8 October 2020

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

Via E-Lodgement

2020 Annual Report

In accordance with the Listing Rules, attached for release to the market is the Mayne Pharma 2020 Annual Report.

This announcement is authorised by the Board.

Yours faithfully

Laura Loftus
Company Secretary

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Annual Report 2020

maynepharma.com

mayne pharma

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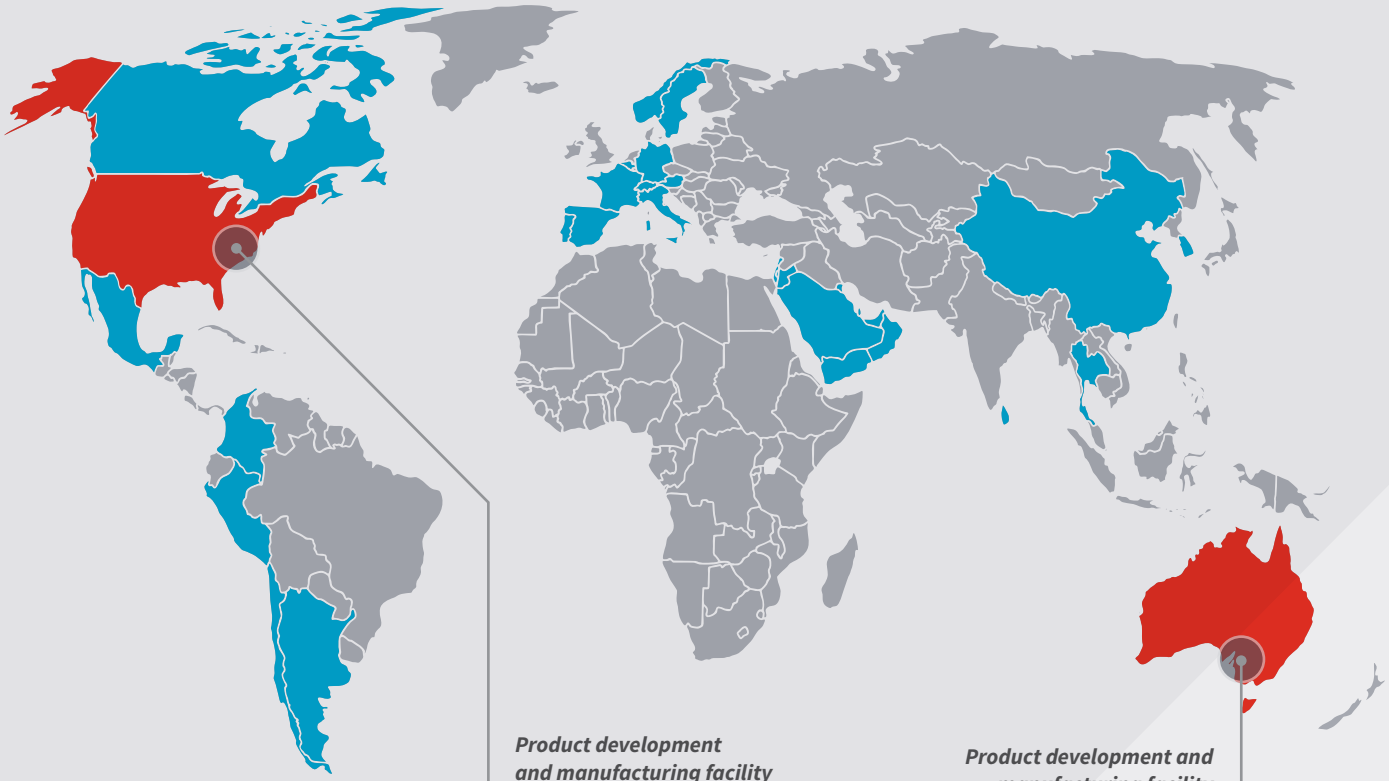


FY20 Business snapshot

- *Direct Commercial presence*
- *Indirect presence through distribution partners for current and pipeline products*

Product development and manufacturing facility
Greenville, North Carolina

36.1 acre facility; 126,000ft² of manufacturing space; 225,000ft² total facility. FDA & Japanese PMDA certified.

Technologies: Multi-particulate modified-release beads / tablets; Potent drug handling.

US Commercial Office
Raleigh, North Carolina

Product development and manufacturing facility
Salisbury, South Australia

32.1 acre facility; 129,000ft² of manufacturing space. FDA, MHRA and TGA certified.

Technologies: Multi-particulate modified-release beads / tablets; Potent drug handling; Microencapsulation utilising spray drying process; Semi-solids and liquids.

Australian Commercial Office
Melbourne, Victoria

A$457m ***revenue***	*A$36m* ***invested in R&D***	*~900* ***employees***
100+ ***contract service clients***	*75+* ***marketed products globally***	*1b+* ***doses sold in Australia and the US***

At Mayne Pharma we are focused on keeping our promises to patients, for better medicines and a better tomorrow. *We believe that everyone deserves medicines that are better, safe and more accessible. That's why our people are determined to create innovative products and services for our changing world.*

Learn more at maynepharma.com

What we do

Mayne Pharma is an ASX-listed specialty pharmaceutical company focused on the application of drug delivery expertise to commercialise branded and generic pharmaceuticals, providing patients with access to better and more accessible medicines. Mayne Pharma also provides contract development and manufacturing services to more than 100 clients worldwide.

Mayne Pharma's roots can be traced back to FH Faulding and Co Limited, for many years, one of the largest and most prominent pharmaceutical companies headquartered in South Australia. Mayne Pharma has a 40-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 continue to be marketed around the world including ASTRIX®, DORYX®, ERYC®, KAPANOL®, and more recently LOZANOC®/TOLSURA®.

Mayne Pharma has two facilities based in Salisbury, Australia and Greenville, North Carolina, US with expertise in the formulation of complex oral and topical dose forms including highly potent compounds, modified-release products and poorly soluble compounds.

	US Business Units			***Rest of World***
	Generic Products Division (GPD)	*Specialty Brands Division (SBD)*	*Metrics Contract Services (MCS)*	*Mayne Pharma International (MPI)*
OVERVIEW	• Distributes generic products in the US • Focused on developing and bringing to market complex generic products	• Develops, markets and distributes specialty branded products in the US • Focused on clinically differentiated products with therapeutic value in dermatology, infectious disease, women's health and rare diseases	• Provides contract pharmaceutical development, manufacturing and analytical services to third party customers globally • Focused on niche and scientifically challenging areas	• Develops, markets and distributes branded products globally (excl. US) • Focused on in-licensing and out-licensing specialty brands • Provides contract pharmaceutical development and manufacturing services
KEY PRODUCTS & SERVICES	• Potent compounds • Modified-release products • Hormonals (oral contraceptives) • 60+ marketed products	• LEXETTE® (halobetasol) • SORILUX® (calcipotriene) • FABIOR® (tazarotene) • DORYX® (doxycycline) • TOLSURA® (SUBA®-itraconazole) • Pipeline includes NEXTSTELLIS™ (E4/DRSP) and rare disease programs (trifarotene and SUBA®-itraconazole)	• Oral solid dose development through to commercial supply, including potent handling • First-in-human CTM, PI, PII, PIII • Method development and validation • Stability and ongoing release	• LOZANOC® (SUBA® -itraconazole) • KAPANOL® (morphine) • UROREC® (silodosin) • MONUROL® (fosfomycin) • ASTRIX® (aspirin) • DORYX® (doxycycline) • 10+ OTC/generic products • Pipeline includes NEXTSTELLIS™ (E4/DRSP) and rare disease programs (trifarotene and SUBA®-itraconazole)

FY20 Business Highlights

JULY 2019

- Greenville manufacturing facility successfully audited by FDA
- In-licensed two topical generic dermatology products from Teligent (US)

AUGUST 2019

- PBS listing of KAPANOL in chronic breathlessness
- Commenced phase 2 program with trifarotene in patients with lamellar ichthyosis, a rare dermatological disorder
- SUBA-itraconazole 50 mg capsule launched in Argentina by marketing and distribution partner, ISDIN
- Completed tech transfer in-house of budesonide delayed-release capsules to Salisbury, SA from a Teva site

OCTOBER 2019

- Signed 20-year license and supply agreement with Mithra Pharmaceuticals (Mithra) for novel oral contraceptive, NEXTSTELLIS (E4/DRSP) in the US
- Salisbury manufacturing facility successfully audited by FDA

NOVEMBER 2019

- In-licensed generic topical acne product from Encube Ethicals (India) to distribute in the US
- Signed SUBA-itraconazole distribution agreement with Kaper Pharma for Middle East region
- First Metrics client received European Medicines Agency (EMA) approval for a Greenville manufactured product
- Greenville successfully completed a Pharmaceuticals and Medical Device Agency (PMDA) inspection for commercial manufacture of a branded oncology drug to be marketed in Japan

DECEMBER 2019

- Generic NUVARING® complete response letter submitted to the FDA
- Launched generic LOCOID® (hydrocortisone) lotion in the US
- Launched generic CORDRAN® (flurandrenolide) ointment in the US
- Signed global supply agreement with top 10 global pharmaceutical company to manufacture in Greenville a recently approved oncology medication
- Completed tech transfer in-house of diazepam tablets to Greenville from a Teva site

FEBRUARY 2020

- Signed distribution agreement with Encube Ethicals for TRIANEX® (triamcinolone) lotion and launched in the US

MARCH 2020

- Completed tech transfer of nortriptyline capsules to new contract manufacturer
- Trifarotene granted orphan designation for the treatment of autosomal recessive congenital ichthyosis in Europe

APRIL 2020

- Filed a New Drug Application for NEXTSTELLIS (E4/DRSP), a combined oral contraceptive with the US FDA
- SUBA-itraconazole 50 mg capsule launched in Israel by Trust Pharm

MAY 2020

- Signed 20-year license and supply agreement with Mithra for novel oral contraceptive, NEXTSTELLIS (E4/DRSP) in Australia
- Launched butalbital acetaminophen and caffeine (BAC) capsule 50 mg/300 mg/40 mg in the US

JUNE 2020

- Received FDA filing acceptance for NEXTSTELLIS (E4/DRSP)
- FDA approval of atropine diphenoxylate tablets to treat diarrhoea
- Announced expansion of Greenville production facility to add 348 square metre (3,760 square feet) of production space to increase manufacturing capacity

Chairman's Letter

Dear Fellow Shareholders,

On behalf of the Mayne Pharma Board and Management, I am pleased to present the 2020 annual report.

Roger Corbett AO, Chairman

I would first like to thank you for your investment in our Company. This has been another challenging period for Mayne Pharma. Our share price performance and asset impairments over the last three years, whilst extremely disappointing, has been in line with many of our US peers and reflect the on-going competitive US market dynamics.

The US pharmaceutical industry has experienced significant disruption in recent years with the consolidation of wholesalers, retailers, insurers and pharmacy benefit managers driving heightened levels of price deflation, unfavourable changes to customer trading terms and reduced managed care coverage which has impacted both our generic and branded businesses.

In FY20, your management team focused on repositioning our business for growth by restructuring our cost base, rationalising our generic portfolio and investing in sustainable products, distribution channels and therapeutic areas. Most significantly, we made a strategic investment with the licensing of a novel oral contraceptive NEXTSTELLIS (E4/DRSP) in the US and Australia. The addition of this novel contraceptive product is highly consistent with our strategy to build our business with durable, high growth products in core therapeutic categories leveraging our commercial infrastructure.

Whilst the COVID-19 pandemic has presented unprecedented challenges to our business, we have focused on ensuring the health and safety of our employees and maintaining an uninterrupted supply of medicines and services to our customers and patients around the world. Some of the steps taken include encouraging employees to work from home if they are able to do so, implementing additional hygiene and safety measures at our manufacturing sites to protect employees, restricting travel and introducing pandemic leave for employees impacted by COVID-19. The commercial impact to our business from COVID-19 has been mixed. The generic business and contract services traded well through the second half, however, our specialty brands business was impacted by a decline in prescribing driven by physician office closures or reduced capacity at these offices and less patient visits.

Financial performance and position

In terms of performance, the Company reported FY20 revenue of A$457m, down 13% on the pcp, reported EBITDA of A$80m, down 28% on pcp and underlying EBITDA of A$95m[1], down 27% on pcp. At the bottom line we reported a net loss after tax of A$93m which was largely impacted by a non-cash intangible asset impairment of the generic portfolio.

The Company ended the year with cash of A$138m and net debt of A$248m (excluding lease liabilities). Net operating cash flow was an inflow of A$100m and we were able to reduce our net debt by $32m over the year. The Company had significant headroom under its bank covenants at year end with bank leverage at 2.5x and shareholders' funds of approximately A$1.0b.

In terms of our segments, Metrics Contract Services delivered another outstanding result with revenue up 15% benefiting from favourable market dynamics and new development programs and manufacturing revenues. Mayne Pharma International, our rest of world business, grew revenue 4% also benefiting from new contract services and manufacturing revenues. Generic Products was impacted in FY20 by competition on its key products and Specialty Brands faced a challenging period driven by the COVID-19 pandemic which dampened prescribing, new competition in the acne and psoriasis space and the tougher managed care environment.

Looking ahead

The Company continues to have many opportunities for growth including the successful commercialisation of NEXTSTELLIS

1. Underlying result excludes certain specified expenses as outlined in the FY20 Results Presentation dated 21 August 2020.

which has the potential to transform our business and growth trajectory over the coming years and the potential launch of generic NUVARING and a potential first-to-market women's health product. Metrics Contract Services is expected to benefit from its pipeline of committed business, Generic Products is expected to benefit from realising cost savings from new supply agreements and Specialty Brands is expected to benefit from its restructured dermatology cost base and a return to more normalised prescription patterns that were impacted by COVID-19.

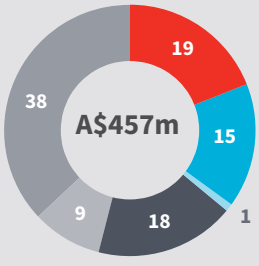
On behalf of the Board, I would like to thank my colleagues across Mayne Pharma for their hard work over FY20 and our shareholders, customers and stakeholders for your continued support.

Roger Corbett, AO
Chairman

In FY20, your management team have focused on repositioning our business for growth by restructuring our cost base, rationalising our generic portfolio and investing in sustainable products, distribution channels and therapeutic areas.

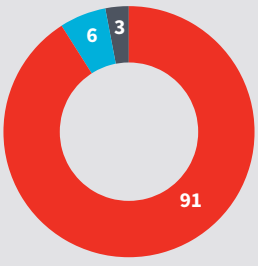
CEO's Review

Revenue by therapeutic area / segment (%)



- Dermatology
- Women's health
- Infectious disease
- Contract services
- Rest of world
- Retail Gx

Revenue by region (%)



- USA
- Australia
- Rest of world

As a pharmaceutical business, Mayne Pharma plays a critical role to manufacture and maintain an uninterrupted supply of medicines to its customers and patients around the world. Today, Mayne Pharma distributes 29 medicines on the World Health Organisation (WHO) essential medicines list of which 15 are produced in house.

Our key achievements for FY20

- Licensed novel oral contraceptive NEXTSTELLIS (E4/DRSP) in the US and Australia and received FDA filing acceptance of the New Drug Application
- Generic NUVARING complete response letter submitted to the FDA
- Launched four generic products and filed three generic products with the FDA including a potential first-to-market women's health product
- Generic Products performance stabilised in the 2HFY20 with gross profit up 10% on 1HFY20
- Metrics Contract Services delivered strong revenue growth with sales up 15% benefiting from favourable market dynamics and new commercial manufacturing revenues
- Restructured Specialty Brands right sizing dermatology cost base

Despite the challenges of COVID-19, our two key operational sites in Greenville, North Carolina and Salisbury, South Australia have remained fully operational. Further our Greenville facility which completed a significant expansion in 2018, produced record volumes this year with units up more than 50% on last year. We have spent significant time implementing new control measures at all our sites to ensure the safety of our workforce.

Whilst FY20 results were down on the prior year, the Company's performance was pleasingly stable in the second half of FY20 versus the first half of FY20 at the revenue and EBITDA line notwithstanding the impacts from COVID-19. Given the challenging US market dynamics, we have focused hard this year on optimising our cost base. Over FY20, we have realised more than A$30m in spend reductions versus last year, with A$16m decrease in operating expenses and a further A$15m decrease in gross R&D spend.

Operating performance

In terms of the operating performance at a segment level, Generic Products Division (GPD) sales were A$253m down 21% on FY19 and gross profit was A$96m down 42% on pcp. GPD performance was impacted by competition on key products - liothyronine, dofetilide and butalbital. In addition, there were abnormal gross-to-net charges of A$15m and inventory adjustments of A$5m on discontinued products that are not expected to recur in FY21.

Specialty Brands Division (SBD) sales were A$79m, down 14% on FY19 and gross profit was A$65m, down 18% on pcp. COVID-19 significantly impacted sales with lower patients starts due to a reduction in patient visits to physicians. Prescriptions were down approximately 15% across the dermatology portfolio in April and May 2020 versus pcp and TOLSURA prescriptions also fell during this period after growing consistently across the first nine months of FY20. SBD was also impacted by unfavourable changes in managed care coverage and new competitor launches. In response to the changing market dynamics, the Company restructured the dermatology sales team, which is expected to deliver US$12m of annualised operating expense savings with US$5m achieved in FY20.

Metrics Contract Services (MCS or Metrics) sales were A$83m up 15% on FY19 and gross profit was A$39m up 11% on pcp benefiting from new development programs and manufacturing revenues. Metrics now has five commercial manufacturing clients up from just one in FY18 including supply agreements with two top 10 global pharma companies to manufacture approved oncology medications for US, Europe, Japan and other international markets. Third party manufacturing revenues grew 50% on FY19 and now represents 8% of MCS sales and are expected to continue to increase in FY21 as further clients receive regulatory approval of their products. Over time, MCS expects to transition more of its development clients into full-service clients utilising services from formulation development and analytical services through to commercial manufacturing.

Mayne Pharma International (MPI) grew sales 4% to A$42m and gross profit was A$11m. Contract revenue increased 11% on FY19 and benefited from new development projects and growth in contract manufacturing revenue.

Expanding women's health and dermatology portfolio

Mayne Pharma's key focus is to expand its on-market portfolio in the core therapeutic areas of women's health and dermatology.

The most significant event during the year was the licensing of novel oral contraceptive NEXTSTELLIS from Mithra Pharmaceuticals SA for the US and Australia. The addition of NEXTSTELLIS to the Company's product pipeline is highly consistent with our stated strategy to build our specialty business with durable, high growth novel products in the core therapeutic women's health area leveraging our commercial capability and associated know-how.

We also recently added five generic oral contraceptive products through a new supply agreement with Novast Laboratories. Four of these products are already approved and will be launched in FY21 and include the top 2 prescribed contraceptive products in the US – ORTHO CYCLEN and ORTHO TRI-CYCLEN. The Novast agreement also secures supply on more favourable terms for eight products we acquired from Teva in 2016 and will enable us to be more competitive in those individual product markets. The addition of these new products to our women's health portfolio enables Mayne Pharma to now cover more than 85% of US oral contraceptive volumes.

We also partnered with Teligent for two topical dermatology products to treat dermatitis – generic LOCOID (hydrocortisone) lotion and generic CORDRAN (flurandrenolide) ointment and with Encube, a leading topical manufacturer and developer to license generic TRIANEX (triamcinolone) lotion which we have launched in the US. Whilst these are all generic products they leverage the commercial infrastructure we have established over the last 5 years in dermatology. We believe our go-to-market platform can offer a more effective distribution model to get our products to patients in a way that offers advantages in terms of greater convenience and price transparency, reduced administration for the prescriber and improved economics for the dispensing pharmacy.

Pipeline

NEXTSTELLIS

NEXTSTELLIS (E4/DRSP) is a novel combined hormonal contraceptive that contains a new estrogen, estetrol (E4), and the progestin, drospirenone (DRSP). If approved, E4 will be the first new estrogen introduced in the US for contraceptive use in 50 years. E4 is a low impact estrogen with a unique mechanism of action that offers potential advantages over other estrogens. The two phase 3 trials conducted in over 3,600 women demonstrated contraceptive efficacy and safety and good bleeding control. NEXTSTELLIS also showed neutral impact on lipids and glucose in these trials. In a phase 2 trial NEXTSTELLIS showed a lower effect than other DRSP containing oral contraceptives on certain markers of coagulation (blood clotting). Additionally, based on its pharmacology, NEXTSTELLIS has the potential to have a lower adverse impact on the environment.

NEXTSTELLIS is expected to compete in the short-acting combined hormonal contraceptive (CHC) market in which more than 10 million American women and 1 million Australian women use combination (estrogen + progestin) oral pills, patches and vaginal rings. This combined hormonal contraceptive market is valued at US$4b in annual sales according to IQVIA in the US and US$70m in Australia.

Our business plan for NEXTSTELLIS is targeting peak net sales of US$200m which represents approximately 2% share of the US CHC market by units. In April 2020, we filed NEXTSTELLIS with the FDA and received filing acceptance in June 2020. We have an FDA target action date in the second quarter of calendar 2021 and are planning to launch upon approval. The launch of NEXTSTELLIS will be supported by a new dedicated women's health sales force in the US of around 80 staff calling on high-prescribing obstetricians and gynaecologists. Following launch, this product is expected to be a foundation women's health product with a strong and synergistic fit with Mayne Pharma's currently marketed portfolio of branded generic contraceptives and pipeline products such as generic NUVARING.

Novel programs

Mayne Pharma continues to direct its R&D spend to its specialty clinical programs focusing on trifarotene and SUBA-itraconazole. A global phase 2 trial commenced during the year with trifarotene in patients with lamellar ichthyosis, a rare disease, causing significant skin scaling from birth. There are no FDA approved treatments for this condition. The global study is expected to recruit 120 patients with top line results expected in CY21. The Company also continues to explore new therapeutic uses for SUBA-itraconazole including other systemic fungal infections such as coccidioidomycosis (or valley fever) and Basal Cell Carcinoma Nevus Syndrome (BCCNS). A global phase 3 trial is expected to commence in CY21 in BCCNS patients.

Generic pipeline

Mayne Pharma's generic pipeline includes 12 products targeting addressable markets with sales of more than US$3b according to IQVIA. The Company has a number of complex products pending at the FDA including a generic NUVARING.

Key goals	Milestones
Commercialisation of novel oral contraceptive NEXTSTELLIS™	• FDA approval and successful launch of NEXTSTELLIS™ in the US • TGA filing of NEXTSTELLIS™ in Australia • Recruit new women's health sales team in the US
Expand dermatology and women's health portfolio and advance key pipeline products	• Successful launch of products pending at FDA • Launch up to five additional women's health oral contraceptives sourced from Novast • Continue to expand portfolio through business development activities • Commence phase III trial using SUBA®-itraconazole in BCCNS patients and complete enrolment for phase II trial with trifarotene in lamellar ichthyosis patients
Maximise SUBA® - itraconazole franchise	• Accelerate TOLSURA® sales in FY21 • Broaden potential for therapeutic use through further clinical programs
Accelerate contract services platform globally	• Invest in new capabilities and people to accelerate growth (ie. Expansion of production space in Greenville and addition of new equipment) • Expansion of commercial manufacturing client base in Greenville and contract development client base in Salisbury
Optimisation of cost base	• Improve cost base of contraceptive portfolio through new supply agreements • Improve overhead recovery benefits in manufacturing plants • Continued management of R&D and SG&A expenses

The future

Our success and performance will be heavily influenced by the effective execution of our strategic priorities and will depend on many factors including the timing of FDA approvals and competitor launches on key products.

Strategically we remain focused on investing in product development and portfolio expansion that repositions our business into more sustainable therapeutic areas and segments including women's health, dermatology and infectious disease along with growing contract services in Greenville and Salisbury.

Our goals and anticipated milestones are clear. The successful commercialisation of NEXTSTELLIS and the complex generic products pending at the FDA are the key steps in returning Mayne Pharma to sustainable growth. I have no doubt successful execution of these goals will transform our business for years to come.

I would like to thank the Board, the Mayne Pharma leadership team and all our employees for their hard work, commitment and passion, especially given the challenges of living and working through the pandemic.

Scott Richards
Chief Executive Officer

Global Leadership Team

Scott Richards
Chief Executive Officer and Managing Director

Scott joined Mayne Pharma in February 2012. He has more than 30 years of international experience in the pharmaceutical industry and has worked in Europe, the US and Asia. Prior to joining Mayne Pharma, Scott spent ten years in Europe in a variety of leadership roles including President, Europe Middle East and Africa and President, Global Commercial Operations for Mayne Pharma Limited (acquired by Hospira in 2007). He also served on the Group Management Board of Actavis for four years where he was responsible for the firm's global injectable/hospital business operations. Prior to working in Europe, Scott spent 14 years with FH Faulding and Co (acquired by Mayne Nickless in 2001) in a variety of roles including leading Faulding Pharmaceuticals Asia Pacific operations together with spending five years with Faulding in the United States leading business development and portfolio management operations.

Peter Paltoglou
CFO

Peter joined Mayne Pharma in August 2015 and has over 20 years of experience in executing public and private mergers and acquisitions and providing strategic advice across a range of contexts and market sectors. Peter is responsible for group finance along with corporate strategy, M&A, strategic alliances and wider corporate development activities including global business development. He was previously Managing Director of Investment Banking at Credit Suisse Emerging Companies in Australia. Prior to Credit Suisse, Peter was a Director of Hindal Group, a boutique M&A advisory business.

Stefan Cross
President, International Operations

Stefan joined Mayne Pharma in November 2012 and brings more than 25 years of pharmaceutical industry experience to his role. In 2013, Stefan became President of Mayne Pharma USA, relocating to Raleigh, North Carolina to lead the US business operations. In January 2017, Stefan returned to Australia and is now responsible for all non-US operations and commercial activities. Prior to joining Mayne Pharma, Stefan was Head of Marketing (Asia Pacific) for Hospira Inc. (now part of Pfizer), where he was responsible for expansion of the new product portfolio and on-market product growth across all markets in the region. Prior to joining Hospira, Stefan worked for six years with Mayne Pharma Limited in Europe and Australia and eight years with F H Faulding & Co across strategy, business development/M&A, sales and marketing, HR and finance/IT.

John Ross
President, Mayne Pharma USA

John joined Mayne Pharma in December 2013 as Executive Vice President of Metrics Contract Services. In January 2017, John became President of Mayne Pharma USA with responsibility for all US operations including manufacturing, quality, supply chain and business integration. He has more than 20 years of experience in the pharmaceutical industry across finance, sales, operations and supply chain. Prior to joining Mayne Pharma, John was a Principal at Tunnell Consulting, a leading US biotech and pharmaceutical consulting organisation. He has also held a number of leadership roles including Chief Operating Officer of Contract Pharmaceuticals Limited, a provider of outsourced third-party contract development, manufacturing and testing of pharmaceuticals.

Brant Schofield

Executive Vice President, Specialty Brands Division

Brant joined Mayne Pharma in October 2018 and has more than 25 years of experience in the pharmaceutical industry including more than 15 years at Galderma Laboratories, a leading global dermatology and skin health company. Previously, he was Vice President and General Manager Dermatology at Sandoz US where he was responsible for brand and generic product portfolio with revenues of approximately US$500m. Prior to Sandoz, he was Vice President of New Business for Nestlé Skin Health (parent entity of Galderma) and he was also Vice President of Sales and Marketing for Galderma US, where he led a 300+ person sales and marketing team and was responsible for more than US$1.0b of sales across prescription, over-the-counter and aesthetic dermatology markets.

Daniel Moore

Executive Vice President, Generic Products Division

Daniel is responsible for generic products businesses covering sales and marketing, customer service, pricing and contracts and channel development. Daniel joined Mayne Pharma in 2015 and has 10 years of healthcare industry experience. Previously, he was Manager for financial planning and analysis at Salix Pharmaceuticals, a specialty pharmaceutical company focused on gastrointestinal disorders.

Kate Rintoul

Executive Vice President and General Counsel

Kate joined Mayne Pharma in March 2013 and has over 20 years of varied legal experience including in corporate, commercial and intellectual property (IP) law and in litigation, spanning multiple jurisdictions. She is responsible for worldwide legal operations, IP, governance, risk and compliance. Prior to joining Mayne Pharma, Kate worked in private practice at Minter Ellison Lawyers, one of the largest Australian-based international law firms, where she worked closely with Mayne Pharma on various agreements and transactions. She has also worked for Shell International in The Hague as IP Counsel.

Andrew Herdman

Vice President, Group Human Resources

Andy has more than 25 years of experience across all human resource functions. He has held numerous HR consulting roles and was VP of Human Resources and Strategic Partnerships at Crown American Real Estate Investment Trust. Prior to joining Mayne Pharma, he was Associate Professor, Department of Management at East Carolina University. He has published original research in numerous leading research journals on the impact of progressive human resource practices on firm performance outcomes.

Development pipeline

Mayne Pharma's drug development pipeline is being refocused on novel therapies that could provide meaningful benefit to patients

Mayne Pharma's internal drug development capabilities include oral solid and topical dosage forms including potent compounds, modified-release products and poorly soluble compounds and these capabilities have been complemented externally through strategic alliances with best-in-class pharmaceutical developers and manufacturers. Mayne Pharma has executed alliances with:

- Mithra for women's health products: NEXTSTELLIS and generic NUVARING;
- Douglas Pharmaceuticals for soft gel products requiring specialised high containment manufacturing;
- Corium for transdermal patches; and
- Encube for topical dermatology products.

Novel programs

Mayne Pharma continues to redirect its R&D spend to its specialty clinical programs focusing on SUBA-itraconazole and trifarotene.

Product	Indication	Phase 1	Phase 2	Phase 3	Registration	Commercial rights
NEXTSTELLIS (E4/DRSP)	Contraception					US and Australia
SUBA-Itraconazole	Gorlin Syndrome / BCCNS					Global
Trifarotene	Lamellar ichthyosis					Global

NEXTSTELLIS (E4/DRSP)

During FY20, Mayne Pharma executed a 20-year exclusive license and supply agreement in the US and Australia for NEXTSTELLIS, a novel contraceptive. The product is now being reviewed at the FDA and TGA with potential launch in CY21.

NEXTSTELLIS (E4/DRSP) is a novel combined oral contraceptive composed of 15 mg estetrol (E4) and 3 mg drospirenone (DRSP). Estetrol (E4) is a native estrogen produced by the human foetal liver during pregnancy. Following more than 20 years of research and development, Mithra can now produce estetrol (E4) at scale through a complex plant-based production process. If approved, E4 will be the first new estrogen introduced in the US for contraceptive use in 50 years.

NEXTSTELLIS is an innovative contraceptive that has shown promising results in clinical trials. In two phase 3 clinical studies conducted in over 3,600 women, the product showed positive results as a contraceptive, was safe and well tolerated, and demonstrated good menstrual cycle control.

Estetrol (E4) sourced from nature with potential across various women's health fields

E4 has potential to be the first new estrogen introduced in the US for contraceptive use in ~50 years

NEXTSTELLIS™ has the potentail to have a lower adverse impact on the environment

Novel oral contracteptive with a unique mode of action

Clinical programs with orphan designation

SUBA-itraconazole for the treatment of basal cell carcinoma nevus syndrome (BCCNS)

BCCNS (also know as Gorlin Syndrome) is a rare disease with unmet medical need. Patients develop recurrent basal cell carcinomas that may require surgery. The basal cell carcinomas in BCCNS exhibit up-regulation of the Hedgehog signalling pathway. SUBA® -itraconazole, the novel formulation developed by Mayne Pharma is being studied in patients with BCCNS. SUBA-itraconazole has been granted orphan designation for the treatment of BCCNS by the FDA and EMA.

Inhibitor Therapeutics Inc, a subsidiary of Mayne Pharma, completed a phase 2b clinical trial with SUBA-itraconazole in 38 BCCNS patients and demonstrated a positive response on the basal cell carcinomas in these patients. The Company plans to commence a phase 3 pivotal global clinical trial in BCCNS patients in CY21.

Trifarotene for the treatment of lamellar ichthyosis

Lamellar ichthyosis is a rare dermatological disorder with unmet medical need. It is a type of autosomal recessive congenital ichthyosis. The disease manifests during the first weeks of life and lasts throughout a patient's lifetime.

Trifarotene is a novel retinoic acid receptor-y (RARy) agonist and has been granted orphan designation for the treatment of lamellar ichthyosis by the FDA and EMA. In FY20, Mayne Pharma commenced a global phase 2 clinical study of trifarotene in patients with lamellar ichthyosis.

DIRECTORS' REPORT

The Directors of Mayne Pharma Group Limited ('the Company') present their report together with the financial report of the Company and its controlled entities (collectively the 'Group' or 'Consolidated Entity' or 'Mayne Pharma') for the year ended 30 June 2020 and the Auditor's Report thereon. The information set out below is to be read in conjunction with the Remuneration Report set out on pages 31 to 37, which forms part of this Directors' Report.

DIRECTORS

The Directors of 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 (resigned 22 November 2019)
Mr Patrick Blake
Mr Frank Condella
Ms Nancy Dolan
Mr Bruce Mathieson
Prof Bruce Robinson, AM
Mr Ian Scholes

The Directors' qualifications, other listed company directorships, experience and special responsibilities are detailed on pages 27 and 28 of this report. The qualifications and experience of the Company Secretary are detailed on page 28 of this report.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the 2020 financial year are:

	BOARD		AUDIT & RISK COMMITTEE		NOMINATION COMMITTEE		REMUNERATION & PEOPLE COMMITTEE		SCIENCE, TECHNOLOGY & MEDICAL COMMITTEE	
	HELD[1]	ATTENDED[2]	HELD[1]	ATTENDED[2]	HELD[1]	ATTENDED[2]	HELD[1]	ATTENDED[2]	HELD[1]	ATTENDED[2]
Mr R Corbett	12	12	-	-	1	1	4	4	-	-
Mr S Richards[3, 4]	12	12	-	-	-	-	4	4	4	4
Mr P Blake	12	12	4	4	-	-	2	2	-	-
Hon R Best	6	6	2	2	1	1	3	3	-	-
Mr F Condella	12	12	-	-	-	-	-	-	4	4
Ms N Dolan	12	12	6	6	1	1	-	-	-	-
Mr B Mathieson	12	9	-	-	-	-	-	-	-	-
Prof Bruce Robinson	12	12	-	-	-	-	-	-	4	4
Mr I Scholes	12	12	6	6	-	-	4	4	-	-

1. This column shows the number of meetings held during the period the Director was a member of the Board or Committee.
2. This column shows the number of meetings attended.
3. Mr Richards is not a member of the Remuneration and People Committee however he attends meetings at the Chairman's invitation.
4. Mr Richards is not a member of the Science, Technology & Medical Committee however he attends meetings at the Chairman's invitation.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the period, Mayne Pharma executed an exclusive long-term licence and supply agreement with Mithra Pharmaceuticals SA to commercialise a novel oral contraceptive NEXTSTELLIS™ (E4/DRSP) comprising Estetrol (E4) and drospirenone (DRSP) in the US and Australia.

These changes are discussed in the Principal Activities and Review of Operations and Likely Developments sections 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 40-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, Australia and Greenville, North Carolina, US with expertise in the formulation of complex oral and topical dose forms including potent compounds, modified-release products and poorly soluble 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 2020 financial year (FY20) 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, amortisation and impairment ('EBITDA') is used as a key measure of the earnings considered by management in operating the business and assessing performance.

The new accounting standard for leases (AASB16) was adopted effective 1 July 2019 using the modified retrospective approach which means that the comparatives continue to be presented in accordance with the previous lease standard (AASB117) and have not been restated.

SALES AND PROFIT	2020 $M	2019 $M	CHANGE ON PCP $M	CHANGE ON PCP %
Reported Revenue	**457.0**	**525.2**	**(68.2)**	**(13.0)**
Reported Gross profit	**211.5**	**290.9**	**(79.4)**	**(27.3)**
Reported Gross profit %	*46.3%*	*55.2%*	*(8.9%*	
Adjusted EBITDA	95.3	130.9	(35.6)	(27.1)
Adjustments[1]	(15.0)	(19.3)	4.3	(22.3)
Reported EBITDA	**80.3**	**111.6**	**(31.3)**	**(28.0)**
Impairments	(99.0)	(351.7)	252.7	(71.9)
Depreciation / Amortisation	(84.1)	(94.1)	10.0	(10.6)
Reported PBIT	**(102.8)**	**(334.2)**	**231.4**	**(69.4)**
Net Interest and discount unwind	(30.8)	(16.5)	(14.3)	86.7
Reported PBT	**(133.6)**	**(350.7)**	**217.1**	**(61.9)**
Income tax expense	40.8	71.6	(30.8)	(43.0)
Reported NPAT attributable to Mayne Pharma shareholders	**(92.8)**	**(279.1)**	**186.3**	**(66.8)**

1. Current year adjustments are included in the table below. Prior period adjustments to Reported EBITDA include $8.2m expense for the revaluation of Inhibitor Therapeutics, Inc. (INTI) warrants; $5.5m expense for earn-out reassessments, $2.7m of legal costs associated with the cost of drug pricing investigations and related litigation and $3.0m to remove the INTI losses attributable to members of the Company.

The reconciliation of reported results and adjusted results for the current year is as follows:

SALES AND PROFIT	REPORTED ATTRIBUTABLE TO MEMBERS JUNE 2020[1] $M	EARN-OUT REASSESSMENTS[2] $M	BUSINESS TURNAROUND & RESTRUCTURING[3] $M	ASSET IMPAIRMENTS[4] $M	GROSS-TO-NET ADJUSTMENTS[5] $M	INVENTORY ADJUSTMENTS[6] $M	INTI[7] $M	DRUG PRICING LITIGATION[8] $M	E4/DRSP RELATED COSTS[9] $M	ADJUSTED JUNE 2020 $M
Gross profit	211.5	-	-	-	14.6	4.9	-	-	-	**231.0**
Gross profit %	*46%*									*49%*
EBITDA	**80.3**	(18.7)	8.6	-	14.6	4.9	2.2	3.2	0.3	**95.3**
Depreciation / Amortisation	(84.1)	-	-	-	-	-	0.5	-	-	(83.6)
Asset impairments	(99.0)	-	-	99.0	-	-	-	-	-	-
PBIT	**(102.8)**	(18.7)	8.6	99.0	14.6	4.9	2.7	3.2	0.3	**11.7**

1. The values in the above table are values attributable to members of Mayne Pharma and hence include only Mayne Pharma's share of INTI. The Consolidated Statement of Profit or Loss and Other Comprehensive Income and supporting notes such as note 5 for income tax include 100% of INTI and hence differ from the above values.
2. Earn-out and deferred consideration liabilities reassessment.
3. Business turnaround & restructuring costs principally related to severance costs and consulting costs.
4. Impairments largely relate to generic intangibles following a detailed review of current and projected market dynamics.
5. Abnormal level of gross-to-net charges (eg returns and govt rebates).
6. Abnormal inventory adjustments principally related to discontinued generic products.
7. Mayne Pharma's share of INTI's EBITDA loss and reassessment of INTI warrants to fair value.
8. Drug pricing investigations and related litigation costs.
9. The E4/DRSP related costs relate to expensed transaction costs ($0.3m).

The non IFRS financial information is unaudited.

Review of operations

In contrast to the above tables which are based on financial performance attributable to Mayne Pharma shareholders, the following information is provided on a total group basis and hence includes 100% of the revenues and expenses incurred by Inhibitor Therapeutics Inc (INTI) where applicable.

Mayne Pharma controls 53.5% of INTI and has consolidated 100% of INTI, in accordance with accounting standards, into the financial statements following this Directors' Report.

The Group recorded revenue of $457.0m, down 13% on pcp and gross profit was $211.5m, down 27% on pcp.

Gross profit margin as a percentage of revenue was 46.3% (2019: 55.4%) which reflects the changing product sales mix with reduced contribution from higher margin products such as liothyronine, butalbital and DORYX®. Generic Products was also impacted by stock writedowns on the discontinuation of unprofitable generic products.

Whilst the COVID-19 pandemic presented unprecedented challenges to the business in the second half of the fiscal year, the Company focused on ensuring the health and safety of its employees and maintaining an uninterrupted supply of medicines and services to its customers and patients around the world. The Company reported revenue and gross profit in the 2HFY20 in line with the 1HFY20.

The reported loss before tax was $135.4m and the net loss after tax was $94.5m reflecting $99.0m ($76.4m after tax) of asset impairments.

As most of the Company's operations are US based, the weakening AUD compared to the prior year had a favourable P&L translation impact on revenue, gross profit and adjusted EBITDA 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 0.7153 instead of the current year rate of 0.6712, would have resulted in a decrease to adjusted EBITDA of approximately $6m. This value excludes foreign currency gains and losses recorded by the Australian operations which largely relate to inventory and financing transactions between the Australian and US operations.

The major impact of exchange rates on the Company's balance sheet is recognised in the Foreign Currency Translation Reserve (FCTR) which increased by $20.7m during the year.

Expenses

Net research and development expense after qualifying capitalisation was $24.8m, a decrease in the expense of $3.7m (13%) on the pcp. Additional R&D spend in Speciality Brands (R&D in this area is generally not capitalised) this period has resulted in the level of R&D capitalisation declining from 43% in the pcp to 31% this year. The increased focus of R&D in the Specialty Brands area is expected to continue with key projects being trifarotene for congenital ichthyosis and the repurposing of SUBA®-itraconazole in new therapeutic areas.

	JUNE 2020 $M	JUNE 2019 $M
Total R&D costs incurred	35.8	50.3
Development costs capitalised	11.0	21.8
R&D expensed	24.8	28.5

Marketing and distribution expenses decreased by $7.8m to $74.2m due largely to the restructuring of the US dermatology sales team.

Finance costs of $31.5m (2019: $17.5m) include interest and line fees on the loan facilities, plus the amortisation of related borrowing costs and the unwinding of discounts associated with earn-out liabilities and deferred liabilities which increased to $14.5m from $1.8m in the pcp. The prior period also included a one-off gain of $1.8m on the cancellation of several interest rate swap contracts. Also included is a loss on the modification of the syndicated loan facility of $0.3m. The Company modified its financing facilities in December 2019 including reducing the facility limit by U$50m as the facility limit was in excess of the Group's current requirements.

Impairments of $99.0m (2019: $351.7m) were recognised following a detailed review of the Company's intangible assets as at 30 June 2020. The review considered the current and projected US market dynamics for the portfolio and the industry. Mayne Pharma participates in markets that are potentially exposed to COVID-19 and rapidly changing industry dynamics. These issues have been addressed in the impairment review on the basis of known facts and circumstances, incorporating best estimates from information available to date, as described in Note 13.

The impairments included the following:

- Specific pipeline products (development expenditure) - $15.1m
- Other specific intangible assets - $8.1m
- GPD – Other Cash Generating Unit (CGU) intangible assets - $70.0m.

There was also a specific impairment for property, plant and equipment which is surplus to current requirements of $5.8m.

Administration and other expenses decreased by $48.8m to $118.7m. This category includes non-cash and other non-operating items such as:

- amortisation of intangible assets which was $63.1m (2019: $78.9m);
- the fair value restatement of INTI warrants $0.6m (2019: $8.2m);
- the restatement of earn-out liabilities $18.7m credit (2019: $5.5m expense);
- share based payments expense $6.9m (2019: $9.0m);
- drug pricing investigations and related litigation costs $3.2m (2019: $2.7m); and
- restructuring and business turnaround expenses were $8.3m (2019: nil) and FX losses were $0.5m (2019: nil).

Excluding these items, administration and other expenses decreased $8.5m to $54.8m and reflects more controlled spending and reduced legal expenses (including patent litigation costs).

Tax

The tax benefit of $40.8m comprised:

- Current period income tax benefit for the year to 30 June 2020 of $34.5m;
- A decrease in current year tax benefit in respect of prior years of $0.8m; and
- Deferred income tax benefit of $5.5m

Current tax expense includes the benefit of carrying back US tax losses to prior years when the federal corporate tax rate was 35% compared to the current federal tax rate of 21%.

Financial position

During the period, Mayne Pharma executed the 20-year license and supply agreement for NEXTSTELLIS (E4/DRSP), a novel oral contraceptive in the US and Australia. The total intangible asset value including cash, equity consideration and the present value of contingent milestone payments at balance date was US$187.5m. Other financial liabilities at balance date includes the present value of contingent milestone payments for this transaction of US$111.9m.

Set out below is a summary of the financial position as at 30 June 2020 compared to the position as at 30 June 2019.

BALANCE SHEET EXTRACT	2020 $M	2019 $M	CHANGE ON PCP $M	CHANGE ON PCP %
Cash	137.8	89.0	48.7	55
Receivables	195.8	256.6	(60.7)	(24)
Income tax receivable	37.3	0.5	(36.8)	-
Inventory	94.0	100.3	(6.3)	(6)
PP&E	226.4	236.0	(9.6)	(4)
Intangible assets and goodwill	962.3	797.6	164.7	21
Other assets	171.6	155.7	15.9	10
Total assets	**1,825.2**	**1,635.7**	**189.5**	**12**
Interest-bearing debt (excluding lease liabilities)	385.6	369.4	16.4	4
Trade and other payables	106.9	129.9	(23.0)	(18)
Other financial liabilities	233.0	73.9	159.1	215
Lease liabilities	12.4	-	12.4	-
Other liabilities	45.0	49.1	(4.1)	(8)
Total liabilities	**782.9**	**622.3**	**160.6**	**26**
Equity	**1,042.3**	**1,013.4**	**28.9**	**3**

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

Cash

Cash increased by $48.7m compared to 30 June 2019. Refer below for further commentary. Net operating cashflow was an inflow of $99.8m (2019: $106.6m), with investing cashflow $55.9m, leaving free cashflow of $43.9m.

Inventory, receivables and trade payables

Inventory decreased by $6.3m and receivables decreased by $60.7m. Trade and other payables decreased by $23.0m compared to the prior period.

Intangible assets and goodwill

Intangible assets increased by $164.7m compared to the balance at 30 June 2019. The movement comprised of:

- An increase of $11.0m for capitalised development costs;
- An increase of $284.4m for the acquisition of the US Mithra-E4/DRSP licence agreement;
- An increase of $13.9m other intangible additions;
- A decrease of $63.1m for amortisation;
- A decrease of $93.2m for impairments; and
- An increase of $11.6m due to foreign currency translation as the AUD / USD exchange rate decreased from 0.7022 at 30 June 2019 to 0.6877 at 30 June 2020.

Property, plant & equipment

Property, plant and equipment decreased by $9.7m compared to the balance at 30 June 2019. The movement comprised of:

- An increase of $9.0m for net additions;
- A decrease of $17.1m for depreciation;
- A decrease of $5.8m for impairments; and
- An increase of $4.1m due to foreign currency translation.

Interest bearing liabilities

Interest bearing liabilities increased to $398.0m from $369.4m at 30 June 2019. Interest bearing liabilities includes lease liabilities recognised for the first time with the introduction of the new accounting standard (comparative not restated). Lease liabilities recognised at balance date were $12.4m. Excluding lease liabilities interest bearing liabilities increased to $385.6m from $369.4m at 30 June 2019. The net proceeds from borrowings during the period was $8.4m. The increase also includes $5.5m relating to the AUD/USD exchange rate movement.

Other financial liabilities

Other financial liabilities as at 30 June 2020 include the earn-out liabilities and deferred consideration for the E4/DRSP distribution rights, the generic NUVARING® distribution rights, LEXETTE® distribution rights, generic EFUDEX® acquisition and various other product acquisitions and distribution rights.

Other financial liabilities increased by $159.1m from 30 June 2019 due to:

- An increase of $14.5m due to the non-cash unwinding of the discount for the various earn-out liabilities and deferred consideration liabilities including $9.6m relating to the E4/DRSP deferred consideration liability;
- An increase of $164.9m due to the E4/DRSP asset;
- An increase of $6.6m relating to other asset acquisitions;
- A decrease of $18.7m due to re-assessments of various earn-out liabilities;
- A decrease of $8.7m due to payments made;
- An increase for mark to market valuation of interest rate swaps of $3.0m; and
- A decrease relating to foreign currency translation of $2.4m.

Equity

Equity movements of $97.9m were recorded in relation to the Mithra NEXTSTELLIS (E4/DRSP) transaction.

Other equity movements include the current year loss of ($94.5m) and other comprehensive income of $17.9m for a net movement of ($76.7m).

Cash flow

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

	2020 $M	2019 $M
Net operating cash flows before research and non-capitalised development expenditure, set-up and transaction costs	**130.9**	**135.1**
Payments for research and non-capitalised development expenditure	(21.7)	(25.8)
Restructuring, transaction and DOJ costs	(9.4)	(2.7)
Net Operating cash flows	99.8	106.6

Net operating cash for FY20 was an inflow of $99.8m after including $1.8m of net tax payments, $12.8m of net interest payments and $50.2m net working capital movements.

Other notable cash flows during the period included:

- $32.7m in payments for research and development (includes expensed and capitalised);
- Earn-out and deferred settlement payments totalling $8.8m;
- Payments for intangibles of $27.1m; and
- $8.9m in capital expenditure across the Group.

Cash on hand at 30 June 2020 was $137.8m representing an increase of $48.8m from 30 June 2019.

The Company had bank debt of $385.6m at 30 June 2020.

Pipeline

The Company continues to commit substantial resources in terms of people, and research and development spend to develop and advance its pipeline globally. In FY20, the Company incurred, in total cost terms, $35.8m in research and development of which 31% (2019: 43%) was capitalised over the period to be amortised in the future in accordance with Australian Accounting Standards.

The Company continues to direct its R&D spend to its specialty clinical programs focusing on trifarotene and SUBA-itraconazole. A global phase II trial commenced during the year with trifarotene in patients with lamellar ichthyosis, a rare disease causing severe skin scaling. The Company also continues to explore new therapeutic uses for SUBA-itraconazole including other fungal conditions and a rare skin disease - Basal Cell Carcinoma Nevus Syndrome (BCCNS or Gorlin's Syndrome).

Mayne Pharma's generic pipeline includes a number of complex products pending at the FDA including a generic NUVARING and a potential first-to-market women's health product, both with FDA target action dates in 1HFY21.

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	2020 $M	2019 $M	CHANGE %
Revenue	253.0	320.8	(21%)
Gross profit	95.7	164.5	(42%)
Gross profit %	38%	51%	

Nature of operations

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

FY20 performance

The GPD reporting segment's sales were $253.0m, down 21% on FY19 and gross profit was $95.7m, down 42% on FY19. In US dollar terms, sales were US$169.8m, down 26% on pcp.

GPD performance was impacted in FY20 by competition on the key products including liothyronine, dofetilide and butalbital. In addition, there were abnormal gross-to-net charges of $14.6m and inventory adjustments of $4.9m on discontinued product. Adjusted gross margin accounting for these abnormal items would have been 43%, instead of 38%.

GPD performance improved in the 2HFY20 with gross profit up 10% benefiting from manufacturing transfers into Salisbury and Greenville and reduced stock obsolescence.

SBD

$MILLION	2020 $M	2019 $M	CHANGE %
Revenue	78.8	91.6	(14%)
Gross profit	65.4	79.8	(18%)
Gross profit %	83%	87%	

Nature of operations

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

FY20 performance

The SBD reporting segment's sales were $78.8m, down 14% on FY19 and gross profit was $65.4m, down 18% on FY19. In US dollar terms, SBD's sales were US$52.9m, down 19% on pcp.

COVID-19 significantly impacted sales with lower patient starts due to a reduction in patient visits to physicians. Prescriptions were down ~15% across the dermatology portfolio in April and May 2020 versus pcp and TOLSURA® prescriptions also fell during this period after growing consistently across the first nine months of FY20. SBD was also impacted by unfavourable changes in managed care coverage and new competitor launches.

In response to the changing market dynamics, the Company has restructured the dermatology sales team which delivered US$5m of operating expense savings in FY20.

MCS

$MILLION	2020 $M	2019 $M	CHANGE %
Revenue	82.8	72.2	15%
Gross profit	39.4	35.5	11%
Gross profit %	48%	49%	

Nature of operations

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

FY20 performance

The MCS reporting segment's revenues were $82.8m, up 15% on FY19 and gross profit was $39.4m, up 11% on FY19. In US dollar terms, sales were up 8% on pcp to US$55.6m benefiting from new development programs and manufacturing revenues.

MCS now has five contract manufacturing clients up from just one in FY18 including supply agreements with two top 10 global pharma companies to manufacture approved oncology medications for the US, Europe, Japan and a number of other international markets. Third party manufacturing revenues grew 50% on FY19 and now represents 7% of MCS sales.

MPI

$MILLION	2020 $M	2019 $M	CHANGE %
Revenue	42.4	40.7	4%
Gross profit	11.0	11.0	0%
Gross profit %	26%	27%	

Nature of operations

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

FY20 performance

The MPI reporting segment's revenues were $42.4m, up 4% and gross profit was $11.0m, consistent with FY19.

MPI performance strengthened in the second half with sales up 19% benefiting from increased consumer purchasing during COVID-19. Contract revenue also benefited from new development projects and growth in contract manufacturing revenues.

Strategy

Mayne Pharma is using its world-class oral and topical drug delivery expertise and US commercial infrastructure to build a global speciality pharmaceutical company. The Company is focused on increasing the breadth of its product portfolio, technologies and market access to deliver unmatched patient service and service delivery levels to our key partners.

The Company's core strategic priorities include the following:

KEY STRATEGIC PRIORITIES	ACTIVITIES
• Commercialisation of novel oral contraceptive NEXTSTELLIS (E4/DRSP)	• FDA approval and successful launch of NEXTSTELLIS in the US • TGA filing of NEXTSTELLIS (E4/DRSP) in Australia • Recruit new women's health sales team in the US
• Maximise SUBA-itraconazole franchise	• Accelerate TOLSURA sales in FY21 • Broaden potential for therapeutic use through further clinical programs
• Expand dermatology and women's health portfolio and advance key pipeline products	• Successful launch of products pending at FDA (eg. generic NUVARING) • Launch up to five additional women's health oral contraceptives sourced from Novast Labs • Continue to expand portfolio through business development activities • Commence phase III trial using SUBA-itraconazole in BCCNS patients and complete enrolment for phase II trial with trifarotene in lamella ichthyosis patients
• Accelerate contract services platform globally	• Invest in new capabilities and people to accelerate growth (ie. expansion of production space in Greenville and addition of new equipment) • Expansion of commercial manufacturing client base in Greenville and contract development client base in Salisbury
• Optimisation of cost base	• Improve cost base of contraceptive portfolio through new supply agreements • Improve overhead recovery benefits in manufacturing plants • Continued management of R&D and SG&A expenses

Material business risks

The Board accepts that taking and managing risk is central to building shareholder value and that the Board is responsible for the Group's risk management strategy. Management is responsible for implementing the Board's strategy and for developing a control infrastructure designed to identify and mitigate risks across operations.

The Company has implemented a Risk Management Policy that includes a risk framework with a detailed, structured approach to systematically identify, rank, mitigate, and monitor risks. This effort, led by the Governance, Risk & Control (GRC) function, is additive to ongoing risk management responsibilities that all employees engage in as they accomplish their daily tasks according to Company requirements. The Company maintains a risk register and material risks are regularly reported on and discussed with management, the Audit & Risk Committee and the Board. Further details of the Company's approach to risk identification and management are outlined in its Corporate Governance Statement.

The following details some of the material risks that could affect Mayne Pharma's business and operations but are not the only risks Mayne Pharma faces. Other risks besides those detailed below could adversely affect Mayne Pharma's business and operations.

RISK	NATURE OF THE RISK	ACTIONS / PLANS TO MITIGATE
In-market pricing and competitive intensity	• Competitive dynamics for a product become unfavourable • Sales of our products may be adversely impacted by continuing consolidation of the customer base • New competitors enter a market or competitors increase market share • Increasing consolidation of managed care providers and related reimbursement limitations constraining available market pricing • Inability to obtain or delays in obtaining satisfactory pricing and reimbursement from government bodies, national health authorities and other third parties	• Recruitment of experienced sales and marketing personnel • Disciplined and risk balanced product selection process • Strong systems and processes to monitor and manage the performance of each product and customer relationship • Diversify channels to market • Developing business models and systems to move closer to patients
Delays to R&D pipeline assets	• Negatively impact order of market entry, reducing associated economic value of opportunity (Generic) • Development of competing treatments or therapies that may impact market dynamics (Brand) • Additional costs and resources required to satisfactorily complete regulatory tasks	• Build-out of R&D organisation to incorporate suitable medical and clinical capabilities • Disciplined new product selection process and portfolio management activities
Regulatory compliance	• Loss of regulatory compliance certification for production facilities • Violation of healthcare compliance requirements • Violation of antibribery or antitrust requirements	• Recruitment of experienced personnel in Quality, Production and Compliance • Establishment of a robust control environment with relevant policies and procedures • Strong systems and processes to manage and monitor compliance

RISK	NATURE OF THE RISK	ACTIONS / PLANS TO MITIGATE
Product cost inflation	• Increasing cost of active pharmaceutical ingredients and other components • Interruptions to supply of raw materials and drug product	• Exclusive supply arrangements, where appropriate • Distribution arrangements with partners allow for rising input costs to be passed through to customers • Back-up supply of key raw materials
Foreign exchange movements	• Adverse movements in exchange rates	• Hedging of balance sheet and net receipts in accordance with Company policy
Product liability	• Serious adverse event with consumers and potential product liability risks in marketing and use of products • Serious adverse events with participants in clinical trials	• Establishment and maintenance of systems to track medical information, pharmacovigilance (ie. monitoring the effects of medical drugs, in particular to identify and evaluate previously unreported adverse events), quality and (where appropriate) usage (eg. to identify potential abuse) • Allocate or share risk with distribution partners where appropriate • Appropriate insurance coverage
Intellectual property	• Infringement of third-party intellectual property rights • Loss or infringement of owned intellectual property	• Disciplined product selection process taking into account possible intellectual property infringement • Implementation of a robust intellectual property strategy • Allocate or share risks with manufacturing partners where appropriate
Asset impairments	• The recoverable amount of non-current assets, including brands and goodwill may be assessed to be less than the carrying value and an impairment charge may be recognised	• Robust and comprehensive testing environment • Assets are tested regularly for impairment • Capitalisation policies and useful lives of assets are reviewed by external auditors
Acquisition risk	• Integration of acquisitions can take longer than expected, divert management attention and not deliver the expected benefits	• Conduct detailed due diligence of acquisitions and engage third parties where relevant for expert advice • Preparation of detailed operational/integration plans and ongoing monitoring of acquisitions following completion
Environmental, health and safety	• Failure to comply with environmental health and safety regulations, laws and industry standards • Injury to employees or contractors • Failure to safely and appropriately handle hazardous and toxic materials	• Regional Environmental, Health and Safety ('EHS') Management Systems have defined policies, procedures and work practices for the elimination or mitigation of EHS hazards and risks
Information technology	• Cyber threats and data security • Disruptions or failures in our information technology systems and network infrastructure	• Recruitment of experienced IT personnel • Implementation of protective measures such as firewalls, antivirus, data encryption, routine back-ups, system audits, disaster recovery procedures
Financial fraud	• Purposely publishing inaccurate financial data at the half year or at the end of the fiscal year • Falling prey to an internal scheme that has a material financial impact on the Company	• Hiring and cooperating with a reputable external accounting firm tasked with auditing our financial statements and evaluating our control environment • Recruitment of experienced financial controls personnel • Implementation and enforcement of policies and procedures that foster a robust control environment
Catastrophic facility / equipment failure	• Loss of buildings and/or key equipment • Exposure to "failure to supply" penalties	• Development of contingency plans to move production across our multiple facilities and among our CMO partners if facilities or equipment become unavailable • Purchase of insurance coverage to minimise the Company's exposure to penalties

RISK	NATURE OF THE RISK	ACTIONS / PLANS TO MITIGATE
COVID-19	• Spread of virus to employees • Impact of pandemic on mental health of our employees • Inability to produce finished goods • Inability to promote our products to healthcare providers in person	• Development and implementation of employee management plans that reduce the chance of virus spread, including enhanced hygiene practices, social distancing measures, increased number of shifts with fewer employees in manufacturing plants at any one time, increased use of protective equipment, allowing non-manufacturing employees to work from home • Implementation of processes to modify management plans based upon latest recommendations from local health authorities • Implementation of communication approaches designed to keep all employees informed of evolving mitigation plans • Providing targeted support to employees around mental wellbeing, including people leader training and all-employee webinars to raise awareness and acquaint employees with available support and resources • Mitigation of supply disruption through robust monitoring of global events, well established supplier partnerships and anticipatory planning (such as safety stock builds and identification of alternate sources of supply) • Development and implementation of technology solutions that allow our field sales team to interact and promote our products remotely without physically entering offices and endangering our customers, their patients, or our sales representatives

The above list does not represent an exhaustive list and it may be subject to change based on underlying market events and developments

Outlook

The key strategic priority is to return to growth through repositioning the Company into sustainable products, distribution channels and therapeutic areas. Key drivers of this transformation are expected to be the successful commercialisation of key pipeline products pending at the FDA (eg. NEXTSTELLIS and generic NUVARING), realising committed cost savings from new supply agreements and efficiencies in the manufacturing network and expanding sales in alternate non-retail channels. Contract services is expected to benefit from the pipeline of committed development business and growing manufacturing revenues. Specialty Brands is expected to benefit from its restructured dermatology cost base, a return to more normalised prescription patterns and further growth of TOLSURA that was negatively impacted by COVID-19.

DIVIDENDS

The Directors have not declared an interim or final dividend for the 2020 financial year.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

No other 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.

DIRECTORS' EXPERIENCE AND SPECIAL RESPONSIBILITIES

MR ROGER CORBETT AO, BCOM, FAIM
Independent Chairman
Age 77
Appointed 17 November 2010

Mr Corbett joined the Board of Mayne Pharma Group Limited in November 2010 and was appointed Chairman in January 2011. Mr Corbett has been involved in the retail industry for over 50 years. He started unloading trucks at the Grace Bros Chatswood store in the early 60s and rose through the ranks to hold the positions of Merchandise Director and Stores Director of Grace Bros and subsequently Operations Director of David Jones. In 1990 Mr Corbett was appointed to the Board of Woolworths Limited and to the position of Managing Director of BigW, later becoming Chief Operating Officer and then CEO of Woolworths Limited. Mr Corbett served on the Board of Woolworths from 1990 until his retirement in 2006.

Mr Corbett has previously held the following positions: CEO of Woolworths Limited, Chairman of Fairfax Media Limited, Chairman of PrimeAg Australia Limited, member of the Board of the Reserve Bank of Australia, member of the Board of Wal-Mart Stores, Inc., Chairman of Australian Leisure and Hospitality Group Pty Limited (ALH Group), Chairman of the World Food Forum (CIES), Paris, Chairman of the Children's Hospitals of Westmead and Randwick and Chairman of Salvation Army Advisory Board - Australian Eastern Territory.

Mr Corbett's current Executive and Board responsibilities are Chairman of Molopo Energy Limited and Chairman of Beovista Pty Ltd.

In addition to being Chairman of the Mayne Pharma Board, Mr Corbett is Chair of the Remuneration and People Committee and is a member of the Nomination Committee.

MR SCOTT RICHARDS
Executive Director and Chief Executive Officer
Age 57
Appointed 13 February 2012

Mr Richards has more than 30 years' international experience in the pharmaceutical industry and has worked in Europe, the US and Asia. Prior to joining Mayne Pharma, Mr Richards spent 10 years in Europe in a variety of leadership roles including President, Europe Middle East and Africa and President, Global Commercial Operations for Mayne Pharma Limited (acquired by Hospira in 2007). He also served on the Group Management Board of Actavis for 4 years where he was responsible for the firm's global injectable/hospital business operations. Prior to working in Europe, Mr Richards spent 14 years with FH Faulding and Co (acquired by Mayne Nickless in 2001) in a variety of roles including leading Faulding Pharmaceuticals Asia Pacific operations together with spending 5 years with Faulding in the US leading business development and portfolio management operations. Mr Richards' experience spans sales and marketing, regulatory/medical affairs, supply chain, business development, mergers and acquisitions, finance, intellectual property and manufacturing.

MR PATRICK BLAKE
Independent Non-Executive Director
Age 57
Appointed 28 June 2018

Mr Blake, a US resident, has over 30 years of global healthcare industry experience including more than 20 years at McKesson Corporation, one of the largest healthcare services and information technology companies globally, and more than 10 years at Baxter Healthcare Corporation. Most recently, he was Executive Vice President of McKesson Corporation and Group President of McKesson Technology Solutions which services the health IT needs of hospitals and health systems, payers, physicians, homecare agencies, retail pharmacies and manufacturers, a position he held from 2009 until 2017. Previously, he was President of McKesson Specialty Health, a business focussed on the US specialty/biotech sector which was McKesson's fastest growing business for three years during his leadership. He was also President of Customer Operations for McKesson Pharmaceutical (US) from 2000 to 2006, leading commercial sales and operations for the wholesale distribution of branded, specialty and generic pharmaceuticals and other related products.

Mr Blake is a member of the Audit & Risk Committee and the Remuneration and People Committee.

MR FRANK CONDELLA
Independent Non-Executive Director
Age 66
Appointed 30 May 2018

Mr Condella, a US resident, has over 30 years of experience in senior executive roles in the global pharmaceutical industry. His operating experience includes Chief Executive Officer of Juniper Pharmaceuticals, a US publicly-listed CDMO and specialty pharmaceutical company, which was subsequently sold to Catalent. Previously he served as Chief Executive Officer of Skyepharma Plc, President of European operations at IVAX (Teva), Chief Executive Officer of Faulding Pharmaceuticals, Vice President of Specialty Care Products at Roche and Vice President and General Manager of the Lederle Standard Products (Pfizer). Mr Condella's previous board experience includes Chairman of Skyepharma Plc until it merged with Vectura, Vice Chairman of Vectura Plc, Independent Director of Prosonix ltd, Independent Director of Fulcrum Pharma plc, and Chairman of the PKD Foundation. He currently also serves as an Independent Director for Fertin Pharma A/S (Denmark) and Palladio Biosciences Inc (US).

Mr Condella is a member of the Science, Technology and Medical Committee and the Nomination Committee.

MS NANCY DOLAN, BA, LLB
Independent Non-Executive Director
Age 69
Appointed 21 September 2016

Ms Dolan has over 30 years' experience in the legal and commercial services sector. Ms Dolan is currently Chair of the Professional Conduct Oversight Committee at Chartered Accountants Australia and New Zealand. Ms Dolan has an honours degree in law from Victoria University of Wellington and an arts degree from the University of Canterbury in New Zealand. She was previously General Counsel and a Principal Officer at the University of

Sydney, a Partner at PricewaterhouseCoopers responsible for legal affairs in the Asia Pacific region and a Partner at Mallesons Stephen Jacques (now King & Wood Mallesons). Ms Dolan was previously on the Advisory Board of the Sydney Medical School, on the Professional Standards Council for the Salvation Army, a member of the Advisory Committee for Salvos Legal and on the Salvation Army Advisory Board (Eastern Territory).

Ms Dolan is a member of the Audit & Risk Committee and the Nomination Committee.

MR BRUCE MATHIESON
Independent Non-Executive Director
Age 77
Appointed 16 February 2007

Mr Mathieson is currently a Director and was the former Chief Executive Officer of ALH Group, a joint venture between Woolworths Limited and the Mathieson Family. The ALH Group owns approximately 325 hotels and 520 retail outlets across Australia and employs more than 16,000 staff. Mr Mathieson has operated in the hotel, leisure and hospitality industry since 1974 and is a well-respected member of the Australian business community. He has previously served as a Director of the Carlton Football Club. He is trained as an engineer and brings management and transactional experience from a number of industries to the Board.

PROF BRUCE ROBINSON, AM, MD, MSC, FRACP, FAAHMS, FAICD
Independent Non-Executive Director
Age 64
Appointed 26 August 2014

Professor Robinson, a practising Endocrinologist at Sydney's Royal North Shore Hospital, is Former Dean of University of Sydney's Sydney Medical School. Professor Robinson has been the head of the Cancer Genetics Unit at the Kolling Institute of Medical Research, Royal North Shore Hospital since 1989. Since 2001, Professor Robinson has been Chairman of Hoc Mai Foundation, a major program in medical and health education and exchange with Vietnam. He is a Non-Executive Director of Cochlear Limited, Lorica and QBiotics Group Limited. He is a Board Member of the Woolcock Institute, is Chair of National Health and Medical Research Council and Chair of the Medical Benefits Review Taskforce.

Prof Robinson is Chairman of the Science, Technology and Medical Committee.

MR IAN SCHOLES BCOM, CA
Independent Non-Executive Director
Age 65
Appointed 17 October 2007

Mr Scholes has extensive financial and corporate advisory experience, both in Australia and internationally. Mr Scholes held a number of senior roles within Merrill Lynch Australia, including Managing Director and Vice Chairman of Investment Banking. Previously Mr Scholes held the position of Executive General Manager at National Australia Bank Limited, running the corporate and institutional banking division. Mr Scholes is currently a Partner and Chief Executive Officer of Chord Capital Pty Ltd. Mr Scholes has previously held positions on the Board of St Vincent's Health as Chairman of the St Vincent's Foundation and was a former Director of SDI Limited.

Mr Scholes is Chairman of the Audit & Risk Committee and a member of the Remuneration and People Committee.

COMPANY SECRETARY

Ms Laura Loftus was appointed as the Company Secretary on 26 March 2020. Ms Loftus has been with Mayne Pharma since May 2014 and is an experienced commercial lawyer with more than ten years of experience. Prior to joining Mayne Pharma, Ms Loftus was a solicitor at global law firm DLA Piper. Ms Loftus holds a BCom (Accounting) degree and LLB (Hons) degree from Monash University and is a Graduate member of the Australian Institute of Company Directors.

DIRECTORS' INTERESTS IN SHARE CAPITAL AND OPTIONS

The relevant interest of each Director in the share capital of the Company as at the date of this report is as follows:

	FULLY PAID ORDINARY SHARES	RESTRICTED ORDINARY SHARES ISSUED UNDER LONG TERM INCENTIVE PLAN WITH LIMITED-RECOURSE LOANS
Mr R Corbett	10,440,569	-
Mr S Richards	5,985,369	22,779,411
Mr P Blake	260,000	-
Mr F Condella	232,732	-
Ms N Dolan	101,772	-
Mr B Mathieson	105,577,583	-
Prof B Robinson	634,895	-
Mr I Scholes	2,158,636	-

UNISSUED SHARES UNDER OPTION

As at the date of this Directors' Report there were no unissued ordinary shares under option.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

SHARE OPTIONS GRANTED

No share options were granted during the financial year.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

During the financial year options have been exercised to acquire a total of 120,000 fully paid ordinary shares in Mayne Pharma Group Limited at a weighted average exercise price of $0.5923 per share.

NON-AUDIT SERVICES

The Company's auditor, EY Australia ('EY'), provided the non-audit services listed below. The Directors are satisfied that the provision of these non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

EY received or are due to receive the following amounts for the provision of non-audit services:

	2020 $	2019 $
Taxation services	205,680	176,000
Other assurance	26,699	-
Total	232,379	176,000

INDEMNIFICATION AND INSURANCE OF OFFICERS AND INDEMNIFICATION OF AUDITORS

The Company's constitution (rule 11.1(a)) requires the Company to indemnify every officer of the Company and its wholly owned subsidiaries against liabilities incurred in their role as officer, only to the extent permitted by the Corporations Act 2001. The indemnity will not apply to liabilities arising out of conduct involving a lack of good faith. The Company has entered into a Deed of Access, Insurance and Indemnity with each of the Directors, KMP, others holding officer positions in the Company or any of its wholly owned subsidiaries and the Company's previous appointee to the INTI Board. Each Deed of Access, Insurance and Indemnity indemnifies the relevant officer, to the extent permitted by law, against any liability incurred by the relevant officer as an officer of the Company or as an officer of a subsidiary, including legal costs (for an unspecified amount). The Deeds of Access, Insurance and Indemnity also require the Company to (subject to the Corporations Act 2001) use its best efforts to effect and maintain a D&O policy covering the relevant officers during each officer's term of office and for seven years thereafter.

During the financial year, the Company maintained an insurance policy which indemnifies the Directors and officers of the Company and its subsidiaries in respect of any liability incurred in the performance of their duties as Directors or officers of the Company or its subsidiaries, other than for matters involving a wilful breach of duty or a contravention of sections 182 or 183 of the Corporations Act 2001 as permitted by section 199B of the Corporations Act 2001. The Company's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

To the extent permitted by law and professional regulations, the Company has agreed to indemnify its auditors, EY, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit but excluding any claims which are finally determined to have resulted from EY's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify EY during or since the financial year. Such an indemnity is permitted under rule 11.1(a) of the Company's constitution.

ENVIRONMENT, HEALTH AND SAFETY (EHS) REGULATION AND PERFORMANCE

The Group's operations are subject to various EHS laws and regulations and, where required, the Group maintains EHS licenses and registrations in compliance with applicable regulatory requirements. The Group has mechanisms in place to monitor for changes to regulatory requirements and ensure ongoing compliance with any new requirements.

The Group has EHS policies and procedures in place designed to ensure compliance with all EHS regulatory requirements and to continuously improve the health and safety of our workplace and environmental sustainability of our operations.

The EHS function continues to refine and improve the Company's standards, processes and performance through the ongoing development and maintenance of an EHS management system focussed on the identification and assessment of EHS hazards and effective management of EHS risks by applying sound risk management principles.

The Group monitors EHS outcomes on a regular basis and provides reports to various internal and external stakeholders including, without limitation, in relation to performance data such as injury rates, waste disposal, waste water and storm discharges and emissions. The operating sites in Salisbury and Greenville are subject to periodic or random inspections by EHS regulators; several inspections occurred during the year by the relevant authorities.

The Directors are not aware of any material breaches of EHS regulations by 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 thousand dollars or, in certain cases, to the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration has been received from EY and is included on page 38 of this report.

Letter from Chairman of Remuneration and People Committee

Dear Shareholder,

On behalf of the Board of Directors, we are pleased to present Mayne Pharma's Remuneration Report for the financial year ended 30 June 2020. This report contains information regarding the remuneration arrangements for Non-Executive Directors and senior executives who are the Key Management Personnel (KMP) of Mayne Pharma during 2020.

Your Board is committed to an executive remuneration framework that is focused on aligning shareholder and management interest by adopting a remuneration policy with a significant weighting to at-risk and long-term incentives (LTI). Executive pay design comprises market competitive fixed annual remuneration (FAR) combined with the opportunity to build wealth together with shareholders through the LTI.

Mayne Pharma removed short-term incentives (STI) for all senior executives from 1 July 2015 leading to a greater proportion of total remuneration in the form of LTI with performance hurdles aligned to shareholder interests. We believe an equity-based LTI is important to ensure close alignment with shareholders and motivates executives to focus on corporate strategies that will deliver long-term growth of shareholder value.

The Company has two LTI plans for executives – the Executive Share Loan Scheme (ESLS) and the Performance Rights and Option Plan (PROP), formerly known as the Employee Share Option Plan. The ESLS was introduced in FY15 and effectively operates like a 5-year option. Executives only receive a benefit from this program if the share price increases, with loan shares progressively vesting at continuously increasing performance hurdles.

In FY20, your Board reviewed the Company's remuneration framework for executives, including the structure of the LTI program, after taking into consideration feedback from shareholders and stakeholders. Following this review, the Board amended the PROP to extend its operation to allow the issue of performance rights to participants and reduced the number of loan shares issued to executives. The introduction of performance rights allows the Board to manage dilution concerns arising under the ESLS. In FY20, executives received 40% of their LTI participation value in the form of loan shares under the ESLS and 60% in performance rights under the PROP.

The challenges faced by Mayne Pharma over the last few years are reflected in the financial results of the company and ultimately in the remuneration outcomes for senior executives. Since the introduction of the ESLS in FY15, only 84,999 loan shares have been exercised out of 104m outstanding at balance date and the total cash benefit realised to all employees from the share loan scheme for the period FY15 to FY20 has been $80,749. Based on the 38.5 cents share price at 30 June 2020, no performance rights or loan shares were in the money and could be exercised, which demonstrates the strong alignment of the LTI program with our shareholders.

While 104m loan shares and 15m rights remain outstanding, representing theoretical dilution of 7% at balance date, the actual dilution to shareholders is 0% based on the 30 June 2020 closing price.

Your Board and management team have significant ownership in Mayne Pharma and are highly motivated to turn around performance and generate shareholder value. Minimum shareholding guidelines are required for all KMP with Non-Executive Directors (NEDs) expected to accumulate one times base fee within 3 years of appointment, the CEO is expected to accumulate one and half times base salary and executive KMP are expected to accumulate between 80% to 110% of their base salary.

Key items in the FY20 remuneration report

- The KMP changes include:
  - Mr Ron Best retired from the Board of Directors following the 2019 Annual General Meeting on 22 November 2019
  - Mr Nick Freeman, Group CFO and Company Secretary departed Mayne Pharma on 12 June 2020
  - Dr Ilana Stancovski, Chief Scientific Officer ceased to be KMP effective 31 August 2019
  - The assessment of who was considered KMP was also reviewed which resulted in several other changes
- LTI remuneration for executive KMPs included a mix of performance rights and loan shares.
- No LTI loan shares or performance rights met vesting conditions in FY20 and 18.9m loan shares including 3.8m loan shares issued to your CEO in FY15 lapsed or were forfeited as they did not meet the vesting conditions or expired unexercised.

Recognising the challenges our business has faced, your Board has decided that there will be no increase to executive KMP salaries in FY21 and so remain unchanged for two consecutive years. Australian based NEDs have had no change to Board or committee fees since FY16 with exception of the new fee introduced for the Science, Technology and Medical committee and US based NEDs were adjusted on 1 January 2019 to more closely align with US market rates.

Your board will continue to regularly review the remuneration framework and make adjustments as necessary to ensure the right outcomes are being delivered and rewarded. We hope you find this report explains our remuneration structure and welcome any feedback you may care to provide.

Yours sincerely

Roger Corbett, AO
Mayne Pharma Chairman

REMUNERATION REPORT (AUDITED)

This report outlines the specific remuneration arrangements in place for the KMP and the broader remuneration policies and philosophy adopted by the Board. KMP are those persons in the Group having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

During the year, the Board amended the Performance Rights and Option Plan (PROP) to extend its operation to issue performance rights to participants. Performance rights were introduced following feedback from shareholders and stakeholders to allow the Board to manage dilution concerns arising under the share loan scheme program. KMPs now receive a combination of loan shares and performance rights with consistent performance conditions and vesting dates.

There were no other significant changes to remuneration policies during the year.

This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001.

1. KEY MANAGEMENT PERSONNEL DETAILS

The table below outlines the KMP of the Group during the current financial period. Unless otherwise indicated, the individuals were KMP for the entire financial year and up until the date of this report.

Non-Executive Directors:

- Mr Roger Corbett, AO - Independent Chairman
- Hon Ron Best - Independent Non-Executive Director (resigned 22 November 2019)
- Mr Patrick Blake - Independent Non-Executive Director
- Mr Frank Condella - Independent Non-Executive Director
- Ms Nancy Dolan - Independent Non-Executive Director
- Mr Bruce Mathieson - Independent Non-Executive Director
- Prof Bruce Robinson, AM - Independent Non-Executive Director
- Mr Ian Scholes - Independent Non-Executive Director

Executive Directors:

- Mr Scott Richards - Managing Director and Chief Executive Officer

Other executive KMP:

- Mr Peter Paltoglou - Interim CFO and Chief Development Officer
- Mr Nick Freeman - Group CFO and Company Secretary (resigned 12 June 2020)
- Dr Ilana Stancovski - Chief Scientific Officer and Head of European Market Development (ceased to be KMP 31 August 2019)

Executives with global responsibilities for business strategy and performance as well as guiding strategic allocation of resources and capital are considered KMP. With senior management changes during the year, the Remuneration and People Committee reviewed the composition of KMP and determined that the members of the Executive KMP are the CEO, CFO, Chief Development Officer and Chief Scientific Officer.

2. REMUNERATION GOVERNANCE

The Board of Directors has delegated the responsibility for determining and reviewing remuneration arrangements for the Directors, members of the KMP and the balance of the CEO's direct reports to the Remuneration and People Committee (RPC).

The RPC is made up of three Non-Executive Directors. The CEO, Group CFO and the Vice President, Group Human Resources attend meetings as required at the invitation of the Committee Chair.

The RPC assesses the appropriateness and effectiveness of remuneration policies for Directors and officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team. Full responsibilities of the RPC are outlined in its Charter, which is available on the Mayne Pharma website.

To ensure the RPC is fully informed when making remuneration decisions it seeks advice from the Company's Vice President, Group Human Resources as well as specialist advice from external remuneration consultants. The RPC engaged independent remuneration consultants MinterEllison during the year.

The fees payable for FY20 to MinterEllison for remuneration advice were $94,500 which included remuneration recommendations as defined under the *Corporations Act 2001* of $40,000.

The RPC is satisfied that the advice received from MinterEllison was free from undue influence from the KMP to whom the recommendations may have related as MinterEllison were engaged by, and reported directly to, the Chair of the RPC.

Remuneration Report approval at the 2019 Annual General Meeting

The FY19 Remuneration Report received strong shareholder support at the 2019 AGM with a vote of 94% in favour. A resolution covering the issue of shares under the LTI share loan scheme and performance rights under the PROP to the CEO also received strong support with 95% of votes in favour.

3. REMUNERATION POLICY

In general, the Board links the nature and amount of KMP and other senior executives' emoluments to the Company's financial and operational performance. Given the nature of the industry in which the Company operates and the position it is in regarding the ongoing development of new products, the review of performance can also give regard to elements such as the scientific progress and commercialisation of the Company's projects, results of trials, progress with the development of relationships with sales and marketing partners, research institutions, and other collaborations.

Remuneration elements traditionally include fixed annual remuneration, short-term incentives and long-term incentives. The RPC have determined that shareholders' interests are best aligned with a remuneration structure that includes FAR and LTI elements only. Both FAR and total remuneration are benchmarked to ensure market competitiveness. However, as a result of this structure, a stronger proportion of total remuneration is in the form of LTI which is aligned to shareholders interests.

Remuneration paid to the Company's Directors and senior executives is determined with reference to the market level of remuneration for other listed development, pharmaceutical and manufacturing companies in Australia and the US. Specific roles are also benchmarked against similar roles in other listed companies with similar market capitalisation to Mayne Pharma. This assessment is undertaken with reference to published information provided by various executive search firms operating in the sector.

4. ELEMENTS OF EXECUTIVE KMP REMUNERATION

Remuneration packages contain the following key elements:

- Fixed remuneration
- Performance linked remuneration

Fixed remuneration

Fixed remuneration consists of a base remuneration package, which generally includes salary and employer contributions to superannuation funds.

Fixed remuneration levels for KMP and other senior executives are reviewed annually by the Board through a process that considers personal development, achievement of key performance objectives for the year, internal relativities, industry benchmarks wherever possible and CPI data.

In assessing fixed remuneration, the Board has considered the scale and complexity of the operations of Mayne Pharma, and the remuneration paid to comparable roles in other listed development, pharmaceutical and manufacturing companies in Australia and the US. Specific roles are also benchmarked against similar roles in other listed companies with similar market capitalisation to Mayne Pharma, both in Australia and the US.

The CEO's fixed remuneration is $1,000,000. With the CEO's relocation to the US during FY18, the CEO also receives a living away from home allowance, relocation support and other typical ex-pat benefits such as car lease, rental allowances, medical benefits and return airfares to Australia.

Performance-linked remuneration

Remuneration packages for KMP and senior executives do not include an entitlement to short-term incentives in the form of cash bonuses, but rather the entitlement to long-term incentives through the award of annual grants under the Executive Share Loan Scheme and Performance Rights and Option Plan. These incentive programs ensure key executives of Mayne Pharma are focussed on long-term growth of shareholder value.

Executive Share Loan Scheme

The ESLS allows the issue of shares to participants funded by a limited-recourse, interest free, five-year loan for the sole purpose of acquiring the shares. Issues are typically made annually to KMP and other senior executives who have foregone an STI entitlement. The shares are granted upfront based on the five-day volume weighted average price and remain restricted and subject to risk of forfeiture until the end of the vesting/performance period while the loan remains outstanding, with any unvested/unexercised shares lapsing 49 months after the first test date.

Following the end of the applicable vesting period, if the vesting conditions are met the ESLS shares will vest and the participant will then have until the end of the five-year term, plus one month, to repay the loan.

Any dividends paid on shares while the ESLS are restricted are applied (on a notional after-tax basis) towards repaying the loan.

The base test dates for the ESLS issues made from 1 July 2016 to 31 December 2017 were set as 1 July each year. For earlier issues the testing dates were based on the anniversary of the grant date. Base test dates for grants after 31 December 2017 are either 1 March or 1 September to align with results announcements.

Performance Rights and Option Plan

The PROP allows the Board to grant options or performance rights to participants. Options and performance rights give participants an interest in the value of underlying shares, subject to the satisfaction of key vesting conditions. Performance rights are eligible for vesting over a period of up to five years, subject to the achievement of specified vesting condition hurdles. As with the ESLS, the incentives received by participants under the PROP are linked to the long-term success of the Company. Participants do not have any voting rights or rights to dividends paid on shares while the participant holds an option or right.

The base test date for the performance rights issued in FY20, is 1 September to align with the full year results announcement.

In FY20, the Company issued loan share and performance rights to ESLS participants on a 40:60 basis to manage dilution. No options have been issued over the last five years.

Performance conditions

The number/proportion of loan shares and rights that vest is based on the absolute Total Shareholder Return (TSR) over the period, 50% vesting if a TSR Compound Annual Growth (CAGR) of 5% is achieved, rising to 100% vesting for achievement of a TSR CAGR of 10%. Vesting will occur on a straight-line basis for performance between these two points.

If the CAGR performance conditions are met, vesting occurs progressively and at continuously increasing hurdles. Vesting can occur over a period of 5 years (including six monthly in years 4 and 5) from the date of the grant, but the TSR vesting condition continues to compound in years 4 and 5.

The table below illustrates the required growth rates at a TSR CAGR of 5% pa which would represent 50% vesting:

	Year 1	Year 2	Year 3	Year 4	Year 5
Tranche 1 -20% of grant	TSR +5% from base year	TSR +10% from base year	TSR +16% from base year	TSR +22% from base year	TSR +28% from base year
Tranche 2 - 30% of grant	Not available for vesting	TSR +10% from base year	TSR +16% from base year	TSR +22% from base year	TSR +28% from base year
Tranche 3 - 50% of grant	Not available for vesting	Not available for vesting	TSR +16% from base year	TSR +22% from base year	TSR +28% from base year

The table below illustrates the required growth rates at a TSR CAGR of 10% pa which would represent 100% vesting:

	Year 1	Year 2	Year 3	Year 4	Year 5
Tranche 1 -20% of grant	TSR +10% from base year	TSR +21% from base year	TSR +33% from base year	TSR +46% from base year	TSR +61% from base year
Tranche 2 - 30% of grant	Not available for vesting	TSR +21% from base year	TSR +33% from base year	TSR +46% from base year	TSR +61% from base year
Tranche 3 - 50% of grant	Not available for vesting	Not available for vesting	TSR +33% from base year	TSR +46% from base year	TSR +61% from base year

This progressive vesting schedule can provide a rolling benefit to senior executives in the absence of a short-term incentive.

The Board has determined that the opportunity to vest over a 5-year period, noting that the TSR hurdles continue to compound and increase, is appropriate given the long-term nature of the development of products and inherent uncertainty regarding the timing of regulatory approvals for new products.

The Board chose the absolute TSR growth targets to align executive reward with what the Board considers to be acceptable levels of return to Shareholders (ie. between 5% and 10% compound annual growth) over the performance period. The Board considered the use of a relative performance condition but does not consider that there are sufficient appropriate comparator pharmaceutical companies (ie. of similar size) listed in Australia.

The Board has considered performance measures other than TSR and will continue to consider whether earnings or returns based measures are more appropriate for future grants.

In the event of a Corporate Control Event, the TSR will be measured from the base test date to the date of the Corporate Control Event and LTI shares will vest immediately if the TSR hurdles are met. If any unvested shares do not automatically vest as a result of the Corporate Control Event, the Board may otherwise determine that some or all of those shares become vested shares.

Hedging of equity awards

The Company prohibits KMP from entering into arrangements to protect the value of unvested equity awards. The prohibition includes entering into contracts to hedge their exposure to options or ESLS shares awarded as part of their remuneration package.

5. EXECUTIVE KMP REMUNERATION

A) KMP STATUTORY REMUNERATION TABLES

The following table discloses executive KMP remuneration during the year ended 30 June 2020 as required by the Corporations Act:

		SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS			TOTAL $	
		SALARY $	ANNUAL LEAVE $	OTHER BENEFITS[1] $	SUPER-ANNUATION $	OTHER[2] $	PERFORMANCE RIGHTS $	LTI SHARES $		PROPORTION RELATED TO PERFORMANCE %
Mr S Richards	**2020**	**978,997**	**86,506**	**357,824[3]**	**21,003**	**28,070**	**188,462**	**1,299,565**	**2,960,427**	**50.3**
	2019	979,469	75,342	368,863[3]	20,531	24,486	-	1,395,962	2,864,653	48.7
Mr N Freeman	**2020**	**527,150**	**30,133**	**-**	**25,888**	**(7,959)**	**-**	**(719,514)** [5]	**(144,302)**	**n/a**
	2019	548,793	43,576	-	25,166	9,434	-	441,835	1,068,804	41.3
Dr I Stancovski [6]	**2020**	**86,304**	**-**	**-**	**-**	**-**	**-**	**55,239**	**141,543**	**39.0**
	2019	553,983	-	-	-	-	-	400,170	954,153	41.9
Mr P Paltoglou	**2020**	**525,834**	**45,481**	**-**	**21,003**	**14,790**	**43,200**	**367,898**	**1,018,206**	**40.4**
	2019	520,227	41,815	(2,193)	20,531	9,053	-	390,714	980,147	39.9
Mr S Cross [7]	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2019	512,773	42,023	-	24,731	13,658	-	421,264	1,014,449	41.5
Ms K Rintoul [7]	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2019	409,561	33,433	-	20,531	7,238	-	296,718	767,481	38.7
Mr J Ross [7]	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2019	706,093	54,410	17,985	15,840	-	-	416,904	1,211,232	34.4
Mrs L Pendlebury [7]	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2019	260,845	21,544	-	20,531	4,664	-	149,043	456,627	32.6
Mr B Schofield [7]	**2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2019	497,371	39,293	492,235[4]	8,603	-	-	257,174	1,294,676	19.9
Total	**2020**	**2,118,285**	**162,120**	**393,099**	**67,894**	**34,901**	**231,662**	**1,003,188**	**4,011,149**	
	2019	4,989,115	351,436	876,890	156,464	68,533	-	4,169,784	10,612,222	

1. Other benefits include car lease payments, rental allowances, medical related payments, relocation and signing-on incentive.
2. Other long-term benefits represent accruals for long service leave entitlements that may arise should the relevant key management personnel meet the eligibility requirements.
3. As Mr Richards relocated to the US during FY18, he receives a living away from home allowance, relocation support and other typical ex-pat benefits such as car lease, rental allowances, medical benefits and return flights.
4. Mr Schofield received a relocation and signing-on incentive in the prior year (on commencement).
5. Mr Freeman resigned 12 June 2020 and, as he didn't meet service requirements to retain LTI awards, all LTI awards were forfeited with the prior period expense for these awards reversed in the current period.
6. Dr Stancovski ceased to be KMP effective 31 August 2019 and hence remuneration for FY20 relates to July & August only.
7. Mr Cross, Ms Rintoul, Mr Ross, Mrs Pendlebury and Mr Schofield ceased to be KMP effective 1 July 2019.

Whilst the above KMP tables show statutory remuneration in accordance with accounting standards, the actual remuneration received by KMP was significantly lower as no employee exercised loan shares during FY20. Based on the 38.5c share price at 30 Jun 2020, no employee loan shares nor performance rights were in the money and could be exercised, which demonstrates the strong alignment of the LTI program with shareholders.

The challenges faced by Mayne Pharma over the last few years are reflected in the financial results of the Company and ultimately in the remuneration outcomes for KMP. Since the introduction of the ESLS in FY15, no loan shares have been exercised by KMP and none were in the money at 30 June 2020.

B) EMPLOYMENT CONTRACTS

Remuneration and other key terms of employment for the CEO and other KMP are formalised in service agreements. The service agreements specify the components of remuneration, benefits, notice periods and termination provisions.

The table below provides details on the CEO's service agreement:

NAME	TERM OF AGREEMENT	BASE SALARY INCLUDING SUPERANNUATION[1]	NOTICE PERIOD	INCENTIVE ARRANGEMENTS	TERMINATION BENEFITS
Mr S Richards *Chief Executive Officer*	On-going commencing 13 February 2012	$1,000,000	12 months	Entitlement to participate in LTI share plan. The value of the LTI is based on 200% of fixed remuneration. Minimum shareholding requirement 1,239,912 unrestricted shares.	Nil if for serious misconduct. Otherwise, up to 12 months' pay in lieu of notice. If employment is terminated within six months of a change of control, entitled to a payment equal to 12 months' pay.

1. Base salary quoted is for a 12-month period and is current and is reviewed annually by the Remuneration and People Committee. Note as Mr Richards relocated to the US, he also receives living away from home, relocation assistance and other typical expat benefits.

Other executive KMP are subject to ongoing service agreements with the majority of notice periods being 6 months. Other KMP participate in the ESLS, receiving an annual allocation of shares under the plan. ESLS participation is based on an LTI value of between 80% and 110% of fixed remuneration. These executives do not participate in the STI plan.

To align the executive KMP interests with shareholder interests, all executive KMP are required to build and hold a specified minimum shareholding in the Company over time. Executives' minimum shareholding requirement is based on the their LTI participation rate, the Mayne Pharma share price and their salary when they were first granted LTI shares.

6. NON-EXECUTIVE DIRECTORS' REMUNERATION

Total remuneration for Non-Executive Directors (NED) is determined by resolution of shareholders. The maximum available aggregate cash remuneration approved for Non-Executive Directors at the 2018 Annual General Meeting is $1,800,000. Non-Executive Directors do not receive retirement benefits other than a superannuation guarantee contribution required by government regulation for Australian Directors, which is currently 9.5% of their fees, except where a Non-Executive Director elects to have their fees paid as contributions to a superannuation fund.

NED fee arrangements are designed to appropriately compensate suitably qualified directors with appropriate experience and expertise to discharge their responsibilities. In FY20, the Board had two committees for which fees were payable. The Board reviews the fees on an annual basis with reference to market rates in Australia and the US.

Current NED fees are as follows, with Australian-based Directors receiving 9.5% superannuation in addition to these fees (US-based Directors receive an additional loading equivalent to this superannuation amount):

	Board	Audit and Risk Committee	Science, Technology and Medicine Committee	Remuneration and People Committee	Nominations Committee
Australian Based Chair	A$250,000	A$20,000	A$15,000	Nil	Nil
Australian Based Director	A$120,000	A$10,000	A$8,000	Nil	Nil
US Based Director	US$120,000	US$10,000	US$8,000	Nil	Nil

In FY18, the Board introduced a minimum shareholding policy. The policy outlines an expectation that Non-Executive Directors will accumulate at least 1x base remuneration in Mayne Pharma shares within the first three years following their appointment. The Board believes this will ensure close alignment between Non-Executive Directors and shareholders over the long term, particularly for new appointees.

Non-Executive Directors may provide specific consulting advice to the Group upon direction from the Board. Remuneration for this work is made at market rates. No such consulting advice was provided to the Company during the year or the prior year.

	YEAR	DIRECTORS' FEES $	OTHER BENEFITS[1] $	SUPER-ANNUATION $	TOTAL $
Mr R Corbett	**2020**	**250,000**	**30,000**	**23,750**	**303,750**
	2019	250,000	30,000	23,750	303,750
Hon R Best	**2020**	**46,167**	**-**	**10,043**	**56,210**
	2019	117,600	-	24,750	142,350
Mr P Blake	**2020**	**205,457**	**-**	**-**	**205,457**
	2019	156,973	-	-	156,973
Mr F Condella	**2020**	**213,993**	**-**	**-**	**213,993**
	2019	156,973	-	-	156,973
Ms N Dolan	**2020**	**115,077**	**-**	**27,273**	**142,350**
	2019	130,000	-	12,350	142,350
Mr B Mathieson	**2020**	**120,000**	**-**	**11,400**	**131,400**
	2019	120,000	-	11,400	131,400
Mr I Scholes	**2020**	**140,000**	**-**	**13,300**	**153,300**
	2019	140,000	-	13,300	153,300
Mr P Hodges	**2020**	**-**	**-**	**-**	**-**
	2019	66,240	-	-	66,240
Prof B Robinson	**2020**	**135,000**	**-**	**12,825**	**147,825**
	2019	122,500	-	11,638	134,138
Totals	**2020**	**1,225,694**	**30,000**	**98,591**	**1,354,285**
	2019	1,260,286	30,000	97,188	1,387,474

1. Other benefits include serviced office facilities for the Chairman.

7. VALUE OF EQUITY INTRUMENTS GRANTED TO KMP

Options awarded, vested, exercised and lapsed

No KMP held options during FY20 and no options were granted or modified during the period.

LTI program

As noted above, under the LTI program, eligible KMP (and other select senior management) are invited to acquire shares in the Company funded by a limited-recourse loan from the Group. The shares are issued at market value at the time of the grant (based on 5-day VWAP). Although the shares are acquired under the plan for legal and taxation purposes, Australian Accounting Standards require the shares be treated as options for accounting purposes. As a result, the amounts receivable from KMP in relation to these loans are not recognised in the financial statements.

ESLS awarded, vested, exercised, cancelled and lapsed

The number and value of outstanding ESLS granted to KMP is set out below:

	GRANT DATE	EXPIRY DATE	EXERCISE PRICE/ 5 DAY VWAP AT GRANT DATE	NUMBER HELD AT 1 JULY 2019	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED OR CANCELLED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2020	NUMBER VESTED AT 30 JUNE 2020	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Year ended 30 June 2020											
Mr S Richards	4 Dec 2014	4 Jan 2020	$0.6815	3,823,529	-	-	(3,823,529)	-	-	845,000	21,530
	4 Dec 2015	31 Aug 2020	$1.2300	2,553,496	-	-	-	2,553,496	510,699	1,237,169	-
	6 Dec 2016	31 Jul 2021	$1.5760	2,242,005	-	-	-	2,242,005	-	949,815	128,829
	7 Dec 2017	31 Jul 2022	$0.6169	6,608,851	-	-	-	6,608,851	1,321,770	1,311,196	351,682
	6 Dec 2018	1 Oct 2023	$0.9696	6,229,373		-	-	6,229,373	-	1,871,927	659,962
	29 Nov 2019	30 Sep 2024	$0.4695	-	5,145,686 [1]	-	-	5,145,686	-	780,086	137,562
Dr I Stancovski[3]	2 Feb 2015	2 Mar 2020	$0.6163	833,003	-	-	(833,003)	-	-	210,000	1,047[3]
	3 Aug 2015	31 Aug 2020	$1.1000	791,789	-	-	-	791,789	158,358	350,050	-
	3 Jul 2017	31 Jul 2022	$1.1307	1,169,879	-	-	-	1,169,879	-	377,169	20,799[3]
	28 Sep 2017	31 Jul 2022	$0.6631	332,474	-	-	-	332,474	66,495	70,750	3,178[3]
	23 Mar 2018	31 Mar 2023	$0.7620	2,025,258	-	-	-	2,025,258	-	550,263	30,216 [3]
Mr P Paltoglou	24 Aug 2015	31 Aug 2020	$1.1300	2,231,344	-	-	-	2,231,344	446,269	633,032	-
	3 Jul 2017	31 Jul 2022	$1.1307	1,278,871	-	-	-	1,278,871	-	412,308	121,759
	28 Sep 2017	31 Jul 2022	$0.6631	314,989	-	-	-	314,989	62,998	67,030	17,966
	23 Mar 2018	31 Mar 2023	$0.7620	2,091,695	-	-	-	2,091,695	-	568,314	186,223
	26 Sep 2019	30 Sep 2024	$0.5151	-	1,274,849 [2]	-	-	1,274,849	-	194,160	41,950
Mr N Freeman [4]	3 Jul 2017	31 Jul 2022	$1.1307	2,124,415	-	-	(2,124,415)	-	-	684,911	(448,298)
	23 Mar 2018	31 Mar 2023	$0.7620	2,397,769	-	-	(2,397,769)	-	-	651,474	(271,216)
	26 Sep 2019	30 Sep 2024	$0.5151	-	1,461,396 [2]	-	(1,461,396)	-	-	222,571	-
				37,048,740	7,881,931	-	(10,640,112)	34,290,559	2,556,589	11,987,225	1,003,188

1. The value of the ESLS shares granted during the year was $0.1516 each.
2. The value of the ESLS shares granted during the year was $0.1523 each.
3. Dr Stancovski ceased to be KMP effective 31 August 2019 and hence expense is for 2 months to 31 August 2019.
4. Mr Freeman resigned effective 12 June 2020 and all LTI grants were forfeited on resignation.

Performance Rights awarded, vested, exercised, cancelled and lapsed

The number and value of outstanding performance rights granted to KMP is set out below:

	GRANT DATE	EXPIRY DATE	NUMBER HELD AT 1 JULY 2019	NUMBER GRANTED DURING YEAR [1]	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED OR CANCELLED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2020	NUMBER VESTED AT 30 JUNE 2020	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Year ended 30 June 2020										
Mr S Richards	29 Nov 2019	30 Sep 2024	-	2,555,805	-	-	2,555,805	-	907,822	188,462
Mr P Paltoglou	29 Nov 2019	30 Sep 2024	-	694,674	-	-	694,674	-	243,575	43,200
Mr N Freeman [2]	29 Nov 2019	30 Sep 2024	-	796,325	-	(796,325)	-	-	278,873	-
			-	4,046,804	-	(796,325)	3,250,479	-	1,429,970	231,662

1. The value of the performance rights granted during the year was $0.3552 each.
2. Mr Freeman resigned effective 12 June 2020 and all LTI grants were forfeited on resignation.

8. OPTIONS, PERFORMANCE RIGHTS AND SHARES GRANTED SUBSEQUENT TO REPORTING DATE

No options, performance rights or loan shares were issued to KMP subsequent to report date.

9. SHARES ISSUED ON EXERCISE OF OPTIONS OR PERFORMANCE RIGHTS BY KMP

The number of shares issued to KMP on the exercise of options or performance rights during the year ended 30 June 2020 was nil.

10. SHARES HELD BY KMP

Movements in shares

The movement during FY19 and FY20 in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP including their related parties at reporting date, is as follows:

	HELD AT 30 JUNE 2018 NUMBER	RECEIVED DURING FY18 ON EXERCISE OF OPTIONS AND / OR LTI SHARES GRANTED NUMBER	OTHER CHANGES DURING FY19 NUMBER	HELD AT 30 JUNE 2019 NUMBER	RECEIVED DURING FY20 ON EXERCISE OF OPTIONS AND / OR LTI SHARES GRANTED NUMBER	LTI SHARES LAPSED OF FORFEITED NUMBER	OTHER CHANGES DURING FY20 NUMBER	HELD AT 30 JUNE 2020 NUMBER
Directors								
Mr R Corbett	**10,440,569**	-	-	**10,440,569**	-	-	-	**10,440,569**
Mr S Richards	**21,213,250**	6,229,373	-	**27,442,623**	5,145,686	(3,823,529)	-	**28,764,780**
Hon R Best	**1,587,217**	-	-	**1,587,217**	-	-	-	**1,587,217**
Mr P Blake	**-**	-	-	**-**	-	-	260,000	**260,000**
Mr F Condella	**-**	-	181,835	**181,835**	-	-	50,897	**232,732**
Ms N Dolan	**74,500**	-	27,272	**101,772**	-	-		**101,772**
Mr B Mathieson	**98,777,583**	-	-	**98,777,583**	-	-	6,800,000	**105,577,583**
Mr I Scholes	**2,158,636**	-	-	**2,158,636**	-	-	-	**2,158,636**
Prof B Robinson	**634,895**	-	-	**634,895**	-	-	-	**634,895**
	134,886,650	6,229,373	209,107	**141,325,130**	5,145,686	(3,823,529)	7,110,897	**149,758,184**
Other KMP								
Mr N Freeman	**4,598,255**	-	(76,071)	**4,522,184**	1,461,396	(5,983,580)	-	**-**
Dr I Stancovski	**5,406,839**	-	-	**5,406,839**	-	(833,003)	-	**4,573,836**
Mr P Paltoglou	**6,578,748**	-	-	**6,578,748**	1,274,849	-	-	**7,853,597**
	16,583,842	-	(76,071)	**16,507,771**	2,736,245	(6,816,583)	-	**12,427,433**
	151,470,492	6,229,373	133,036	**157,832,901**	7,881,931	(10,640,112)	7,110,897	**162,185,617**

11. GROUP PERFORMANCE

In considering the Group's performance, the Board has regard to a broad range of factors primarily related to financial and operational performance, scientific progress and commercialisation of the Company's projects, results of trials, relationship building with sales and marketing partners, research institutions, and collaborations.

The following table outlines key statistics reported by the Company over the last five years to 30 June 2020:

	2020	2019	2018	2017	2016
Total revenue ($000)	456,985	525,208	530,313	572,595	267,280
NPAT ($000) attributable to Mayne Pharma shareholders	(92,789)	(279,203)	(133,984)	88,562	37,355
Basic EPS (cents)	(6.07)	(19.04)	(9.16)	6.18	4.77
Share price (30 June)	$0.385	$0.510	$0.870	$1.085	$1.905
Dividends per share (cents)	-	-	-	-	-

As part of the Board's commitment to align remuneration with Company performance, employee performance is reviewed annually against agreed performance objectives set prior to the commencement of the financial year. The Company's performance review system involves employees completing a self-assessment template, as well as their manager completing an assessment document. These assessments form the basis of a performance review discussion between each employee and their manager.

The Board (through the RPC) agrees objectives for the evaluation of the CEO. The performance of the CEO against the agreed objectives is reviewed by the Chairman on behalf of the Board. The performance of the other KMP and other senior executives is reviewed by the CEO and reported to, and discussed by, the Board. Performance reviews take place shortly after the end of the financial year.

As outlined in this report, the Company has implemented a broader based LTI program for senior management. This plan places a significant percentage of remuneration at risk and more closely aligns employee remuneration with the earnings growth of the Company.

The Company has 131 (or 14%) of senior staff participating in long term incentive schemes, either through previous option issues, or more recently through the share loan scheme or the performance rights program, including 13 senior executives who have agreed to forgo STI entitlements. The Board considers this a strong indication of the alignment of the shareholders' and employees' interests.

The challenges faced by Mayne Pharma over the last few years are reflected in the financial results of the company and ultimately in the remuneration outcomes for KMP. As at 30 June 2020, only 5.4% of outstanding loan shares have met vesting conditions and only 84,999 loan shares have been exercised. The total cash benefit realised to all employees from the share loan scheme for the period FY15 to FY20 has been $80,749.

Based on the 38.5c share price at 30 June 2020, no employee options or loan shares were in the money and could be exercised, which demonstrates the strong alignment of the LTI program with shareholders.

This Directors' Report is signed in accordance with a resolution of the Directors.

Dated at Melbourne, Australia this 21st day of August 2020.

Mr Scott Richards
Managing Director and CEO

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Building a better working world

Auditor's Independence Declaration to the Directors of Mayne Pharma Group Limited

As lead auditor of the audit of the financial report of Mayne Pharma Group Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Mayne Pharma Group Limited and the entities it controlled during the financial year.

Ernst & Young

David Petersen
Partner
21 August 2020

CORPORATE GOVERNANCE WEBSITE

Important information relating to the Company's corporate governance policies and practices are set out on the Company's website at http://www.maynepharma.com/investor-relations/corporate-governance.

The Company has adopted the ASX Corporate Governance Council 3rd Edition Corporate Governance Principles and Recommendations. The recommendations allow companies to publish Corporate Governance information on their websites rather than include the information in the Annual Report.

The following documents are available on the Mayne Pharma website:

- Corporate Governance Statement;
- Board Charter;
- Audit & Risk Committee, Remuneration & People Committee, Nomination Committee and Science, Technology & Medical Committee Charters;
- Business Code of Conduct;
- Communications Policy;
- Continuous Disclosure Policy;
- Risk Management Framework;
- Workplace Gender Equality Agency Annual Compliance Report;
- Securities Trading Policy;
- Misconduct & Whistleblowing Policy; and
- Anti-bribery & Anti-corruption Policy.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

		CONSOLIDATED	
	NOTE	2020 $'000	2019 $'000
Revenue from contracts with customers			
Sale of goods		356,441	435,649
Services revenue		99,462	87,147
License fee revenue		698	1,162
Royalties revenue		384	1,250
Revenue	2	**456,985**	**525,208**
Cost of sales	4	(245,470)	(234,339)
Gross profit		**211,515**	**290,869**
Interest revenue		788	1,016
Other income	3	539	1,715
Research and development expenses		(24,752)	(28,534)
Marketing and distribution expenses		(74,203)	(82,009)
Administration expenses and other expenses	4	(118,727)	(167,540)
Impairments	11 & 13	(98,985)	(351,716)
Finance expenses	4	(31,542)	(17,519)
Profit before income tax		**(135,367)**	**(353,717)**
Income tax credit / (expense)	5	40,832	71,629
Net profit from continuing operations after income tax		**(94,535)**	**(282,088)**
Attributable to:			
Equity holders of the Parent		(92,789)	(279,203)
Non-controlling interests		(1,746)	(2,885)
		(94,535)	**(282,088)**
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		(3,048)	(7,184)
Income tax effect			-
Exchange differences on translation		22,234	58,580
Income tax effect		(1,531)	(5,972)
Items that will not be reclassified to profit or loss in future periods			
Exchange differences on translation		203	501
Income tax effect			-
Total comprehensive income for the period		**(76,677)**	**(236,164)**
Attributable to:			
Equity holders of the Parent		(75,134)	(233,780)
Non-controlling interests		(1,543)	(2,384)
		(76,677)	**(236,164)**
Basic earnings per share	6	(6.07) cents	(19.04) cents
Diluted earnings per share	6	(6.07) cents	(19.04) cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	NOTE	CONSOLIDATED 2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	21	137,785	89,004
Trade and other receivables	7	195,908	256,580
Inventories	8	93,997	100,348
Income tax receivable		37,327	523
Other financial assets	9	443	962
Other current assets	10	25,487	24,530
Total current assets		**490,947**	**471,946**
Non-current assets			
Property, plant and equipment	11	226,355	236,034
Right-of-use assets	12	11,889	-
Deferred tax assets	5	133,698	130,123
Intangible assets and goodwill	13	962,291	797,632
Total non-current assets		**1,334,233**	**1,163,789**
Total assets		**1,825,180**	**1,635,738**
Current liabilities			
Trade and other payables	14	106,943	129,942
Interest-bearing loans and borrowings	15	44,836	50,881
Other financial liabilities	16	52,778	13,922
Provisions	17	14,696	16,585
Total current liabilities		**219,253**	**211,330**
Non-current liabilities			
Interest-bearing loans and borrowings	15	353,211	318,501
Other financial liabilities	16	180,225	59,953
Deferred tax liabilities	5	28,981	31,360
Provisions	17	1,196	1,116
Total non-current liabilities		**563,614**	**410,930**
Total liabilities		**782,867**	**622,260**
Net assets		**1,042,313**	**1,013,477**
Equity			
Contributed equity	18	1,238,584	1,140,008
Reserves	19	149,603	125,011
Retained earnings	20	(350,640)	(257,851)
Equity attributable to equity holders of the Parent		**1,037,547**	**1,007,168**
Non-controlling interests		4,766	6,309
Total equity		**1,042,313**	**1,013,477**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	NOTE	CONSOLIDATED 2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		689,781	714,170
Payments to suppliers and employees		(544,223)	(586,558)
Interest received		788	1,016
Interest paid		(13,602)	(14,565)
Tax paid		(1,790)	-
Tax received		-	21,025
Net operating cash flows before research and non-capitalised development expenditure, set-up and transaction costs		**130,954**	**135,088**
Payments for research and non-capitalised development expenditure		(21,745)	(25,805)
Restructuring, transaction and DOJ costs		(9,432)	(2,677)
Net cash flows from operating activities	21	**99,777**	**106,606**
Cash flows from investing activities			
Payments for property, plant and equipment		(8,989)	(11,913)
Payments for intangible assets		(27,129)	(48,248)
Payments for capitalised development costs		(11,000)	(21,759)
Acquisition of INTI warrants		-	(475)
Earn-out and deferred settlement payments		(8,755)	(9,290)
Net cash flows used in investing activities		**(55,873)**	**(91,686)**
Cash flows from financing activities			
Proceeds from issues of shares		72	7,053
Lease payments		(3,896)	-
Repayment of borrowings		(203,404)	(62,549)
Proceeds from borrowings (net of fees)		211,751	39,944
Net cash flows from financing activities		**4,523**	**(15,552)**
Net increase / (decrease) in cash and cash equivalents		**48,427**	**(632)**
Cash and cash equivalents at the beginning of the period		89,004	87,312
Effect of exchange rate fluctuations on cash held		354	2,324
Cash at the end of the period	**21**	**137,785**	**89,004**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	CONTRIBUTED EQUITY $'000	SHARE-BASED PAYMENTS RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	OTHER RESERVE $'000	RETAINED EARNINGS $'000	TOTAL $'000	NON-CONTROLLING INTERESTS $'000	TOTAL EQUITY $'000
Balance at 1 July 2019	**1,140,008**	**28,644**	**99,947**	**(437)**	**(3,143)**	**(257,851)**	**1,007,168**	**6,309**	**1,013,477**
Profit/(loss) for the period	-	-	-	-	-	(92,789)	(92,789)	(1,746)	(94,535)
Other comprehensive income									
Cash flow hedge	-	-	-	(3,048)	-	-	(3,048)	-	(3,048)
Foreign exchange differences (net of tax)	-	-	20,703	-	-	-	20,703	203	20,906
Total comprehensive income for the period	**-**	**-**	**20,703**	**(3,048)**	**-**	**(92,789)**	**(75,134)**	**(1,543)**	**(76,677)**
Transactions with owners in their capacity as owners									
Shares issued	98,017	-	-	-	-	-	98,017	-	98,017
Share issue costs (net of tax)		-	-	-	-	-		-	
Change equity investment in subsidiary	-	-	-	-		-		-	
Tax effect of employee share options	507	-	-	-	-	-	507	-	507
Share-based payments	-	6,989	-	-	-	-	6,989	-	6,989
Share options exercised	52	(52)	-	-	-	-	--	-	--
Transfer to retained earnings – lapsed and cancelled employee LTI shares	-	-	-	-	-	-	-	-	--
Balance at 30 June 2020	**1,238,584**	**35,581**	**120,650**	**(3,485)**	**(3,143)**	**(350,640)**	**1,037,547**	**4,766**	**1,042,313**
Balance at 1 July 2018	**1,131,761**	**20,813**	**47,339**	**6,747**	**(3,721)**	**21,352**	**1,226,464**	**8,693**	**1,232,984**
Profit/(loss) for the period	-	-	-	-	-	(279,203)	(279,203)	(2,885)	(282,088)
Other comprehensive income									
Cash flow hedge	-	-	-	(7,184)	-	-	(7,184)	-	(7,184)
Foreign exchange differences (net of tax)	-	-	52,608	-	-	-	52,608	501	53,109
Total comprehensive income for the period	**-**	**-**	**52,608**	**(7,184)**	**-**	**(279,203)**	**(233,779)**	**(2,384)**	**(236,163)**
Transactions with owners in their capacity as owners									
Shares issued	7,081	-	-	-	-	-	7,081	-	7,081
Share issue costs (net of tax)	(31)	-	-	-	-	-	(31)	-	(31)
Change equity investment in subsidiary	-	-	-	-	578	-	578	-	578
Tax effect of employee share options	24		-	-	-	-	24	-	24
Share-based payments	-	9,004	-	-	-	-	9,004	-	9,004
Share options exercised	1,173	(1,173)	-	-	-	-	--	-	--
Transfer to retained earnings – lapsed and cancelled employee LTI shares	-	-	-	-	-	-	-	-	--
Balance at 30 June 2019	**1,140,008**	**28,644**	**99,947**	**(437)**	**(3,143)**	**(257,851)**	**1,007,168**	**6,309**	**1,013,477**

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

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For the year ended 30 June 2020

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NOTE 1 – ABOUT THIS REPORT

Mayne Pharma Group Limited is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The financial report for the year ended 30 June 2020 was authorised for issue by the Directors on 21 August 2020.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

A. Basis of preparation

These financial statements are general purpose financial statements which have been prepared for a "for-profit" enterprise and in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

B. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses if it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

C. Foreign currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent's functional currency. The Group determines the functional currency for each entity and items included in the financial statements of each entity are measured using that functional currency. The functional currency for the US subsidiaries is US dollars.

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in equity though Other Comprehensive Income. On disposal of a foreign operation, the component of equity relating to that foreign operation is reclassified to profit or loss as part of the gain or loss on sale.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss except monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

In substance, the Group's net investment in a foreign operation includes loans advanced by the parent entity to the foreign operation where settlement of which is neither planned nor likely to occur within the foreseeable future. Exchange differences arising on such monetary items that form part of a reporting entity's net investment in a foreign operation are recognised in profit or loss in the separate financial statements of the reporting entity. In the Group's financial statements which include the foreign operation and the reporting entity, such exchange differences are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

D. Other accounting policies

Significant accounting policies that outline the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the notes to the financial statements.

E. Key judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates these judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases these judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. Material judgements and estimates are found in the following notes:

Note	Significant judgements and estimates
• Note 2 - Reporting Segments	Revenue recognition
• Note 5 - Income tax	Recognition of deferred tax assets and liabilities
• Note 7 - Receivables	Customer charge-backs and discounts
• Note 8 - Inventories	Obsolescence and net realisable value assessment
• Note 13 - Intangible assets	Development expenditure capitalisation, Impairment and assessment of useful lives
• Note 14 - Trade and Other Payables	Customer rebates, returns and loyalty programs
• Note 16 - Other Financial Liabilities	Fair value of interest rate swaps, earn-out and deferred consideration liabilities
• Note 17 - Provisions	Best estimates of expenditure to be settled
• Note 26 - Share-Based Payment Plans	Fair value of equity instruments

F. Significant changes in the current reporting period

From 1 July 2019 the Group has adopted the relevant standards and interpretations mandatory for annual reports beginning on or after 1 July 2019. Adoption of the standards and interpretations had no material effect on the financial position or performance of the Group.

The accounting policies and methods of computation are the same as those adopted in the prior annual financial report except for the following:

Leases

AASB 16 requires lessees to account for all leases on balance sheet. At commencement of a lease, the Company will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Under AASB 16, the present value of the lease payments is recognised as a liability on the balance sheet together with an asset representing the right to use the underlying asset during the lease term. Depreciation of the lease asset and interest on the lease liability (recognised at amortised cost) is recognised over the lease term.

Mayne Pharma adopted AASB 16 applying the modified retrospective approach with the date of initial application of 1 July 2019. This method requires the recognition of the cumulative effect of initially applying AASB 16 to retained earnings and not to restate prior years. The Group elected to use the transition practical expedient approach allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and IFRIC 4 at the date of the initial application. The Group also applied the available practical expedient wherein it relied on its assessment of whether leases are onerous immediately before the date of initial application and the Group has also applied the practical expedient of applying a single discount rate to a portfolio of leases with reasonably similar characteristics. The Group has not applied the low value or short-term exemptions.

The Group has lease contracts for offices, vehicles and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases including short-term leases with less than twelve months duration and low value leases. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The effect of adopting AASB 16 is as follows:

Impact on the statement of financial position increase/(decrease) as at 1 July 2019

	$'000
Assets	
Right-of-use assets	14,938
Liabilities	
Interest-bearing loans	14,938

There was no impact on the Statement of Comprehensive income, basic and diluted EPS, Statement of Financial Position or the Statement of Cash Flows for the prior period as the Group elected to adopt the modified retrospective approach.

The amount capitalised as at 1 July 2019 varies from the operating lease commitments disclosed at 30 June 2019 due to the following:

- Right-of-use assets and liabilities have been discounted at the lessee's incremental borrowing cost whereas lease commitments at 30 June 2019 were undiscounted. The weighted average incremental borrowing rate used to discount the lease payments was 3.535%;
- Additional lease commitments were identified as part of the process of implementing the new standard;
- An option to extend one of the property leases has been included as it considered reasonably certain the option will be exercised; and
- Lease commitments at 30 June 2019 included certain variable commitments (such as building lease outgoings) which are not capitalised as right-of-use assets or liabilities in accordance with the standard.

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it had any uncertain tax positions, particularly those relating to transfer pricing. The Company's and its subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

Summary of new accounting policies

New accounting policies of the Group upon adoption of AASB 16 and described in note 12 for Right of Use Assets and note 15 for Lease liabilities and IFRIC 23 Uncertain tax positions described in note 5.

The Group applied a change of accounting policy in respect to the application of the Initial Recognition Exemption (IRE) under AASB 112. The change mainly relates to how the tax effect of movements of earn-out and deferred consideration liabilities included in profit or loss are recognised. Previously such movements caused fluctuations in tax expense and the effective tax rate. This change therefore enables better comparisons between reporting periods. The impact on the current period tax expense was to reduce the income tax benefit by $963,000 (2019: increase to income tax benefit $1,663,000) whereby the IRE would not be applied to the recognition of assets and liabilities arising from a single transaction and the impact on the prior comparative period and the opening balances for FY19 was as outlined in the table below -

	RETAINED EARNINGS			FOREIGN CURRENCY TRANSLATION RESERVE			DEFERRED TAX ASSET		
	AS REPORTED	CHANGE	ADJUSTED BALANCE	AS REPORTED	CHANGE	ADJUSTED BALANCE	AS REPORTED	CHANGE	ADJUSTED BALANCE
Opening balance 1 July 2018	23,525	(2,173)	21,352	47,139	-	47,139	65,164	(2,173)	62,991
Movement during FY19	(280,866)	1,663	(279,203)	52,696	(88)	52,608	65,557	1,575	67,132
Closing balance 30 June 2019	(257,341)	(510)	(257,851)	100,035	(88)	99,947	130,721	(598)	130,123

New accounting standards and interpretations

At the date of authorisation of the financial report, no Standards and Interpretations relevant to the Group were issued but not yet effective.

G. Reclassification of comparatives

Where required, items in the 2019 comparative period have been reclassified to reflect the current presentation and enable better comparison between periods. Changes made include outward freight and warehousing costs which were reclassified from Administration expenses to Marketing and distribution expenses.

NOTE 2 – REPORTING SEGMENTS

A reporting segment (which is also an operating 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, a reporting 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 reporting 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 pharmaceutical development and manufacturing services to third-party customers principally in the US.

SBD

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

MPI

MPI's revenue 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	MAYNE PHARMA INTERNATIONAL $'000	TOTAL $'000
Year ended 30 June 2020					
Sale of goods	253,045	-	78,760	24,636	356,441
Services revenue	-	82,824	-	16,638	99,462
Licence fee revenue	-	-	-	698	698
Royalty revenue	-	-	-	384	384
Revenue	253,045	82,824	78,760	42,356	456,985
Cost of sales	(157,344)	(43,439)	(13,322)	(31,364)	(245,470)
Gross profit	95,701	39,385	65,438	10,992	211,515
Other income					1,327
Amortisation of intangible assets					(63,083)
Asset impairments					(98,985)
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)					(186,141)
(Loss) / Profit before income tax					(135,367)
Income tax expense					40,832
Net (Loss) / Profit for the period					(94,535)

The combined revenue from the largest customer from each reporting segment was $99.7m for the year ended 30 June 2020.

Approximately 36% of the Group's 2020 revenue (2019: 50%) was derived from the three largest customers which is not unusual for operations in the US pharmaceutical market where most of the 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 2019					
Sale of goods	320,774	-	91,555	23,320	435,649
Services revenue	-	72,202	-	14,945	87,147
Licence fee revenue	-	-	-	1,162	1,162
Royalty revenue	-	-	-	1,250	1,250
Revenue	320,774	72,202	91,555	40,677	525,208
Cost of sales	(156,240)	(36,669)	(11,729)	(29,739)	(234,339)
Gross profit	164,534	35,533	79,826	10,938	290,869
Other income					2,731
Amortisation of intangible assets					(78,862)
Asset impairments					(351,716)
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)					(216,739)
(Loss) / Profit before income tax					(353,717)
Income tax expense					71,629
Net (Loss) / Profit for the period					(282,089)

Geographical information

Revenue from external customers	2020 $'000	2019 $'000
Australia	28,240	28,344
United States	414,629	484,548
Korea	4,803	3,446
Other	9,313	8,870
Total external revenue	456,985	525,208

Revenue from customer contracts	2020 $'000	2019 $'000
Recognised at a point in time	357,523	438,061
Recognised over time	99,462	87,147
Total revenue from customer contracts	456,985	525,208

Non-current assets	2020 $'000	2019 $'000
Australia	118,460	124,110
United States	1,070,186	909,553
Total non-current assets	1,188,646	1,033,663

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

Product information

Revenue by product group/service	2020 $'000	2019 $'000
Third party contract services and manufacturing	99,462	87,147
Generic and branded products	356,441	435,649
Other revenue	1,082	2,412
Total external revenue	456,985	525,208

Revenue recognition and measurement

The Group accounting policy for revenue recognition is as follows:

Sale of goods

The Group receives revenue for the supply of goods to customers against orders received. The contracts that Mayne Pharma enters into relate to sales orders containing single performance obligations for the delivery of pharmaceutical products. The average duration of the sales order is less than 12 months.

Product revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined by each customer arrangement, but generally occurs on delivery to the customer.

Product revenue represents net sales value including variable consideration. The variable consideration is estimated at contract inception under the 'expected value method'. Variable consideration arises on the sale of goods as a result of discounts and allowances as well as accruals for estimated returns, rebates, chargebacks and government health care deductions (described further below). The methodology and assumptions used to estimate these variable considerations are monitored and adjusted regularly in light of contractual and legal obligations, historical trends, past experience and market conditions. Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Amounts expected to be settled via credits are shown net of trade receivables while amounts expected to be settled by payments are shown as accruals.

Variable consideration

Consistent with pharmaceutical industry practices, Mayne Pharma's gross sales are subject to various deductions which are primarily composed of rebates and discounts to retail customers, government agencies, wholesalers, health insurance companies and managed healthcare organisations. These deductions represent estimates of the related obligations, requiring use of judgement when estimating the effect of these sales deductions on gross sales for a reporting period. These adjustments are deducted from gross sales to arrive at net sales.

The following summarises the nature of some of these deductions and how the deductions are estimated. After recording these, net sales represent the Group's best estimate of the cash that it expects to ultimately collect. The US market has the most complex arrangements related to revenue deductions.

US specific healthcare plans and program rebates

The United States Medicaid Drug Rebate Program is a partnership between Centers for Medicare and Medicaid Services (CMS), State Medicaid Agencies, and participating drug manufacturers that helps to offset the Federal and State costs of most outpatient drugs dispensed to Medicaid patients. Calculating the rebates to be paid related to this program involves interpreting relevant regulations, which are subject to challenge or change in interpretative guidance by government authorities. Accruals for estimating Medicaid rebates are calculated using a combination of historical experience, product and population growth, product pricing and the mix of contracts and specific terms in the individual State agreements. The United States Federal Medicare Program aids Medicare eligible recipients by funding healthcare benefits to individuals aged 65 or older and those with certain disabilities, providing prescription drug benefits under Part D section of the program. This Part D benefit is provided and administered through private prescription drug plans. Accruals for estimating Medicare Part D rebates are calculated based on the terms of individual plan agreements, product sales and population growth, product pricing and the mix of contracts. We offer rebates to key managed healthcare and private plans to sustain and increase sales of our products. These programs provide a rebate after the plans have demonstrated they have met all terms and conditions set forth in their contract with the Group. These rebates are estimated based on the terms of individual agreements, historical experience, product pricing, and projected product growth rates. These accruals are adjusted based on established processes and experiences from filing data with individual states and plans. There is often a time lag of several months between the Group recording the revenue deductions and the final accounting for them.

The Group offers rebates to key managed healthcare and private plans to sustain and increase sales of products. These programs provide a rebate after the plans have demonstrated they have met all terms and conditions set forth in the contracts with the Group. These rebates are estimated based on the terms of individual agreements, historical experience and product pricing.

These provisions are adjusted based on established processes and experiences from filing data with individual states and plans. There is often a time lag of several months between the Group recording the revenue deductions and the final accounting for them.

Non-healthcare plans and program charge-backs, rebates, returns and other deductions

The Group offers rebates to purchasing organisations and other direct and indirect customers to sustain and increase market share for products. Since rebates are contractually agreed upon, the related provisions are estimated based on the terms of the individual agreements, historical experience, and projected product growth rates.

Charge-backs occur where the Group has arrangements with indirect customers to sell products at prices that are lower than the price charged to wholesalers. A charge-back represents the difference between the invoice price to the wholesaler and the indirect customer's contract price. The Group accounts for vendor charge-backs by reducing revenue for the estimate of charge-backs attributable to a sales transaction. Provisions for estimated charge-backs are calculated using a combination of factors such as historical experience, product growth rates, payments, product pricing, level of inventory in the distribution channel and the terms of individual agreements.

When a product is sold providing a customer the right to return, the Group records a provision for estimated sales returns based on sales return policy and historical return rates. Other factors considered include actual product recalls, expected marketplace changes, the remaining shelf life of the product, and the expected entry of generic products. No value for returned inventory is recognised as all returned inventory is destroyed.

The Group offers cash discounts to customers to encourage prompt payment. Cash discounts are estimated and accrued at the time of invoicing and are deducted from revenue. Other sales discounts, such as co-pay discount cards, are offered in some markets. The estimated amounts of these discounts are recorded at the time of sale and are estimated utilising historical experience and the specific terms for each program. If a discount for a probable future transaction is offered as part of a sales transaction, then an appropriate portion of revenue is deferred to cover this estimated obligation.

The accruals are adjusted periodically to reflect actual experience. To evaluate the adequacy of accrual balances, the Group uses internal and external estimates of the inventory in transit, the level of inventory in the distribution and retail channels, actual claims data received and the time lag for processing rebate claims. External data sources include reports from wholesalers.

Following a decrease in the price of a product, the Group generally grants customers a "shelf-stock adjustment" for their existing inventory for the relevant product. Accruals for shelf stock adjustment are determined at the time of the price decline, or at the point of sale if the impact of a price decline on the products sold can be reasonably estimated based on the customer's inventory levels of the relevant product.

Profit-sharing revenue represents the Group's share of the net profit from the sale of generic pharmaceutical products based on agreements with distribution partners. Amounts are typically based on calculated profits net of cost of goods sold, distribution expenses, chargebacks, returns and related accruals as reported by the distribution partners.

Product return allowances are calculated for products that may be returned due to expiration dates or recalls. The Group and its distribution partners do not expect any significant product returns that are not adequately covered by the reserve amounts calculated and recorded by the distribution partners.

Services revenue

Services revenue relates to commercial manufacturing, development and analytical services for third parties. These contracts give rise to fixed and variable consideration from upfront payments and development milestones.

Commercial manufacturing services contain performance obligations that are satisfied over time and are generally measured using the output method based on units produced. Under this method, revenue is recognised at the time that the product manufacture has been completed and it has passed through quality assurance reviews. This method reflects a reasonable approximation of the progress of satisfying the performance obligation based on the production time from commencing manufacturing to completion. Once a product passes through quality assurance, it has been verified that the product was manufactured in accordance with specified processes and controls, therefore, it is unlikely that the product would contain significant non-conformities.

Pharmaceutical development and analytical services performance obligations are satisfied over time and measured using the output method based on the type of work being performed. Development and analytical services are based on specific milestones and customer contracts include an enforceable right to payment for performance completed to date. Examples of output measures include completion of formulation report, analytical and stability testing or clinical batch production reports.

The Company has applied the practical expedient method as permitted by the accounting standard as performance obligations have an expected duration of one year or less.

Royalties revenue

Royalties revenue is recognised when the performance obligation to which the royalty has been allocated is satisfied.

License fee revenue

Some of the Group's revenues are generated from licensing agreements under which third parties have been granted rights to products and technologies. Consideration received, or expected to be received, that relates to the sale or out licensing of technologies or technological expertise is recognised in profit or loss as of the effective date of the agreement if all rights relating to the technologies and all obligations resulting from them have been relinquished under the contract terms. However, if rights to the technologies continue to exist, or obligations resulting from them have yet to be fulfilled, the consideration received is deferred accordingly. Any consideration deferred is recorded as contract liabilities and recognised in profit or loss over the estimated performance period stipulated in the agreement.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest revenue over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

NOTE 3 – OTHER INCOME

	2020 $'000	2019 $'000
Rental from excess office space	250	249
Net foreign exchange gains	-	689
Other	289	777
	539	1,715

Lease revenue

Rental income arising from the operating lease on a building at the Salisbury manufacturing site is accounted for on a straight-line basis over the lease term and included in other income due to its operating nature.

NOTE 4 – EXPENSES

	2020 $'000	2019 $'000
Finance costs		
Interest expense – syndicated loans	11,829	13,855
Interest expense – receivables finance	1,385	842
Unused line fees	874	1,633
Interest expense – finance leases	-	75
Interest expense – right-of-use asset leases	485	-
Amortisation of borrowing costs	2,201	1,657
Loss / (Gain) on modification of syndicated loan facility	253	(516)
Gain on cancellation of interest rate swap contracts reclassified	-	(1,840)
Change in fair value attributable to the unwinding of the discounting of the earn-out and deferred consideration liabilities[1]	14,515	1,813
	31,542	17,519
Depreciation right-of-use assets	4,417	-
Depreciation of property, plant and equipment	17,062	15,635
Total Depreciation[2]	21,479	15,635
Cost of sales include the following:		
Inventory write offs	22,277	24,535
Inventory provision for obsolescence and net realisable value adjustments	(3,497)	(7,258)
Employee benefits expense[3]		
Wages and salaries	118,675	115,680
Superannuation expense	5,473	4,920
Other employee benefits expense	7,815	8,917
Share-based payments (refer Note 26)	6,989	9,004
Total employee benefits	138,952	138,521
Administration and other expenses include the following:		
Drug pricing investigations and related litigation costs	3,167	2,677
Share-based payments expense	6,770	9,004
Share-based payments expense – restructuring related	219	-
Fair value loss on restatement of INTI warrants	563	8,228
Restructuring and business turnaround expenses	8,335	-
Foreign exchange losses	490	-
Amortisation of intangible assets	63,083	78,862
Movement in undiscounted fair value of earn-out and deferred consideration liabilities[4]	(18,737)	5,482
All other administration and other expenses	54,837	63,287
Total administration and other expenses	118,727	167,540

Notes:
1. The non-cash unwinding of the discount relates to all earn-out and deferred consideration liabilities.
2. Depreciation expense (including depreciation of right-of-use assets) is included in cost of sales ($13,983,000), Marketing and distribution expenses ($1,828,000), Research and development expenses ($3,006,000) and Administration and other expenses ($2,661,000).
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 and deferred settlement liabilities of $18,737,000 credit (2019: $5,482,000 expense) was a non-cash (credit)/charge relating to re-assessment of the underlying assumptions for various earn-out and deferred settlement liabilities.

NOTE 5 – INCOME TAX

A. The major components of income tax expense are:

	2020 $'000	2019 $'000
Income tax benefit / (expense)		
Current income tax	34,545	(1,057)
Adjustment in respect of current income tax of previous years	817	102
Deferred income tax	5,470	72,584
Income tax expense in the consolidated statement of profit or loss and other comprehensive income	40,832	71,629
Deferred income tax benefit/(expense) included in income tax expense comprises		
Increase in deferred tax assets	(2,213)	66,767
Decrease in deferred tax liabilities	7,683	5,817
	5,470	72,584

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

	2020 $'000	2019 $'000
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:		
Profit/(loss) before income tax	(135,367)	(353,717)
Prima facie tax benefit/(expense) at 30%	40,621	106,115
Effect of R&D concessions	2,935	2,328
Over/(under) provision in respect of prior years	817	102
Deferred tax asset adjustment	(3,496)	-
Non-deductible expenses for tax purposes		
Share-based payments	(2,045)	(2,175)
Amortisation intangibles	(1,625)	(1,625)
Other non-deductible expenses	(1,335)	(5,729)
Non-assessable income	-	2,078
Tax losses not recognised	(900)	(1,649)
Effect of different tax rate in US compared to Australia	(12,951)	(32,589)
Effect of carry-back US tax loss realised at (higher) historical rate	13,784	-
US state taxes	3,340	7,987
Restatement of DTA & DTL re US state tax rate changes	1,687	(3,214)
Income tax expense	40,832	71,629

C. Recognised deferred tax assets and liabilities

	2020 $'000	2019 $'000
Deferred tax assets		
Intangible assets	40,476	70,939
Earn-outs and deferred consideration liabilities	51,576	16,516
Provisions	7,624	9,300
Payables	24,651	23,548
Carry forward tax losses and R&D credits	6,671	13,474
Inventory	6,609	6,281
US state taxes	12,658	9,357
Other	475	446
	150,740	149,861

	2020 $'000	2019 $'000
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Assets	150,740	149,861
Set-off of Deferred Tax Liabilities that are expected to reverse in the same period	(17,042)	(19,738)
Net Deferred Tax Assets[1]	133,698	130,123

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

	2020 $'000	2019 $'000
Deferred tax asset movements		
Opening balance	149,861	78,228
Credit/(charge) to profit/loss	(2,213)	66,787
Credit/(charge) to other comprehensive income	-	-
Credit direct to equity[1]	277	25
Restatement of foreign currency balances	2,815	4,821
Balance at 30 June	150,740	149,861

Note: 1. Amounts credited to equity relate to tax effect of share-based payments.

	2020 $'000	2019 $'000
Deferred tax liabilities		
Property, plant and equipment	14,652	14,822
Intangible assets	19,361	22,686
Unrealised foreign exchange gains	9,546	8,274
Prepayments	138	2,907
US state taxes	2,159	2,390
Other	167	19
	46,023	51,098
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Liabilities	46,023	51,098
Set-off of Deferred Tax Assets that are expected to reverse in the same period	(17,042)	(19,738)
Net Deferred Tax Liabilities[1]	28,981	31,360

	2020 $'000	2019 $'000
Deferred tax liability movements		
Opening balances	51,098	49,267
Charge/(credit) to profit/loss	(7,683)	(5,817)
Charge/(credit) to other comprehensive income	1,531	5,972
Restatement of foreign currency balances	1,077	1,676
Balance at 30 June	46,023	51,098

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

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

Income tax and other taxes

The Group applied a change of accounting policy in respect to the application of the Initial Recognition Exemption (IRE) under AASB 112. The impact on the current period tax expense was to reduce the income tax benefit by $963,000 (2019: increase to income tax benefit $1,663,000) and the impact on the prior comparative period and the opening balances for FY19 was as outlined in note 1.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. These entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

US federal corporate tax changes

The US legislation Tax Cuts and Jobs Act enacted in December 2017 means that Mayne Pharma's operations in the US are subject to a federal income tax rate of 21% for FY19 onwards. Income tax expense (above) for the current period relating to Mayne Pharma's US operations has therefore been determined using the federal corporate tax rate of 21%.

The DTA/DTL restatement includes changes to the blended US state corporate income tax rate which varies depending on activity and tax rates in the US states in which Mayne Pharma operates.

The US Cares Act 2020 included amendments for corporate taxpayers with tax years other than 31 December which allowed such corporates to carry-back losses to prior periods. This allowed Mayne to carry-back losses to prior years when the federal corporate income tax paid was based on a rate of 35% and hence Mayne realised a gain (as reflected in income tax expense above) as recent tax losses which were recognised at 21%.

Tax consolidation legislation

The Company and its wholly-owned Australian controlled entities are part of an income tax consolidated group.

The Company and its controlled entities in the income tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of current taxes and deferred taxes to allocate to the members of the income tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the income tax consolidated group.

Each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income.

Assets or liabilities arising under the tax funding agreement with the income tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned income tax consolidation entities.

Significant accounting judgements

Deferred tax assets

The Group's accounting policy for taxation requires management's judgement in assessing whether deferred tax assets are recognised in the Consolidated Statement of Financial Position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future revenues, operating costs, capital expenditure and other capital management transactions. Judgements are also required about the application of income tax legislation in the jurisdictions in which the Group operates and the application of the arm's length principle to related party transactions. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may affect the carrying amount of deferred tax assets and liabilities. Any resulting adjustment to the carrying value of a deferred tax item will be recorded in the Statement of Profit or Loss and Other Comprehensive Income.

Uncertain tax positions

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it had any uncertain tax positions, including those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

NOTE 6 – EARNINGS PER SHARE

	2020	2019
Earnings per share for profit attributable to the ordinary equity holders of the Parent:		
Basic earnings per share	(6.07) cents	(19.04) cents
Diluted earnings per share	(6.07) cents	(19.04) 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:

	2020 $'000	2019 $'000
For basic earnings per share		
Net profit attributable to equity holders of the Company	(92,789)	(279,203)
For diluted earnings per share		
Net profit attributable to equity holders of the Company	(92,789)	(279,203)

	2020 '000	2019 '000
Weighted average number of ordinary shares for basic earnings per share	1,529,419	1,475,091
Effect of dilution (based on average share price during the year):		
Weighted average effect of second tranche of shares to be issued to Mithra in accordance with E4/DRSP license agreement (on FDA approval)	54,049	-
LTI shares and performance rights	-	11,613
Weighted average number of ordinary shares adjusted for the effect of dilution	1,583,468	1,486,704

The calculation of weighted average number of ordinary shares adjusted for the effect of dilution does not include the following LTI shares and performance rights which could potentially dilute basic earnings per share in the future, but were not dilutive in the periods presented (as the exercise price for loan shares or the vesting hurdle price for performance rights is greater than the average share price during the year):

	2020 '000	2019 '000
Number of potential ordinary shares	118,828	42,983

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

	2020 $'000	2019 $'000
Current		
Trade receivables (net of charge-backs)	189,401	251,460
Trade receivables – profit share	3,211	219
Provision for impairment	(626)	(696)
Other receivables	3,922	5,597
	195,908	256,580

At 30 June, the ageing analysis of trade receivables is as follows:

	NOT PAST DUE NOR IMPAIRED WITHIN TERMS $'000	OVERDUE AND NOT IMPAIRED 0-30 DAYS OVERDUE $'000	OVERDUE AND NOT IMPAIRED 30+ DAYS OVERDUE $'000	TOTAL $'000
Trade receivables 30 June 2020	183,074	8,420	492	191,986
Trade receivables 30 June 2019	231,436	5,925	13,622	250,983

Trade and other receivables

Trade receivables are initially recognised at their invoiced amounts less adjustments for estimated revenue deductions such as charge-backs and cash discounts. The Group's trade receivables are measured at amortised cost.

Due to the short-term nature of these receivables, their carrying value approximates their fair value.

Some of the Group's receivables are sold under the receivables financing program (refer note 15). The Group considers the economic substance rather than the legal form of the transactions in assessing the business model of the underlying receivables, accordingly, transactions that fail AASB 9 derecognition criteria are not considered true sales and thus, the business model of the underlying receivables continues to be holding to collect contractual cash flows and therefore are measured at amortised cost.

Receivables sold on a non-recourse basis total US$28.4m at balance date. The book value of the receivables approximates the value the finance provided. Receivables are sold with no recourse to Mayne Pharma in relation to credit risk, although the receivables continue to be recognised on the Group's balance sheet as accounting derecognition criteria has not been met as Mayne Pharma retains certain risks in relation to the variability of charge-backs, rebates, returns and loyalty programs. Also refer note 15.

Trade receivables are non-interest bearing and are generally on 30-90-day terms. As at reporting date, $626,000 (2019: $696,000) of receivables were considered impaired. Trade receivables – profit share is due on 90-day terms. None of these receivables are considered impaired at reporting date.

Provisions for expected credit losses are established using an expected loss model (ECL). The provisions are based on a forward-looking ECL, which includes possible default events on the trade receivables over the entire holding period of the trade receivables. These provisions represent the difference between the trade receivable's carrying amount in the consolidated balance sheet and the estimated collectible amount. For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. While the impact of COVID-19 was considered, it did not have a material impact on ECLs. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Significant accounting judgements

Customer charge-backs and discounts

Consistent with pharmaceutical industry practices, Mayne Pharma's gross sales are subject to various deductions including charge-backs and discounts. These deductions represent estimates of the related obligations, requiring use of judgement when estimating the effect of these sales deductions on gross sales for a reporting period. These adjustments are deducted from gross sales to arrive at net sales. (Refer note 2 for Revenue recognition policy).

Amounts expected to be settled via credits are shown net of trade receivables while amounts expected to be settled by payments are shown as accruals.

Other receivables include amounts recoverable under supply contracts and outstanding for goods and services tax (GST). These amounts are non-interest bearing and have repayment terms applicable under the relevant government authority. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

NOTE 8 – INVENTORIES

	2020 $'000	2019 $'000
Raw materials and stores at lower of cost and net realisable value	32,833	34,191
Work in progress at cost	8,204	18,996
Finished goods at lower of cost and net realisable value	52,960	47,161
	93,997	100,348

Recognition and measurement

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- *Raw materials* - purchase cost on a first-in, first-out basis.
- *Finished goods and work-in-progress* - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

The Group has recognised provisions at reporting date for obsolescence and net realisable value adjustments of $12,231,000 (2019: $16,197,000).

Significant accounting estimates and judgements

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The Group assesses net realisable value and obsolescence provisions by reviewing estimated future sales, quantities on hand and the shelf life of the relevant inventory. Estimating future sales values, quantities and the timing of future sales requires management judgement. The Group may incur costs that differ from its original estimate.

NOTE 9 – OTHER FINANCIAL ASSETS

	2020 $'000	2019 $'000
Current		
Restricted cash	409	399
Unbilled client service fees	34	-
Warrants	-	563
	443	962

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

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

	EXERCISE PRICE (US CENTS)	EXPIRY DATE	BALANCE AT BEGINNING OF YEAR	ACQUIRED DURING THE YEAR	EXPIRED DURING THE YEAR	BALANCE AT END OF YEAR	2020 $'000	2019 $'000
			Number	Number	Number	Number		
Unlisted options	12.00	27 May 21	23,504,236	-	-	23,504,236	-	482
Unlisted options	23.00	9 Jan 20	2,608,696	-	(2,608,696)	-	-	9
Unlisted options	27.50	9 Jan 23	2,608,696	-	-	2,608,696	-	33
Unlisted options	23.00	5 Jul 20	1,739,131	-	-	1,739,131	-	11
Unlisted options	27.50	5 Jul 23	1,739,131	-	-	1,739,131	-	28
			32,199,890	-	(2,608,696)	29,591,194	-	563

The warrants have been recognised at fair value using the Black-Scholes method. A fair value decrement of $0.6m (2019: decrement $8.2m) was recognised during the period in relation to the warrants.

Financial Instruments

Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are designated upon initial recognition. Financial assets are classified as held for trading if they are acquired for selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group holds warrants which are derivatives and are not hedging instruments and hence are held at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value included in the statement of profit or loss.

NOTE 10 – OTHER ASSETS

	2020 $'000	2019 $'000
Current		
Prepaid gross-to-net sales adjustments	16,510	14,637
All other prepayments	8,977	9,893
	25,487	24,530

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	LAND $'000	BUILDINGS $'000	PLANT AND EQUIPMENT $'000	CAPITAL WORKS IN PROGRESS $'000	TOTAL $'000
Year ended 30 June 2020					
Balance at beginning of year net of accumulated depreciation	9,567	108,048	104,602	13,817	236,034
Additions	-	-	9,345	-	9,345
Disposals	(75)	-		(253)	(328)
Transfers	-	-	1,300	(1,300)	-
Depreciation charge for year	-	(3,656)	(13,432)	-	(17,088)
Specific impairments	-	-	-	(5,763)	(5,763)
Foreign currency restatement	106	1,989	1,662	400	4,157
Balance at end of year net of accumulated depreciation	9,598	106,381	103,477	6,900	226,356
At 30 June 2020					
At cost	9,598	121,009	168,762	12,278	311,647
Accumulated depreciation	-	(14,628)	(65,285)	-	(79,913)
Accumulated impairments	-	-	-	(5,378)	(5,378)
Net carrying amount	9,598	106,381	103,477	6,900	226,356
Year ended 30 June 2019					
Balance at beginning of year net of accumulated depreciation	9,306	104,978	100,060	15,707	230,051
Additions	-	1,498	5,119	5,920	12,537
Disposals	-	-	(620)	-	(620)
Transfers	-	-	8,177	(8,177)	-
Depreciation charge for year	-	(3,218)	(12,417)	-	(15,635)
Foreign currency restatement	261	4,790	4,283	367	9,701
Balance at end of year net of accumulated depreciation	9,567	108,048	104,602	13,817	236,034
At 30 June 2019					
At cost	9,567	118,921	155,989	13,817	298,294
Accumulated depreciation	-	(10,873)	(51,387)	-	(62,260)
Net carrying amount	9,567	108,048	104,602	13,817	236,034

During the period, a specific impairment relating to the SBD segment was recorded relating to plant and equipment located at a supplier's premises which is currently surplus to requirements.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are measured at cost less accumulated depreciation on buildings and less any impairment losses.

Property, plant and equipment is assessed for impairment whenever there is an indication that the balance sheet carrying value amount may not be recoverable using cash flow projections for the useful life.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Land	Not depreciated
Buildings	Over 40 years
Plant and equipment	Between 1.5 and 20 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Government grants obtained for construction activities, including any related equipment, are deducted from the gross acquisition costs to arrive at the balance sheet carrying value of the related assets.

Significant accounting estimates and assumptions

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties and lease terms. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairments

During the period, a specific impairment was recorded relating to plant and equipment located at a supplier's premises which is currently surplus to requirements.

NOTE 12 – RIGHT-OF-USE ASSETS

	BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
Year ended 30 June 2020			
Balance on initial recognition	8,686	6,252	14,938
Additions	-	1,282	1,282
Disposals	-	(264)	(264)
Depreciation charge for year	(1,222)	(3,195)	(4,417)
Foreign currency restatement	186	164	350
Balance at end of year net of accumulated depreciation	7,650	4,239	11,889
At 30 June 2020			
At cost	8,849	6,746	15,595
Accumulated depreciation	(1,199)	(2,507)	(3,706)
Net carrying amount	7,650	4,239	11,889

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease or the initial application date (whichever is the later). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities (right-of-use assets) are disclosed in note 15.

NOTE 13 – 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	TOTAL $'000
Year ended 30 June 2020						
Balance at beginning of year net of accumulated amortisation	21,725	647,768	53,373	30,908	43,858	797,632
Additions	-	298,384	10,981	-	-	309,365
Disposals	-	-	-	-	-	-
Amortisation	-	(51,480)	(4,166)	(3,119)	(4,320)	(63,085)
Specific impairments	-	(7,902)	(15,135)	(92)	-	(23,129)
CGU Impairments	-	(61,606)	(5,452)	(3,035)	-	(70,093)
Foreign currency restatement	449	9,417	1,099	555	81	11,601
Balance at end of year net of accumulated amortisation	22,174	834,581	40,700	25,217	39,619	962,291
As at 30 June 2020						
Cost	65,018	1,617,459	181,507	65,360	69,273	1,998,617
Accumulated amortisation	-	(286,577)	(18,652)	(12,474)	(29,596)	(347,299)
Accumulated impairments	(42,844)	(496,301)	(122,155)	(27,669)	(58)	(689,027)
Net carrying amount	22,174	834,581	40,700	25,217	39,619	962,291
The split between indefinite and definite life assets is as follows:						
Indefinite life assets	22,174	340,948	17,683	-	-	380,805
Definite life assets	-	493,633	23,017	25,217	39,619	581,486
Net carrying amount	22,174	834,581	40,700	25,271	39,619	962,291
Year ended 30 June 2019						
Balance at beginning of year net of accumulated amortisation	20,616	838,286	102,225	45,429	47,970	1,054,526
Additions	-	104,086	21,759	74	-	125,919
Disposals	-	-	(93)	-	-	(93)
Amortisation	-	(67,612)	(5,114)	(1,834)	(4,302)	(78,862)
Specific impairments	-	(1,484)	(37,859)	-	-	(39,343)
CGU impairments	-	(267,135)	(31,174)	(14,063)	-	(312,372)
Foreign currency restatement	1,109	41,627	3,629	1,302	190	47,857
Balance at end of year net of accumulated amortisation	21,725	647,768	53,373	30,908	43,858	797,632
As at 30 June 2019						
Cost	63,685	1,299,354	167,851	64,386	69,158	1,664,434
Accumulated amortisation	-	(231,908)	(14,305)	(9,370)	(25,243)	(280,826)
Accumulated impairments	(41,960)	(419,678)	(100,173)	(24,108)	(57)	(585,976)
Net carrying amount	21,725	647,768	53,373	30,908	43,858	797,632

During the period, Mayne Pharma acquired the E4/DRSP US distribution rights via a 20-year licence agreement for a total asset value of US$187.5m which includes cash and transaction costs paid (US$9.9m), equity consideration (US$67.0m) and the present value of contingent milestone payments (US$110.6m).

The fair value of shares issued and due on NDA approval was based on the share price at contract settlement and assumed FDA approval would be achieved. The net present value of milestone payments was calculated assuming that FDA approval would be achieved and estimating future net sales. Refer to Note 16 and 23 for additional information regarding assumptions and sensitivity of changes in assumptions.

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 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:

	2020 $'000	2019 $'000
MCS	21,783	21,334
MPI	391	391
Closing goodwill balance at 30 June	22,174	21,725

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 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. 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, development expenditure and other intellectual property 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.

Significant accounting estimates and assumptions

Impairment of intangible assets

Intangible asset impairments recognised during the period totalled $93.2m (2019: $351.7m) following a detailed review of the Company's intangible assets (which considered the current and projected US market dynamics for the portfolio and the industry) and consisted of the following:

- Specific Development Expenditure (pipeline products) $15.1m
- Other specific intangible assets $8.0m
- GPD - Other CGU assets $70.1m

The GPD – Other impairment was allocated to all intangible assets in the CGU on a pro-rata basis as follows:

- Marketing & distribution rights $3.0m
- Customer contracts, customer relationships, product rights and intellectual property $61.6m
- Development expenditure $5.5m

The recoverable value of the other CGUs is equal to or above their carrying values.

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. The Group applies the value in use method which utilises net present value techniques using post-tax cash flows and discount rates.

The estimates used in calculating value-in-use 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;
- applicable tax rates;
- 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 (product 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 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 MCS and MPI for Goodwill testing which is performed at the segment level.

Each CGU 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 an operating segment.

The following CGU structure has been determined for impairment testing.

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

The E4/DRSP US distribution rights have been included in the Women's Health CGU.

Impairment testing is conducted at firstly the TG CGU level and then the Segment CGU level (where relevant for goodwill impairment testing).

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

- allocate the asset value to the relevant CGU including an allocation of corporate assets and costs;
- estimate cash flows generated over the life of the CGU;
- calculate the Weighted Average Cost of Capital (WACC) of the CGU; and
- discount the cash flows using WACC and compare to the CGU allocated asset carrying value.

Indefinite life intangible assets and intangible assets not yet available for use are included in a CGU. These include purchased assets not yet launched and R&D in process, which were tested with specific consideration of:

- the outcome of R&D activities (product 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.

These assets, and related cashflows, have been included in the relevant CGU for impairment testing purposes and are also reviewed individually on at least an annual basis.

As a result of individual testing, R&D in process projects were impaired totalling $15.1m (2019: $37.9m).

The BCCNS intellectual property represents a similar asset to R&D in process. This asset is tested individually and at least on an annual basis.

The allocation of intangible assets to CGU's is shown in the table below:

2020	MPI – Dermatology $000	MPI – Other $000	GPD - Other $000	Women's Health $000	SBD $000	MCS $000	TOTAL $000
Indefinite life	41,292	4,023	15,005	298,702	-	21,783	**380,805**
Definite life	52,607	11,330	237,039	160,056	115,846	4,608	**581,486**
Total Intangibles	**93,899**	**15,352**	**252,044**	**458,758**	**115,846**	**26,391**	**962,291**

Key assumptions in impairment testing methodology include:

- CGU cash flow forecasts (including allocation of corporate overhead) are based on the FY21 Annual Budget and specific cash flows are further forecasted out to FY25;
- a terminal growth rate is applied; 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. There has been no change from those used as at 30 June 2019.

The pre and post-tax discount rates used are shown below:

- GPD Other: Pre-Tax – 12.8% / Post Tax – 9.6%
- Women's Health: Pre-Tax – 13.3% / Post Tax – 10.0% (1)
- SBD Derm: Pre-Tax – 13.6% / Post Tax – 10.2%
- MCS: Pre-Tax – 13.6% / Post Tax – 10.2%
- MPI: Pre-Tax – 13.7% / Post Tax – 9.6%

Notes: 1. As Women's Health is now a combination of Generic and Branded assets, the CGU uses a weighted average WACC.
2 The Dermatology and Other TGs in MPI use the same WACC.

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 to satisfy applicable accounting standards but should not be used for guidance.

	FY20 ASSUMED AVERAGE FORECAST GROWTH RATES 1st FIVE YEARS	FY20 ASSUMED TERMINAL VALUE GROWTH RATE	FY19 ASSUMED AVERAGE FORECAST GROWTH RATES 1st FIVE YEARS	FY19 ASSUMED TERMINAL VALUE GROWTH RATE
MCS CGU forecast net sales growth	13%	2%	18%	2%
Women's Health CGU forecast net sales growth	49%	-5%	6%	-1%
GPD Other CGU forecast net sales growth	*0%*	*-3%*	*-6%*	*-1%*
SBD CGU forecast net sales growth	4%	-5%	9%	-3%
MPI CGU forecast net sales growth	9%	*0%*	8%	*0%*
MPI Dermatology TG forecast net sales growth	*15%*	*0%*	*15%*	*0%*
MPI Other TG forecast net sales growth	*7%*	*0%*	*2%*	*0%*

Note: 1. Growth rate for MPI Dermatology (and MPI) impacted by the effect of DORYX returns in FY18.

Recoverable values and carrying values are shown in the table below.

A$m	Carrying Value1	Recoverable Value	Difference
MCS CGU	*176*	*442*	*266*
Women's Health CGU	*488*	951	463
GPD Other CGU	424	424	-
SBD CGU	139	154	15
MPI CGU	166	305	*139*
MPI Dermatology TG	*129*	*258*	*129*
MPI Other TG	*37*	*47*	*10*

Note: 1. Includes intangible assets, goodwill, working capital and property, plant and equipment.

Sensitivity to changes in assumptions

The table below shows the sensitivity of the changes in key variables on recoverable values.

A$m	+/-1% Change in Net Sales Growth[1]	+/-1% Change in Terminal Growth Rate	+/-1% Change in WACC
MCS CGU	*+22/-22*	*+48/-37*	*-53/+69*
Women's Health CGU	*+45/-44*	+52/-44	-78/+92
GPD Other CGU	*+15/-14*	*+17/-15*	*-28/+32*
SBD CGU	+9/-9	+6/-5	-10/+12
MPI CGU	+16/-16	+13/-11	*-18/+22*
MPI Dermatology TG	*+11/-11*	*+10/-8*	*-12/+16*
MPI Other TG	*+5/-4*	*+4/-3*	*-5/+7*

Note: 1. Change refers to the movement in net sales growth rates for launched products from FY21 to FY25.

Management has completed its impairment assessment based on known facts and circumstances, incorporating its best estimates from information available to date however is conscious of the potential impact of changes in assumptions especially in light of potential future impacts around COVID-19.

Management has considered that whilst most CGUs of the Group have experienced limited impacts from the COVID-19 pandemic to date, its SBD CGU experienced a 15% reduction in prescription volumes during the first wave in the US during March to May whilst showing improvement in June. The impairment model assumes that sales volumes return to pre COVID expectations from July 2020. Management has also considered an alternative scenario in which SBD sales volumes continue to be impacted by COVID and recessionary economic conditions for a 3 year period. In this scenario the CGU recoverable amount approximates the carrying amount.

In relation to management's best estimate impairment model in respect to the SBD CGU;

- Any adverse changes to key assumptions regarding competitive dynamics in these product markets including unanticipated generic market entrants will likely cause impairment.

- Any adverse change to key assumptions resulting in a reduction in total forecast Gross Margin amount of greater than 6%, or greater than expected operating expenditures, across the forecast period is likely to cause impairment.

The GPD Other CGU has been impaired at 30 June 2020 such that its recoverable amount equals it's carrying amount. Any further adverse change to key assumptions will cause impairment.

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.

During the period various intangible assets were reassessed from an indefinite life asset to a 10-year definite life. The impact of this change for the period was to increase amortisation expense by $2.0m.

NOTE 14 – TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Current		
Trade payables	29,842	50,443
Accrued rebates, returns and loyalty programs	56,624	53,282
Other payables	20,477	26,216
	106,943	129,942

Information regarding liquidity risk exposure is set out in Note 22.

Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Included in other payables is a contract liability ($1.0m) (2019: $1.9m) for which the service is expected to be completed during FY21.

Significant accounting judgements

Customer rebates, returns and loyalty programs

Consistent with pharmaceutical industry practices, Mayne Pharma's gross sales are subject to various deductions which are primarily composed of rebates and discounts to retail customers, government agencies, wholesalers, health insurance companies and managed healthcare organisations. These deductions represent estimates of the related obligations, requiring use of judgement when estimating the effect of these sales deductions on gross sales for a reporting period. These adjustments are deducted from gross sales to arrive at net sales. (Refer note 2 for Revenue recognition policy).

Amounts expected to be settled via credits are shown net of trade receivables while amounts expected to be settled by payments are shown as accruals.

NOTE 15 – INTEREST-BEARING LOANS AND BORROWINGS

	2020 $'000	2019 $'000
Current		
Syndicated loan (working capital facility)	-	14,241
Receivables financing	41,229	36,620
Lease liabilities right-of-use assets	3,607	-
Finance lease liabilities	-	20
	44,836	50,881

	2019 $'000	2018 $'000
Non-current		
Syndicated loan and working capital facility	344,420	318,501
Lease liabilities right-of-use assets	8,791	-
	353,211	318,501

Syndicated loan and working capital facilities

The loan facility is supported by a syndicate of seven banks and was extended in December 2018 and modified in December 2019. The loan facility limit is US$350m comprising a 3-year US$150m term loan (matures December 2021) and a 5-year US$200m revolving facility (matures December 2023). The facility can be drawn in either USD or AUD.

Working capital facilities of A$10m and US$20m are also available. The working capital facilities have a two-year period and mature November 2021. These facilities were extended subsequent to the prior year balance date and hence amounts outstanding at 30 June 2019 were disclosed as current.

The total amount drawn, across all facilities, at 30 June 2020 was US$160m and A$115m (2019: US$160m, A$110m).

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

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

At 30 June 2020, the average variable interest rate was 2.185% (30 June 2019: 3.223%). The Group has entered into interest rate swap contracts to hedge the interest rate risk exposure with 53% of the outstanding US dollar loan amount and 52% of the AUD loan amount hedged at 30 June 2020 (US loans 30 June 2019: 61%, AUD loans 55%). The interest rate risk is managed using interest rate swaps in which the Group agrees to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

During the prior period, Mayne Pharma converted USD borrowing to AUD borrowings and cancelled several US LIBOR interest rate swaps as part of the USD borrowings were converted to AUD borrowings. The cancellation of the interest rate swaps resulted in a gain of $1.8m which was transferred to the profit or loss account from the cash flow hedge reserve. New interest rate swap contracts were entered into during the prior period to hedge AUD borrowings.

As Mayne Pharma renegotiated the syndicated facility during the prior period with a lower margin, a gain of $0.5m on the modification of the loan was recognised in the profit or loss account. The facility was again modified in December 2019 with a loss on modification of $0.25m.

Receivables financing facility

The receivables facility was established in December 2018 and renewed in December 2019. The facility is a committed facility, has a 364-day term, has a limit of US$50m and was drawn to US$28.4m at reporting date. Receivables are sold with no recourse to Mayne Pharma in relation to credit risk and generally roll each 90 days as each debtor pays amounts outstanding. The receivables continue to be recognised on the Group's balance sheet as accounting derecognition criteria has not been met as Mayne Pharma retains certain risks in relation to the variability of charge-backs, rebates, returns and loyalty programs.

Lease liabilities (right-of-use assets)

At the commencement date of the lease (or the initial application date), the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease if the lease term reflects the Group exercising the option to terminate. The variable lease payments that depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. The Group has recognised all lease extension options and there were no new leases contracted before period end which were yet to commence.

In calculating the present value of lease payments, the Group uses the lessees incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Loan maturities are summarised as follows:

	2020 $'000	2019 $'000
Current	41,229	50,881
Non-current	347,660	323,614
	388,889	374,495
Due by 30 June 2020	-	50,881
Due by 30 June 2021	41,229	-
Due by 30 June 2022	232,660	213,614
Due by 30 June 2023	-	-
Due by 30 June 2024	115,000	110,000
	388,889	374,495

The future undiscounted cashflows in relation to interest bearing loans and borrowings (including lease liabilities) is disclosed in note 22.

There were no defaults or breaches on any loans during the year ended 30 June 2020.

Changes in liabilities arising from financing activities	PERIOD ENDED	OPENING BALANCE $'000	CASH FLOWS $'000	FOREIGN EXCHANGE AND NON-CASH MOVEMENTS $'000	CLOSING BALANCE $'000
Interest bearing loans	30 June 2020	369,382	8,347	7,921	385,650
Lease liabilities	30 June 2020	14,938	(3,896)	1,356	12,398
Interest bearing loans	30 June 2019	374,190	(22,605)	17,797	369,382

Recognition and measurement

Interest-bearing loans and borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or asset and the arrangement conveys a right to use the asset.

NOTE 16 – OTHER FINANCIAL LIABILITIES

	2020 $'000	2019 $'000
Current		
Mark to market value of interest rate swaps contracts	3,485	437
Earn-out liabilities – various products/distribution rights	7,226	5,118
Deferred consideration – various products/distribution rights	41,991	7,655
Completion of clinical studies obligation relating to acquired asset	76	712
	52,778	13,922

	2020 $'000	2019 $'000
Non-Current		
Completion of clinical studies obligation relating to acquired asset	-	540
Earn-out liabilities – various products/distribution rights	18,053	26,779
Deferred consideration – various products/distribution rights	162,172	32,634
	180,225	59,953

The major increase in deferred consideration liabilities relates to the Mithra E4/DRSP US rights acquisition.

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

Earn-out and deferred consideration liabilities

Recognition and derecognition

Earn-out liabilities of the Group are initially recognised on the consolidated statement of financial position as part of business combinations and intangible asset acquisitions at fair value. Financial liabilities are derecognised when they are extinguished.

Deferred consideration recognised includes amounts which have contingent conditions such as FDA approval and on market conditions (eg. 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 relevant transaction agreements, using best estimates as to timing and likelihood of payments.

Subsequent measurement

After initial recognition, earn-out liabilities are recognised at fair value through profit or loss and are remeasured each reporting period. Movements in the liability from these changes are recognised in profit or loss.

Hedging

As part of the Group's risk management policy, Mayne Pharma enters into various hedging transactions involving derivative instruments. These may include forward contracts and interest rate swaps.

Such financial instruments are designated as hedging instruments and recognised using the hedge accounting principles of AASB 9 when (a) there is formal designation and documentation of the hedging relationship, of how the effectiveness of the hedging relationship will be assessed, and of the underlying market risk management objective and strategy; (b) the hedged item and the hedging instrument are eligible for hedge accounting; and (c) there is an economic relationship between the hedged item and the hedging instrument, defined on the basis of a hedge ratio that is consistent with the underlying market risk management strategy, and the residual credit risk does not dominate the value changes that result from that economic relationship.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows from an asset, liability or highly probable forecast transaction is attributable to one or more risk components and could affect profit or loss.

Changes in fair value of the hedging instrument attributable to the effective portion of the hedge are recognised directly in equity as other comprehensive income in the statement of profit or loss and other comprehensive income. Changes in fair value attributable to the ineffective portion of the hedge are recognised in the statement of profit or loss within finance expenses.

Cumulative changes in fair value of the hedging instrument previously recognised in equity are reclassified to the statement of profit or loss as finance expenses when the hedged transaction affects profit or loss.

Significant accounting estimates and assumptions

Earn-out and deferred consideration liabilities

The earn-out liabilities have been determined based on the net present value of estimated future payments for contracted royalty rates payable on expected future cash flows. Deferred consideration liabilities represent the net present value of future predetermined payments. The estimation of the cash flows over a significant period, combined with the impact of currency movements and interest rates may result in substantial movements in the value of the liabilities recognised between reporting periods. The cash flows assumed discount rate and forecast exchange rates are reviewed every six months to ensure the most accurate fair value of the liabilities is reported. Movements in the liabilities from changes in these assumptions and forecasts are reported in the consolidated statement of profit of loss and other comprehensive income.

Any changes in fair value for changes in the net present value of estimated future payments are recognised in the statement of profit or loss and other comprehensive income. The earn-out liabilities and deferred consideration liabilities at reporting date include a charge representing the unwinding of the discounting of the earn-out liabilities of $14,514,000 (2019: $1,813,000) for the period.

At 30 June 2020 the deferred consideration amounts consist mainly of amounts which are subject to FDA approvals, no new competitors entering the market or similar milestone requirements and hence changes in these assumptions could have a material impact on profit or loss (refer note 23).

NOTE 17 – PROVISIONS

	2020 $'000	2019 $'000
Current		
Employee benefits	13,867	15,161
Restructuring provision	829	1,424
	14,696	16,585
Non-Current		
Employee benefits	846	766
Restoration	350	350
	1,196	1,116

Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Restoration provision

The restoration provision represents the present value of anticipated costs for the future restoration of the Salisbury site. The outflows are expected to occur over 20 years.

Significant accounting estimates and assumptions

Restoration provision

The provision represents the present value of anticipated costs for future restoration of the Salisbury site. The calculation of this provision requires assumptions such as application of environmental legislation, timing of restoration and cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

NOTE 18 – CONTRIBUTED EQUITY

Movements in contributed equity

	2020 Number	2019 Number	2020 $'000	2019 $'000
Balance at beginning of year	1,582,936,521	1,564,722,158	1,140,008	1,131,761
Issued during the year:				
Tax effect of employee share options	-	-	507	24
Shares issues as part settlement for an asset acquisition	83,100,000[1]	6,155,621	97,946[1]	5,392
Other shares issued	-	65,000	-	96
Options exercised	120,000	4,604,000	123	2,766
Equity raising costs	-	-	-	(31)
LTI shares issued (restricted)[2]	20,335,310	12,340,754	-	-
LTI shares forfeited	(7,423,700)	(4,951,012)	-	-
Balance at end of year	1,679,068,131	1,582,936,521	1,238,584	1,140,008

Notes:
1. The number of shares issued to Mithra relating to the asset purchase are for the 1st tranche only (number due on financial close) whereas the value of the shares granted relates to both tranches (shares due on financial close plus shares due on FDA approval).
2. The shares were granted under the ESLS and SLS (and are subject to risk of forfeiture).

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

A. Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

B. Capital management

The primary objective of the Group in relation to capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business objectives and to maximise shareholder value.

The Group manages its capital structure and adjusts it considering changes in economic conditions and the Company's strategy. To maintain or adjust the capital structure, the Company may return capital to shareholders or issue new shares. During the year ended 30 June 2020 the Company issued new shares and amended available debt facilities. No changes were made in the objectives, policies or processes during the years ended 30 June 2020 and 30 June 2019.

The Group includes within net debt, interest-bearing loans and borrowings, less cash and cash equivalents. The Group's current policy is to maintain a net debt position within policy limits set by the directors and that can be serviced by the Group's cash flows.

	2020 $'000	2019 $'000
Interest-bearing borrowings (including lease liabilities)	398,047	369,382
Less cash and cash equivalents	(137,785)	(89,004)
Net debt	260,262	280,378

The Group is subject to a minimum level of shareholder funds under the terms of the syndicated loan facility. The Group complies at reporting date.

NOTE 19 – RESERVES

	2020 $'000	2019 $'000
Share-based payments reserve	35,581	28,644
Cash flow hedge reserve	(3,485)	(437)
Other reserve	(3,143)	(3,143)
Foreign currency translation reserve	120,650	99,947
	149,603	125,011

Share-based payments reserve

The share-based payments reserve records the value of share-based payments provided to employees, including KMP, as part of their remuneration.

	2020 $'000	2019 $'000
Balance at beginning of year	28,644	20,813
Share-based payments expense	6,989	9,004
Transfer to contributed equity on exercise of options	(52)	(1,173)
Transfer to retained earnings on cancellation of employee shares	-	-
Balance at end of year	35,581	28,644

Cash flow hedge reserve

The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship.

	2020 $'000	2019 $'000
Balance at beginning of year	(437)	6,747
Mark to market unrealised gain / (loss) on interest rate swap contracts	(3,048)	(7,184)
Balance at end of year	(3,485)	(437)

Other equity reserve

The Other equity reserve records movements in the Group's equity in partly-owned subsidiaries after recognising changes to non-controlling interests.

	2020 $'000	2019 $'000
Balance at beginning of year	(3,143)	(3,721)
Change to equity investment in INTI	-	578
Balance at end of year	(3,143)	(3,143)

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in Other Comprehensive Income as described in Note 1C and accumulated in a separate reserve within equity. Exchange differences arising on monetary items that form part of the reporting entity's net investment in a foreign operation are recognised in profit or loss in the separate financial statements of the reporting entity. In the Group's financial statements that include the foreign operation and the reporting entity, such exchange differences are recognised initially in other comprehensive income. The cumulative amount is reclassified to profit and loss when the net investment is disposed of except for cumulative exchange differences relating to non-controlling interests.

	2020 $'000	2019 $'000
Balance at beginning of year	99,947	47,339
Foreign exchange translation differences (net of tax)	20,703	52,608
Balance at end of year	120,650	99,947

NOTE 20 – RETAINED EARNINGS

	2020 $'000	2019 $'000
Retained earnings at the beginning of the period	(257,851)	21,352
Transfer from share-based payments reserve re lapsed employee shares	-	-
Net (loss) / profit attributable to members	(92,789)	(279,203)
Retained earnings at the end of the period	(350,640)	(257,851)

NOTE 21 – NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

A. Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and 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:

	2020 $'000	2019 $'000
Cash at bank and on hand	137,785	89,004

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

	2020 $'000	2019 $'000
Net (loss) / profit after income tax	(94,535)	(282,089)
Adjustments for:		
Depreciation	21,479	15,636
Amortisation of intangibles and borrowing costs	65,283	80,519
Share-based payments	6,989	9,004
Movement in earn-out liability – discount unwind	14,515	1,813
Movement in earn-out liability - reassessment	(18,737)	5,482
Asset impairments	98,985	351,716
Loss / (gain) on modification of syndicated loan facility	253	(516)
Book value of intangibles disposed	-	92
Loss on restatement of INTI warrants	563	8,228
Net unrealised foreign exchange differences	352	3,675
Non-cash provisions	(2,908)	(7,258)
Changes in tax balances		
Decrease / (increase) in deferred tax assets	2,213	(66,787)
Increase in current and deferred tax liabilities	(44,835)	16,163
Operating cash flows before working capital movements	49,617	135,699
Changes in working capital		
Decrease / (Increase) in receivables	67,512	9,430
Decrease / (Increase) in inventories	13,077	(6,430)
(Increase) / decrease in other assets	(498)	(2,409)
(Decrease) / increase in creditors	(26,304)	(30,030)
Increase / (decrease) in provisions	(3,627)	347
Working capital (investment) / release	50,160	(29,092)
Net cash from operating activities	99,777	106,606

NOTE 22 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash, short-term deposits, receivables, payables, bank loans and interest rate swaps.

The Group manages its exposure to key financial risks, including credit risk, interest rate risk, currency risk and liquidity risk in accordance with the Group's financial risk management framework. The objective of the framework is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below.

Risk exposures and responses

Interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During the year the Group's borrowings at variable rates were denoted in USD and AUD. At reporting date, approximately 53% of the Group's syndicated facility borrowings were swapped to fixed interest.

As at the end of the reporting period, the Group had the following variable rate borrowings outstanding:

	2020 $'000	2019 $'000
Variable Interest-bearing loans and borrowings	388,889	374,495
Less Face value of interest rate swaps	(186,690)	(198,137)
Net variable interest rate exposure	202,199	176,358

The Group has partially hedged the USD and AUD interest rate exposures by entering into interest rate swap contracts. At 30 June 2020 the interest swaps had a face value of US$85m (2019: US$97m) and A$60m (2019: A$60m).

USD interest rate swaps with a face value of US$85m mature in June 2021. AUD interest rate swaps mature in June 2022 (A$60m).

The average hedge rates are 1.67% for USD interest rate swaps and 1.83% for AUD interest rate swaps.

The cash flow hedges are considered highly effective.

The variable interest rate risk on borrowings is partially off-set by the variable interest rate risk of cash at bank.

	2020 $'000	2019 $'000
Cash at bank and on hand	137,785	89,004

The following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date. At reporting date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net profit and equity would have been affected as follows:

	NET PROFIT/(LOSS)		EQUITY	
		HIGHER/(LOWER)		HIGHER/(LOWER)
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
US interest rates +0.5% (50 basis points)	73	(53)	598	(598)
AUD interest rates +0.5% (50 basis points)	(240)	(215)	487	(487)

The movements are due to higher/lower interest expense on borrowings less/plus lower/higher interest revenue from cash balances. Possible movements in interest rates were determined based on the current observable market environment.

Foreign currency risk

The Group has significant transactional currency exposures arising from sales and purchases in currencies other than the functional currency of the parent entity. Approximately 93% of the Group's revenues and 84% of the Group's costs are denominated in currencies other than the functional currency of the parent entity.

It is the Group's general policy to enter into simple Forward Exchange Contracts over a set percentage of the forecast net receipts of US dollars. The percentages used vary depending on the length of the forecast period (0-3 months and 4-6 months). The Group does not have any Forward Exchange Contracts at reporting date (2019: nil).

From time to time, the Company enters into FX contracts to manage the FX exposure of the Company relating to loans advanced to US subsidiaries denoted in USD. No FX contracts were outstanding at reporting date relating to intra-group loans.

The Group also holds assets and liabilities in US dollars (USD), British pounds (GBP), Japanese yen (JPY), Canadian dollars (CAD) and Euro (EUR). The existence of both assets and liabilities denominated in USD provides a limited natural hedge against adverse currency movements for USD denoted exposures.

At balance date the Group's only significant foreign exchange exposure was to US dollar monetary assets and US dollar monetary liabilities as shown in the table below:

	A$'000 30 JUNE 2020	A$'000 30 JUNE 2019
Cash at bank	11,050	15,149
Other financial assets	-	563
Trade receivables	704	539
Intra Group loans receivable	231,715	216,504
Prepayments	4,362	4,272
Trade and other payables	(762)	(2,377)
Other financial liabilities	(3,063)	(437)
Interest-bearing borrowings	(232,660)	(227,855)
Net exposure which may impact Net Profit/(Loss)	11,346	6,358
Intra Group loans receivable	247,201	242,096
Net exposure which may impact equity	247,201	242,096

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	NET PROFIT/(LOSS)		EQUITY	
		HIGHER/(LOWER)		HIGHER/(LOWER)
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
AUD/USD +5%	(540)	(303)	(11,771)	(11,528)
AUD/USD -5%	597	334	13,011	12,738

The movements are due to foreign currency gains or losses as a result of changes in the balances of cash, borrowings, and the net of receivables and payables.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, interest rate swaps and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the financial assets.

The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested. The Group holds limited credit insurance in the US which would only apply for small customers in the US.

Management of credit risk

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, experience and industry reputation.

Approximately 36% of the Group's 2020 revenue was derived from the three largest customers which is not unusual for operations in the US pharmaceutical market where most of both branded and generic sales are made to a small number of key wholesale and retail organisations. The Group had three customers who comprised approximately 65% of the total trade receivables balance at reporting date. These customers were operating within agreed trading terms at the end of the FY20 period.

The Group believes that there is minimal credit risk on the above key customer concentration as there has never been any default on their obligations and they are major US pharmaceutical wholesale/retail organisations with investment grade credit ratings. The Group does not hold collateral as security.

Impairment of financial assets is considered using a forward-looking expected credit loss ('ECL') approach. Receivables are monitored on an ongoing basis and the incidence of bad debt write off has been extremely low. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The impact of COVID-19 was considered and had no material impact.

Financial assets included on the Consolidated Statement of Financial Position that potentially subject the Group to concentration of credit risk consist principally of cash and cash equivalents, interest rate swaps and trade receivables. The Group minimises this concentration of risk by placing its cash and cash equivalents with financial institutions that maintain superior independent credit ratings to limit the degree of credit exposure. The maximum exposures to credit risk as at 30 June 2020 in relation to each class of recognised financial assets is the carrying amount of those assets, as indicated in the Consolidated Statement of Financial Position.

Credit quality of financial assets:

	2020 $'000	2019 $'000
Cash and cash equivalents[1]	137,785	89,004
Trade and other receivables[2]	195,908	256,580
Interest rate swaps	-	-
	333,693	345,584

Notes: 1. Minimum of S&P AA rated counterparty with which deposits are held.
2. At period end 2020 trade receivables were $189,401,000, with 95% of trade receivables within trading terms.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility using bank loans and cash and short-term deposits sufficient to meet the Group's current cash requirements. Risk is managed by spreading loan maturities.

The Board manages liquidity risk by monitoring, monthly, the total cash inflows and outflows expected over the budget and forecast period.

The following table discloses the remaining contractual maturities for the Group's liquid financial assets and liabilities based on undiscounted cash flows. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

	LESS THAN 6 MONTHS $'000	6 TO 12 MONTHS $'000	1 TO 5 YEARS $'000	GREATER THAN 5 YEARS $'000	TOTAL $'000
30 June 2020					
Liquid financial assets					
Cash and cash equivalents	137,785	-	-	-	137,785
Trade and other receivables	195,908	-	-	-	195,908
	333,693	-	-	-	333,396
Financial liabilities					
Trade and other payables	(106,943)	-	-	-	(106,943)
Interest-bearing loans and borrowings	(43,033)	(1,804)	(354,590)	(4,140)	(403,566)
Other financial liabilities	(24,444)	(28,335)	(50,289)	(285,475)	(388,543)
	(174,420)	(30,139)	(404,879)	(289,615)	(899,053)
Net inflow/(outflow)	159,273	(30,139)	(404,879)	(289,615)	(565,656)

	LESS THAN 6 MONTHS $'000	6 TO 12 MONTHS $'000	1 TO 5 YEARS $'000	GREATER THAN 5 YEARS $'000	TOTAL $'000
30 June 2019					
Liquid financial assets					
Cash and cash equivalents	89,004	-	-	-	89,004
Trade and other receivables	256,580	-	-	-	256,580
	345,584	-	-	-	345,584
Financial liabilities					
Trade and other payables	(129,942)	-	-	-	(129,942)
Interest-bearing loans and borrowings	(50,881)	-	(323,614)	-	(374,495)
Other financial liabilities	(2,915)	(10,570)	(60,473)	(21,695)	(95,652)
	(183,738)	(10,570)	(384,087)	(21,695)	(600,089)
Net inflow/(outflow)	161,846	(10,570)	(384,087)	(21,695)	(254,505)

The Group has undrawn loan facilities of US$120.9m, undrawn working capital facilities of A$10m and US$10m and undrawn receivables financing of US$21.6m available at reporting date (subject to available qualifying receivables). Refer Note 15.

The 30 June 2020 interest bearing loans and borrowings values above include the undiscounted value of right-of-use lease liabilities whereas the 30 June 2019 values are based on the previous leasing standard and therefore excludes such leases.

Included in other financial liabilities are earn-outs which are payable on achieving a predetermined sales performance and deferred consideration which is only payable upon market events such as FDA approval or no new generic competitor entering the relevant market. As a result, payment of such liabilities will, either in full or in part, be funded from operating activities.

NOTE 23 – FAIR VALUE MEASUREMENT

Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for fair value measurement.

External valuers are involved for valuation of significant assets and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the significant inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares each of the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

The Group's external valuers provide the valuation results. The results and underlying assumptions are discussed with the Audit & Risk Committee.

For fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are recognised in the financial statements.

	CARRYING AMOUNT		FAIR VALUE	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Assets				
Warrants (options) - INTI	-	563	-	563
Liabilities				
Earn-out and deferred consideration liabilities	229,518	73,438	229,518	73,438
Mark to market valuation - interest rate swap contracts	3,485	437	3,485	437

Cash and short-term deposits and trade and other receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Warrants represent options to purchase shares in INTI. A summary of the number of warrants and exercise prices are included in Note 9. The warrants have been recognised at fair value using the Black-Scholes method. Key inputs in determining the fair value of the warrants were the share price and the share price volatility. The share price volatility used in the valuation was 55% (2019: 55%) and was based on the Nasdaq Bio-tech index over 5 years. There are no reasonably possible changes which would change the valuation of the warrants.

Interest rate swaps represent the Mark to Market value of open contracts at reporting date.

The earn-out liabilities payable utilises present value calculation techniques that are not based on observable market data. The key inputs are forecast sales and gross margin.

Deferred consideration recognised includes amounts which have contingent conditions such as FDA approvals and on market conditions (eg. timing of commercial launches, 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, using best estimates as to timing and likelihood of payments.

Set out below are the significant unobservable inputs to valuation as at 30 June 2020:

Earn-out / deferred consideration	Valuation technique	Significant unobservable inputs	Input used	Sensitivity of the input to fair value
Mithra-E4/DRSP – deferred consideration liability	DCF	Forecast net sales		5% increase (decrease) in net sales would change the expected timing of milestone payments resulting in an increase (decrease) in fair value by $3.8m / ($11.8m).
		WACC	10.2%	1% increase / (decrease) in the WACC would result in decrease / (increase) in fair value by $8.4m / ($9.0m).
		Delay in obtaining FDA approval		One-year delay in obtaining FDA approval would decrease the fair value by $14.0m.
LEXETTE earn-out and deferred consideration liability	DCF	Forecast net sales		5% increase (decrease) in net sales would result in an increase (decrease) in fair value by $0.8m.
		WACC	10.2%	1% increase (decrease) in the WACC would result in decrease (increase) in fair value by $1.0m.
Mithra – gNuvaring – deferred consideration liability	DCF	Timing of ANDA approval		A delay of 1 year for the ANDA approval would decrease the fair value by $1.0m
		WACC	9.6%	1% increase (decrease) in the WACC would result in decrease (increase) in fair value by $0.1m.
Efudex-deferred consideration liability	DCF	Entry of new generic competitor		Entry of a new generic competitor before 20 July 2021 would decrease the deferred consideration by $2.9m.

Fair values of the Group's interest-bearing borrowings and loans approximate book values as loans are at market rates. The Group's own non-performance risk at reporting date was assessed as insignificant.

Assets and liabilities measured at fair value

As at 30 June 2020, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	LEVEL 2		LEVEL 3	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Financial Assets				
Warrants (options)	-	-		563
Financial Liabilities				
Earn-out and deferred consideration liabilities	-	-	229,518	73,438
Mark to market valuation - interest rate swap contracts	3,485	437	-	-

Reconciliation of fair value measurements of Level 3 financial instruments

The Group carries earn-out and deferred consideration liabilities classified as Level 3 within the fair value hierarchy.

A reconciliation of the beginning and closing balances including movements is summarised below:

	2020 $'000 WARRANTS	2019 $'000 WARRANTS	2020 $'000 EARN-OUT & DEFERRED CONSIDERATION LIABILITIES	2019 $'000 EARN-OUT & DEFERRED CONSIDERATION LIABILITIES
Opening balance	563	8,316	73,438	17,827
Additions recognised for acquisitions made during current year	-	475	171,426	55,916
Change in fair value attributable to the unwinding of the discounting	-	-	14,515	1,813
Movement in undiscounted fair value	(563)	(8,228)	(18,737)	5,482
Amounts settled	-	-	(8,755)	(9,290)
Restatement of foreign currency balances	-	-	(2,369)	1,690
Closing balance	-	563	229,518	73,438

NOTE 24 – 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	2020	2019	2020	2019
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	717,892	712,799
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	-	-
Inhibitor Therapeutics Inc	United States	53.5	53.5	-	25,258
Mayne Pharma SIP Pty Ltd	Australia	100	100	-	-
Mayne Pharma LLC	United States	100	100	-	-
Mayne Pharma (Switzerland) GmbH	Switzerland	100	100	-	-
				757,097	777,262

Note: 1. Dormant subsidiaries.

Financial information of a subsidiary which has a material non-controlling interest is as follows:

Portion of equity interest held by non-controlling interest:

		% EQUITY INTEREST	
	COUNTRY OF INCORPORATION	2020	2019
Inhibitor Therapeutics Inc	United States	46.5	46.5

Summarised statement of profit or loss for period ended 30 June 2020

	INTI 2020 $'000	INTI 2019 $'000
Revenue	-	-
Cost of sales	-	-
Interest income	11	22
Research and development expenses	(1,278)	(2,496)
Administration expenses	(1,559)	(2,354)
Depreciation and amortisation	(982)	(921)
Share-based payments expenses	(174)	(669)
Loss before tax	(3,982)	(6,417)
Income tax benefit	227	213
Loss after tax	(3,754)	(6,204)
Other Comprehensive income	203	501
Total Comprehensive income	(3,551)	(5,703)
Attributable to non-controlling interests	(1,543)	(2,384)

Summarised statement of financial position as at 30 June 2020

	INTI 2020 $'000	INTI 2019 $'000
Cash at bank	200	2,884
Other current assets	115	151
Intangible assets	31,422	31,712
Trade and other payables	(4,779)	(4,565)
Deferred tax liabilities	(7,026)	(7,098)
Total equity	19,932	23,084
Attributable to equity holders of Mayne Pharma		
Attributable to non-controlling interests	4,766	6,309

B. Ultimate parent

Mayne Pharma Group Limited is the ultimate parent entity.

C. KMP Compensation

	2020 $'000	2019 $'000
Short-term employee benefits	3,929	7,508
Post-employment benefits	166	254
Long-term benefits	35	68
Share-based payments	1,235	4,170
	5,365	12,000

D. Transactions with related parties

The Company had no other transactions with KMP or other related parties during the financial years ended 30 June 2020 or 30 June 2019.

Amounts owing to Directors, Director-related parties and other related parties at 30 June 2020 and 30 June 2019 were nil.

NOTE 25 – AUDITOR'S REMUNERATION

	2020 $	2019 $
Amounts received or due and receivable by EY for		
Fees for auditing the statutory financial report of the Group	887,333	1,072,351
Fees for assurance services that are required by legislation to be provided by the auditor	-	-
Fees for other assurance and agreed upon procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	-	-
Fees for other services:		
Tax compliance services	205,680	176,000
Other services	26,699	-
	1,119,712	1,248,351

	2020 $	2019 $
Amounts received or due and receivable by overseas member firms of EY Australia		
Fees for auditing the statutory financial report of the Group	580,900	359,149
Fees for assurance services that are required by legislation to be provided by the auditor	-	-
Fees for other assurance and agreed upon procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	-	-
Fees for other services:		
Tax compliance and advisory services	342,649	464,464
	923,549	823,613

The above non-audit services from member firms are invoiced in USD to Mayne Pharma Inc. and are subject to foreign currency translation.

NOTE 26 - SHARE-BASED PAYMENT PLANS

The expense recognised for employee services received during the year is shown in the table below:

	2020 $'000	2019 $'000
Expense arising from equity-settled share-based payment transactions	6,989	9,004

Share-based payment transactions – recognition and measurement

The Group provides benefits to its employees (including KMP) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). If an employee leaves the Group prior to the vesting and the employee hasn't participated in the plan for at least three years or is not otherwise considered a 'good leaver', any share-based payment previously granted to the employee will normally be forfeited. Where an employee leaves the Group after the vesting but prior to the expiry of share-based payments granted, the employee normally has 12 months in which to exercise or the shares or options will lapse. If the Company's Employee Share Option Plan was cancelled, this would not affect the rights of employees in relation to previously issued share-based payments.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate option-pricing model, depending on the complexity of the exercise conditions. The cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense.

The Group engaged an accredited independent valuer to determine the fair value of options issued at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the vesting period.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (refer to note 8).

Significant accounting estimates and assumptions

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate option-pricing model depending on the complexity of the exercise conditions with both the Black Scholes option-pricing model and the Monte Carlo Simulation option-pricing model utilised during the period. The specific assumptions applied to the options issued during the year are provided in this note. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Performance Rights and Option Plan (PROP)

An employee share option plan (formerly known as the Employee Share Option Plan or ESOP) is in place where employees of the Company may be issued with options over the ordinary shares of the Company. Shareholders last approved the plan at the AGM held on 9 November 2012. The options, issued for nil consideration, are issued in accordance with guidelines established by the Directors of the Company.

Each employee option converts to one ordinary share in the Company upon exercise. The options carry neither rights to dividends, nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The exercise price is set by reference to the volume weighted average price at which the Company's shares trade on the Australian Securities Exchange (ASX) across an agreed period. The contractual term varies across the various issues but generally ranges from three to six years and there are no cash settlement alternatives for employees although there is net of tax settlement alternative available when employees are unable to trade to meet withholding tax obligations.

The plan was updated during the year to allow for the provision of performance rights to employees. Performance rights have similar characteristics as options except that they have a nil exercise price.

No options were issued during the year ended 30 June 2020 (2019: nil) under the PROP.

	2020 NUMBER OF OPTIONS	2020 WEIGHTED AVERAGE EXERCISE VALUE $	2019 NUMBER OF OPTIONS	2019 WEIGHTED AVERAGE EXERCISE VALUE $
Balance at beginning of year	2,020,000	0.6697	8,929,000	0.5260
Granted during the year	-	-	-	-
Exercised during financial year	(120,000)	0.5923	(4,604,000)	0.3669
Forfeitures and lapses	(1,900,000)	0.6745	(2,305,000)	0.7178
Balance at end of year	-	-	2,020,000	0.6697

Share Options granted to employees

	EXERCISE PRICE	EXPIRY DATE	BALANCE AT BEGINNING OF YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	OTHER MOVEMENTS DURING THE YEAR NUMBER[1]	BALANCE AT END OF YEAR NUMBER	OPTIONS EXERCISABLE AT END OF YEAR NUMBER
Year ended 30 June 2020								
Unlisted options	$0.5923	21 Oct 19	120,000	-	(120,000)	-	-	-
Unlisted options	$0.6754	30 Nov 19	500,000	-	-	(500,000)	-	-
Unlisted options	$0.8109	2 Jul 19	200,000	-	-	(200,000)	-	-
Unlisted options	$0.7682	28 Aug 19	600,000	-	-	(600,000)	-	-
Unlisted options	$0.5347	1 Feb 20	600,000	-	-	(600,000)	-	-
			2,020,000	-	(120,000)	(1,900,000)	-	-

Note: 1. Options lapsed on expiry date.

No options were issued to executives under the PROP during the year ended 30 June 2020.

	EXERCISE PRICE	EXPIRY DATE	BALANCE AT BEGINNING OF YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	OTHER MOVEMENTS DURING THE YEAR NUMBER[1]	BALANCE AT END OF YEAR NUMBER	OPTIONS EXERCISABLE AT END OF YEAR NUMBER
Year ended 30 June 2019								
Unlisted options	$0.2184	12 Jan 19	2,600,000	-	(2,600,000)	-	-	-
Unlisted options	$0.2184	26 Jan 19	569,000	-	(569,000)	-	-	-
Unlisted options	$0.5923	21 Oct 19	320,000	-	-	(200,000)	120,000	120,000
Unlisted options	$0.6647	11 Nov 19	1,000,000	-	(500,000)	(500,000)	-	-
Unlisted options	$0.6754	30 Nov 19	1,000,000	-	-	(500,000)	500,000	500,000
Unlisted options	$0.8003	28 Mar 19	540,000	-	(510,000)	(30,000)	-	-
Unlisted options	$0.7701	19 Jun 19	600,000	-	(125,000)	(475,000)	-	-
Unlisted options	$0.8188	30 Jun 19	400,000	-	-	(400,000)	-	-
Unlisted options	$0.8109	2 Jul 19	200,000	-	-	-	200,000	200,000
Unlisted options	$0.7437	1 Aug 19	200,000	-	-	(200,000)	-	-
Unlisted options	$0.7682	28 Aug 19	600,000	-	-	-	600,000	300,000
Unlisted options	$0.5347	1 Feb 20	900,000	-	(300,000)	-	600,000	300,000
			8,929,000	-	(4,604,000)	(2,305,000)	2,020,000	1,420,000

Note: 1. Options were forfeited on the termination of employment.

No options were issued to executives under the PROP during the year ended 30 June 2019.

Performance Rights granted to employees

	EXPIRY DATE	BALANCE AT BEGINNING OF YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	OTHER MOVEMENTS DURING THE YEAR NUMBER[1]	BALANCE AT END OF YEAR NUMBER
Year ended 30 June 2020						
Performance Rights	30 Sep 2024	-	16,645,238	-	(1,360,137)	15,285,101
		-	16,645,238	-	(1,360,137)	15,285,101

Note: 1. Performance rights were forfeited on the termination of employment.

For performance rights granted during the financial year (treated as options for accounting purposes) the fair value of the options granted was determined by valuation specialists, using the Monte Carlo Simulation option pricing model. The following inputs were used in the valuations:

	PERFORMANCE RIGHTS GRANTED 26 NOV 2019 (US)			PERFORMANCE RIGHTS GRANTED 26 NOV 2019 (AU)		
	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of shares (treated as options for accounting)	2,481,875	3,722,813	6,204,688	847,173	1,270,759	2,117,932
Monte Carlo Simulation model fair value	$0.3820	$0.3610	$0.3410	$0.3820	$0.3560	$0.3340
Share price at grant date	$0.4650	$0.4650	$0.4650	$0.4650	$0.4650	$0.4650
Exercise price	NIL	NIL	NIL	NIL	NIL	NIL
Expected volatility	45%	45%	45%	45%	45%	45%
Expected option life	2.45yrs	2.73yrs	3.14yrs	3.02yrs	3.23yrs	3.54yrs
Dividend yield	0%	0%	0%	0%	0%	0%
Risk-free rate	0.625%	0.625%	0.625%	0.625%	0.625%	0.625%

As the point of taxation of performance rights is different for Australian and US employees, the expected life of the performance rights also differs for Australian and US employees and hence the valuation of performance rights also varies.

The expected volatility was determined based on historical volatility of the Company and of similar companies. The estimate reflects the likelihood that the volatility in financial markets over the next three to five years will be less extreme than that experienced during the global financial crisis and considers the likely stabilising impact of the capital raisings. The expected life of the share options is based on historical data and current expectations and is not necessarily reflective of exercise patterns that may eventuate.

Shares granted to employees

Under the ESLS and SLS, eligible employees acquire shares in the Company funded by a limited-recourse loan from the Group. While shares are acquired under the plan for legal and taxation purposes, Australian Accounting Standards require the shares be treated as options for accounting purposes. As a result, the amounts receivable from employees in relation to these loans are not recognised in the financial statements.

The number of notional shares granted to employees under the ESLS is set out below:

Year ended 30 June 2020	GRANT DATE	EXPIRY DATE	LOAN VALUE PER SHARE	NUMBER HELD AT 1 JULY 2019	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED, FORFEITED OR CANCELLED DURING THE YEAR[1]	NUMBER HELD AT 30 JUNE 2020
Unlisted shares	4 Dec 14	4 Dec 19	$0.6815	3,823,529	-	-	(3,823,529)	-
Unlisted shares	2 Feb 15	2 Feb 20	$0.6163	833,003	-	-	(833,003)	-
Unlisted shares	3 Aug 15	31 Aug 20	$1.1000	8,856,211	-	-	(180,000)	8,676,211
Unlisted shares	24 Aug 15	31 Aug 20	$1.1297	2,231,344	-	-	-	2,231,344
Unlisted shares	11 Nov 15	31 Aug 20	$1.0460	524,070	-	-	-	524,070
Unlisted shares	4 Dec 15	31 Aug 20	$1.2300	2,553,496	-	-	-	2,553,496
Unlisted shares	11 Aug 16	31 Jul 21	$2.0100	147,000	-	-	(147,000)	-
Unlisted shares	6 Dec 16	31 Jul 21	$1.5760	2,242,005	-	-	-	2,242,005
Unlisted shares	3 Jan 17	31 Jan 22	$1.3720	2,556,000	-	-	(641,000)	1,915,000
Unlisted shares	9 Feb 17	31 Jan 22	$1.2770	322,179	-	-	(322,179)	-
Unlisted shares	3 Jul 17	31 Jul 22	$1.1307	18,560,481	-	-	(3,385,468)	15,175,013
Unlisted shares	28 Sep 17	31 Jul 22	$0.6631	7,099,546	-	-	(751,434)	6,348,112
Unlisted shares	26 Oct 17	31 Jul 22	$0.7071	414,359	-	-	-	414,359
Unlisted shares	7 Dec 17	31 Jul 22	$0.6169	6,608,851	-	-	-	6,608,851
Unlisted shares	23 Mar 18	31 Mar 23	$0.7620	33,011,959	-	-	(5,346,188)	27,665,771
Unlisted shares	3 Sep 18	1 Oct 2023	$1.1326	2,825,000		-	(290,000)	2,535,000
Unlisted shares	1 Oct 2018	1 Oct 2023	$1.2752	796,754		-	-	796,754
Unlisted shares	8 Oct 2018	1 Oct 2023	$1.2909	2,489,627		-	-	2,489,627
Unlisted shares	6 Dec 2018	1 Oct 2023	$0.9696	6,229,373		-	-	6,229,373
Unlisted shares	29 Sep 2019	30 Sep 2024	$0.5151	-	15,189,624	-	(3,187,808)	12,001,816
Unlisted shares	29 Nov 2019	30 Sep 2024	$0.4695	-	5,145,686	-	-	5,145,686
				102,124,787	20,335,310	-	(18,907,609)	103,552,488

Note: 1. Not all shares forfeited by employees during the period have been cancelled prior to period end. The balance of forfeited shares was transferred to an employee share trust pending new employee grants.

Year ended 30 June 2019	GRANT DATE	EXPIRY DATE	LOAN VALUE PER SHARE	NUMBER HELD AT 1 JULY 2018	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED, FORFEITED OR CANCELLED DURING THE YEAR[1]	NUMBER HELD AT 30 JUNE 2019
Unlisted shares	4 Dec 14	4 Dec 19	$0.6815	3,823,529	-	-	-	3,823,529
Unlisted shares	2 Feb 15	2 Feb 20	$0.6163	833,003	-	-	-	833,003
Unlisted shares	3 Aug 15	31 Aug 20	$1.1000	9,699,455	-	-	(843,244)	8,856,211
Unlisted shares	5 Aug 15	31 Aug 20	$1.1538	194,999	-	-	(194,999)	-
Unlisted shares	24 Aug 15	31 Aug 20	$1.1297	2,231,344	-	-	-	2,231,344
Unlisted shares	11 Nov 15	31 Aug 20	$1.0200	215,954	-	-	(215,954)	-
Unlisted shares	11 Nov 15	31 Aug 20	$1.0460	524,070	-	-	-	524,070
Unlisted shares	4 Dec 15	31 Aug 20	$1.2300	2,553,496	-	-	-	2,553,496
Unlisted shares	11 Aug 16	31 Jul 21	$2.0100	235,200	-	-	(88,200)	147,000
Unlisted shares	6 Dec 16	31 Jul 21	$1.5760	2,242,005	-	-	-	2,242,005
Unlisted shares	3 Jan 17	31 Jan 22	$1.3720	2,556,000	-	-	-	2,556,000
Unlisted shares	9 Feb 17	31 Jan 22	$1.2770	322,179	-	-	-	322,179
Unlisted shares	3 Jul 17	31 Jul 22	$1.1307	19,532,476	-	-	(971,995)	18,560,481
Unlisted shares	28 Sep 17	31 Jul 22	$0.6631	7,129,916	-	-	(30,370)	7,099,546
Unlisted shares	26 Oct 17	31 Jul 22	$0.7071	414,359	-	-	-	414,359
Unlisted shares	7 Dec 17	31 Jul 22	$0.6169	6,608,851	-	-	-	6,608,851
Unlisted shares	23 Mar 18	31 Mar 23	$0.7620	35,536,836	-	-	(2,524,877)	33,011,959
Unlisted shares	3 Sep 18	1 Oct 2023	$1.1326	-	2,825,000	-	-	2,825,000
Unlisted shares	1 Oct 2018	1 Oct 2023	$1.2752	-	796,754	-	-	796,754
Unlisted shares	8 Oct 2018	1 Oct 2023	$1.2909	-	2,489,627	-	-	2,489,627
Unlisted shares	6 Dec 2018	1 Oct 2023	$0.9696	-	6,229,373	-	-	6,229,373
				94,653,672	12,340,754	-	(4,869,639)	102,124,787

Note: 1. Not all shares forfeited by employees during the period have been cancelled prior to period end. The balance of forfeited shares was transferred to an employee share trust pending new employee grants.

The ESLS and SLS allows the issue of shares to participants based on a percentage of fixed remuneration funded by a limited-recourse, interest free, five-year loan for the sole purpose of acquiring the shares. Issues are typically made annually to KMP and other senior executives who have foregone an STI entitlement. These shares vest over three years subject to the achievement of hurdles based on increases in shareholder wealth created over that period. The shares are granted upfront based on the five-day volume weighted average price and remain restricted and subject to risk of forfeiture until the end of the vesting/performance period while the loan remains outstanding, with any unvested/unexercised shares lapsing 49 months after the first test date.

The number/proportion of shares that vest is based on the absolute Total Shareholder Return (TSR) over the period, with 50% vesting if a TSR of 5% (10% for pre- 1 July 2015 issues) Compound Annual Growth (CAGR) is achieved, rising to 100% vesting for achievement of a TSR CAGR of 10% (15% for pre- 1 July 2015 issues). Vesting will occur on a straight-line basis for performance between these two points.

If the CAGR performance conditions are met, 20% vest after the first test date, 30% after the second test date and the balance after the third test date. Vesting can occur over a period of 5 years (including six monthly in years 4 and 5) from the date of the grant, but the TSR vesting condition continues to compound in years 4 and 5.

The table below illustrates the required growth rates at a TSR CAGR of 5% pa which would represent 50% vesting:

	Year 1	Year 2	Year 3	Year 4	Year 5
Tranche 1 -20% of grant	TSR +5% from base year	TSR +10% from base year	TSR +16% from base year	TSR +22% from base year	TSR +28% from base year
Tranche 2 - 30% of grant	Not available for vesting	TSR +10% from base year	TSR +16% from base year	TSR +22% from base year	TSR +28% from base year
Tranche 3 - 50% of grant	Not available for vesting	Not available for vesting	TSR +16% from base year	TSR +22% from base year	TSR +28% from base year

The table below illustrates the required growth rates at a TSR CAGR of 10% pa which would represent 100% vesting:

	Year 1	Year 2	Year 3	Year 4	Year 5
Tranche 1 -20% of grant	TSR +10% from base year	TSR +21% from base year	TSR +33% from base year	TSR +46% from base year	TSR +61% from base year
Tranche 2 - 30% of grant	Not available for vesting	TSR +21% from base year	TSR +33% from base year	TSR +46% from base year	TSR +61% from base year
Tranche 3 - 50% of grant	Not available for vesting	Not available for vesting	TSR +33% from base year	TSR +46% from base year	TSR +61% from base year

Vesting between 50% and 100% will occur on a straight-line basis for performance between these two points.

Following the end of the applicable vesting period, if the vesting conditions are met the ESLS shares will vest and the participant will then have until the end of the five-year term, plus one month, to repay the loan.

Any dividends paid on the shares while the ESLS are restricted are applied (on a notional after-tax basis) towards repaying the loan.

The base test dates for the ESLS issues made from 1 July 2015 to 31 December 2017 were set as 1 July each year. Base test dates for grants after 31 December 2017 are either 1 March or 1 September to align with results announcements. For earlier issues the testing dates were based on the anniversary of the grant date. These grants provide a rolling benefit to senior executives over the three-year period in the absence of a short-term incentive.

In the event of a Corporate Control Event, the TSR will be measured from the base test date to the date of the Control Event date and LTI shares will vest immediately if the TSR hurdles are met. If any unvested shares do not automatically vest as a result of the Corporate Control Event, the Board may otherwise determine that some or all of those shares become vested shares.

For loan shares granted during the financial year (these shares are treated as options for accounting purposes) the fair value of the options granted was determined by valuation specialists, using the Monte Carlo Simulation option pricing model. The following inputs were used in the valuations:

	LTI SHARES GRANTED 26 SEPT 2019			LTI SHARES GRANTED 26 NOV 2019		
	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of shares (treated as options for accounting)	3,037,925	4,556,887	7,594,812	1,029,137	1,543,706	2,572,843
Monte Carlo Simulation model fair value	$0.138	$0.149	$0.160	$0.137	$0.149	$0.159
Share price at grant date	$0.4800	$0.4800	$0.4800	$0.4650	$0.4650	$0.4650
Exercise price	$0.5151	$0.5151	$0.5151	$0.4695	$0.4695	$0.4695
Expected volatility	45%	45%	45%	45%	45%	45%
Expected option life	3.23yrs	3.43yrs	3.73yrs	3.02yrs	3.23yrs	3.54yrs
Dividend yield	0%	0%	0%	0%	0%	0%
Risk-free rate	0.708%	0.708%	0.708%	0.625%	0.625%	0.625%

Note: 1. Grants to specific individuals including new starters and CEO post approval at the Annual General Meeting.

The expected volatility was determined based on historical volatility of the Company and of similar companies. The estimate reflects the likelihood that the volatility in financial markets over the next three to five years will be less extreme than that experienced during the global financial crisis and considers the likely stabilising impact of the capital raisings. The expected life of the share options is based on historical data and current expectations and is not necessarily reflective of exercise patterns that may eventuate.

NOTE 27 – PARENT ENTITY DISCLOSURES

Financial position

	2020 $'000	2019 $'000
Assets		
Current assets	76,453	21,278
Non-current assets	1,185,640	1,214,260
Total assets	1,262,093	1,235,538
Liabilities		
Current liabilities	7,920	4,173
Non-current liabilities	354,960	341,256
Total liabilities	362,879	345,429
Net assets	899,214	890,109
Equity		
Issued capital	1,238,584	1,140,008
Reserves	29,252	25,537
Accumulated losses	(368,622)	(275,436)
Total equity	899,214	890,109

Financial performance

	2020 $'000	2019 $'000
Profit/(Loss) for the year	(93,186)	(272,147)
Other comprehensive income	(3,048)	(7,184)
Total comprehensive income	(96,234)	(279,331)

The parent entity has written down the value of its investment in subsidiaries due to the impairments in those subsidiaries.

NOTE 28 – COMMITMENTS AND CONTINGENCIES

A. Commitments

Capital Commitments

The Group had $2.3m of contractual obligations for the purchase of capital equipment as at 30 June 2020 (2019: $0.5m).

B. Contingencies

The partly owned subsidiary Inhibitor Therapeutics Inc requires new funding. If Inhibitor raises external funding of US$3m, Inhibitor has the right to ask Mayne Pharma to provide additional funding of up to US$2m which would be an advance of future royalty streams payable by Mayne Pharma to Inhibitor. Mayne Pharma has previously prepaid US$3m in royalties to Inhibitor. If Inhibitor's external fund-raising activities are successful, Mayne Pharma could lose control of Inhibitor.

Some Mayne Pharma companies are, or will likely in the future, be subject to various legal proceedings and investigations that arise from time to time. These may include proceedings regarding product liability and personal injury, sales and marketing practices, continuous disclosure obligations, commercial disputes, antitrust and intellectual property matters. As a result, the Group may become subject to substantial liabilities that may not be covered by insurance and that could affect our business, financial position and reputation. Litigation is inherently unpredictable and large judgements sometimes occur. Consequently, Mayne Pharma may in the future incur judgements or enter into settlements of claims that could have a material adverse effect on its operating results and/or cash flow.

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 investigations and legal proceedings currently brought against the Company seeking damages or other remedies

All these legal claims and allegations are being vigorously contested. No payment is considered probable and possible related amounts cannot be reliably estimated and as such no amounts have been provided at reporting date.

Drug pricing matters – investigations

In FY16, Mayne Pharma Inc received a subpoena from the Antitrust Division of the US Department of Justice and the Office of the Attorney General in the State of Connecticut seeking information relating to the marketing, pricing and sales of select generic products.

In May 2018, Mayne Pharma Inc received a Civil Investigative Demand from the Civil Division of the US Department of Justice, seeking similar information in connection with a False Claims Act investigation stemming from alleged anticompetitive conduct.

Mayne Pharma is fully cooperating with these investigations, which appear to be focused on the generic doxycycline hyclate delayed-release market, and to be part of a broader inquiry into industry practices.

Drug pricing matters - litigation

In the last few years, Mayne Pharma Inc has been sued alongside other generic pharmaceutical companies in civil complaints alleging anticompetitive conduct in the sale of generic drugs with claims related to drugs sold by Mayne Pharma as well as allegations that all defendants were part of an

overarching, industry wide conspiracy to allocate markets and fix prices generally. Additional cases brought in the last year have expanded the overarching conspiracy allegations to include additional products. The civil complaints include a complaint by the attorneys general of 45 US states, the District of Columbia and the Commonwealth of Puerto Rico, and class action lawsuits filed by direct purchasers, indirect purchasers and indirect resellers, as well as lawsuits filed by opt out private plaintiffs and various county plaintiffs. These cases have been consolidated into multidistrict litigation pending in the Eastern District of Pennsylvania. Mayne Pharma is strongly defending the allegations made in these civil complaints.

Product liability - amiodarone

In the last few years, Mayne Pharma Inc and other pharmaceutical companies have been sued in multi-plaintiff/coordinated 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. Plaintiffs have filed individually against Mayne Pharma Inc in Delaware. Mayne Pharma continues to defend these proceedings vigorously, and some lawsuits have already been dismissed.

Personal injury and product liability- nystatin

In June of 2020, Mayne Pharma Inc and other pharmaceutical companies were sued in a personal injury and product liability complaint in the Superior Court of New Jersey involving allegations relating to nystatin and other products that contain talc. A plaintiff was allegedly exposed to asbestos, including when administering products that contain talc while working as a nurse's assistant. The allegations involved failure to adequately warn of risks associated with the administration of the products, failure to provide adequate instructions regarding use, breach of express or implied warranties regarding safety, misrepresentation as to alleged health risks, defective design and manufacture, and conspiring with the other defendants to withhold information as to the risks associated with the products. Mayne Pharma is vigorously defending these allegations.

Other matters

In July 2019, HedgePath, LLC (HP LLC), filed a civil action involving Inhibitor Therapeutics, Inc. (INTI) in the Delaware Court of Chancery suing Mayne Pharma Ventures Pty Ltd and certain INTI directors and officers. The action contains claims purportedly brought derivatively for INTI, as well as direct claims. The derivative claims revolve around breaches of fiduciary duty and other wrongdoing including in connection with (i) the issuance of certain INTI equity securities to Mayne Pharma in early 2018, (ii) Mayne Pharma's alleged influence over the timing and conduct of INTI's clinical trials of SUBA-itraconazole for the treatment of BCCNS, and (iii) amendments to a supply and license agreement between INTI and Mayne Pharma and related transactions pursuant to which (among other terms) Mayne Pharma re-acquired from INTI the licensing rights to SUBA-itraconazole for the BCCNS field. The complainant seeks unspecified damages, equitable and other relief from the defendants. Mayne Pharma is a majority shareholder of INTI and HP LLC is a minority shareholder. In March 2020 a class action complaint was filed for INTI shareholders seeking damages from claims arising out of essential the same facts covered in the HP LLC complaint. INTI and the named director and officer defendants have stated that they intend to defend themselves vigorously. Mayne Pharma is also strongly defending the allegations.

NOTE 29 – DIVIDENDS

No dividends were paid or declared in the year ended 30 June 2020 (2019: nil).

Franking credit balance

	2020 $'000	2019 $'000
Opening balance	20,564	24,234
Franking credits arising from payments (net of refunds)	-	(3,670)
Franking credits that will arise from the payment / (refunds) of income tax as at the end of the financial year	-	-
Franking credits available for future reporting periods	20,564	20,564

NOTE 30 – DEED OF CROSS GUARANTEE

As an entity subject to Class Order 2016/785, relief has been granted to Mayne Pharma International Pty Ltd (MPIPL) from the Corporations Act 2001 requirements for the preparation, audit and lodgement of their financial report.

As a condition of the Class Order, the Company and MPIPL entered into a Deed of Cross Guarantee on 28 June 2010. The effect of the deed is that the Company has guaranteed to pay any deficiency in the event of winding up of its controlled entity or if they do not meet their obligations under the terms of the liabilities subject to the guarantee. The controlled entity has also given a similar guarantee if the Company is wound up or if it does not meet its obligations under the terms of loans or other liabilities subject to the guarantee.

Set out below are a Consolidated Statement of Profit or Loss and Other Comprehensive Income and a summary of movements in consolidated retained earnings for the year ended 30 June 2020 of the closed group consisting of the Company and MPIPL.

(a) Consolidated Statement of Profit or Loss and Other Comprehensive Income and a summary of movements in retained earnings.

	CONSOLIDATED	
	2020 $'000	2019 $'000
Continuing operations		
Sale of goods	57,449	62,818
Services revenue	16,638	14,945
License fee income	698	1,162
Royalties revenue	384	1,250
Revenue	**75,169**	**80,175**
Cost of sales	(49,134)	(49,729)
Gross profit	**26,035**	**30,446**
Other income	36,391	70,867
Research and development expenses	(7,433)	(8,506)
Marketing expenses and distribution expenses	(4,689)	(4,893)
Amortisation expenses	(7,259)	(6,465)
Administration expenses and other expenses	(22,213)	(26,510)
Finance costs	(15,189)	(14,661)
Impairments	(98,772)	(304,650)
Profit before income tax	**(93,129)**	**(264,372)**
Income tax (expense)/benefit	(3,913)	(8,037)
Net profit from continuing operations after income tax	**(97,042)**	**(272,409)**
Other comprehensive income for the period, net of tax	(3,048)	(7,184)
Total comprehensive income for the period attributable to owners of the parent	**(100,090)**	**(279,593)**

	2020 $'000	2019 $'000
Retained earnings at the beginning of the financial year	(152,259)	120,150
Transfer from reserve		-
Profit for the period	(97,042)	(272,409)
Retained earnings at the end of the financial year	**(249,301)**	**(152,259)**

(b) Consolidated Statement of Financial Position

Set out below is a Consolidated Statement of Financial Position as at 30 June 2020 of the closed group consisting of the Company and MPIPL.

	2020 $'000	2019 $'000
Current assets		
Cash and cash equivalents	29,421	22,193
Trade and other receivables	7,958	8,405
Inventories	15,253	15,133
Income tax receivable	225	196
Other current assets	6,285	5,487
Total current assets	**59,142**	**51,414**
Non-current assets		
Related party receivables	500,931	480,765
Investment in subsidiaries	717,892	713,756
Property, plant and equipment	48,867	51,569
Right-of-use assets	1,072	
Deferred tax assets	6,095	6,881
Intangible assets and goodwill	69,985	72,541
Total non-current assets	**1,344,842**	**1,325,512**
Total assets	**1,403,984**	**1,376,926**
Current liabilities		
Trade and other payables	8,581	7,987
Interest-bearing loans and borrowings	435	14,241
Other financial liabilities	3,885	437
Provisions	6,551	5,438
Total current liabilities	**19,452**	**28,103**
Non-current liabilities		
Interest-bearing loans and borrowings	345,084	318,501
Other financial liabilities	2,905	-
Provisions	1,196	1,116
Deferred tax liabilities	16,811	15,650
Total non-current liabilities	**365,996**	**335,267**
Total liabilities	**385,448**	**363,370**
Net assets	**1,018,536**	**1,013,556**
Equity		
Contributed equity	1,238,584	1,140,008
Reserves	29,253	25,807
Retained earnings / (accumulated losses)	(249,301)	(152,259)
Total equity	**1,018,536**	**1,013,556**

NOTE 31 – 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.

NOTE 32 – NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised in the financial statements of the Group, however they may have impacted the disclosures presented in the financial statements.

At the date of authorisation of the financial report, there are no new relevant Standards and Interpretations that were issued but not yet effective.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Mayne Pharma Group Limited, we state that:

In the opinion of the Directors:

(a) The financial statements and notes of Mayne Pharma Group Limited for the financial year ended 30 June 2020 are in accordance with the Corporations Act 2001, including:

  (i) Giving a true and fair view of its financial position as at 30 June 2020 and performance for the financial year ended on that date; and

  (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) There are reasonable grounds to believe that the members of the Closed Group identified in Note 30 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

(d) The financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 1A.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

On behalf of the Board

Mr Scott Richards
Managing Director and CEO

Dated at Melbourne, Australia this 21st day of August 2020.

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Independent Auditor's Report to the Members of Mayne Pharma Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mayne Pharma Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Carrying value of intangible assets including goodwill

Why significant	How our audit addressed the key audit matter

At 30 June 2020, the Group held $962.3 million in intangible assets including goodwill, customer contracts and relationships, product rights and intellectual property, in-process development expenditure, marketing and distribution rights and trade names. These include both finite and indefinite lived intangible assets as disclosed in Note 13 of the financial report.
 	
At a minimum, the Group performs an annual impairment assessment of indefinite lived intangible assets including finite lived intangible assets if these are considered to display indicators of impairment. These assets are assessed either on an individual asset basis or in the Cash Generating Unit ("CGUs") to which the assets belong.
 	
Impairment indicators existed at 30 June 2020 in the form of below budget performance of key products within the Generics business, industry-wide generic pharmaceutical pricing pressures in the United States and the carrying amount of the Group's net assets exceeding its market capitalisation. The range of judgments and assumptions based on circumstances at reporting date relating to revenue growth, profit margins, research and development and overhead costs and discount rates used in the Group's impairment assessments, results in this area being considered a key audit matter. Judgment was also applied in considering the potential future impact of the COVID-19 pandemic on future cashflows.
 	
In respect of in-process development expenditure, the range of judgments and assumptions relating to project milestone achievement, regulatory approval processes and ongoing updates of market viability of individual projects, results in this area being considered a key audit matter.
 	
Note 13 of the financial report provides disclosure of the Group's impairment assessments and impairment charge of $93.2 million recognised in the current year and highlights the impact of reasonably possible changes to key assumptions as required by Australian Accounting Standards.
	We assessed the Group's determination of impairment indicators and whether CGUs were appropriately determined. We tested the mathematical accuracy of the Group's value- in-use models and evaluated the assumptions and methodologies used by the Group. Where appropriate, we involved our valuation specialists to assist with the execution of these procedures.
	
	In respect of the Group's impairment assessment of CGUs containing indefinite and finite lived assets and in-process development expenditure, our audit procedures included the following:
	
	• Assessed the key judgments and estimates contained within the cash flows prepared by the Group with reference to available supporting calculations and external data (where available) including revenue growth rates, profit margins and terminal growth rates. Assessed management's judgments surrounding potential future impact arising from COVID-19 pandemic.
	• Assessed the current year actual results in comparison to the prior year Board approved budget to assess forecast accuracy.
	• Assessed the appropriateness of the discount rates for each CGU by comparing this to external market data of comparable companies.
	• In respect of capitalised in-process development expenditure:
	  · assessed a sample of projects and their status against plan, including milestone achievement for the period.
	  · obtained and considered any regulator correspondence for the sample of projects selected.
	  · assessed any updates made by the Group to the initial project feasibility assessments.
	• Considered the earnings multiples implied by the value- in-use models of each CGU against the earnings multiples of other comparable companies for each respective CGU.
	• Performed sensitivity analysis in respect of the key assumptions to ascertain the extent to which changes in those assumptions would either individually or collectively be required for the intangible assets to be impaired.
	
	We also assessed the adequacy of disclosures made in the financial report as required by Australian Accounting Standards.

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Chargebacks, rebates, returns and related accruals ("gross to net sales adjustments")

Why significant	How our audit addressed the key audit matter
In respect of the Group's operations in the United States of America, distribution of products to its ultimate customer occurs in many cases through wholesale distributors. The ultimate net selling price is determined based on the contractual arrangements that the Group has with its indirect customers such as retail pharmacy chains and the ultimate patient's insurer or other payment programs, whom purchase the Group's products from the wholesale distributors. Revenue for products sold is recognised when control of the goods is passed upon delivery to the distributor. This requires an estimate of the variable consideration at that time, taking into consideration different elements such as chargebacks, rebates, returns and related accruals (collectively known as 'gross-to-net' sales adjustments). The estimate depends on customer specific contract terms and regulations, as well as customer forecast sales mix at its weighted average sales prices, trade volumes, inventories held by the distributor and historical trend of customer product returns. The dispensing of the product to the patient (being the end users) and the final determination of the actual selling price may be several months later. This is a significant area and a key audit matter as the estimation processes involve large volumes of data processed through the contract management system and is highly judgmental. As such we focused our audit procedures on these 'gross to net' adjustments with particular focus on the gross accrual recorded at balance date and trade receivables (where chargebacks are recorded on a net basis). The gross accrual accounted for against revenues amounted to $87.8 million (equivalent to US$60.4 million) at reporting date. The Group's accounting policies and significant accounting estimates for this key audit matter are disclosed in Note 2 of the financial report.	With respect to the contract management system that produced the underlying source data, we performed audit procedures noted below to confirm the integrity and accuracy of the data. For each accrual we agreed the material estimates, on a sample basis, to underlying supporting documentation such as actual sales, settlements and/or reclassification between the elements of gross-to-net sales adjustments. For each of the estimated accruals, we tested the mathematical accuracy of the calculations and assessed the integrity of the data used in the calculations. We assessed the inputs used in the calculations including product returns, weighted average sales prices and inventory levels which remain unsold by the distributor, taking into account historical trends and specific circumstances at reporting date, to the underlying supporting documentation. Based on the historical data and trends our audit procedures included the following: • Developed an expectation on expected gross to net accrual balances and compared this to the recorded accrual balances and where material variances were identified we obtained supporting evidence. • Assessed key judgements and estimates contained within managements accrual models including considering actual claims made in previous periods to evaluate the Group's estimation of the gross to net sales adjustments. • Agreed a sample of transactions processed in the contract management system during the period to source documents such as signed customer contracts and claim details such as chargeback rates, product details, wholesaler details. • Assessed claims made subsequent to balance date and considered whether these were appropriately treated at reporting date. • Analysed credit notes and payments (on a sample basis) throughout the year and post year-end, and assessed the impact to accruals recorded during the period.

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Capitalisation of in-process development expenditure

Why significant	How our audit addressed the key audit matter
The Group held $40.7 million of development expenditure at 30 June 2020. The Group capitalises qualifying development expenditure on the basis of its products being generic alternatives to already proven and regulator approved, in-market original medical therapies. Where these criteria are not met, the Group expenses its research and development activities. The capitalisation of development expenditure was considered a key audit matter as development activities are subject to uncertainties and judgmental assumptions as to the probability of scientific success, the timing of regulatory approval processes, as well as the ongoing future market viability of the relevant products from project initiation date to approved product launch date. Capitalised development costs are amortised once the product is available for use, generally from when regulatory approval is obtained. The carrying value of Capitalised Development costs are reviewed each period to identify projects no longer considered viable and impaired. The Group recorded an impairment of Capitalised Development costs of $15.1 million during the year ended 30 June 2020 as a result of this process. Refer to Note 13 of the financial report for disclosure relating to capitalised development costs.	We tested the mathematical accuracy of the Group's capitalised development expenditure model and evaluated the key assumptions and methodologies used by the Group. We performed the following procedures in respect of the development expenditure capitalised: • Assessed the nature of the costs incurred that have been assessed by the Group as directly attributable to the development activities of the relevant projects, and tested the consistency of the capitalisation approach taken across the portfolio during the year and in previous periods. • Agreed a sample of costs capitalised, including salaries and overhead costs, to timesheets and/or other supporting documentation and assessed whether these met the capitalisation criteria set out in Australian Accounting Standards. • In respect of projects that are no longer considered viable, we determined whether the carrying amount had been appropriately written off. • In respect of projects that have received regulatory approval, we assessed the useful life and amortisation rate applied to these capitalised development costs. We also assessed the adequacy of the related disclosures made in the financial report.

Acquisition of intangible assets from licence agreement, including contingent consideration

Why significant	How our audit addressed the key audit matter
During the period, the Group acquired the US distribution rights to a novel oral contraceptive comprising Estetrol and Drospirenone (E4/DRSP) via a 20-year licence agreement. The regulatory approval application for the product has been filed with the regulator but approval has not yet been granted. The total intangible asset carrying value at acquisition date including upfront and contingent consideration was US$187.5 million (equivalent to $277.1 million), as described in Note 13. The procedures over the acquisition of intangible assets were significant to our audit and a key audit matter due to the complexity of the licence agreement as well as the materiality of the asset and associated liability. The underlying contracts include deferred payment terms as well as milestone payments that are contingent on the timing of the regulatory approval, future performance of the acquired asset over an extended period, and discount rate, which require significant estimation and judgement.	• We analysed the licence agreement and assessed the recognition criteria. In particular, we tested whether the Group's accounting policy regarding the recognition of contingent consideration was applied consistently. • We evaluated future sales performance forecasts used in the contingent consideration payable calculation, tested the mathematical accuracy of the underlying calculation and agreed them to the financial projection prepared by management for the specific financial period stipulated by the licence agreement. We also assessed the key assumptions adopted by management with reference to external supporting documentation where relevant. • We compared the discount rates used by management against market information and internal data. • We assessed the disclosures in Note 14 in relation to this acquisition for completeness and accuracy.

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Taxation

Why significant	How our audit addressed the key audit matter
Accounting for tax is a key audit matter as the Group's operations are subject to income taxes in two different tax jurisdictions being Australia and the United States of America. This results in complexities around the applicability of the different tax legislations for the Group. During the year the Group has utilized tax concessions made available under the recently introduced *CARES Act* in the United States resulting in a material income tax benefit. The Group has also considered whether it has any uncertain tax positions not probable of acceptance by taxation authorities. As a result of the net operating loss recorded by the Group after recording a significant impairment, a deferred tax asset of $133.7 million has been recognised at 30 June 2020. An assessment of the recoverability of deferred tax assets based on tax regulatory requirements as well as future forecast profitability in both jurisdictions has been undertaken to determine the amount that may be recognised. This involves significant judgment. The Group's tax disclosures are included in Note 5 of the financial report.	• The audit procedures we performed included testing the mathematical accuracy of the Group's calculations to derive current and deferred taxes. • We involved our taxation specialists to assess the tax positions adopted by the Group for each of their material components and to assess the methodology, estimations and assumptions applied in each jurisdiction. We considered their tax treatment in accordance with the *CARES Act* and any tax regulatory restrictions applicable to deferred tax assets. • As part of these procedures we also assessed the Group's cash flow forecast, including the assumptions and estimates made to support the recognition of deferred tax assets in the current year and compared these cash flows for consistency with the Group's impairment testing. • We assessed management's judgements in determining there were no uncertain tax positions as defined in IFRIC 23 *Uncertainty over income tax treatments*. • We also assessed the adequacy of the related disclosures made in the financial report.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Building a better working world

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 37 of the directors' report for the year ended 30 June 2020.

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

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

David Petersen
Partner
Melbourne

21 August 2020

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 17 September 2020. At a general meeting, every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each share held.

DISTRIBUTION OF ORDINARY SHAREHOLDERS AND SHAREHOLDINGS

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS		NUMBER OF SHARES		NUMBER OF RIGHTS HOLDERS	NUMBER OF RIGHTS
1 to 1,000	1,907	11%	1,091,492	0%	-	-
1,001 to 5,000	5,021	29%	14,608,917	1%	-	-
5,001 to 10,000	3,100	18%	24,739,437	1%	-	-
10,001 to 100,000	6,337	36%	212,674,143	13%	32	1,145,452
100,001 and over	1,111	6%	1,425,954,142	85%	40	14,139,649
Total	17,484	100%	1,679,068,131	100%	72	15,285,101

Included in the above total are 2,530 shareholders holding less than a marketable parcel of 1,429 shares.

RIGHTS

There are 15,285,101 rights on issue held by 72 individual right holders. Rights do not carry a right to vote.

TWENTY LARGEST HOLDERS OF QUOTED ORDINARY SHARES

	SHARES	% OF TOTAL
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	320,478,060	19.1%
MR BRUCE MATHIESON AND RELATED ENTITIES	105,577,583	6.3%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	102,531,522	6.1%
CITICORP NOMINEES PTY LIMITED	97,467,463	5.8%
SOLIUM NOMINEES (AUSTRALIA) PTY LTD <BARE ALLOCATED A/C>	89,184,990	5.3%
ESTETRA SPRL	83,100,000	4.9%
SOLIUM NOMINEES (AUSTRALIA) PTY LTD <UNALLOCATED A/C>	29,692,951	1.8%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	26,688,048	1.6%
IVL GROUP PTY LTD	16,000,000	1.0%
BNP PARIBAS NOMS PTY LTD <DRP>	14,106,094	0.8%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	14,100,000	0.8%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	11,327,284	0.7%
MR ROGER CORBETT AND RELATED ENTITIES	10,440,569	0.6%
NATIONAL NOMINEES LIMITED	10,278,401	0.6%
VIVNAT (CURTIN) PTY LTD	10,000,000	0.6%
Y S CHAINS PTY LTD	10,000,000	0.6%
WAL ASSETS PTY LTD <THE LA WILSON PROPERTY A/C>	9,193,503	0.5%
R & J SMITH SHAREHOLDING PTY LTD <R & J SMITH SHAREHOLDING A/C>	8,853,084	0.5%
MR ROGER ASTON & RELATED ENTITIES	7,140,935	0.4%
WILLIAM P HODGES	6,089,554	0.4%

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders in the Company who had notified the Company in accordance with Section 671B of the Corporations Act are:

Investors Mutual Limited	8.7%
Mr Bruce Mathieson and related entities	6.3%

INTELLECTUAL PROPERTY & GLOSSARY

ASTRIX®, DORYX®, FABIOR®, KAPANOL®, LEXETTE®, LOZANOC®, SORILUX®, SUBA® and TOLSURA® are trademarks of the Consolidated Entity. CORDRAN®, EFUDEX®, LOCOID®, MONUROL®, NEXTSTELLIS™, NUVARING®, TRIANEX® and UROREC® 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 US. 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 "same" 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.

Corporate information

DIRECTORS

- Mr Roger Corbett, AO (Chairman)
- Mr Scott Richards (Managing Director and CEO)
- Mr Patrick Blake
- Mr Frank Condella
- Mr Bruce Mathieson
- Mr Ian Scholes
- Prof Bruce Robinson
- Ms Nancy Dolan

COMPANY SECRETARY

Ms Laura Loftus

INVESTOR RELATIONS

Ms Lisa Pendlebury (Vice President Investor Relations & Communications)

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REGISTERED OFFICE

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Telephone: +61 8 8209 2666

PRINCIPAL PLACES OF BUSINESS

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SOLICITORS

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Rialto Towers, 525 Collins Street
Melbourne VIC 3000

SHARE REGISTRY

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Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Telephone: (03) 9415 4184
Facsimile: (03) 9473 2500

BANKERS

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150 Collins Street
Melbourne VIC 3000

ABN

76 115 832 963

DOMICILE AND COUNTRY OF INCORPORATION

Australia

LEGAL FORM OF ENTITY

Public company listed on the Australian Securities Exchange (MYX)

Mayne Pharma Group Limited
ABN 76 115 832 963
maynepharma.com