

PK – Pharmacokinetics. The study of the time course of the way the body handles drugs. There are four essential processes following a person's ingestion of a tablet or other oral dosage form, collectively known as ADME processes (Absorption of the drug from the gut; Distribution of the drug into other body tissues; Metabolism of the drug to other chemicals (metabolites) and Elimination of the drug from the body). This time course is typically followed by taking blood samples from volunteers at time intervals following swallowing a tablet, and measuring the amount of drug and / or metabolites in the plasma. A plot can be constructed of plasma concentration against time from which various PK parameters such as Cmax, Tmax and AUC can be derived.

TGA – Therapeutic Goods Administration. The TGA is Australia's regulatory authority for therapeutic goods.