Annual Report **2022**

Providing patients with **life-enhancing** medications

mayne pharma

What's inside

Overview

Financial Report

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 provide 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 commercialising novel and generic pharmaceuticals, offering patients better, safe and more accessible medicines.

Mayne Pharma has a 40-year track record of innovation and success in developing oral drug delivery systems. These technologies have been successfully commercialised in numerous products that continue to be marketed around the world.

Mayne Pharma at a glance[1]

$425m
reported revenue, up 6% on FY21

>85%
of revenue in the US

>90
products marketed globally

$87m
reported EBITDA, up 32% on FY21

$46m
adjusted EBITDA, down 28% on FY21

$90m
adjusted EBITDA (excluding NEXTSTELLIS®)[2], up 24% on FY21

($263m)
reported net loss after tax

1b
doses sold in Australia and US

For further information visit the Group's website at maynepharma.com

1. Refer to page 11 of the Annual Report for details of the calculation of EBITDA and adjusted EBITDA which are non-IFRS measures. The financial measures are attributable to equity holders of the parent.
2. Excludes NEXTSTELLIS® direct contribution (gross profit less direct marketing / set up costs).

FY22 business **highlights**

August 2021

- Launched a generic version of ULTRAVATE® (halobetasol) cream in the US
- Launched a generic version of METROCREAM® (metronidazole) cream in the US
- Launched a generic version of DESOWEN® (desonide) cream in the US
- Launched a generic version of TEMOVATE® (clobetasol) ointment in the US
- Launched a generic version of DIPROSONE® (betamethasone) cream in the US
- Commenced promotion of ACTIKERALL® (fluorouracil and salicylic acid) solution to dermatologists and select GPs in Australia

September 2021

- Metrics Contract Services (Metrics) completed US$10m plant expansion to add 3,760 square feet (350m^2) of production space to the Greenville, NC facility to provide greater flexibility and capacity
- Launched a generic version of TAZORAC® (tazarotene) cream in the US
- FDA approved LEXETTE® (halobetasol) foam for plaque psoriasis in adolescents
- Swiss Medic approved KAPANOL® (morphine) capsules for Opioid Substitution Therapy

October 2021

- Launched a generic version of ABSORICA® (isotretinoin) capsules in the US
- Commenced NEXTSTELLIS® key opinion leader (KOL) speaker program in the US

November 2021

- NEXTSTELLIS® oral contraceptive received Australian Therapeutic Goods Administration (TGA) approval
- Launched a generic version of TARGADOX® (doxycycline) tablets in the US
- Metrics successfully completed an inspection by the Brazilian National Health Surveillance Agency (ANVISA)
- Final qualification of a new Glatt GPCG 300 Pro in the Salisbury, South Australia facility

January 2022

- Launched a generic version of PROPTOPIC® (tacrolimus) ointment in the US
- Morphine immediate-release tablets approved by the FDA
- Commenced education to specialists and key opinion leaders on E4 in Australia

February 2022

- Launched a generic version of ACZONE® (dapsone) gel in the US
- Launched a generic version of EPIDUO® Forte (adapalene / benzoyl peroxide) gel in the US
- SUBA®-itraconazole capsules launched in the Middle East by marketing and distribution partner Kaper Pharma

April 2022

- Launched a generic version of DIFFERIN® (adapalene) cream in the US

May 2022

- Awarded $4.8m government grant to modernise the Salisbury plant to support the global supply of advanced pharmaceuticals under the Federal Government's Modern Manufacturing Initiative
- FDA approved a generic version of CARDIZEM® SR (diltiazem) extended-release capsules

June 2022

- Salisbury commenced commercial manufacturing of a contract development project - first full service (development to commercial manufacturing) CDMO client for the site
- Commenced NEXTSTELLIS® direct-to-consumer (DTC) campaign in the US to accelerate awareness
- Entered into a strategic partnership with GoodRx, a leading US consumer focused digital healthcare platform to drive increased consumer awareness of NEXTSTELLIS® and accelerate growth

Letter from the **Chair**

Frank Condella, ***Chair***

Dear fellow shareholders,

I am pleased to present the Mayne Pharma Annual Report for 2022.

In 2022, Mayne Pharma commenced a transformation program to strengthen the Board, reposition the Company for growth and explore options to unlock the value of Mayne Pharma's businesses through active management of the corporate portfolio for the benefit of shareholders.

Board renewal

Over the last year, Mayne Pharma has refreshed its board adding new pharmaceutical and healthcare industry expertise. Dr Carolyn Myers, Dr Kathryn MacFarlane and Ms Ann Custin each bring more than 30 years of industry experience and have distinguished careers in growing US healthcare businesses. Mr David Petrie, an Australian based Director, brings financial acumen and over 30 years of M&A advisory experience to the Board.

I thank Nancy Dolan and Ian Scholes for their outstanding contribution and service to Mayne Pharma.

CEO succession

In September 2022, we announced the appointment of Shawn Patrick O'Brien as Managing Director and CEO. Shawn started in the role on 1 October and was selected following a comprehensive search. We believe Shawn is an outstanding choice to succeed Scott Richards, who announced his intention to retire in August this year.

Shawn has more than 35 years of global pharmaceutical industry experience building successful enterprises. He has been a highly effective leader and his experience in sales and marketing, strategic planning and business development, product development and commercialisation will complement our senior leadership team. He has a proven ability to turnaround organisations, lead large and diverse teams and deliver growth.

On behalf of the Board, I would like to thank Scott for his stewardship over the last ten years including the successful acquisition and sale of Metrics, the challenging COVID-19 pandemic and navigating the competitive and complex US pharmaceutical market.

Sale of Metrics Contract Services

We are pleased to have completed the sale of Metrics to an affiliate of Catalent, Inc. for cash consideration of US$475 million (~A$722 million) which is a key part of the Board's transformation agenda to reposition Mayne Pharma for growth. Mayne Pharma acquired Metrics in 2012 and has grown the business to become a preeminent novel, potent oral solid dose CDMO. Our investments in people, technologies and facilities fuelled the growth of Metrics and enabled it to become a true end-to-end service provider from drug development through to commercial manufacturing.

The Board believes the transaction with Catalent represents compelling value for a business which has reached maturity under Mayne Pharma's ownership. As part of the sale, we have agreed terms of a 5-year supply agreement with Catalent to ensure continuity of supply for certain Mayne Pharma products manufactured at the Greenville site.

Capital management

The sale of Metrics significantly strengthens our balance sheet, unlocks value for shareholders, and creates a leaner and more focused business with financial flexibility to pursue its strategic priorities. After repaying the syndicated debt facility and allowing for capital to support business growth, the Company intends to return a portion of excess funds to shareholders in an efficient way.

Letter from the Chair

Strategic priorities

Mayne Pharma continues to have a diverse business model with multiple opportunities for growth and potential near-term value creation. The key strategic priorities going forward are:

- Driving NEXTSTELLIS® to become a leading brand in the US and Australian contraceptive markets
- Broadening the US women's health and dermatology portfolios with complementary products which can leverage existing commercial infrastructure and strengthen our position in these markets
- Creating a differentiated end-to-end market solution in the US that helps patients seek treatments with a trusted healthcare professional (HCP) that is seamless, transparent and cost-effective
- Building Australia's leading specialty pharmaceutical and CDMO business.

NEXTSTELLIS® oral contraceptive

NEXTSTELLIS® remains the Company's most significant commercial opportunity participating in the US$3.2b short-acting combined hormonal contraceptive (CHC) market in the US and the A$60m CHC market in Australia[1].

Whilst we are behind our original business case forecasts due to COVID and the longer time for physician and patient activation, we saw solid growth in the key performance metrics across FY22 with NEXTSTELLIS® becoming the fastest growing branded contraceptive in 2022. There are now more than 5,300 healthcare providers who have written prescriptions and we estimate ~15,000 women are using NEXTSTELLIS® based on leading edge cycle data.

In June 2022, we launched the direct-to-consumer (DTC) campaign in the US after achieving our targets in terms of the number of prescribers, insurance coverage and HCP awareness. We expect the DTC campaign to accelerate NEXTSTELLIS® sales across FY23.

Financial performance and position

In FY22, the Company took a number of steps to better position the business for the future. These included:

- aggressively rationalising the retail generic portfolio to focus on more sustainable products and channels resulting in significant one-off adjustments for stock write-downs and returns

Driving Growth in Specialty Pharmaceuticals

US Women's Health

- *Accelerate growth of NEXTSTELLIS® oral contraceptive*
- *Seek out complementary products with strong growth potential that can leverage existing commercial infrastructure*

US Dermatology

- *Build our leading dermatology offering and broad portfolio with complementary brand and generic products to leverage infrastructure*
- *Build our leading dermatology offering and broad portfolio with complementary brand and generic products to leverage infrastructure*

Expanding the International Footprint

International

- *Continue growth of Australian based specialty pharmaceutical and CDMO business*
- *Advance pipeline of new product launches including NEXTSTELLIS® oral contraceptive in Australia*

End-to-End US market solutions

- *Actively participate in the disintermediation of the US pharma value chain through new strategic collaborations*
- *Develop alternate patient value propositions across women's health, dermatology and retail generics*

1. IQVIA MAT Sales

One of our key strategic priorities is driving NEXTSTELLIS® to become a leading brand in the US and Australian contraceptive markets.

- restructuring the TOLSURA® (SUBA®-itraconazole) business model and discontinuing direct promotion as this product failed to meet expectations
- reducing the value of NEXTSTELLIS® earn-out liabilities given the slower uptake
- write-downs of intangible assets largely relating to retail generics, SUBA®-itraconazole in Basal Cell Carcinoma Nevus Syndrome (BCCNS) and LEXETTE® (halobetasol)

In terms of performance, the Company reported FY22 revenue of $425m, up 6% on the prior corresponding period (pcp), reported EBITDA of $87m, up 32% on pcp and adjusted EBITDA of $46m, down 28% on pcp.

At the adjusted EBITDA line, our results have been impacted by the commercial investments made into the US launch of NEXTSTELLIS® and continued erosion of the US retail generics business. Excluding the investments in NEXTSTELLIS®, adjusted EBITDA was $90m, up 24% on pcp.

At the bottom line, we reported a net loss after tax which was impacted by a non-cash intangible asset impairment and a reduction of the carrying value of deferred tax assets due to reduced expectations around future taxable profit with the proposed sale of Metrics being a significant factor.

Metrics, International and our dermatology portfolio delivered double-digit earnings growth versus pcp. International delivered revenue growth of 27% and direct contribution earnings growth of 166% on pcp, driven by the launch of SOLARAZE®, growth of KAPANOL®/KADIAN® and the new business strategy of contract development. Metrics delivered revenue growth of 11% and direct contribution growth of 14% on pcp benefiting from new formulation development and commercial manufacturing revenues. US dermatology had an outstanding period benefiting from 12 new product launches delivering revenue growth of 82% and direct contribution growth of 93% on pcp.

The Company ended the year with net debt of $317m. Cash on hand was $97m at 30 June 2022 and the Company had borrowings of $414m. The Company remains compliant with all bank covenants, with interest cover 5.1x (covenant >3x), shareholders' funds of $562m (covenant >$400m) and liquidity (cash and undrawn debt) of $122m (covenant >$65m) at the end of the period.

Outlook

The Company expects FY23 to be a transitional year, focused on resetting the business for future growth. Following completion of the sale of Metrics, Mayne Pharma will be restructured to right-size its operations and become a more streamlined and agile business, in line with the go forward strategy. The Company will maintain a conservatively structured balance sheet and pursue shareholder accretive business development opportunities while driving improved profitability and cash flow.

On behalf of the board, we have sincere appreciation for our employees' dedication and efforts and for our shareholders' continued support. We look forward to the future as we embark on a new chapter of growth.

Frank Condella
Chair

Sustainability at Mayne Pharma

For further information refer to Mayne Pharma's sustainability website maynepharma.com/sustainability

The pharmaceutical industry is responsible for improving living standards around the world by enabling people to live longer and healthier lives. Mayne Pharma's key focus is to bring better, safe and more affordable medicines to market, enabling patients to better manage their health. Our responsibilities as an organisation are to the patients and consumers we serve, our employees, the communities in which we operate and our shareholders.

Our People

Mayne Pharma is committed to providing a healthy and safe work environment for its employees, contractors and visitors. We promote health, safety and wellbeing in the workplace and constantly strive to equip our people with the right skills and resources to perform their roles safely. We provide training and development opportunities for staff and encourage a supportive and inclusive culture.

Our Operations

Mayne Pharma understands the value of operating its business sustainably and protecting the environment in which we operate. We aim to:

- Reduce scope 1 and 2 greenhouse gas (CGG) emissions
- Increase energy efficiency and use renewable sources where feasible
- Continue to reduce the environmental impact of active pharmaceutical ingredients used in its manufacturing and laboratory operations
- Reduce the overall mass of packaging materials per unit dose and increase the proportion of recycled and responsibly sourced materials across the supply chain
- Reduce water usage annually and use wastewater recycling opportunities where feasible
- Continue to develop further sustainable initiatives to reduce Mayne Pharma's environmental footprint

Our Products

Mayne Pharma is committed to the safety of patients as they use the medications we develop, manufacture and market. We have a solid track record of quality and safety and continuously invest in embedding a culture of quality and safety at all levels of our Company. The Company is committed to delivering quality products and services that comply with all relevant regulatory and customer requirements.

We are also committed to providing affordable and accessible medicines and ensuring our products are marketed responsibly.

Our Community

Mayne Pharma contributes to community activities financially, in-kind and by donating time. We support several not-for-profit organisations that contribute to community-based initiatives, support disadvantaged segments of society, conduct educational and training programs and promote healthy lifestyles. Mayne Pharma also supports and recognises researchers and young scientists. We encourage students to pursue higher education in science programs, sponsor awards, provide work placements for students and collaborate on education and research.

As a socially responsible organisation, we aim to:

- *promote a safe and healthy work environment*
- *deal ethically and fairly with all stakeholders*
- *prevent or minimise any environmental impact*
- *encourage innovation in product design*
- *attract and retain the best talent*
- *meet or exceed our statutory obligations and commitments*
- *deliver returns to our shareholders*

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 2022 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 22 to 28, 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 set out below. Directors were in office for this entire period unless otherwise noted.

Mr Frank Condella, Chair
Mr Ian Scholes, Deputy Chair
Mr Scott Richards, Managing Director and CEO
Mr Patrick Blake
Ms Ann Custin (appointed 23 March 2022)
Dr Kathryn MacFarlane (appointed 1 February 2022)
Dr Carolyn Myers (appointed 4 October 2021)
Prof Bruce Robinson, AC

Mr Roger Corbett, AO (resigned 30 September 2021)
Mr Bruce Mathieson (resigned 30 September 2021)
Ms Nancy Dolan (resigned 28 February 2022)

The Directors' qualifications, other listed company directorships, experience and special responsibilities are detailed on pages 18 and 19 of this report. The qualifications and experience of the Company Secretary are detailed on page 19 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 2022 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 F Condella[3]	12	12	-	3			5	5	2	2
Mr I Scholes	12	12	10	10			10	10	-	-
Mr S Richards[4,5]	12	12	-	-	-	-	-	8	-	2
Mr P Blake	12	12	10	10	-	-	10	10	-	-
Ms A Custin	5	5	4	4	-	-	-	-	-	-
Dr K MacFarlane	6	6	-	-	-	-	-	-	1	1
Dr C Myers	9	9	-	-	-	-	-	-	-	1
Prof B Robinson	12	10	-	-	-	-	-	-	2	2
Mr R Corbett	3	3	-	-	-	-	5	5	-	-
Mr B Mathieson	3	2	-	-	-	-	-	-	-	-
Ms N Dolan	7	7	6	6	-	-	-	-	-	-

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 Condella is not a member of the Audit & Risk Committee however he attended several meetings at the Chair's invitation.
4. Mr Richards is not a member of the Remuneration and People Committee however he attends meetings at the Chair's invitation.
5. Mr Richards is not a member of the Science, Technology & Medical Committee however he attends meetings at the Chair's invitation.
6. Dr Myers is not a member of the Science, Technology & Medical Committee however she attends meetings at the Chair's invitation.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 10 August 2022, the Company announced it had entered into an agreement with Catalent, Inc. (Catalent) to sell Metrics Contract Services (Metrics), a leading novel, potent oral solid dose contract manufacturing and development organisation (CDMO) for total cash consideration of US$475m (~A$679m). Completion of the transaction is subject to customary closing conditions including the expiration or termination of the waiting period under the HSR Act. The transaction is expected to close by the end of calendar 2022. Following completion and allowing for reinvestment needs, the Company intends to use the net proceeds to repay the syndicated debt facility and return surplus capital to shareholders.

As part of the Metrics sale, the Greenville facility will transfer to Catalent including more than 400 people. The Company has agreed on the terms of a 5-year supply agreement with Catalent to ensure continuity of supply of certain products from the Greenville facility on arm's length terms.

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

PRINCIPAL ACTIVITIES

Mayne Pharma is an ASX-listed specialty pharmaceutical company focused on commercialising novel and generic pharmaceuticals. Mayne Pharma also provides contract development and manufacturing services to 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 continue to be 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 highly 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 2022 financial year (FY22) 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. Key measures of earnings considered by management in operating the business and assessing performance are earnings before interest, tax, depreciation, amortisation and impairment ('EBITDA') and Adjusted EBITDA.

SALES AND PROFIT	2022 $M	2021 $M	CHANGE ON PCP $M
Reported Revenue	**424.8**	**400.8**	**24.0**
Reported Gross profit	**171.0**	**182.0**	**(11.0)**
Reported Gross profit %	*40.3%*	*45.4%*	
Adjusted EBITDA	45.7	63.5	(17.8)
Adjustments[1]	41.7	2.6	39.1
Reported EBITDA	**87.4**	**66.1**	**21.3**
Impairments	(179.0)	(229.3)	50.3
Depreciation / Amortisation	(80.7)	(67.7)	(13.0)
Reported Profit / (Loss) Before Interest and Tax	**(172.3)**	**(230.9)**	**58.6**
Net interest	(16.5)	(12.1)	(4.4)
Earn-out & deferred consideration liabilities discount unwind	(15.4)	(20.0)	4.6
Reported Profit / (Loss) Before Tax	**(204.2)**	**(263.0)**	**58.8**
Income tax credit / (expense)	(59.1)	54.6	(113.7)
Reported Net Profit / (Loss) After Tax attributable to Mayne Pharma shareholders	**(263.3)**	**(208.4)**	**(54.9)**

1. Current year adjustments are included in the table below. Prior period adjustments to Reported EBITDA include $9.5m expense for business turnaround and restructuring costs, $6.0m for stock write-downs and returns on discontinued retail generic products, $20.6m credit for earn-out reassessments, $2.1m of legal costs associated with the cost of drug pricing investigations and related litigation and $0.4m to remove the Inhibitor Therapeutics Inc (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 2022[1] $M	EARN-OUT REASSESSMENTS[2] $M	RESTRUCTURING[3] $M	DISCONTINUED PRODUCTS[4] $M	SUPPLY CHAIN DISRUPTION[5] $M	ASSET IMPAIRMENTS[6] $M	SALE OF LAND[7] $M	TRANSACTION EXPENSES[8] $M	INTI[9] $M	LITIGATION[10] $M	ADJUSTED JUNE 2022 $M
Revenue	424.8			4.2	4.4						**433.4**
Gross profit	171.0	-		19.6	6.0	-			-	-	**196.6**
Gross profit %	*40%*										*45%*
EBITDA	**87.4**	(81.6)	5.0	19.6	6.0	-	(3.7)	9.9	0.2	2.9	**45.7**
Depreciation / Amortisation	(80.7)	-	-	-	-	-	-	-	0.4	-	(80.2)
Asset impairments	(179.0)	-	-	-	-	164.0	-	-	15.0	-	--
PBIT	**(172.3)**	(81.6)	5.0	19.6	6.0	164.0	(3.7)	9.9	15.6	2.9	**(34.5)**

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. Non-cash credit arising from the decrease in earn-out and deferred consideration liabilities largely relating to NEXTSTELLIS®.
3. Restructuring costs related to organisational transformation to simplify the operating model.
4. Stock write-downs and returns on discontinued products within retail generics business following a strategic decision to rationalise the portfolio due to continued competition and pricing pressure.
5. LEXETTE® supply chain disruption.
6. Non-cash impairments relate to intangible assets.
7. Gain on the sale of surplus land.
8. Transaction expense relate to MCS divestment.
9. Mayne Pharma's share of INTI's EBITDA loss, Mayne Pharma's share of INTI's amortisation and Mayne Pharma's share of the BCCNs impairment.
10. Drug pricing and health care investigations, US Department of Justice and related litigation costs.

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 $424.8m, up 6% on the prior comparative period (pcp) and gross profit was $171.0m, down 6% on pcp.

Gross profit margin as a percentage of revenue was 40.3% (2021: 45.4%) which reflects the changing sales mix with reduced contribution from higher margin branded dermatology products and pricing pressure in retail generics.

The reported loss before tax was $217.8m and the net loss after tax was $273.9m reflecting $192.0m of asset impairments and a recoverable value adjustment of the (net) deferred tax asset of $98.6m.

The impact of exchange rate movements on the Company's balance sheet is recognised in the Foreign Currency Translation Reserve (FCTR) which increased by $51.7m during the year.

Expenses

Net research and development expense (total research and development costs less amounts qualifying for capitalisation) was $14.7m, a decrease in the expense of $7.0m (32%) on the pcp. Reduction in spend on generic product projects (which are more likely to be capitalised) and maintenance of spend in the branded products area (R&D in this area is generally not capitalised) resulted in the level of R&D capitalisation declining from 18% in the pcp to 11% this year.

	JUNE 2022 $M	JUNE 2021 $M
Total R&D costs incurred	16.5	26.6
Development costs capitalised	1.8	4.9
R&D expensed	14.7	21.7

Marketing and distribution expenses increased by $46.9m to $104.6m due to the investment in the US commercial launch of NEXTSTELLIS® which commenced in late June 2021. The US NEXTSTELLIS® marketing and distribution expenses were $48.3m in FY22 (2021: $1.4m).

Finance costs of $32.4m (2021: $32.8m) include interest and line fees on the Group's loan facilities, plus the amortisation of related borrowing costs and the unwinding of discounts associated with earn-out liabilities and deferred liabilities which decreased to $16.8m from $19.4m in the pcp. Included in finance costs was a loss recognised upon modification of the syndicated loan facility of $4.9m (2021: gain $1.8m).

Impairments of $192.0m (2021: $229.3m) were recognised following a detailed review of the Company's intangible assets at 31 December 2021 and 30 June 2022. The reviews considered the current and projected US market dynamics for the portfolio and the industry. Mayne Pharma participates in markets that are potentially exposed to 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) - $3.0m;
- Other specific intangible assets - $81.7m;
- Cash Generating Unit (CGU) impairments totalling $107.3m.

Administration and other expenses increased by $5.3m to $131.9m. This category includes non-cash and other non-operating items such as:

- Amortisation of intangible assets which was $61.2m (2021: $48.8m);
- Share based payments expense $5.6m (2021: $7.7m);
- Pre-launch of NEXTSTELLIS® set up expenses $nil (2021: $11.9m);
- Drug pricing investigations and related litigation costs $2.9m (2021: $2.1m);
- Transaction costs relating to the sale of the Metrics business of $9.9m; and
- Restructuring expenses were $5.0m (2021: $9.5m) and FX losses were $0.1m (2021: $1.6m).

Excluding these items, administration and other expenses increased by $2.5m to $47.3m with the largest component of the increase being FX translation impact ($1.4m).

Tax

The tax expense of $56.1m comprised:

- Current period income tax expense for the year to 30 June 2022 of $1.2m;
- An increase in current year tax expense in respect of prior years of $1.1m; and
- Deferred income tax expense of $56.3m which includes a recoverable amount adjustment of the deferred tax asset of $98.6m.

Financial position

Set out below is a summary of the financial position as at 30 June 2022 compared to the position as at 30 June 2021.

BALANCE SHEET EXTRACT	2022 $M	2021 $M	CHANGE ON PCP $M	CHANGE ON PCP %
Cash	96.7	98.0	(1.3)	(1%)
Receivables	268.2	183.3	84.9	46%
Inventory	108.9	102.5	6.4	6%
Income tax receivable	14.1	20.3	(6.2)	(31%)
PP&E	218.4	212.5	5.9	3%
Intangible assets including goodwill	427.5	636.1	(208.7)	(33%)
Other assets	154.1	210.5	(56.3)	(27%)
Total assets	**1,287.9**	**1,463.2**	**(175.3)**	**(12%)**
Interest-bearing debt (including lease liabilities)	413.7	346.9	66.8	19%
Trade and other payables	168.7	113.7	55.0	48%
Other financial liabilities	126.1	197.9	(71.8)	(36%)
Other liabilities	22.3	33.0	(10.7)	(32%)
Total liabilities	**730.8**	**691.5**	**34.6**	**6%**
Equity	**557.1**	**771.7**	**(214.6)**	**(28%)**

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

Cash

Cash decreased by $1.3m compared to 30 June 2021. Net operating cashflow was an outflow of $7.2m (2021: inflow $58.9m), with investing cash outflows of $28.5m (2021: outflow $49.2m) and proceeds from financing activities of $27.6m (2021: outflow $40.4m).

Inventory, receivables and trade payables

Inventory increased by $6.4m and receivables increased by $84.9m. Trade and other payables increased by $54.9m compared to the prior period. Significant cash has been invested in the US business to support certain new product launches across the financial period both in the Women's Health (NEXTSTELLIS®) and Dermatology businesses, driving this expansion of working capital. Of note, the evolving mix of business (away from Retail Generics) is also impacting the size of the receivables balance with fewer chargebacks recorded against Dermatology sales.

Intangible assets and goodwill

Intangible assets decreased by $208.6m compared to the balance at 30 June 2021. The movement comprised of:

- An increase of $1.8m for capitalised development costs;
- An increase of $4.1m for other intangible additions;
- A decrease of $61.2m for amortisation;
- A decrease of $192.0m for impairments; and
- An increase of $38.7m due to foreign currency translation as the AUD / USD exchange rate decreased from 0.7507 at 30 June 2021 to 0.6892 at 30 June 2022.

Property, plant & equipment

Property, plant and equipment increased by $5.9m compared to the balance at 30 June 2021. The movement comprised of:

- An increase of $8.7m for net additions;
- A decrease of $17.1m for depreciation; and
- An increase of $14.4m due to foreign currency translation.

Interest bearing liabilities

Interest bearing liabilities (excluding lease liabilities) increased to $405.4m from $337.0m at 30 June 2021. The net drawdown of borrowings during the period was $39.8m. The increase also includes $22.5m relating to the AUD/USD exchange rate movement.

Other financial liabilities

Other financial liabilities as at 30 June 2022 include the earn-out liabilities and deferred consideration for the NEXTSTELLIS® distribution rights, the generic NUVARING® distribution rights and various other product acquisitions and distribution rights.

Other financial liabilities decreased by $71.8m from 30 June 2021 due to:

- An increase of $16.8m due to the unwinding of the discount for the various earn-out liabilities and deferred consideration liabilities including $14.3m relating to the NEXTSTELLIS® deferred consideration liability;
- An increase of $4.1m relating to other asset acquisitions;
- A decrease of $81.6m due to re-assessments with the majority relating to the NEXTSTELLIS® liability which was reassessed by $70.6m and LEXETTE® (Halobetasol) which was reassessed by $8.2m;
- A decrease of $21.8m due to payments made;
- A decrease in the mark to market valuation liability of interest rate swaps of $1.1m; and
- An increase relating to foreign currency translation of $11.8m.

Equity

Shareholder equity movements include the current year loss of ($273.9m) and other comprehensive income / (loss) of $53.9m for a net movement of ($220.1m).

Cash flow

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

	2022 $M	2021 $M
Net operating cash flows before income tax receipts / (payments) and before working capital movements	12.3	61.6
Net income tax receipts / (payments)	7.3	10.9
Working capital (investments) / releases	(26.8)	(13.6)
Net Operating cash flows	(7.2)	58.9

Net operating cash for FY22 was an outflow of $7.2m after including $7.3m of net tax receipts and $26.8m net working capital investments. Working capital investments increased due to the launch of NEXTSTELLIS® and additional dermatology products. Transaction costs, litigation costs and restructuring costs included in the operating cash out flows totalled $18.6m.

Other notable cash flows during the period included:

- $15.5m in payments for research and development (includes expensed and capitalised);
- Earn-out and deferred settlement payments totalling $21.8m;

- Receipt of $5.2m for the sale of surplus land; and
- $10.0m in capital expenditure across the Group.

Cash on hand at 30 June 2022 was $96.7m representing a decrease of $1.3m from 30 June 2021 for the reasons outlined above.

The Company had bank debt of $405.4m at 30 June 2022.

Reporting Segments

The Consolidated Entity operates in four operating segments being Metrics Contract Services (MCS), International, Branded Products (BPD) and Portfolio Products (PPD). In the current period, the Consolidated Entity changed its US product reporting segments from Specialty Products (SPD) and Generic Products (GPD) to Branded Products and Portfolio Products respectively. This was to align with its current operating model which was reorganised to simplify operations and enable the business to respond more effectively to changing market dynamics. Comparative information has been adjusted to reflect these new segments.

PPD

	2022 $M	2021 $M	CHANGE %
Revenue	269.1	268.4	0%
Gross profit	97.2	120.4	(19%)
Gross profit %	36%	45%	
Direct opex (including lease depreciation)	(33.7)	(33.9)	(1%)
Direct contribution	63.5	86.6	(27%)

Nature of operations

Portfolio Products Division distributes established products in the US on a portfolio basis. The segment includes two key business lines: dermatology which markets a portfolio of brands and generics to largely non-retail customers, and retail generics which markets a portfolio of generics to largely retail customers.

FY22 performance

The PPD reporting segment's sales were $269.1m, gross profit was $97.2m, down 19% on FY21 and direct contribution decreased 27% to $63.5m. PPD performance was impacted by ongoing pricing pressure and additional competition across the retail generic portfolio with revenue declining 25% to $153.1m. During the period, the Company made a decision to rationalise the retail generic portfolio and discontinue unprofitable retail generic products incurring significant stock write-downs and returns. Dermatology performance improved materially with revenue up 82% to $116.0m supported by a series of new product launches across the period.

BPD

	2022 $M	2021 $M	CHANGE %
Revenue	10.6	7.5	40%
Gross profit	8.4	6.5	29%
Gross profit %	80%	86%	
Direct opex (including lease depreciation)	(55.1)	(19.5)	182%
Direct contribution	(46.6)	(13.0)	nm

Nature of operations

The Branded Products Division distributes medically differentiated specialty products in the US. This division includes NEXTSTELLIS®, TOLSURA® and SOLTAMOX®.

FY22 performance

The BPD reporting segment's sales were $10.6m, up 40% on FY21, gross profit was $8.4m, up 29% on FY21 and direct contribution was -$46.6m due to the investment in the US commercial launch of NEXTSTELLIS®. The Company spent $48.3m during the year on NEXTSTELLIS® marketing and distribution expenses to launch the product.

MCS

	2022 $M	2021 $M	CHANGE %
Revenue	90.8	82.1	11%
Gross profit	47.7	41.8	14%
Gross profit %	53%	51%	
Direct opex	(5.5)	(4.7)	15%
Direct contribution	42.2	37.1	14%

Nature of operations

MCS's 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.

FY22 performance

The MCS reporting segment's revenues were $90.8m, up 11% on FY21, gross profit was $47.7m, up 14% on FY21 and direct contribution increased 14% to $42.2m. MCS benefited from new commercial manufacturing and formulation development revenues which both grew 20% on pcp.

International

	2022 $M	2021 $M	CHANGE %
Revenue	54.4	42.8	27%
Gross profit	17.7	13.2	33%
Gross profit %	33%	31%	
Direct opex	(9.6)	(10.1)	(5%)
Direct contribution	8.1	3.1	166%

Nature of operations

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

FY22 performance

The International reporting segment's revenues were $54.4m, up 27% on FY21, gross profit was $17.7m, up 33% on FY21 and direct contribution increased 166% to $8.1m. All business lines delivered double digit growth with Australian product revenues up 14% to $19.9m, benefiting from the launch of SOLARAZE® and a PBS price increase on erythromycin. CDMO and international product revenue grew 36% to $34.5m benefiting from new formulation development contracts and growing sales of KAPANOL®/KADIAN® in Canada and Switzerland.

Strategy

The Company's core strategic priorities include the following:

KEY PRIORITIES	ACTIVITIES
• US women's health	• Expand and grow the productivity of the NEXTSTELLIS® prescriber base • Continue to improve NEXTSTELLIS® coverage, access and the abandonment rate • Broaden women's health portfolio in areas of unmet need • Seek out highly complementary women's health products with strong growth potential that can leverage existing commercial infrastructure and strengthen position in the market
• US dermatology	• Broaden dermatology portfolio with complementary brand and generic products • Leverage brand and generic model to maximise diversified distribution platform
• International	• Expand specialty brands presence across dermatology (SOLARAZE®, FABIOR®) and women's health (NEXTSTELLIS®) therapeutic categories • Advance pipeline for further growth domestically and internationally • Expansion of contract development client base building off local incentives (such as IP Patent Box), and development track record of Salisbury facility
• End-to-end US market solutions	• Active participation in the disintermediation of the US pharma value chain through new partnerships • Development of alternate patient and prescriber value propositions across women's health, dermatology and retail generics

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 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 table 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
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
Cost inflation	• Increasing cost of active pharmaceutical ingredients, wages 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, particularly 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 or licenced 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

RISK	NATURE OF THE RISK	ACTIONS / PLANS TO MITIGATE
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
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

Mayne Pharma's performance will be heavily influenced by the effective execution of its strategic priorities and will depend on many factors including payer coverage and reimbursement across the US commercial portfolios, competitive intensity in key product families, impact of inflation and movements in the US dollar.

The Company expects FY23 to be a transitional year, focused on resetting the business for future growth. Following completion of the sale of Metrics, Mayne Pharma will be restructured to right-size its operations and become a more streamlined and agile business in line with the go forward strategy. The Company will maintain a conservatively structured balance sheet and pursue shareholder accretive business development opportunities while driving improved profitability and cash flow.

NEXTSTELLIS® remains the Company's most significant commercial product opportunity with sales momentum expected to accelerate following the recently launched direct-to-consumer campaign in the US. The Company expects to continue to broaden the US dermatology portfolio, which today has one of the leading dermatology offerings in the market and grow International as a leading Australian based specialty pharmaceutical and CDMO business. The Company anticipates continued pressure in retail generics.

DIVIDENDS

No dividends were declared or paid during the 2022 financial year.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 10 August 2022, the Company announced it had entered into an agreement with Catalent, Inc. (Catalent) to sell Metrics Contract Services for total cash consideration of US$475m (~A$679m), subject to customary closing conditions.

Mr Richards (CEO and Managing Director) announced on 19 August 2022 that he intends to retire following a decision by the Board to relocate the CEO role to the US on a permanent basis.

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 FRANK CONDELLA, BSPharm, MBA
Chair
Independent Non-Executive Director
Age 68
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, Independent Director of Palladio Biosciences Inc (US) and Chairman of the PKD Foundation.

Mr Condella is Chair of the Remuneration and People Committee and Chair of the Nomination Committee.

MR SCOTT RICHARDS
Executive Director and Chief Executive Officer
Age 58
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, MBA
Independent Non-Executive Director
Age 59
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.

MS ANN CUSTIN, CPA
Independent Non-Executive Director
Age 62
Appointed 23 March 2022

Ms Custin, a US resident, has almost 40 years of experience in the healthcare sector. Most recently, Ms Custin was Board Director and CFO of Siemens Medical Solutions (now Siemens Healthineers), a leading medical technology company with EUR20b in revenues. Previously, she was Chief Operating and Financial Officer of Scient'x Group and President and CEO of USA Draeger Medical Systems

Ms Custin is a member of the Audit & Risk Committee.

DR KATHRYN MACFARLANE PharmD
Independent Non-Executive Director
Age 57
Appointed 1 February 2022

Dr. MacFarlane, a US resident, has more than 30 years of experience in the pharmaceutical industry. She is currently Founder and Managing Partner of SmartPharma LLC, offering commercial and strategic consulting services to pharmaceutical companies. Previously, she was Chief Commercial Officer at Agile Therapeutics, Vice President Women's Health Care Marketing, Sales and New Product Planning at Warner Chilcott and Senior Director of Marketing at ParkeDavis (now Pfizer).

Dr MacFarlane is a member of the of the Science, Technology and Medical Committee.

DR CAROLYN MYERS, Ph.D, MBA
Non-Executive Director
Age 64
Appointed 4 October 2021

Dr. Myers, a US resident, is an experienced pharmaceutical executive having held senior leadership roles at Allergan, Forest Labs, Mylan (now Viatris) and Pharmacia (now Pfizer). She has 30 years of experience in the pharmaceutical industry and is currently CEO of FendX technologies, a medical technology company formed to develop and commercialise products using a unique pathogen repelling technology. She is also Principal of BioEnsemble, providing consulting services to small and mid-size pharma, biotech and medical technology companies. Previously, she was Vice President of Global Alliance Management and International Business Development at Allergan, Vice President of Marketing at Forest Laboratories, President of Dey Laboratories and President of Mylan Technologies. Dr. Myers was nominated by Mayne Pharma's 9.6% shareholder, Mithra Pharmaceuticals SA, as required under the license and supply agreement to commercialise NEXTSTELLIS® oral contraceptive in the US.

PROF BRUCE ROBINSON, AC, MD, MSC, FRACP, FAAHMS, FAICD
Independent Non-Executive Director
Age 66
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 Chair of the Science, Technology and Medical Committee.

MR IAN SCHOLES BCOM, CA
Deputy Chair
Independent Non-Executive Director
Age 67
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 Chair of the Audit & Risk Committee, a member of the Remuneration and People Committee and a member of the Nomination 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 F Condella	755,549	-
Mr I Scholes	2,158,636	-
Mr S Richards	5,585,369	20,018,841
Mr P Blake	260,000	-
Ms A Custin	-	-
Dr K MacFarlane	-	-
Dr C Myers	-	-
Prof B Robinson	634,895	-

UNISSUED SHARES UNDER OPTION

As at the date of this Directors' Report there were 16.7m employee options outstanding.

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 employee options granted during the financial year.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

No shares were issued during the year as a result of option exercises.

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 is due to receive the following amounts for the provision of non-audit services. Refer to Note 25 to the financial statement for details of all amounts received by or due to EY for both assurance and non-audit services.

	2022 $	2021 $
Taxation services	551,973	540,228
Other assurance	18,535	18,601
Total	570,508	558,829

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, Key Management Personnel (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.

Additionally, 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 29 of this report.

Letter from Chair 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 2022. 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 FY22.

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 remuneration and equity-based 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 plan. 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 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. Over the last 5 years no LTIs have been exercised by KMPs and more than 90 million have expired or been forfeited. Furthermore, at 30 June 2022, no LTIs were in the money and could be exercised, which demonstrates the strong alignment of the LTI program with our shareholders' interests. While 147m LTI instruments remain outstanding at the date of this report, representing theoretical dilution of 8%, the actual dilution to shareholders is 0%.

Following a review of the LTI program by the Board and an independent remuneration consultant, PricewaterhouseCoopers (PwC), the following changes were made to the program in FY22:

- Executives received 100% of their LTI participation value in the form of performance rights
- The base test price used to determine vesting, was set above the grant date market price which makes achieving the vesting hurdles more challenging and, as a consequence, resulted in a significantly lower accounting fair value for each performance right granted versus the prior year.

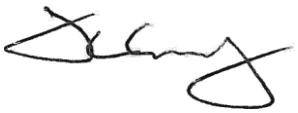
Over the last 3 years, a number of other structural changes have been made to the LTI scheme to lower its cost. These changes include increasing TSR hurdles to 8% for minimum vesting (previously 5%) and 15% for maximum vesting (previously 10%), reducing the number of instruments that vest at the minimum performance hurdle to 20% of a tranche vesting (previously 50%) and the introduction of performance rights.

Remuneration in FY23

For FY23, the Board is reviewing Mayne Pharma's remuneration framework, taking into consideration shareholder and stakeholder feedback. The review is focused on ensuring the scheme is aligned with market practice in Australia and the US to ensure the Company can attract and retain the best talent.

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 wish to provide.

Yours sincerely



Frank Condella
Mayne Pharma Chair

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.

The key change for the FY22 LTI grants was that the base test price used to determine vesting was set above grant date market price. This makes achieving the vesting hurdles more challenging and, consequently, also results in a lower accounting cost (fair value) for each performance right granted.

The key changes in the prior year to KMP remuneration included a revision upwards of TSR hurdles and a reduction in the proportion of performance rights that vest at the minimum performance hurdle for the LTI plans. In addition, there was a material reduction to the loan multiplier that applied to the Executive Share Loan Scheme.

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 Frank Condella – Chair
- Mr Ian Scholes – Deputy Chair
- Mr Patrick Blake
- Ms Ann Custin (appointed 23 March 2022)
- Dr Kathryn MacFarlane (appointed 1 February 2022)
- Dr Carolyn Myers (appointed 4 October 2021)
- Prof Bruce Robinson, AM

- Mr Roger Corbett, AO (resigned 30 September 2021)

- Mr Bruce Mathieson (resigned 30 September 2021)
- Ms Nancy Dolan (resigned 28 February 2022)

Executive Directors:

- Mr Scott Richards – Managing Director and Chief Executive Officer (CEO)

Other executive KMP:

- Mr Peter Paltoglou – Chief Financial Officer (CFO)

Mr Aaron Gray was appointed Incoming Chief Financial Officer in July and, after transition, will take over full responsibility for the CFO role from Mr Paltoglou effective from 29 August 2022. Mr Paltoglou will cease to be a KMP on 26 August 2022.

Mr Scott Richards announced on 19 August 2022 that he intends to retire following a decision by the Board to relocate the CEO role to the US on a permanent basis.

Executives with global responsibilities for business strategy and performance as well as guiding strategic allocation of resources and capital are considered KMP.

2. REMUNERATION GOVERNANCE

The Remuneration and People Committee (RPC) reviews remuneration arrangements for the Directors, members of the KMP and the balance of the CEO's direct reports, and make recommendations to the Board of Directors.

The RPC is made up of three Non-Executive Directors. The CEO, 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 PricewaterhouseCoopers (PwC) during the year.

The fees payable for FY22 to PwC for remuneration advice were $94,629 which included no fees relating to remuneration recommendations as defined under the *Corporations Act 2001*.

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

Remuneration Report approval at the 2021 Annual General Meeting

The FY21 Remuneration Report received strong shareholder support at the 2021 AGM with a vote of 92% in favour. A resolution covering the issue of performance rights under the Performance Rights and Option Plan (PROP) to the CEO also received strong support with 91% of votes in favour.

3. REMUNERATION POLICY

In general, the Board links the nature and amount of KMP and other senior executives' remuneration 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 (FAR) and long-term incentives (LTI). Both FAR and total remuneration are benchmarked to ensure market competitiveness. As a result of this structure, a stronger proportion of total remuneration has been 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. FY22 REMUNERATION AT A GLANCE

CEO	• No increase to fixed remuneration • No short-term incentive • A long-term incentive grant of $2,000,000 – 200% of fixed remuneration (same as prior year) • Statutory fair value of FY22 LTI grant was $1,067,273 (21% decrease on FY21 grant due to the structural changes made to the LTI program) • No LTIs vested during the year
CFO	• Fixed remuneration increased by 2% • No short-term incentive • A long-term incentive grant of 120% of fixed remuneration including superannuation • Statutory fair value of FY22 LTI grant was $406,011 (22% decrease on FY21 grant due to the structural changes made to the LTI program) • No LTIs vested during the year

5. 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 including superannuation. 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. The CEO's relocation contract includes an income tax "protection" clause ensuring the CEO is reimbursed for any increased income taxes incurred on employment related remuneration (including LTI awards) due to his relocation to the US.

Performance-linked remuneration

Remuneration packages for KMP and senior executives include an entitlement to long-term incentives through the award of annual grants under the Performance Rights and Option Plan (PROP). This incentive program ensures key executives of Mayne Pharma are focussed on long-term growth of shareholder value. Executive KMPs did not have any entitlement to short term incentives in FY22.

In FY22, the Company issued executive participants with performance rights only to manage dilution. In the prior year executive participants received loan shares or options and performance rights on an 80:20 basis. Loan shares are issued to executive participants under the Executive Share Loan Scheme (ESLS).

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. Options and performance rights are eligible for vesting over a period

of up to five years, subject to the achievement of specified vesting condition hurdles. 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 dates for the performance rights issued in FY21 and FY22, are 1 March or 1 September to align with the full year and half year results announcements.

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.

Base test dates for grants are either 1 March or 1 September to align with results announcements.

Performance conditions

Vesting of loan shares, options and rights is based on the absolute Total Shareholder Return (TSR) measured over the relevant vesting period, 20% vesting if a TSR Compound Annual Growth (CAGR) of 8% is achieved, rising to 100% vesting for achievement of a TSR CAGR of 15%. Vesting occurs 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 total period of 5 years with vesting being assessed annually over years 1 to 3 and six monthly in years 4 and 5 from the base test date.

For the FY22 grants, the base test price used to determine vesting was set above the grant date market price. This makes achieving the vesting hurdles more challenging. For example, for the September 2021 performance rights grant, the grant date market price was $0.29 whereas the base test price was set at $0.33. This means the share price must grow by approximately 14% (from $0.29 to $0.33) and then grow by another (minimum) 8% to achieve any vesting.

The table below illustrates the required growth rates at a TSR CAGR of 8% pa which would represent 20% vesting:

	Year 1	Year 2	Year 3	Year 4	Year 5
Tranche 1 -20% of grant	TSR +8% from base year	TSR +17% from base year	TSR +26% from base year	TSR +36% from base year	TSR +47% from base year
Tranche 2 - 30% of grant	Not available for vesting	TSR +17% from base year	TSR +26% from base year	TSR +36% from base year	TSR +47% from base year
Tranche 3 - 50% of grant	Not available for vesting	Not available for vesting	TSR +26% from base year	TSR +36% from base year	TSR +47% from base year

The table below illustrates the required growth rates at a TSR CAGR of 15% pa which would represent 100% vesting:

	Year 1	Year 2	Year 3	Year 4	Year 5
Tranche 1 -20% of grant	TSR +15% from base year	TSR +32% from base year	TSR +52% from base year	TSR +75% from base year	TSR +101% from base year
Tranche 2 - 30% of grant	Not available for vesting	TSR +32% from base year	TSR +52% from base year	TSR +75% from base year	TSR +101% from base year
Tranche 3 - 50% of grant	Not available for vesting	Not available for vesting	TSR +52% from base year	TSR +75% from base year	TSR +101% 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 8% and 15% 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 and the appropriate LTI vesting schedule.

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.

6. EXECUTIVE KMP REMUNERATION

A) KMP STATUTORY REMUNERATION TABLES

The following table discloses executive KMP remuneration during the year ended 30 June 2022 as required by the Corporations Act:

		SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS			TOTAL $	PROPORTION RELATED TO PERFORMANCE %
		SALARY $	ANNUAL LEAVE $	OTHER BENEFITS[1] $	SUPER-ANNUATION $	OTHER[2] $	PERFORMANCE RIGHTS $	LOAN SHARES $		
Mr S Richards (CEO)	**2022**	**976,432**	**65,484**	376,340	**23,568**	**28,622**	**629,314[3]**	**848,502[3]**	**2,948,262**	**50.1**
	2021	978,997	86,506	349,285	21,694	28,128	381,672	1,357,351	3,203,634	54.3
Mr P Paltoglou (CFO)	**2022**	**591,600**	**54,738**	-	**23,568**	**23,260**	**222,701**	**201,112**	**1,116,980**	**37.9**
	2021	571,315	58,368	-	21,694	21,035	121,980	346,816	1,141,208	41.1
Total	**2022**	**1,568,032**	**120,222**	**376,340**	**47,136**	**51,882**	**852,015**	**1,049,614**	**4,065,242**	
	2021	1,550,312	144,874	349,285	43,388	49,163	503,653	1,704,168	4,344,842	

1. Other short-term benefits include car lease payments, rental allowances, medical related payments and relocation allowances. 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.
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. The CEO statutory LTI remuneration in FY22 reflects the accounting amortisation of LTI grants issued from FY19 to FY22.

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 LTIs vested (or were exercised) during FY22. Based on the 25 cents share price on 30 June 2022, no employee LTIs were in the money 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 on 30 June 2022.

B) EMPLOYMENT CONTRACTS

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

The table below provides details of the executive KMP service agreements:

NAME	TERM OF AGREEMENT	BASE SALARY[1]	NOTICE PERIOD	INCENTIVE ARRANGEMENTS	TERMINATION BENEFITS
Mr S Richards[2] *Chief Executive Officer*	On-going commencing 13 February 2012	$1,000,000 (including superannuation)	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.
Mr P Paltoglou Chief Financial Officer	On-going commencing 24 August 2015	$591,600 (excluding superannuation)	6 months	Entitlement to participate in LTI share plan. The value of the LTI is based on 120% of fixed remuneration. Minimum shareholding requirement 349,984 unrestricted shares.	Nil if for serious misconduct. Otherwise, up to 6 months' pay in lieu of notice. If employment is terminated within six months of a change of control, entitled to a payment equal to 6 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.
2. As Mr Richards relocated to the US, he also receives living away from home, relocation assistance and other typical expat benefits. Mr Richards' relocation contract includes an income tax "protection" clause ensuring Mr Richards is reimbursed for any increased income taxes incurred on employment related remuneration (including LTI awards) due to his relocation to the US.

Termination benefits for the CEO in FY23 will include relocation support back to Australia, twelve months' pay in lieu of notice, and redundancy on cessation of employment in line with the Company's Australian redundancy and retrenchment policy.

Termination benefits for the CFO in FY23 will include six months' pay in lieu of notice and redundancy on cessation of employment in line with the Company's Australian redundancy and retrenchment policy.

7. NON-EXECUTIVE DIRECTORS' REMUNERATION

Total remuneration for Non-Executive Directors (NED) is determined by resolution of shareholders. The maximum available aggregate cash remuneration for Non-Executive Directors of $1,800,000 was approved at the 2018 Annual General Meeting. Non-Executive Directors do not receive retirement benefits other than a superannuation guarantee contribution required by government regulation for Australian Directors, which was 10% of their fees for FY22, 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 FY22, 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.

NED fees as at the date of this report are detailed in the table below. The amounts for Australian-based Directors include superannuation.

	Board	Audit and Risk Committee	Science, Technology and Medicine Committee	Remuneration and People Committee	Nominations Committee
Chair	US$200,000	A$22,100	A$16,575	Nil	Nil
Deputy Chair	A$176,800	N/A	N/A	N/A	N/A
Australian Based Director	A$132,600	A$11,050	A$8,840	Nil	Nil
US Based Director	US$132,000	US$11,000	US$8,800	Nil	Nil

In FY18, the Board introduced a minimum shareholding policy for Non-Executive Directors. 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] $	SUPERANNUATION $	TOTAL $
Mr F Condella[2]	**2022**	**260,125**	**-**	**-**	**260,125**
	2021	190,278	-	-	190,278
Mr P Blake[2]	**2022**	**200,798**	**-**	**-**	**200,798**
	2021	193,251	-	-	193,251
Ms A Custin[2]	**2022**	**54,580**	**-**	**-**	**54,580**
	2021	-	-	-	-
Dr K MacFarlane[2]	**2022**	**81,714**	**-**	**-**	**81,714**
	2021	-	-	-	-
Dr C Myers[2]	**2022**	**139,172**	**-**	**-**	**139,172**
	2021	-	-	-	-
Mr I Scholes	**2022**	**170,000**	**-**	**17,000**	**187,000**
	2021	140,000	-	13,300	153,300
Prof B Robinson	**2022**	**135,000**	**-**	**13,500**	**148,500**
	2021	135,000	-	12,825	147,825
Mr R Corbett	**2022**	**62,500**	**8,800**	**6,250**	**77,550**
	2021	250,000	22,500	23,750	296,250
Mr B Mathieson	**2022**	**30,000**	**-**	**3,000**	**33,000**
	2021	120,000	-	11,400	131,400
Ms N Dolan	**2022**	**76,718**	**-**	**18,615**	**95,333**
	2021	115,077	-	27,273	142,350
Totals	**2022**	**1,210,606**	**8,800**	**58,365**	**1,277,771**
	2021	1,143,606	22,500	88,548	1,254,654

1. Other benefits include serviced office facilities for the previous Chair.
2. US based directors movements in remuneration include both changes in base fees and foreign exchange rates.

A number of the directors were directors for part of the year only. Refer to section 1. in the Remuneration Report for KMP dates of appointment / resignation.

8. VALUE OF EQUITY INSTRUMENTS GRANTED TO KMP

Options awarded, vested, exercised and lapsed

Other than LTIs issued under the ESLS and PROP as disclosed below, no KMP held options during FY22 and no options were granted to KMP or modified during the period.

LTI program

As noted above, under the LTI program in FY21, 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 2021	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED OR CANCELLED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2022	NUMBER VESTED AT 30 JUNE 2022	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Mr S Richards	6 Dec 2016	31 Jul 2021	$1.5760	2,242,005	-	-	(2,242,005)	-	-	949,815	-
	7 Dec 2017	31 Jul 2022	$0.6169	6,608,851	-	-	-	6,608,851	1,321,770	1,311,196	-
	6 Dec 2018	1 Oct 2023	$0.9696	6,229,373	-	-	-	6,229,373	-	1,871,927	201,464
	29 Nov 2019	30 Sep 2024	$0.4695	5,145,686	-	-	-	5,145,686	-	780,086	264,104
	3 Dec 2020	30 Sep 2025	$0.3554	8,643,782	-	-	-	8,643,782	-	1,063,185	382,934
Mr P Paltoglou	3 Jul 2017	31 Jul 2022	$1.1307	1,278,871	-	-	-	1,278,871	-	412,308	-
	28 Sep 2017	31 Jul 2022	$0.6631	314,989	-	-	-	314,989	62,998	67,030	-
	23 Mar 2018	31 Mar 2023	$0.7620	2,091,695	-	-	-	2,091,695	-	568,314	2,046
	26 Sep 2019	30 Sep 2024	$0.5151	1,274,849	-	-	-	1,274,849	-	194,160	61,902
	15 Sep 2020	30 Sep 2025	$0.3300	2,965,729	-	-	-	2,965,729	-	371,309	124,229
	26 Sep 2020	30 Sep 2025	$0.3647	318,438	-	-	-	318,438	-	38,276	12,935
				37,114,268	-	-	(2,242,005)	34,872,263	1,384,768	7,627,606	1,049,614

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 2021	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED OR CANCELLED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2022	NUMBER VESTED AT 30 JUNE 2022	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Mr S Richards	29 Nov 2019	30 Sep 2024	2,555,805		-	-	2,555,805	-	907,822	308,809
	3 Dec 2020	30 Sep 2025	1,125,492	-	-	-	1,125,492	-	291,840	106,537
	3 Dec 2021	30 Sep 2026	-	6,060,606[(1)]	-	-	6,060,606	-	1,067,273	213,969
Mr P Paltoglou	29 Nov 2019	30 Sep 2024	694,674		-	-	694,674	-	243,575	82,779
	15 Sep 2020	30 Sep 2025	341,674	-	-	-	341,674	-	86,751	29,372
	26 Sep 2020	30 Sep 2025	85,952	-	-	-	85,952	-	21,393	7,320
	21 Sep 2021	30 Sep 2026	-	2,236,975 [(2)]		-	2,236,975	-	406,011	103,230
			4,803,597	8,297,581	-	-	13,101,178	-	3,024,365	852,015

1. The fair value of the performance rights granted during the year was $0.1761 each.
2. The fair value of the performance rights granted during the year was $0.1815 each.

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

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

10. 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 2022 was nil.

11. SHARES HELD BY KMP

Movements in shares

The movement during FY21 and FY22 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 2020 NUMBER	LTI SHARES GRANTED DURING FY21 NUMBER	LTI LOAN SHARES LAPSED OR FORFEITED NUMBER	OTHER CHANGES DURING FY21 NUMBER	HELD AT 30 JUNE 2021 NUMBER	LTI LOAN SHARES LAPSED OR FORFEITED NUMBER	OTHER CHANGES DURING FY22 NUMBER	HELD AT 30 JUNE 2022 NUMBER
Directors								
Mr F Condella	232,732			110,696	343,428		412,121	755,549
Mr I Scholes	2,158,636				2,158,636			2,158,636
Mr S Richards	28,764,780	8,643,782	(2,553,496)	(400,000)	34,455,066	(2,242,005)		32,213,061
Mr P Blake	260,000				260,000			260,000
Prof B Robinson	634,895				634,895			634,895
Ms A Custin	0				0			0
Dr C Myers	0				0			0
Dr K Macfarlane	0				0			0
Ms N Dolan	101,772				101,772			101,772[1]
Mr B Mathieson	105,577,583				105,577,583			105,577,583[1]
Mr R Corbett	10,440,569				10,440,569			10,440,569[1]
	148,170,967	**8,643,782**	**(2,553,496)**	**(289,304)**	**153,971,949**	**(2,242,005)**	**412,121**	**153,971,949**
Other KMP								
Mr P Paltoglou	8,573,010	3,284,167	(2,231,344)		9,625,833	(719,413)		8,906,420
Total KMP	**156,743,010**	**11,927,949**	**(4,784,840)**	**(289,304)**	**163,597,782**	**(2,961,418)**	**412,121**	**161,048,485**

1. Ms Dolan, Mr Mathieson and Mr Corbett resigned as directors during the year. The final balances of shares held represent holdings at the time of resignation.

12. 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 2022:

	2022	2021	2020	2019	2018
Total revenue ($000)	424,797	400,781	456,985	525,208	530,313
NPAT ($000) attributable to Mayne Pharma shareholders	(263,343)	(208,423)	(92,789)	(279,203)	(133,984)
Basic EPS (cents)	(16.00)	(13.26)	(6.07)	(19.04)	(9.16)
Share price (30 June)	$0.250	$0.320	$0.385	$0.510	$0.870
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 Chair 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.

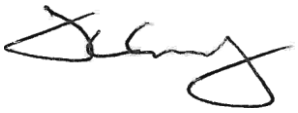
The Company has 123 (or 14%) current staff participating in long term incentive schemes, either through the share loan scheme or the performance rights and option program, including 11 senior executives who agreed to forgo STI entitlements in FY22. The Board considers this a strong indication of the 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. Over the last 5 years, no LTIs have been exercised by KMPs and more than 90 million have expired or been forfeited.

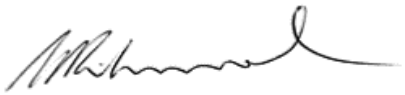
Based on the 25c share price at 30 June 2022, no employee options, loan shares or performance rights were in the money and could be exercised, which demonstrates the strong alignment of the LTI program with shareholders.

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

Dated at Melbourne, Australia this 26th day of August 2022.



Mr Frank Condella
Chair



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 for the audit of the financial report of Mayne Pharma Group Limited for the financial year ended 30 June 2022, 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;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene 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 Melbourne
26 August 2022

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 4th 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
- Anti-bribery & Anti-corruption Policy
- Audit & Risk Committee Charter
- Board Charter
- Business Code of Conduct
- Diversity Policy
- Market Disclosure Policy
- Misconduct & Whistleblowing Policy
- Modern Slavery Report
- Nomination Committee Charter
- Remuneration & People Committee Charter
- Science, Technology & Medical Committee Charter
- Securities Trading Policy
- Supplier Code of Conduct

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

		CONSOLIDATED	
	NOTE	2022 $'000	2021 $'000
Revenue from contracts with customers			
Sale of goods		309,814	299,701
Services revenue		114,101	100,520
License fee revenue		-	100
Royalties revenue		882	460
Revenue	2	**424,797**	**400,781**
Cost of sales	4	(253,769)	(218,803)
Gross profit		**171,028**	**181,978**
Interest income		461	687
Other income	3	4,730	979
Earn-out and deferred consideration liabilities reassessments		81,596	20,613
Research and development expenses		(14,661)	(21,690)
Marketing and distribution expenses		(104,600)	(57,696)
Administration expenses and other expenses	4	(131,921)	(126,617)
Impairments	13	(192,022)	(229,321)
Finance expenses - other	4	(16,985)	(12,824)
Finance expenses – related to earn-outs and deferred consideration liabilities including discount unwind	4	(15,444)	(19,996)
Profit / (loss) before income tax		**(217,818)**	**(263,887)**
Income tax credit / (expense)	5	(56,132)	54,805
Net profit / (loss) from continuing operations after income tax		**(273,950)**	**(209,082)**
Attributable to:			
Equity holders of the Parent		(263,343)	(208,423)
Non-controlling interests		(10,607)	(659)
		(273,950)	**(209,082)**
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified to profit or loss in future periods			
Unrealised gain / (loss) on cash flow hedges		2,412	2,407
Income tax effect		-	-
Exchange differences on translation		54,596	(78,205)
Income tax effect		(2,852)	7,338
Items that will not be reclassified to profit or loss in future periods			
Exchange differences on translation		(268)	(885)
Income tax effect		-	-
Total comprehensive income for the period		**(220,062)**	**(278,427)**
Attributable to:			
Equity holders of the Parent		(209,187)	(276,883)
Non-controlling interests		(10,875)	(1,544)
		(220,062)	**(278,427)**
Basic earnings per share	6	(16.00) cents	(13.26) cents
Diluted earnings per share	6	(16.00) cents	(13.26) cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	NOTE	CONSOLIDATED 2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents	21	96,672	97,980
Trade and other receivables	7	268,241	183,283
Inventories	8	108,908	102,510
Income tax receivable		14,094	7,696
Other financial assets	9	2,426	2,733
Other current assets	10	21,277	22,326
Total current assets		**511,618**	**416,528**
Non-current assets			
Income tax receivable		-	12,588
Other non-current assets	10	4,450	4,108
Property, plant and equipment	11	218,394	212,453
Right-of-use assets	12	7,461	9,142
Deferred tax assets	5	118,489	172,211
Intangible assets (including goodwill)	13	427,514	636,154
Total non-current assets		**776,308**	**1,046,656**
Total assets		**1,287,926**	**1,463,184**
Current liabilities			
Trade and other payables	14	168,691	113,798
Interest-bearing loans and borrowings	15	407,993	54,043
Other financial liabilities	16	17,713	36,080
Income tax payable		1,224	-
Provisions	17	14,800	18,606
Total current liabilities		**610,421**	**222,527**
Non-current liabilities			
Interest-bearing loans and borrowings	15	5,673	292,776
Other financial liabilities	16	108,401	161,838
Deferred tax liabilities	5	6,031	13,460
Provisions	17	280	1,004
Total non-current liabilities		**120,385**	**469,078**
Total liabilities		**730,806**	**691,605**
Net assets		**557,120**	**771,579**
Equity			
Contributed equity	18	1,238,537	1,238,537
Reserves	19	148,642	88,883
Retained earnings	20	(822,406)	(559,063)
Equity attributable to equity holders of the Parent		**564,773**	**768,357**
Non-controlling interests		(7,653)	3,222
Total equity		**557,120**	**771,579**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	NOTE	CONSOLIDATED 2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers		473,069	504,684
Payments to suppliers and employees		(455,246)	(434,510)
Tax paid		-	(3,325)
Tax received		7,289	14,191
Net operating cash flows before research and non-capitalised development expenditure, restructuring costs, set-up and transaction costs and drug pricing investigations and related litigation costs		**25,112**	**81,040**
Payments for research and non-capitalised development expenditure		(13,746)	(18,910)
Restructuring, transaction and drug pricing investigations and related litigation costs		(18,572)	(3,268)
Net cash flows from operating activities [1]	21	**(7,206)**	**58,862**
Cash flows from investing activities			
Payments for property, plant and equipment		(10,009)	(17,091)
Proceeds from sale of land		5,167	-
Payments for intangible assets		(40)	(3,192)
Payments for capitalised development costs		(1,804)	(4,814)
Earn-out and deferred settlement payments		(21,839)	(24,150)
Net cash flows used in investing activities		**(28,526)**	**(49,247)**
Cash flows from financing activities			
Lease payments		(2,774)	(3,009)
Repayment of borrowings		(176,517)	(222,255)
Proceeds from borrowings (net of fees)		216,304	196,430
Interest received		461	687
Interest paid		(9,873)	(12,293)
Net cash flows from financing activities		**27,601**	**(40,440)**
Net increase / (decrease) in cash and cash equivalents		**(8,131)**	**(30,825)**
Cash and cash equivalents at the beginning of the period		97,980	137,785
Effect of exchange rate fluctuations on cash held		6,823	(8,980)
Cash at the end of the period	**21**	**96,672**	**97,980**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	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 2021	**1,238,537**	**43,321**	**49,783**	**(1,078)**	**(3,143)**	**(559,063)**	**768,357**	**3,222**	**771,579**
Profit/(loss) for the period	-	-	-	-	-	(263,343)	(263,343)	(10,607)	(273,950)
Other comprehensive income									
Cash flow hedge	-	-	-	2,412	-	-	2,412	-	2,412
Foreign exchange differences (net of tax)	-	-	51,744	-	-	-	51,744	(268)	51,476
Total comprehensive income for the period	**-**	**-**	**51,744**	**2,412**	**-**	**(263,343)**	**(209,187)**	**(10,875)**	**(220,062)**
Transactions with owners in their capacity as owners									
Shares issued	-	-	-	-	-	-		-	-
Share issue costs (net of tax)	-	-	-	-	-	-		-	-
Tax effect of employee share options	-	-	-	-	-	-	-	-	-
Share-based payments	-	5,603	-	-	-	-	5,603	-	5,603
Share options exercised	-	-	-	-	-	-	--	-	--
Transfer to retained earnings – lapsed and cancelled employee LTI shares	-	-	-	-	-	-	-	-	--
Balance at 30 June 2022	**1,238,537**	**48,924**	**101,527**	**1,334**	**(3,143)**	**(822,406)**	**564,773**	**(7,653)**	**557,120**
Balance at 1 July 2020	**1,238,584**	**35,581**	**120,650**	**(3,485)**	**(3,143)**	**(350,640)**	**1,037,547**	**4,766**	**1,042,313**
Profit/(loss) for the period	-	-	-	-	-	(208,423)	(208,423)	(659)	(209,082)
Other comprehensive income									
Cash flow hedge	-	-	-	2,407	-	-	2,407	-	2,407
Foreign exchange differences (net of tax)	-	-	(70,867)	-	-	-	(70,867)	(885)	(71,752)
Total comprehensive income for the period	**-**	**-**	**(70,867)**	**2,407**	**-**	**(208,423)**	**(276,883)**	**(1,544)**	**(278,427)**
Transactions with owners in their capacity as owners									
Shares issued	-	-	-	-	-	-	-	-	-
Share issue costs (net of tax)	(47)	-	-	-	-	-	(47)	-	(47)
Tax effect of employee share options	-	-	-	-	-	-	-	-	
Share-based payments	-	7,740	-	-	-	-	7,740	-	7,740
Share options exercised	-	-	-	-	-	-	--	-	--
Transfer to retained earnings – lapsed and cancelled employee LTI shares	-	-	-	-	-	-	-	-	--
Balance at 30 June 2021	**1,238,537**	**43,321**	**49,783**	**(1,078)**	**(3,143)**	**(559,063)**	**768,357**	**3,222**	**771,579**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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 2022 was authorised for issue by the Directors on 26 August 2022.

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) in accordance with ASIC Legislative Instrument 2016/191.

B. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2022. 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 have been assessed to 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 equity though 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. Significant 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. Significant 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 15 – Interest Bearing Loans and Borrowings	Assessment of impact of amendments to borrowing facilities
• 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
• Note 31 – Events subsequent to the reporting period	Sale of MCS and consideration of *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*

F. Significant changes in the current reporting period

From 1 July 2021 the Group has adopted the relevant standards and interpretations mandatory for annual reports beginning on or after 1 July 2021. Adoption of the standards and interpretations had no material effect on the financial position or performance of the Group.

New accounting standards and interpretations

In June 2021, IFRIC published an agenda decision in relation to the accounting treatment when determining net realisable value (NRV) of inventories, in particular what costs are necessary to sell inventories under IAS 2 Inventories. The Group has implemented the IFRIC agenda decision with no material impact.

There are no other accounting standards or interpretation issued but not yet effective that are expected to have a material impact on the Group.

G. Change in presentation

For this reporting period, Mayne Pharma has made a change to reporting segments. The comparatives in the segment note have been restated to reflect the new segments.

Where required, items in the 2021 comparative period have been reclassified to reflect the current presentation and enable better comparison between periods.

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 operating segments, being Portfolio Products Division (PPD), Branded Products Division (BPD), Metrics Contract Services (MCS) and International. In the current period, the Consolidated Entity changed its US product reporting segments from Specialty Products (SPD) and Generic Products (GPD) to Branded Products and Portfolio Products respectively. This was to align with its current operating model which was reorganised to simplify operations and enable the business to respond more effectively to changing market dynamics. The comparatives reflect the new segments.

PPD

The Portfolio Products Division distributes established products (branded and generic) in the US on a portfolio basis.

BPD

The Branded Products Division distributes medically differentiated specialty products in the US.

MCS

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

International

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

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

	PPD $'000	BPD $'000	METRICS CONTRACT SERVICES $'000	INTERNATIONAL $'000	TOTAL $'000
Year ended 30 June 2022					
Sale of goods	269,094	10,567	-	30,153	309,814
Services revenue	-	-	90,768	23,333	114,101
Royalty revenue	-	-	-	882	882
Revenue	269,094	10,567	90,768	54,368	424,797
Cost of sales	(171,868)	(2,144)	(43,100)	(36,656)	(253,769)
Gross profit	97,226	8,423	47,668	17,712	171,028
Direct operating expenses	(33,718)	(55,102)	(5,451)	(9,563) [1]	(103,834)
Direct contribution	63,508	(46,679)	42,217	8,149	67,194
Other income					5,199
Earn-out and deferred consideration liabilities reassessments					81,596
Amortisation of intangible assets					(61,183)
Asset impairments					(192,022)
Research and development expenses					(14,661)
Finance expenses					(32,429)
Other expenses unallocated					(71,504)
(Loss) / Profit before income tax					(217,818)
Income tax expense					(56,132)
Net (Loss) / Profit for the period					(273,950)

Note: 1. Direct operating expenses for the International segment include finance function, HR and IT expenses whereas the US segments share such services and hence no allocation for such services has been made to the BPD, PPD and MCS segments.

The combined revenue from the largest customer from each reporting segment was $75.3m for the year ended 30 June 2022.

Approximately 29% of the Group's 2022 revenue (2021: 39%) 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 PPD and BPD segments.

	PPD $'000	BPD $'000	METRICS CONTRACT SERVICES $'000	INTERNATIONAL $'000	TOTAL $'000
Year ended 30 June 2021					
Sale of goods	268,407	7,529	-	23,765	299,701
Services revenue	-	-	82,086	18,434	100,520
Licence fee revenue	-	-	-	100	100
Royalty revenue	-	-	-	460	460
Revenue	268,407	7,529	82,086	42,759	400,781
Cost of sales	(147,968)	(1,024)	(40,242)	(29,569)	(218,803)
Gross profit	120,439	6,505	41,844	13,190	181,978
Direct opex	(33,858)	(19,528)	(4,730)	(10,124)[1]	(68,240)
Direct contribution	86,581	(13,023)	37,114	3,066	113,738
Other income					1,666
Earn-out and deferred consideration liabilities reassessments					20,613
Amortisation of intangible assets					(48,826)
Asset impairments					(229,321)
Research and development expenses					(21,690)
Finance expenses					(32,820)
Other expenses unallocated					(67,247)
(Loss) / Profit before income tax					(263,887)
Income tax expense					54,805
Net (Loss) / Profit for the period					(209,082)

Note: 1. Direct operating expenses for the International segment include finance, HR and IT expenses whereas the US segments share such services and hence no allocation for such services has been made to the BPD, PPD and MCS segments.

Geographical information

Revenue from external customers	2022 $'000	2021 $'000
Australia and New Zealand	33,702	29,962
United States	370,915	358,022
Canada	9,057	5,451
Europe	6,247	2,184
Asia	4,876	5,162
Total external revenue	424,797	400,781

Revenue from customer contracts	2022 $'000	2021 $'000
Recognised at a point in time	310,696	300,261
Recognised over time	114,101	100,520
Total revenue from customer contracts	424,797	400,781

Non-current assets	2022 $'000	2021 $'000
Australia	97,743	109,349
United States	548,165	739,258
Total non-current assets	645,908	848,607

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

Product information

Revenue by product group/service	2022 $'000	2021 $'000
Third party contract services and manufacturing	114,101	100,520
Generic and branded products	309,814	299,701
Other revenue	882	560
Total external revenue	424,797	400,781

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 considering 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 (and therefore revenue recognition) 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.

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.

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 income

Income 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

	2022 $'000	2021 $'000
Gain on sale of surplus land[1]	3,739	-
Rental from excess office space	266	269
Foreign exchange gain	92	-
Other	633	710
	4,730	979

Note: 1. During the year the Group disposed of excess land at its Salisbury manufacturing facility.

Lease income

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

	2022 $'000	2021 $'000
Finance expenses		
Interest expense – syndicated loans	8,192	9,025
Unused line fees	828	1,286
Interest expense – receivables finance	874	715
Interest expense – right-of-use asset leases	331	473
Amortisation of borrowing costs	1,300	1,803
Loss / (Gain) on modification of syndicated loan facility	4,866	(1,821)
Foreign exchange losses relating to funding activities	594	1,343
	16,985	12,824
Foreign exchange losses / (gain) related to earn-outs and deferred consideration liabilities	(1,355)	577
Change in fair value attributable to the unwinding of the discounting of the earn-out and deferred consideration liabilities[1]	16,799	19,419
	15,444	19,996
Total finance expense	32,429	32,821
Depreciation right-of-use assets	2,763	3,249
Depreciation of property, plant and equipment	17,135	16,113
Total Depreciation[2]	19,898	19,362
Cost of sales include the following:		
Inventory write offs	16,384	1,696
Inventory provision for obsolescence and net realisable value adjustments	3,709	9,735
Employee benefits expense[3]		
Wages and salaries	115,669	107,674
Superannuation expense	5,558	4,952
Other employee benefits expense	8,965	7,101
Share-based payments (refer Note 26)	5,603	7,740
Total employee benefits	135,795	127,467
Administration and other expenses include the following:		
Drug pricing investigations and related litigation costs	2,885	2,121
Share-based payments expense	5,603	7,527
Share-based payments expense – restructuring related	-	213
Restructuring and business turnaround expenses	5,014	9,500
NEXTSTELLIS® – set-up costs (costs incurred prior to sales commencing)	-	11,946
Foreign exchange losses	-	1,607
Transaction costs	9,894	-
Amortisation of intangible assets	61,183	48,826
All other administration and other expenses	47,342	44,877
Total administration and other expenses	131,921	126,617

Notes:
1. The 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 ($15,386,000), Marketing and distribution expenses ($713,000), Research and development expenses ($920,000) and Administration and other expenses ($2,879,000).
3. Employee benefit expense is included in various expense categories and cost of sales.

NOTE 5 – INCOME TAX

A. The major components of income tax expense are:

	2022 $'000	2021 $'000
Income tax benefit / (expense)		
Current income tax	1,243	(3,384)
Adjustment in respect of current income tax of previous years	(1,077)	353
Deferred income tax	(56,298)	57,836
Income tax (expense) / benefit in the consolidated statement of profit or loss and other comprehensive income	(56,132)	54,805
Deferred income tax benefit/(expense) included in income tax expense comprises		
(Decrease) / Increase in deferred tax assets	(68,272)	49,814
Decrease in deferred tax liabilities	11,974	8,023
	(56,298)	57,836

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

	2022 $'000	2021 $'000
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:		
Profit/(loss) before income tax	(217,818)	(263,887)
Prima facie tax benefit/(expense) at 30%	65,346	79,166
Effect of R&D concessions	1,634	1,798
Over/(under) provision in respect of prior years	(1,077)	352
Deferred tax asset derecognition	(98,551)	-
Deferred tax asset not previously recognised	479	-
Non-deductible expenses for tax purposes		
Share-based payments	(1,681)	(2,238)
Asset impairments	(1,048)	(2,202)
Amortisation intangibles	(1,783)	(3,246)
Other non-deductible expenses	(4,620)	(111)
Tax losses not recognised	(116)	(222)
Effect of different tax rate in US compared to Australia	(19,292)	(23,113)
US state taxes	5,069	4,978
Restatement of DTA & DTL re US state tax rate changes	(492)	(357)
Income tax (expense) / benefit	(56,132)	54,805

C. Recognised deferred tax assets and liabilities

	2022 $'000	2021 $'000
Deferred tax assets		
Intangible assets	107,474	72,889
Earn-outs and deferred consideration liabilities	28,088	41,943
Provisions	8,380	14,388
Payables	26,862	17,832
Carry forward tax losses and R&D credits	42,116	17,507
Inventory	7,073	6,022
US state taxes	18,284	14,954
Other	52	1,628
Less deferred tax asset not recognised	(103,756)	-
	133,680	187,163

	2022 $'000	2021 $'000
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Assets	133,680	187,163
Set-off of Deferred Tax Liabilities that are expected to reverse in the same period	(15,191)	(14,952)
Net Deferred Tax Assets[1]	118,489	172,211

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

	2022 $'000	2021 $'000
Deferred tax asset movements		
Opening balance	187,198	150,740
Credit/(charge) to profit/loss	(68,272)	49,814
Credit direct to equity[1]		-
Restatement of foreign currency balances	14,789	(13,356)
Balance at 30 June	133,680	187,198

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

	2022 $'000	2021 $'000
Deferred tax liabilities		
Property, plant and equipment	13,724	13,312
Intangible assets	3,689	13,191
Unrealised foreign exchange gains	2,442	-
US state taxes	1,021	1,527
Other	289	382
	21,222	28,412
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Liabilities	21,222	28,412
Set-off of Deferred Tax Assets that are expected to reverse in the same period	(15,191)	(14,952)
Net Deferred Tax Liabilities[1]	6,031	13,460

	2022 $'000	2021 $'000
Deferred tax liability movements		
Opening balances	28,412	46,023
Charge/(credit) to profit/loss	(11,974)	(8,023)
Charge/(credit) to other comprehensive income	2,853	(7,338)
Restatement of foreign currency balances	1,931	(2,250)
Balance at 30 June	21,222	28,412

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

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. In the current period, when this assessment occurred, it indicated that, due to the expected length of time needed to recover the deferred tax asset, it was no longer probable that all the deferred tax assets would be recovered and hence a writedown to the expected probable recoverable amount was made of $99.5m. Certain deferred tax assets will transfer to Catalent as part of the MCS sale and are considered to be recoverable.

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.

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. Due to the complex multinational tax environment in which the Group operates, 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 has 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 and hence amounts are recognised within the financial statements on this basis. The Group continually monitors its position in respect of these matters.

NOTE 6 – EARNINGS PER SHARE

	2022	2021
Earnings per share for profit attributable to the ordinary equity holders of the Parent:		
Basic earnings per share	(16.00) cents	(13.26) cents
Diluted earnings per share	(16.00) cents	(13.26) cents

Basic earnings per share is calculated by dividing the profit / (loss) 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 / (loss) 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:

	2022 $'000	2021 $'000
For basic earnings per share		
Net profit / (loss) attributable to equity holders of the Company	(263,343)	(208,423)
For diluted earnings per share		
Net profit / (loss) attributable to equity holders of the Company	(263,343)	(208,423)

	2022 '000	2021 '000
Weighted average number of ordinary shares for basic earnings per share	1,645,963	1,571,500
Effect of dilution (based on average share price during the year):		
Weighted average effect of second tranche of shares issued to Mithra in May 2021 in accordance with NEXTSTELLIS® license agreement (on FDA approval)	-	74,462
LTI shares, options and performance rights	-	3,399
Weighted average number of ordinary shares adjusted for the effect of dilution	1,645,963	1,649,361

As the Group made a loss during the current and prior years the potentially dilutive ordinary shares are anti-dilutive and diluted EPS was calculated on the same weighted average number of shares used in the calculation of basic earnings per share.

The calculation of weighted average number of ordinary shares adjusted for the effect of dilution does not include the following LTI shares, options 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):

	2022 '000	2021 '000
Number of potential ordinary shares	195,427	98,938

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

	2022 $'000	2021 $'000
Current		
Trade receivables (net of charge-backs)	258,759	173,031
Trade receivables – profit share	1,269	907
Provision for impairment	(988)	(466)
Other receivables	9,201	9,811
	268,241	183,283

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 2022	251,447	2,621	4,973	259,040
Trade receivables 30 June 2021	168,068	3,078	2,326	173,472

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 subsequently measured at amortised cost less provision for expected credit losses.

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$43.5m at balance date. The book value of the receivables approximates the value of 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, $988,000 (2021: $466,000) 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

	2022 $'000	2021 $'000
Raw materials and stores at lower of cost and net realisable value	37,222	34,161
Work in progress at cost	8,559	10,052
Finished goods at lower of cost and net realisable value	63,127	58,298
	108,908	102,510

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 $25,434,000 (2021: $20,824,000).

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

	2022 $'000	2021 $'000
Current		
Restricted cash	408	374
Mark to market value of interest rate swaps contracts	1,334	-
Unbilled client service fees	684	2,359
	2,426	2,733

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

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

	2022 $'000	2021 $'000
Current		
Deposits for gross-to-net sales arrangements	9,708	13,475
Prepayments	11,569	8,851
	21,277	22,326

	2022 $'000	2021 $'000
Non-Current		
Deposits for various commercial contracts	4,450	4,108
	4,450	4,108

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 2022					
Balance at beginning of year net of accumulated depreciation	9,167	95,544	92,506	15,236	212,453
Additions	-	-	7,380	2,774	10,154
Disposals	(1,483)	-	(16)	-	(1,499)
Transfers	-	7,750	-	(7,750)	-
Depreciation charge for year	-	(3,419)	(13,716)	-	(17,135)
Foreign currency restatement	419	7,324	5,761	917	14,421
Balance at end of year net of accumulated depreciation	8,103	107,199	91,915	11,177	218,394
At 30 June 2022					
At cost	8,103	128,949	184,833	16,543	338,428
Accumulated depreciation	-	(21,750)	(92,918)	-	(114,668)
Accumulated impairments	-	-	-	(5,366)	(5,366)
Net carrying amount	8,103	107,199	91,915	11,177	218,394
Year ended 30 June 2021					
Balance at beginning of year net of accumulated depreciation	9,598	106,381	103,477	6,900	226,356
Additions	-	-	8,367	8,751	17,118
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Depreciation charge for year	-	(3,336)	(12,777)	-	(16,113)
Foreign currency restatement	(431)	(7,501)	(6,561)	(415)	(14,908)
Balance at end of year net of accumulated depreciation	9,167	95,544	92,506	15,236	212,453
At 30 June 2021					
At cost	9,167	112,525	166,883	20,162	308,737
Accumulated depreciation	-	(16,981)	(74,377)	-	(91,358)
Accumulated impairments	-	-	-	(4,926)	(4,926)
Net carrying amount	9,167	95,544	92,506	15,236	212,453

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.

NOTE 12 – RIGHT-OF-USE ASSETS

	BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
Year ended 30 June 2022			
Balance at the beginning of year net of accumulated depreciation	6,119	3,023	9,142
Additions	-	685	685
Disposals	-	(245)	(245)
Depreciation charge for year	(1,119)	(1,645)	(2,763)
Foreign currency restatement	465	176	641
Balance at end of year net of accumulated depreciation	5,466	1,995	7,461
At 30 June 2022			
At cost	9,055	5,145	14,200
Accumulated depreciation	(3,589)	(3,150)	(6,739)
Net carrying amount	5,466	1,995	7,461
Year ended 30 June 2021			
Balance at the beginning of year net of accumulated depreciation	7,650	4,239	11,889
Additions	206	1,572	1,778
Disposals	-	(376)	(376)
Depreciation charge for year	(1,154)	(2,095)	(3,249)
Foreign currency restatement	(582)	(318)	(900)
Balance at end of year net of accumulated depreciation	6,119	3,023	9,142
At 30 June 2021			
At cost	8,390	6,387	14,777
Accumulated depreciation	(2,271)	(3,364)	(5,635)
Net carrying amount	6,119	3,023	9,142

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. 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 2022						
Balance at beginning of year net of accumulated amortisation	20,346	538,251	20,027	22,498	35,032	636,154
Additions	-	190	1,828	3,880	-	5,898
Disposals	-	-	--	--	-	-
Amortisation	-	(50,864)	(2,131)	(3,809)	(4,379)	(61,183)
Specific impairments	-	(81,664)	(3,045)	-	-	(84,710)
CGU Impairments	-	(99,415)	(7,897)	-	-	(107,312)
Foreign currency restatement	1,781	35,397	290	960	239	38,667
Balance at end of year net of accumulated amortisation	22,127	341,895	9,071	23,529	30,892	427,514
As at 30 June 2022						
Cost	64,878	1,620,818	188,159	78,915	69,268	2,022,036
Accumulated amortisation	-	(384,942)	(23,341)	(18,533)	(38,318)	(465,134)
Accumulated impairments	(42,751)	(893,981)	(155,747)	(36,853)	(58)	(1,129,390)
Net carrying amount	22,127	341,895	9,071	23,529	30,892	427,514
The split between indefinite and definite life assets is as follows:						
Definite life assets	-	325,097	1,684	23,529	30,892	381,202
Indefinite life assets	22,127	16,798	7,387	-	-	46,312
Net carrying amount	22,127	341,895	9,071	23,529	30,892	427,514

	GOODWILL	CUSTOMER CONTRACTS, CUSTOMER RELATIONSHIPS, PRODUCT RIGHTS AND INTELLECTUAL PROPERTY	DEVELOPMENT EXPENDITURE	MARKETING & DISTRIBUTION RIGHTS	TRADE NAMES	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2021						
Balance at beginning of year net of accumulated amortisation	22,174	834,581	40,700	25,217	39,619	962,291
Additions	-	5,008	4,891	8,967	-	18,866
Disposals	-	-	-	-	-	-
Amortisation	-	(39,998)	(2,492)	(2,014)	(4,322)	(48,826)
Specific impairments	-	(31,193)	(5,181)	(1,837)	-	(38,211)
CGU Impairments	-	(167,708)	(16,427)	(6,975)	-	(191,110)
Foreign currency restatement	(1,828)	(62,439)	(1,464)	(860)	(265)	(66,856)
Balance at end of year net of accumulated amortisation	20,346	538,251	20,027	22,498	35,032	636,154
As at 30 June 2021						
Cost	59,595	1,489,035	174,124	70,192	68,813	1,861,759
Accumulated amortisation	-	(305,365)	(19,988)	(13,860)	(33,728)	(372,941)
Accumulated impairments	(39,249)	(645,419)	(134,109)	(33,834)	(53)	(852,664)
Net carrying amount	20,346	538,251	20,027	22,498	35,032	636,154

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 CGU/operating segments as follows:

	2022 $'000	2021 $'000
MCS	21,736	19,955
MPI	391	391
Closing goodwill balance at 30 June	22,127	20,346

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 trademarks) 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 $192.0m (2021: $229.3m) following detailed reviews of the Company's intangible assets at 31 December 2021 and 30 June 2022 (which considered the current and projected US market dynamics for the portfolio and the industry) and consisted of the following:

The specific impairments recognised during the year ended 30 June 2022 totalled A$84.7m and were as follows:

- Specific Development Expenditure (pipeline products) $3.0m
- Other specific intangible assets $81.7m

The CGU impairments recognised during the year ended 30 June 2022 totalled A$107.3m and were as follows:

- PPD Women's Health $97.3m
- PPD Other $6.5m
- Infectious Disease $3.5m

The CGU impairments were allocated to all intangible assets in the CGU on a pro-rata basis as follows:

- Customer contracts, customer relationships, product rights and intellectual property $99.4m
- Development expenditure $7.9m

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

An asset or a CGU 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 (VIU) method for the majority of the CGUs which utilises net present value techniques using post-tax cash flows and discount rates. For BPD Women's Health, BPD Infectious Disease and BPD Soltamox, the Group has utilised a Fair Value Less Cost of Disposal (FVLCD) methodology to better reflect the outlook for those CGUs.

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.

Refer to the discussion below for differences between the VIU methodology and FVLCD methodology applied to the respective CGUs.

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 of Goodwill, intangible assets are allocated to individual CGUs (which are the Therapeutic Groups or 'TGs') which are then combined into the overall operating segment CGUs of MCS and MPI for Goodwill testing which is performed at the operating segment level.

Each CGU that the intangible assets are allocated to represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is tested at the operating segment level, which is the level at which it is monitored for internal management purposes.

The change in reportable operating segments during the period as described in Note 2 did not impact the identification of the Therapeutic Group CGUs (TG CGUs) as a TG CGU still represents the smallest identifiable group of assets that generate largely independent cash flows.

Impairment testing is conducted initially at 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 a 5 year forecast period plus a terminal value for 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 development expenditure. These assets, and related cashflows, have been included in the relevant CGU for impairment testing purposes and are reviewed on at least an annual basis.

For BPD Women's Health the FVLCD methodology is consistent with the VIU methodology described above except that it excludes certain costs that would not be relevant to a market participant and includes future changes to revenues and operating cost profiles as the product moves through its product lifecycle. An estimated cost of disposal is also included. For BPD Infectious Diseases and BPD Soltamox the methodology is consistent with the VIU methodology described above except that it utilises forecast cashflows based on the planned marketing approach from July 2022 which differs to the historical marketing approach and includes an estimated cost of disposal.

As a result of certain individual internal programs not proceeding to completion or commercial launch, development expenditure projects were impaired totalling $3.0m (2021: $5.2m).

The BCCNS intellectual property represents a similar asset to R&D in-process. This asset was fully impaired as at 30 June given this development program is not proceeding.

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

A$00's	PPD Other	PPD Women's Health	PPD Dermatology	BPD Women's Health	BPD Infectious Disease	BPD Soltamox	MCS	MPI	Total
Intangible Assets	16,368	29,295	89,963	245,773	6,427	1,100	2,659	13,893	**405,387**
Goodwill							21,736	391	**22,127**
Total Intangible Assets including Goodwill	**16,368**	**29,295**	**89,963**	**245,773**	**6,427**	**1,100**	**24,395**	**14,284**	**427,514**

Key assumptions in impairment testing methodology include:

- Cash flow forecasts for the on-market portfolio are based on FY23 Budget projections as well as specific cash flows which have been forecast out to FY27. A terminal growth rate is then applied;
- Risk weighted pipeline cash flows are included in each of the relevant TG/Segment CGUs;
- Corporate overhead has been allocated to the relevant TG/Segment CGU based on their respective gross margin contributions;
- Other net assets have been allocated to the relevant TG/Segment CGU; and
- Individual CGU discount rates have been used.

Discount rates reflect management's estimate of the time value of money and the risks specific to the CGU and have been determined using the WACC.

The pre and post-tax discount rates used are shown below (and are unchanged from 30 June 2021):

- PPD Other: Pre-Tax – 12.5% / Post Tax – 9.6%
- PPD Women's Health: Pre-Tax – 12.5% / Post Tax – 9.6%
- PPD Dermatology: Pre-Tax – 13.3% / Post Tax – 10.2%
- BPD Women's Health: Pre-Tax – 13.3% / Post Tax –10.2%
- BPD Infectious Disease: Pre-Tax – 14.2% / Post Tax – 10.2%
- BPD Soltamox: Pre-Tax – 13.3% / Post Tax – 10.2%
- MCS: Pre-Tax – 13.3% / Post Tax – 10.2%
- MPI: Pre-Tax – 13.7% / Post Tax – 9.6%

A comparison of the MCS, PPD, BPD and MPI CGU segments and their related TGs assumed forecast Gross Margin amount growth rates for the current year impairment testing is shown in the table below along with the HYR Dec 2021 Reported figures. These average growth rates are assumptions determined to satisfy applicable accounting standards but should not be used for guidance.

FY2022	FY22 ASSUMED AVERAGE FORECAST GROWTH RATES 1st FIVE YEARS[1]	FY22 ASSUMED TERMINAL VALUE GROWTH RATE
PPD Other	-12.2%	-5.0%
PPD Women's Health	0.7%	-5.0%
PPD Dermatology	-0.7%	-3.0%
BPD Women's Health	109.6%	-5.0%
BPD Infectious Disease	-10.5%	-5.0%
BPD Soltamox	14.0%	-5.0%
MCS	10.1%	2.0%
MPI	10.7%	2.0%

HYR December 2021	ASSUMED AVERAGE FORECAST GROWTH RATES 1st FIVE YEARS[1]	ASSUMED TERMINAL VALUE GROWTH RATE
PPD Other	-5.2%	-3.0%
PPD Women's Health	-2.1%	-3.0%
PPD Dermatology	5.8%	-5.0%
BPD Women's Health	129.4%	-5.0%
BPD Infectious Disease	35.8%	-5.0%
BPD Soltamox	57.5%	-5.0%
MCS	10.5%	2.0%
MPI	11.4%	2.0%

Note: 1. Growth rates refer to the Compound Annual Growth Rates (CAGR) over the forecast period and includes both on-market and pipeline assets. The CAGRs are calculated off the FY22 statutory result for the relevant CGU.

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

A$m	Carrying Value[1]	Recoverable Value	Difference
PPD Other	83	83	-
PPD Women's Health	47	47	-
PPD Dermatology	173	248	75
BPD Women's Health	249	299	50
BPD Infectious Disease	9	9	-
BPD Soltamox	1	13	12
MCS	255	392	137
MPI	56	93	37

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 Gross Margin Growth[1]	+/-1% Change in Terminal Growth Rate	+/-1% Change in WACC
PPD Other	+7/-7	+1/-1	-4/+4
PPD Women's Health	+4/-4	+1/-1	-3/+3
PPD Dermatology	+28/-27	+10/-9	-18/+21
BPD Women's Health	+27/-27	+20/-18	-31/+36
BPD Infectious Disease	+1/-1	+0/-0	-1/+1
BPD Soltamox	+1/-1	+1/-1	-1/+1
MCS	+38/-37	+38/-30	-47/+60
MPI	+18/-18	+10/-9	-13/+16

Note: 1. Change refers to the movement in Gross Margin ($ amount) Compound Annual Growth Rates for launched products from FY22 to FY27.

The Group 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 particularly the potential for future changes in the markets for the Group's products, for example the successful commercialisation of new products and impact of competitor actions.

The following reasonably possible changes in assumptions within the impairment assessment have been identified which would result in the carrying amount of the following CGU's equalling their recoverable amount:

BPD Women's Health: forecasts for this CGU have incorporated a very high average rate of growth in Gross Margin produced over the first 5 years reflecting the expected demand following ongoing promotion of NEXTSTELLIS. A reduction in the compound rate of growth in gross margin (FY23 to FY27) of greater than 3% across the first 5 year period is likely to cause impairment.

PPD Generic Other, PPD Generic Women's Health and BPD Infectious Disease: as the carrying amount of these CGUs has been written down to their recoverable amounts, any further adverse changes in performance compared to current forecasts will result in 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.

NOTE 14 – TRADE AND OTHER PAYABLES

	2022 $'000	2021 $'000
Current		
Trade payables	63,571	42,363
Accrued rebates, returns and loyalty programs	80,752	50,704
Other payables	24,368	20,731
	168,691	113,798

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 ($0.8m) (2021: $0.2m) for which the service is expected to be completed during FY23.

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

	2022 $'000	2021 $'000
Current		
Syndicated loan and working capital facility	342,254	9,000
Receivables financing	63,112	42,158
Lease liabilities right-of-use assets	2,626	2,885
	407,993	54,043

	2022 $'000	2021 $'000
Non-current		
Syndicated loan and working capital facility	-	285,802
Lease liabilities right-of-use assets	5,673	6,974
	5,673	292,776

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, December 2020, December 2021 and June 2022. The total loan facility limit is US$250m consisting of the 4-year US$100m term loan (matures November 2024) and a 5-year US$150m revolving facility (matures November 2023). The facility can be drawn in either USD or AUD. The amendments to the facility at 30 June 2022 included the removal of the leverage ratio covenant for 30 June 2022.

The classification of the syndicated facility as current at 30 June 2022 reflects the amended contractual terms of the arrangement. Mayne Pharma will be required to use part of the proceeds of the MCS sale to retire the syndicated facility.

A working capital facility of A$10m is also available. The working capital facility matures November 2023.

The total amount drawn, across all facilities, at 30 June 2022 was US$150m and A$124m (2021: US$150m, A$99m).

The facilities are secured and incur interest based on either LIBOR (for USD) or BBSY (for AUD) (both have a zero floor) 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 facility covenants at reporting date.

At 30 June 2022, the average variable interest rate was 4.124% (30 June 2021: 1.955%). The Group has entered into interest rate swap contracts to hedge the interest rate risk exposure with 50% of the outstanding US dollar loan amount and none of the AUD loan amount hedged at 30 June 2022 (US loans 30 June 2021: 50%, AUD loans 61%). 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.

The syndicated facility was amended in the current period with a loss on the non-substantial modification of $4.9m recognised in profit or loss.

The syndicated facility was also amended in the prior period with a gain on the non-substantial modification of $1.8m recognised in profit or loss.

Receivables financing facility

The receivables facility was established in December 2018 and extended in December 2019, December 2020 and again in December 2021. The facility is a committed facility, has a 364-day term, the limit was increased to US$65m in February 2022 (previous limit U$50m) and was drawn to US$43.5m 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, 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.

Syndicated loan facility and receivable financing facility maturities are summarised as follows:

	2022 $'000	2021 $'000
Current	405,366	51,158
Non-current	-	289,814
	405,366	340,971
Due by 30 June 2022	-	51,158
Due by 30 June 2023	405,366	-
Due by 30 June 2024	-	156,605
Due by 30 June 2025	-	133,209
	405,366	340,971

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 2022.

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 2022	336,960	39,786	28,620	405,366
Lease liabilities	30 June 2022	9,860	(2,773)	1,212	8,299
Interest bearing loans	30 June 2021	385,650	(25,826)	(22,864)	336,960
Lease liabilities	30 June 2021	12,398	(3,009)	471	9,860

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. They are initially recognised at fair value less directly attributable transaction costs. 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

	2022 $'000	2021 $'000
Current		
Mark to market value of interest rate swaps contracts	-	1,078
Earn-out liabilities – various products/distribution rights	5,354	14,718
Deferred consideration – various products/distribution rights	12,359	20,284
	17,713	36,080

	2022 $'000	2021 $'000
Non-Current		
Earn-out liabilities – various products/distribution rights	3,138	8,593
Deferred consideration – various products/distribution rights	105,263	153,245
	108,401	161,838

Earn-out and deferred consideration liabilities

The consolidated entity has recognised various earn-out liabilities and deferred consideration 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.

Recognition and derecognition

Earn-out liabilities of the Group are initially recognised as financial liabilities in 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

Cash flow hedge is a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment 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 other comprehensive income in the cash flow reserve. 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 as well as future milestone payments payable against various future events. 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 contingent deferred consideration liabilities at reporting date include a charge representing the unwinding of the discounting of $16,799,000 (2021: $19,419,000) for the period.

At 30 June 2022 the contingent 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

	2022 $'000	2021 $'000
Current		
Employee benefits	13,551	13,079
Restructuring provision	1,249	5,527
	14,800	18,606
Non-Current		
Employee benefits	280	654
Restoration	-	350
	280	1,004

Restructuring provision

The restructuring provision includes employee severance costs and costs of exiting contracts which relate to supply chain changes and other program changes which are considered restructuring in nature. The contract exit costs are also considered to be onerous contracts.

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.

NOTE 18 – CONTRIBUTED EQUITY

Movements in contributed equity

	2022 Number	2021 Number	2022 $'000	2021 $'000
Balance at beginning of year	1,764,840,757	1,679,068,131	1,238,537	1,238,584
Issued during the year:				
Tax effect of employee share options	-	-	-	-
Shares issues as part settlement for an asset acquisition	-	85,772,626[1]	-	-
Other shares issued	-	-	-	
Options exercised	-	-	-	
Equity raising costs	-	-	-	(47)
LTI shares issued (restricted)[2]	-	19,371,998	-	-
LTI shares forfeited	-	(19,371,998)	-	-
Balance at end of year	1,764,840,757	1,764,840,757	1,238,537	1,238,537

Notes:
1. The number of shares issued to Mithra in the prior year relate to the 2nd tranche which were due on FDA approval. FDA approval was granted 15 April 2021. No value for these shares is included in the prior period as the value of these shares was recognised in an earlier period. The 2nd tranche of Mithra shares (85,772,626) which were issued 13 May 2021 were subject to a contractual (no trading) lock for 12 months.
2. The shares were granted under the ESLS (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 2022 the Company amended available debt facilities. No changes were made in the objectives, policies or processes during the years ended 30 June 2022 and 30 June 2021.

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. The Group includes within net debt, interest-bearing loans and borrowings, less cash and cash equivalents.

	2022 $'000	2021 $'000
Interest-bearing borrowings (including lease liabilities)	413,666	346,819
Less cash and cash equivalents	(96,672)	(97,980)
Net debt	316,994	248,839

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

NOTE 19 – RESERVES

	2022 $'000	2021 $'000
Share-based payments reserve	48,924	43,321
Cash flow hedge reserve	1,334	(1,078)
Other reserve	(3,143)	(3,143)
Foreign currency translation reserve	101,527	49,783
	148,642	88,883

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.

	2022 $'000	2021 $'000
Balance at beginning of year	43,321	35,581
Share-based payments expense	5,603	7,740
Transfer to contributed equity on exercise of options	-	-
Transfer to retained earnings on cancellation of employee shares	-	-
Balance at end of year	48,924	43,321

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.

	2022 $'000	2021 $'000
Balance at beginning of year	(1,078)	(3,485)
Mark to market unrealised gain / (loss) on interest rate swap contracts	2,412	2,407
Balance at end of year	1,334	(1,078)

Other equity reserve

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

	2022 $'000	2021 $'000
Balance at beginning of year	(3,143)	(3,143)
Change to equity investment in INTI	-	-
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.

	2022 $'000	2021 $'000
Balance at beginning of year	49,783	120,650
Foreign exchange translation differences (net of tax)	51,744	(70,867)
Balance at end of year	101,527	49,783

NOTE 20 – RETAINED EARNINGS

	2022 $'000	2021 $'000
Retained earnings at the beginning of the period	(559,063)	(350,640)
Transfer from share-based payments reserve re lapsed employee shares	-	-
Net (loss) / profit attributable to members	(263,343)	(208,423)
Retained earnings at the end of the period	(822,406)	(559,063)

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:

	2022 $'000	2021 $'000
Cash at bank and on hand	96,672	97,980

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

	2022 $'000	2021 $'000
Net (loss) / profit after income tax	(273,950)	(209,082)
Adjustments for:		
Depreciation	19,898	19,362
Amortisation of intangibles and borrowing costs	62,483	50,629
Share-based payments	5,603	7,740
Discount unwind earn-out and deferred consideration liabilities	16,799	19,419
Other finance expenses	9,528	10,686
Movement in earn-out liability - reassessment	(81,596)	(20,613)
Asset impairments	192,023	229,321
Loss / (gain) on modification of syndicated loan facility	4,866	(1,821)
Profit on sale of land	(3,683)	-
Net unrealised foreign exchange differences	1	1,079
Non-cash provisions	4,221	9,668
Changes in tax balances		
Decrease / (increase) in deferred tax assets	68,272	(49,814)
Increase in current and deferred tax liabilities	(4,853)	5,875
Operating cash flows before working capital movements	19,612	72,449
Changes in working capital		
Decrease / (Increase) in receivables	(66,124)	(3,203)
Decrease / (Increase) in inventories	(2,412)	(25,923)
(Increase) / decrease in other assets	4,244	(5,278)
(Decrease) / increase in creditors	42,787	16,395
Increase / (decrease) in provisions	(5,313)	4,422
Working capital (investment) / release	(26,818)	(13,587)
Net cash from operating activities	(7,206)	58,862

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 policy. The objective of the policy 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 32% 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:

	2022 $'000	2021 $'000
Variable Interest-bearing loans and borrowings	404,756	340,971
Less Face value of interest rate swaps	(108,822)	(159,907)
Net variable interest rate exposure	295,934	181,064

The Group partially hedged the USD and AUD interest rate exposures by entering into interest rate swap contracts. At 30 June 2022 the interest swaps had a face value of US$75m (2021: US$75m) and A$nil (2021: A$60m).

USD interest rate swaps with a face value of US$75m mature in December 2022. AUD interest rate swaps matured in June 2022 (A$60m) and were not renewed.

The average hedge rate is 0.2925% for USD 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.

	2022 $'000	2021 $'000
Cash at bank and on hand	96,672	97,980

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)
	2022 $'000	2021 $'000	2022[1] $'000	2021 $'000
US interest rates +0.5% (50 basis points)	(417)	(258)	-	747
AUD interest rates +0.5% (50 basis points)	(577)	(157)	-	300

Note: 1. There is no impact on equity as all interest rate swap contracts mature in December 2022 and the outcome is not variable.

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 88% of the Group's revenues and 82% of the Group's costs are denominated in currencies other than the functional currency of the parent entity.

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$'000 30 JUNE 2022	A$'000 30 JUNE 2021
Cash at bank	7,172	7,209
Trade receivables	998	807
Intra Group loans receivable	211,542	177,434
Prepayments and current financial assets	5,687	3,996
Trade and other payables	(3,677)	(2,442)
Other financial liabilities	(792)	(1,146)
Interest-bearing borrowings	(217,644)	(199,814)
Net exposure which may impact Net Profit/(Loss)	3,287	(13,956)
Intra Group loans receivable	116,077	106,567
Net exposure which may impact equity	116,077	106,567

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)
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
AUD/USD +5%	(157)	665	(5,527)	(5,075)
AUD/USD -5%	173	(735)	6,109	5,608

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 29% of the Group's 2022 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 40% of the total trade receivables balance at reporting date. These customers were operating within agreed trading terms at the end of the FY22 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 2022 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:

	2022 $'000	2021 $'000
Cash and cash equivalents[1]	96,672	97,980
Trade and other receivables[2]	268,241	183,283
	364,913	281,263

Notes: 1. Minimum of S&P AA rated counterparty with which deposits are held.
2. At period end 2022 trade receivables were $259,040,000, with 97% 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 and exclude cash flows relating to interest or line fees on interest bearing loans and borrowings. 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 2022					
Liquid financial assets					
Cash and cash equivalents	96,672	-	-	-	96,672
Trade and other receivables	268,241	-	-	-	268,241
	364,913	-	-	-	364,913
Financial liabilities					
Trade and other payables	(168,691)	-	-	-	(168,691)
Interest-bearing loans and borrowings	(408,564)	(1,297)	(5,718)	(626)	(416,204)
Other financial liabilities	(27,188)	(2,326)	(28,172)	(178,939)	(236,626)
	(604,443)	(3,623)	(33,890)	(179,565)	(821,521)
Net inflow/(outflow)	(239,530)	(3,623)	(33,890)	(179,565)	(456,608)

The proceeds from the announced sale of the MCS business will be used to repay the syndicated loan facility which is included in interest bearing loans and borrowings due in less than 6 months.

	LESS THAN 6 MONTHS $'000	6 TO 12 MONTHS $'000	1 TO 5 YEARS $'000	GREATER THAN 5 YEARS $'000	TOTAL $'000
30 June 2021					
Liquid financial assets					
Cash and cash equivalents	97,980	-	-	-	97,980
Trade and other receivables	183,283	-	-	-	183,283
	281,263	-	-	-	281,263
Financial liabilities					
Trade and other payables	(113,720)	-	-	-	(113,720)
Interest-bearing loans and borrowings	(52,626)	(1,468)	(296,015)	(1,696)	(351,805)
Other financial liabilities	(16,232)	(20,568)	(113,934)	(168,360)	(319,094)
	(182,578)	(22,036)	(409,949)	(170,056)	(784,619)
Net inflow/(outflow)	98,685	(22,036)	(409,949)	(170,056)	(503,356)

The Group has undrawn loan facilities of US$16.7m and undrawn receivables financing of US$21.5m available at reporting date (subject to available qualifying receivables). Refer Note 15.
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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Assets				
Mark to market valuation - interest rate swap contracts	1,334	-	1,334	-
Liabilities				
Earn-out and deferred consideration liabilities	126,114	196,841	126,114	196,841
Mark to market valuation - interest rate swap contracts	-	1,078	-	1,078

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

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 2022:

Earn-out / deferred consideration	Valuation technique	Significant unobservable inputs	Input used	Sensitivity of the input to fair value
Mithra-NEXTSTELLIS® – 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 $2.2m / ($2.9m).
		WACC	10.2%	1% increase / (decrease) in the WACC would result in decrease / (increase) in fair value by $5.8m / ($6.2m).

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 2022, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	LEVEL 2		LEVEL 3	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Financial Assets				
Mark to market valuation – interest rate swap contracts	1,334	-	-	-
Financial Liabilities				
Earn-out and deferred consideration liabilities	-	-	126,114	196,841
Mark to market valuation - interest rate swap contracts	-	1,078	-	-

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:

	2022 $'000 EARN-OUT & DEFERRED CONSIDERATION LIABILITIES	2021 $'000 EARN-OUT & DEFERRED CONSIDERATION LIABILITIES
Opening balance	196,841	229,518
Additions recognised for acquisitions made during current year	4,070	10,910
Change in fair value attributable to the unwinding of the discounting	16,799	19,419
Movement in undiscounted fair value	(81,596)	(20,613)
Amounts settled	(21,839)	(24,150)
Restatement of foreign currency balances	11,839	(18,243)
Closing balance	126,114	196,841

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:

	COUNTRY OF INCORPORATION	% EQUITY INTEREST 2022	2021
Mayne Pharma International Pty Ltd	Australia	100	100
Mayne Products Pty Ltd[1]	Australia	100	100
Mayne Pharma UK Limited[1]	United Kingdom	100	100
Mayne Pharma Inc	United States	100	100
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
Mayne Pharma SIP Pty Ltd	Australia	100	100
Mayne Pharma LLC	United States	100	100
Mayne Pharma (Switzerland) GmbH (de-registered)	Switzerland	-	100
Mayne Pharma (Ireland) Limited[1]	Ireland	100	100
Adelaide Apothecary LLC	United States	100	100

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:

	COUNTRY OF INCORPORATION	% EQUITY INTEREST 2022	2021
Inhibitor Therapeutics Inc	United States	46.5	46.5

Summarised statement of profit or loss for period ended 30 June 2022

	INTI 2022 $'000	INTI 2021 $'000
Revenue	-	-
Cost of sales	-	-
Other income	-	56
Research and development expenses	(9)	(53)
Administration expenses	(377)	(465)
Depreciation and amortisation	(908)	(882)
Asset impairments	(27,965)	-
Share-based payments expenses	-	(277)
Loss before tax	(29,259)	(1,621)
Income tax benefit	6,449	204
Loss after tax	(22,810)	(1,417)
Other Comprehensive income	(268)	(885)
Total Comprehensive income	(23,078)	(2,302)
Attributable to non-controlling interests	(10,875)	(1,544)

Summarised statement of financial position as at 30 June 2022

	INTI 2022 $'000	INTI 2021 $'000
Cash at bank	36	125
Other current assets	20	57
Intangible assets	-	27,908
Trade and other payables	(4,938)	(4,424)
Interest bearing liabilities	(480)	(308)
Deferred tax liabilities	-	(6,233)
Total equity	(5,362)	17,125
Attributable to non-controlling interests	(7,653)	3,222

B. Ultimate parent

Mayne Pharma Group Limited is the ultimate parent entity.

C. KMP Compensation

	2022 $'000	2021 $'000
Short-term employee benefits	3,284	3,211
Post-employment benefits	106	132
Long-term benefits	52	49
Share-based payments	1,901	2,208
	5,343	5,600

D. Transactions with related parties

The Company had no other transactions with KMP or other related parties during the financial years ended 30 June 2022 or 30 June 2021.

Amounts owing to Directors, Director-related parties and other related parties at 30 June 2022 and 30 June 2021 were nil.

NOTE 25 – AUDITOR'S REMUNERATION

	2022 $	2021 $
Amounts received or due and receivable by EY for		
Fees for auditing the statutory financial report of the Group	709,600	848,591
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	188,402	251,024
Other services	18,535	18,601
	916,537	1,118,216

	2022 $	2021 $
Amounts received or due and receivable by overseas member firms of EY Australia		
Fees for auditing the statutory financial report of the Group	673,643	588,178
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	491,095[1]	-
Fees for other services:		
Tax compliance and advisory services	363,571	289,204
	1,528,310	877,382

Note: 1. Audit services relate to the MCS divestment.

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:

	2022 $'000	2021 $'000
Expense arising from equity-settled share-based payment transactions	5,603	7,740

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 6).

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 prior 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.

The tables below show the options which were outstanding during the year ended 30 June 2022.

	2022 NUMBER OF OPTIONS	2022 WEIGHTED AVERAGE EXERCISE VALUE $	2021 NUMBER OF OPTIONS	2021 WEIGHTED AVERAGE EXERCISE VALUE $
Balance at beginning of year	16,706,827	0.3322	-	-
Granted during the year	-	-	16,706,827	0.3322
Exercised during financial year	-	-	-	-
Forfeitures and lapses	-	-	-	-
Balance at end of year	16,706,827	0.3322	16,706,827	0.3322

Share Options granted to employees

No options were issued to US executives under the PROP during the year ended 30 June 2022.

The following options were issued to US executives under the PROP during the year ended 30 June 2021.

	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 2021								
Unlisted options	0.3309	30 Sep 25	-	11,695,841	-	-	11,695,841	-
Unlisted options	0.3554	30 Sep 25	-	2,210,656	-	-	2,210,656	-
Unlisted options	0.3193	31 Mar 26	-	2,800,330	-	-	2,800,330	-
			-	16,706,827	-	-	16,706,827	-

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 2022						
Performance Rights	30 Sep 2024	14,446,223	-	-	(1,130,946)	13,315,277
Performance Rights	30 Sep 2025	14,122,177	-	-	(2,025,601)	12,096,576
Performance Rights	31 Mar 2026	1,994,634	-	-	-	1,994,634
Performance Rights	30 Sep 2026	-	34,104,177	-	(1,668,028)	32,436,149
		30,563,034	34,104,177	-	(4,824,575)	59,842,636

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

	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 2021						
Performance Rights	30 Sep 2024	15,285,101	-	-	(838,878)	14,446,223
Performance Rights	30 Sep 2025	-	14,814,451	-	(692,274)	14,122,177
Performance Rights	31 Mar 2026	-	1,994,634	-	-	1,994,634
		15,285,101	16,809,085	-	(1,531,152)	30,563,034

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 21 SEPT 2021 (US)			PERFORMANCE RIGHTS GRANTED 21 SEPT 2021 (AU)			PERFORMANCE RIGHTS GRANTED 3 DEC 2021 (AU)		
	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of shares (treated as options for accounting)	4,073,865	6,110,798	10,184,664	1,432,210	2,148,314	3,580,524	1,314,760	1,972,141	3,286,901
Monte Carlo Simulation model fair value	$0.204	$0.190	$0.176	$0.201	$0.186	$0.171	$0.193	$0.180	$0.167
Share price at grant date	$0.290	$0.290	$0.290	$0.290	$0.290	$0.290	$0.280	$0.280	$0.280
Exercise price	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Expected volatility	45%	45%	45%	45%	45%	45%	45%	45%	45%
Expected option life	2.62yrs	2.93yrs	3.35yrs	3.19yrs	3.42yrs	3.75yrs	2.50yrs	2.77yrs	3.19yrs
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	0.2%	0.2%	0.2%	0.2%	0.9%	0.2%	0.9%	0.9%	0.9%

The base test price was set as the greater of $0.33 and the 5-day VWAP prior to the grant date. The 5-day VWAP was for the 21 Sep 21 grant $0.30 and for the 3 Dec grant $0.27 and hence the base test price was set as $0.33. This means, in order to vest, the share price growth needs to be a minimum of 8% growth from a base of $0.33.

As the point of taxation of performance rights is different for Australian and US employees (which influences the timing for exercising vested performance rights), the expected life and hence the valuation of performance rights also varies between Australian and US employees.

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 2022	GRANT DATE	EXPIRY DATE	LOAN VALUE PER SHARE	NUMBER HELD AT 1 JULY 2021	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED, FORFEITED OR CANCELLED DURING THE YEAR[1]	NUMBER HELD AT 30 JUNE 2022
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	1,915,000	-	-	(1,915,000)	-
Unlisted shares	3 Jul 17	31 Jul 22	$1.1307	13,297,869	-	-	(583,000)	12,714,869
Unlisted shares	28 Sep 17	31 Jul 22	$0.6631	6,042,661	-	-	(755,491)	5,287,170
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	25,602,474	-	-	(2,450,800)	23,151,674
Unlisted shares	3 Sep 18	1 Oct 2023	$1.1326	2,296,000	-	-	(394,000)	1,902,000
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	11,411,068	-	-	-	11,411,068
Unlisted shares	29 Nov 2019	30 Sep 2024	$0.4695	5,145,686	-	-	-	5,145,686
Unlisted shares	15 Sep 2020	30 Sep 2025	$0.3309	10,409,778	-	-	-	10,409,778
Unlisted shares	26 Sep 2020	30 Sep 2025	$0.3647	318,438	-	-	-	318,438
Unlisted shares	1 Dec 2020	30 Sep 2025	$0.3554	8,643,782	-	-	-	8,643,782
				103,863,725	-	-	(8,340,296)	95,523,429

Note: 1. Shares forfeited by employees during the period have not been cancelled. Forfeited shares were transferred to an employee share trust pending new employee grants. New grants utilise shares which have been previously forfeited including shares forfeited in prior periods.

No loan shares were granted during the financial year.

Year ended 30 June 2021	GRANT DATE	EXPIRY DATE	LOAN VALUE PER SHARE	NUMBER HELD AT 1 JULY 2020	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED, FORFEITED OR CANCELLED DURING THE YEAR[1]	NUMBER HELD AT 30 JUNE 2021
Unlisted shares	3 Aug 15	31 Aug 20	$1.1000	8,676,211	-	-	(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	6 Dec 16	31 Jul 21	$1.5760	2,242,005	-	-	-	2,242,005
Unlisted shares	3 Jan 17	31 Jan 22	$1.3720	1,915,000	-	-	-	1,915,000
Unlisted shares	3 Jul 17	31 Jul 22	$1.1307	15,175,013	-	-	(1,877,144)	13,297,869
Unlisted shares	28 Sep 17	31 Jul 22	$0.6631	6,348,112	-	-	(305,451)	6,042,661
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	27,665,771	-	-	(2,063,297)	25,602,474
Unlisted shares	3 Sep 18	1 Oct 2023	$1.1326	2,535,000	-	-	(239,000)	2,296,000
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	12,001,816	-	-	(590,748)	11,411,068
Unlisted shares	29 Nov 2019	30 Sep 2024	$0.4695	5,145,686	-	-	-	5,145,686
Unlisted shares	15 Sep 2020	30 Sep 2025	$0.3309	-	10,409,778	-	-	10,409,778
Unlisted shares	26 Sep 2020	30 Sep 2025	$0.3647	-	318,438	-	-	318,438
Unlisted shares	1 Dec 2020	30 Sep 2025	$0.3554	-	8,643,782	-	-	8,643,782
				103,552,488	19,371,998	-	(19,060,761)	103,863,725

Note: 1. Shares forfeited by employees during the period have not been cancelled. Forfeited shares were transferred to an employee share trust pending new employee grants. New grants utilise shares which have been previously forfeited including shares forfeited in prior periods.

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.

Vesting of loan shares, options and rights (granted in FY21) is based on the absolute Total Shareholder Return (TSR) measured over the relevant vesting period, 20% vesting if a TSR Compound Annual Growth (CAGR) of 8% is achieved, rising to 100% vesting for achievement of a TSR CAGR of 15%. Vesting will occur on a straight-line basis for performance between these two points. The number/proportion of shares that vest for prior year grants is based on the absolute Total Shareholder Return (TSR) over the period, with 50% vesting if a TSR of 5%. Compound Annual Growth (CAGR) 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, 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.

For the FY22 grants, the base test price used to determine vesting, was set above grant date market price which makes achieving the vesting hurdles more challenging. For example, for the September 2021 performance rights grant, the closing share price was $0.29 whereas the base test price was set at $0.33. This means the share price must grow by approximately 10% ($0.29 to $0.33) and then grow by another (minimum) 8% to achieve any vesting.

The table below illustrates the required growth rates at a TSR CAGR of 8% pa which would represent 20% vesting:

	Year 1	Year 2	Year 3	Year 4	Year 5
Tranche 1 -20% of grant	TSR +8% from base year	TSR +17% from base year	TSR +26% from base year	TSR +36% from base year	TSR +47% from base year
Tranche 2 - 30% of grant	Not available for vesting	TSR +17% from base year	TSR +26% from base year	TSR +36% from base year	TSR +47% from base year
Tranche 3 - 50% of grant	Not available for vesting	Not available for vesting	TSR +26% from base year	TSR +36% from base year	TSR +47% from base year

The table below illustrates the required growth rates at a TSR CAGR of 15% pa which would represent 100% vesting:

	Year 1	Year 2	Year 3	Year 4	Year 5
Tranche 1 -20% of grant	TSR +15% from base year	TSR +32% from base year	TSR +52% from base year	TSR +75% from base year	TSR +101% from base year
Tranche 2 - 30% of grant	Not available for vesting	TSR +32% from base year	TSR +52% from base year	TSR +75% from base year	TSR +101% from base year
Tranche 3 - 50% of grant	Not available for vesting	Not available for vesting	TSR +52% from base year	TSR +75% from base year	TSR +101% from base year

Vesting between 20% 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 prior 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. This progressive vesting schedule can provide a rolling benefit to senior executives 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.

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

	2022 $'000	2021 $'000
Assets		
Current assets	15,397	11,391
Non-current assets	794,027	925,509
Total assets	809,424	936,900
Liabilities		
Current liabilities	353,758	12,248
Non-current liabilities	-	287,858
Total liabilities	353,757	300,105
Net assets	455,668	636,794
Equity		
Issued capital	1,238,537	1,238,537
Reserves	47,137	39,122
Accumulated losses	(830,006)	(640,865)
Total equity	455,668	636,794

Financial performance

	2022 $'000	2021 $'000
Profit/(Loss) for the year	(189,141)	(272,243)
Other comprehensive income	8,015	2,407
Total comprehensive income	(181,126)	(269,836)

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 $4.0m of contractual obligations for the purchase of capital equipment as at 30 June 2022 (2021: $1.4m).

B. Contingencies

The partly owned subsidiary INTI continues to require a secure source of funding. There is a risk that INTI will be unable to obtain additional financing when needed on commercially reasonable terms, if at all. As part of the settlement discussed below, Mayne Pharma will cancel its equity in INTI upon the effective date of the settlement.

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 or 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

Except as specified below under the heading 'Other Matters', all these legal claims and allegations are being vigorously contested. Except as specified below under the heading 'Other Matters', 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 fully cooperated with these investigations, which appeared to focus on the generic doxycycline hyclate delayed-release market, and to be part of a broader inquiry into industry practices. Mayne has not had substantive communications with the Antitrust Division since late 2016, and the Antitrust Division has not indicated that it intends to bring criminal charges against the company or conduct any further investigation of Mayne Pharma. Likewise, Mayne Pharma has not had any contact with the Civil Division since late 2018, and the Civil Division also has not indicated that it intends to bring civil claims against the company or conduct any further investigation of Mayne Pharma.

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. 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 (including one in Canada), indirect purchasers and indirect resellers, as well as lawsuits filed by opt out private plaintiffs and various county plaintiffs. The US 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 directly to the patients, 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.

Federal Health care – investigation

In July 2021, the Company received a Civil Investigative Demand from the Civil Division of the US Department of Justice seeking information relating to claims submitted to federal health care programs and surrounding select branded products. Mayne Pharma is fully cooperating with this investigation.

Shareholder Class Action

In August 2021, Mayne Pharma was served with a class action proceeding in the Supreme Court of Victoria. The proceeding was brought by Phi Finney McDonald for the plaintiff and on behalf of all persons who acquired an interest in fully paid ordinary shares of Mayne Pharma, and/or American Depositary Receipts that represent Mayne Pharma shares, between 24 November 2014 and 15 December 2016. The proceeding alleges misleading or deceptive conduct and breaches of continuous disclosure obligations in respect of alleged anti-competitive conduct in the US that has been the subject of investigations by the US Department of Justice and the Office of the Attorney General in the State of Connecticut (mentioned above). The Company is vigorously defending the proceeding.

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 alleged 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 essentially the same facts covered in the HP LLC complaint.

In November 2021, Mayne Pharma, INTI, and the named director and officer defendants participated in a confidential mediation with the plaintiffs from both actions before the Honorable Stephen P. Lamb. The parties continued to engage in arms-length settlement discussions for approximately seven months before coming to an agreement-in-principle on a settlement of all claims in the actions in June 2022. The agreement-in-principle is subject to the execution of definitive documentation and approval by the Delaware Court of Chancery. In consideration of the settlement, Mayne Pharma's insurers will make a cash payment of US$14.25 million to INTI, Mayne Pharma will cancel all of its equity in INTI and Mayne Pharma will terminate all of the existing licensing rights to INTI for SUBA-Itraconazole in the remaining fields. Mayne Pharma will receive reimbursement from INTI for the US$371,000 it has recently extended in short-term financing to INTI. The parties will exchange comprehensive general releases in customary form. The Delaware Court of Chancery has been notified that the parties have reached an agreement-in-principle to settle these actions, and the settlement hearing is currently set for November 10, 2022. The likely effective date for the settlement is some time in or around December 2022. No amount has been provided for as the obligation relates to a controlled entity within the Mayne Pharma Group. Mayne Pharma will write-off its prepaid royalty to INTI in the amount of US$3.0 million. If certain contingent events occur in the future, Mayne Pharma would recapture some or all of that amount.

NOTE 29 – DIVIDENDS

No dividends were paid or declared in the year ended 30 June 2022 (2021: nil).

Franking credit balance

	2022 $'000	2021 $'000
Opening balance	20,564	20,564
Franking credits arising from payments (net of refunds)	-	-
Franking credits that will arise from the payment / (refunds) of income tax as at the end of the financial year	1,224	-
Franking credits available for future reporting periods	21,788	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 2022 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	
	2022 $'000	2021 $'000
Continuing operations		
Sale of goods	57,045	59,304
Services revenue	23,334	18,434
License fee income	-	100
Royalties revenue	881	460
Revenue	**81,260**	**78,298**
Cost of sales	(51,241)	(55,854)
Gross profit	**30,019**	**22,444**
Other income	31,119	22,786
Research and development expenses	(5,524)	(6,065)
Marketing expenses and distribution expenses	(4,560)	(5,017)
Amortisation expenses	(7,589)	(6,982)
Administration expenses and other expenses	(30,160)	(47,587)
Finance costs	(16,116)	(11,741)
Impairments	(179,113)	(254,118)
Profit before income tax	**(181,924)**	**(286,280)**
Income tax (expense)/benefit	(3,907)	7,848
Net profit from continuing operations after income tax	**(185,831)**	**(278,429)**
Other comprehensive income for the period, net of tax	8,015	2,407
Total comprehensive income for the period attributable to owners of the parent	**(177,816)**	**(276,022)**

	2022 $'000	2021 $'000
Retained earnings at the beginning of the financial year	(527,730)	(249,301)
Transfer from reserve		
Profit for the period	(185,831)	(278,429)
Retained earnings at the end of the financial year	**(713,561)**	**(527,730)**

(b) Consolidated Statement of Financial Position

Set out below is a Consolidated Statement of Financial Position as at 30 June 2022 of the closed group consisting of the Company and MPIPL.

	2022 $'000	2021 $'000
Current assets		
Cash and cash equivalents	15,719	14,998
Trade and other receivables	14,084	8,446
Inventories	19,921	17,494
Other financial assets	1,334	-
Other current assets	7,108	6,189
Total current assets	**58,166**	**47,127**
Non-current assets		
Related party receivables	352,654	304,586
Investment in subsidiaries	434,014	604,785
Property, plant and equipment	44,705	47,406
Right-of-use assets	435	803
Deferred tax assets	4,360	6,394
Intangible assets and goodwill	49,625	61,943
Total non-current assets	**885,793**	**1,025,917**
Total assets	**943,959**	**1,073,044**
Current liabilities		
Trade and other payables	10,519	7,687
Interest-bearing loans and borrowings	342,535	9,521
Income tax payable	1,224	-
Other financial liabilities	792	3,069
Provisions	7,183	7,012
Total current liabilities	**362,253**	**27,289**
Non-current liabilities		
Interest-bearing loans and borrowings	165	286,114
Other financial liabilities	1,779	1,964
Provisions	280	1,004
Deferred tax liabilities	7,369	6,744
Total non-current liabilities	**9,593**	**295,826**
Total liabilities	**371,846**	**323,115**
Net assets	**572,113**	**749,929**
Equity		
Contributed equity	1,238,537	1,238,537
Reserves	47,137	39,122
Retained earnings / (accumulated losses)	(713,561)	(527,730)
Total equity	**572,113**	**749,929**

NOTE 31 – EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 10 August 2022, the Company announced it had entered into an agreement with Catalent, Inc. (Catalent) to sell Metrics Contract Services (MCS) for total cash consideration of US$475m (~A$679m). The MCS business has not been presented as a Disposal Group Held for Sale at 30 June 2022. This is due to certain restructuring steps being required before the MCS business could be regarded as being available for immediate sale and the sale process was not sufficiently advanced for a transaction to be considered highly probable at 30 June 2022.

Mr Richards (CEO and Managing Director) announced on 19 August 2022 that he intends to retire following a decision by the Board to relocate the CEO role to the US on a permanent basis.

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.

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 Standards and Interpretation that were issued but not yet effective that the Group expects to have a material impact when applied.

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 2022 are in accordance with the Corporations Act 2001, including:

  (i) Giving a true and fair view of its financial position as at 30 June 2022 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.

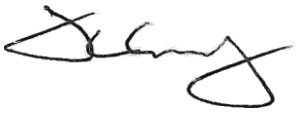
(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(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.

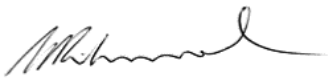
(d) The financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 1A.

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 2022.

On behalf of the Board



Mr Frank Condella
Chair



Mr Scott Richards
Managing Director and CEO

Dated at Melbourne, Australia this 26th day of August 2022.

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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 2022, the consolidated statement of 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 2022 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 2022, the Group held $427.5 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 each reporting period, the Group assesses for indicators of impairment and where indicators are considered to exist undertakes an impairment test. At a minimum, the Group performs an annual impairment assessment of indefinite lived intangible assets and finite-lived intangible assets. The Group's 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 both 31 December 2021 and 30 June 2022 in the form of below budget performance, industry-wide generic pharmaceutical pricing pressures in the United States and the carrying amount of the Group's net assets exceeding its market capitalisation. This led to impairment assessments being undertaken at both the 31 December 2021 and 30 June 2022 reporting dates with a total impairment charge during the year of $192.0 million recognised.
 	
The range of judgments and assumptions relating to revenue growth, gross margins, research and development, overhead costs, discount rates and transaction costs used in the Group's impairment assessments, and the sensitivity of the assessment to these assumptions, 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.
 	
Note 13 of the financial report provides disclosure of the Group's impairment assessments and impairment charge of $192.0 million recognised during the current year and highlights the impact of reasonably possible changes to key assumptions as required by Australian Accounting Standards.
	We assessed the completeness of the Group's determination of impairment indicators and whether CGUs were appropriately identified. We tested the mathematical accuracy of the Group's value-in-use and fair value less cost of disposal 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 intangible assets including 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 Board approved budgets and forecasts 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 pipeline products not yet released to market we:
	
	  • 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 and understood early market performance trends had been incorporated into these updates (where applicable).
	
	• Assessed the identification of any products or pipeline products which have been discontinued and require specific impairment.
	
	• 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 received by the Group is determined based on the contractual arrangements the Group has with its indirect customers such as retail pharmacy chains and the ultimate patient's insurer or other payment programs, who 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 was a key audit matter as the estimation processes involve large volumes of data (processed through the contract management system) and requires judgment in calculating the Group's 'gross to net' sales adjustments, including the gross accrual and trade receivables (where chargebacks are recorded on a net basis) recorded at balance date. The gross accrual accounted for against revenues amounted to $90.0 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.	We performed audit procedures to test the integrity and accuracy of the data in the gross to net adjustments calculated by the contract management system. For each gross to net amount accrued, we agreed the material estimates, on a sample basis, to underlying supporting documentation such as actual sales, payments and invoices from gross to net external parties. 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 judgments and estimates contained in management's accrual models including considering actual claims history to evaluate the Group's estimation of the gross to net sales adjustments. • Agreed a sample of transactions processed in the contract management system to source documents such as signed customer contracts and claim details such as chargeback rates, product details, wholesaler details. • 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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Group Restructure activities

Why significant	How our audit addressed the key audit matter
During the year ended 30 June 2022 the Group commenced a process to divest the Metrics Contract Services (MCS) business as well as amend its bank facilities. In June 2022, the Group amended its bank facilities to defer the application of covenants until 31 December 2022, introduce an early repayment fee and introduce a Review Event requiring renegotiation of terms should the execution of a binding sale agreement for MCS not be announced by 31 August 2022. The Group accounted for the facility amendments, including the revised expected timing of payments, as a non-substantial modification. The bank facilities are presented as current liabilities at 30 June 2022 reflecting the amended terms. The MCS business has not been presented as a *Disposal Group Held for Sale* at 30 June 2022. This is due to certain corporate restructuring steps being required before the MCS business could be regarded as being available for immediate sale and the sale process not being sufficiently advanced for a transaction to be considered highly probable at 30 June 2022. The Group executed a Stock Purchase Agreement ("SPA") for the divestment of the MCS business on 9 August 2022. The SPA is subject to customary completion conditions. The Group has concluded the divestment will complete and proceeds be available to settle the bank facilities. Given the significance of the transaction, the judgment involved in assessing the balance date impacts of the transaction and the related debt facility amendments this was considered a key audit matter.	Our audit procedures included the following: • Read the terms of the bank facility amendment agreement and understood both the quantitative and qualitative changes to the facility to assess the Group's treatment of the amendments as a non-substantial debt modification. • Assessed the calculation of adjustments arising due to the treatment as a non-substantial debt modification to the carrying amount of the liability based on revised payment assumptions. • Assessed the presentation of the bank facility liability as a current liability by reference to the amendment terms. • Through review of project documentation and discussion with management, we considered management's judgment that the MCS business did not qualify for presentation as a Disposal Group Held for Sale at 30 June 2022 in accordance with the criteria of AASB 5 Non-current Assets Held for Sale and Discontinued Operations. • Read the executed SPA to understand conditions precedent to sale completion. • Assessed the significance of the conditions precedent in the SPA through discussion with management and the Group's external legal advisors to evaluate management's conclusion regarding the Group's ability to complete of the divestment and availability of the proceeds to settle current bank facilities. • Assessed the disclosure of the restructure activities including subsequent events as contained in Notes 15 and 31 to the financial statements.

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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. As a result of current period and historical net operating and impairment losses recorded by the Group it has net deferred tax asset of $216.2 million at 30 June 2022 of which $112.5 million is recognised within the Consolidated Statement of Financial Position at 30 June 2022. The Group's assessment of the recoverability of deferred tax assets is based on tax legislation and regulation and the forecast profitability in the applicable jurisdictions. This involves significant judgment. The Group's tax disclosures are included in Note 5 of the financial report.	Our audit procedures included the following: • Tested the mathematical accuracy of the Group's calculations to derive current and deferred taxes. • Involved our taxation specialists to assess the tax positions adopted by the Group and assess the methodology, estimations and assumptions applied in each jurisdiction. • Assessed the forecasts and methods used by the Group to determine the amount of deferred tax assets regarded as probable of recovery and recognised within the Consolidated Statement of Financial Position at 30 June 2022. This included consideration of the assumptions and estimates made to support the recognition of the deferred tax assets and consistency of cash flows with the Group's impairment testing. • We also assessed the adequacy of the related disclosures made in the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 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.

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.

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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.

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, actions taken to eliminate threats or safeguards applied.

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 22 to 28 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Mayne Pharma Group Limited for the year ended 30 June 2022, 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
26 August 2022

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 23 September 2022. 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 SHAREHOLDINGS

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS		NUMBER OF SHARES	
1 to 1,000	1,612	11%	852,937	0%
1,001 to 5,000	4,127	29%	11,890,208	1%
5,001 to 10,000	2,264	16%	17,991,786	1%
10,001 to 100,000	4,988	35%	173,659,335	10%
100,001 and over	1,103	8%	1,535,421,242	88%
Total	14,094	100%	1,739,815,508	100%

Included in the above total are 2,741 shareholders holding less than a marketable parcel of 1,924 shares.

TWENTY LARGEST HOLDERS OF QUOTED ORDINARY SHARES

SHAREHOLDER	SHARES	% OF TOTAL
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	197,471,124	11.4%
ESTETRA SRL	168,872,626	9.7%
CITICORP NOMINEES PTY LIMITED	142,572,271	8.2%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	130,913,897	7.5%
MR BRUCE MATHIESON AND RELATED ENTITIES	105,577,583	6.1%
SOLIUM NOMINEES (AUSTRALIA) PTY LTD <BARE ALLOCATED A/C>	70,031,680	4.0%
BNP PARIBAS NOMS PTY LTD <DRP>	47,762,457	2.7%
NATIONAL NOMINEES LIMITED	35,847,611	2.1%
GFT 2 CO PTY LIMITED <GFT 2 A/C>	26,477,387	1.5%
SOLIUM NOMINEES (AUS) PTY LTD <UNALLOCATED A/C>	23,821,012	1.4%
Y S CHAINS PTY LTD	20,700,000	1.2%
SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA>	18,412,381	1.1%
IVL GROUP PTY LTD	16,000,000	0.9%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	10,448,669	0.6%
R & R CORBETT PTY LTD <R C CORBETT FAMILY A/C>	10,440,569	0.6%
VIVNAT (CURTIN) PTY LTD	10,000,000	0.6%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	8,556,886	0.5%
RETZOS EXECUTIVE PTY LTD <RETZOS EXECUTIVE S/FUND A/C>	8,500,000	0.5%
MR KON TZIMOKAS	8,000,000	0.5%
WAL ASSETS PTY LTD <THE LA WILSON PROPERTY A/C>	8,000,000	0.5%
TOTAL	**1,068,406,153**	**61.4%**

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:

SHAREHOLDER	NUMBER OWNED	% OF ISSUED CAPITAL[1]
ESTETRA SRL	168,872,626	9.7%
MR BRUCE MATHIESON AND RELATED ENTITIES	105,577,583	6.1%

1. Updated for current issued capital of 1,739,815,508

INTELLECTUAL PROPERTY & GLOSSARY

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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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

1538 Main North Road, Salisbury South,
South Australia 5106
Telephone: +61 8 8209 2666
Website: maynepharma.com

AUDITORS

EY Australia
8 Exhibition Street
Melbourne VIC 3000

SOLICITORS

MinterEllison Lawyers
Collins Arch, 447 Collins Street
Melbourne VIC 3000

SHARE REGISTRY

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Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
Telephone: +61 3 9415 4184
Facsimile: +61 3 9473 2500

BANKERS

Westpac
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)

FURTHER INFORMATION

For further information about Mayne Pharma refer to the website: maynepharma.com and announcements released to the Australian Securities Exchange (ASX)

Mayne Pharma Group Limited
ABN 76 115 832 963
maynepharma.com