31 August 2023

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

Via E-Lodgement

Dear Sir/Madam

Mayne Pharma Group Limited
Preliminary Final Report and accompanying announcement

Please find attached the following documents relating to the results for the year ended 30 June 2023.

- Appendix 4E

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

Yours faithfully,
Mayne Pharma Group Limited

Laura Loftus
Company Secretary

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

	% CHANGE	30 JUNE 2023 $'000	RESTATED 30 JUNE 2022 (1) $'000
Revenue from ordinary activities		183,586	157,143
Profit / (loss) from continuing operations before income tax expense		(269,698)	(149,061)
Profit / (loss) from continuing operations after income tax expense		(317,443)	(222,775)
Profit / (loss) from discontinued operations after income tax expense		434,600	(69,118)
Profit / (loss) after income tax		117,157	(291,893)
Attributable to:			
Equity holders of the parent		117,249	(281,286)
Non-controlling interests		(92)	(10,607)
		117,157	**(291,893)**
Other comprehensive profit/(loss) after income tax expense		15,122	52,941
Total comprehensive profit/(loss) for the period		**132,279**	**(238,952)**
Attributable to:			
Equity holders of the parent		132,959	(228,077)
Non-controlling interests		(680)	(10,875)
		132,279	**(238,952)**
Net tangible assets per ordinary share (2) (3)		$0.21	$1.35

	2023 $	2022 $
Basic earnings per share	1.42	(3.42) (3)
Diluted earnings per share	1.48	(3.42) (3)
Final dividend in respect of the financial year ended 30 June per share	Nil	Nil

A special fully franked dividend of 54 cents per share (post consolidation basis, 2.72 cents per share on a pre-consolidation basis) was declared in relation to the period ended 31 December 2022 following the sale of the Metrics Contract Services (MCS) business and was paid on 27 January 2023. No final dividend has been declared in relation to the period ended 30 June 2023.

Refer to the Review of Operations and Likely Developments and the accompanying ASX announcement dated 31 August 2023 for a brief commentary on the results.

During the reporting period, Mayne Pharma incorporated two new US entities – Mayne Holdings US Inc and Ricky DivestCo Inc. Ricky DivestCo Inc was sold as part of the MCS sale on 4 October 2022.

Mayne Pharma ceased to hold control of Inhibitor Therapeutics Inc (INTI) effective 14 December 2022.

1. 30 June 2022 has been restated – refer note 1F relating to a restatement and note 5 for the impact of restatement for discontinued operations
2. Includes right-of-use lease assets
3. Impacted by the 20:1 share consolidation

Appendix 4E Preliminary Final Report 2023

MAYNE PHARMA GROUP LIMITED
ABN 76 115 832 963

FOR THE YEAR ENDED 30 JUNE 2023
(PRIOR CORRESPONDING PERIOD: YEAR ENDED 30 JUNE 2022)

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 Shawn Patrick O'Brien, Managing Director and CEO (appointed 1 October 2022)
Mr Patrick Blake
Ms Ann Custin
Dr Kathryn MacFarlane
Dr Carolyn Myers (resigned 31 July 2023)
Mr David Petrie (appointed 1 September 2022)
Prof Bruce Robinson, AC

Mr Ian Scholes (resigned 30 September 2022)
Mr Scott Richards, (former Managing Director and CEO, resigned 1 October 2022)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

- On 4 October 2022, Mayne Pharma completed the sale of the Metrics Contract Services (MCS) business to Catalent Pharma Solutions, Inc. Following completion and after allowing for reinvestment needs, the Company used the net proceeds to repay the syndicated debt facility and to pay a dividend to shareholders.

- The Group completed an exclusive license agreement effective 31 December 2022 to license products from TherapeuticsMD, Inc. (TXMD). These assets have been added to the Women's Health portfolio and CGU alongside NEXTSTELLIS®. In conjunction with the licence agreement the Group issued US$27.95m of convertible notes.

- The Group completed the sale of the retail generics business to Dr. Reddy's Laboratories on 7 April 2023.

The Company also completed a 20:1 share consolidation in January 2023.

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 branded women's health and dermatology pharmaceuticals.

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 a product development and manufacturing facility based in Salisbury, Australia with expertise in the formulation of complex oral and topical dose forms including 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 2023 financial year (FY23) compared to the prior corresponding period (pcp). The summary includes Mayne Pharma's share of Inhibitor Therapeutics Inc (INTI) for the period during which Mayne Pharma held control (i.e. up to 14 December 2022).

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	2023 $M	2022 $M	CHANGE ON PCP $M
Reported Revenue continuing operations	**183.6**	**157.1**	**26.5**
Reported Gross profit continuing operations	**83.5**	**71.6**	**11.9**
Reported Gross profit %	*45.5%*	*50.1%*	
Adjusted EBITDA	(95.3)	(59.6)	(35.7)
Adjustments[1]	6.7	68.6	(61.9)
Reported EBITDA continuing operations	**(102.0)**	**9.0**	**(111.0)**
Impairments	(69.2)	(68.3)	(0.9)
Depreciation / Amortisation	(65.4)	(55.1)	(10.3)
Reported Profit / (Loss) Before Interest and Tax continuing operations	**(236.5)**	**(114.4)**	**(122.2)**
Net interest	(3.7)	(15.9)	12.3
Foreign exchanges gains/(losses) financing activities	(11.0)	0.8	(11.8)
Earn-out & deferred consideration liabilities discount unwind	(18.4)	(16.1)	(2.3)
Reported Profit / (Loss) Before Tax continuing operations	**(269.7)**	**(145.6)**	**(124.7)**
Income tax credit / (expense)	(47.7)	(74.5)	26.8
Reported Net Profit / (Loss) After Tax attributable to Mayne Pharma shareholders continuing operations	**(317.4)**	**(220.1)**	**(97.3)**

1. Current year adjustments are included in the table below.
2. Restated to present the MCS and Retail Generics businesses as discontinued operations and for the restatement of the 30 June 2022 financial statements as disclosed in Note 1(d). Amounts throughout this directors report have been restated for the impacts of these items where required.

The reconciliation of reported results (from continuing operations) and adjusted results for the current year is as follows:

SALES AND PROFIT	REPORTED ATTRIBUTABLE TO MEMBERS JUNE 2023[1] $M	EARN-OUT REASSESSMENTS[2] $M	RESTRUCTURING[3] $M	DOUBTFUL DEBT[4] $M	SUPPLY CHAIN DISRUPTION[5] $M	ASSET IMPAIRMENTS[6] $M	INSURANCE RECOVERY[7] $M	DERIVATIVE FAIR VALUE ADJUSTMENT $M	INTI[9] $M	LITIGATION[10] $M	ADJUSTED JUNE 2023 $M
Revenue	183.6				3.7						**187.3**
Gross profit	83.5				3.1						**86.6**
Gross profit %	*45.5%*										*46.2%*
EBITDA	**(102.0)**	(23.9)	12.1	7.8	3.1		(3.4)	2.7	3.2	5.1	**(95.3)**
Depreciation / Amortisation	(65.4)										(65.4)
Asset impairments	(69.2)					69.2					--
PBIT	**(236.5)**	(23.9)	12.1	7.8	3.1	69.2	(3.4)	2.7	3.2	5.1	**(160.7)**

1. The values in the above table are values attributable to members of Mayne Pharma and hence include only Mayne Pharma's share of INTI. The Consolidated Statement of Profit or Loss and Other Comprehensive Income and supporting notes such as note 5 for income tax include 100% of INTI and hence differ from the above values.
2. Non-cash credit arising from the decrease in earn-out and deferred consideration liabilities with the majority related to NEXTSTELLIS® and the TXMD liability.
3. Restructuring costs related to organisational transformation to simplify the operating model.
4. One significant doubtful debt.
5. LEXETTE® supply chain disruption.
6. Non-cash impairments relate to intangible assets.
7. Business interruption insurance recovery (Other income) relating to the Salisbury location.
8. Fair value adjustment relating to the convertible notes derivative.
9. Mayne Pharma's share of INTI's EBITDA loss and Mayne Pharma's loss on disposal.
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 held control of 53.5% of INTI and consolidated 100% of INTI for the period during which Mayne Pharma held control (ie up to 14 December 2022), in accordance with accounting standards, into the financial statements following this Report.

During the period the Group announced the following transactions:

- On 4 October 2022, Mayne Pharma announced the completion of the sale of the Metrics Contract Services (MCS) business to Catalent Pharma Solutions, Inc. The results include adjustments to reflect movements related to the sale as part of discontinued operations and to adjust FY22 results in this report to a comparable basis.
- The Group completed an exclusive license agreement effective 31 December 2022 to license products from TherapeuticsMD, Inc. (TXMD). These assets are added to the Women's Health portfolio and CGU alongside NEXTSTELLIS®. FY23 results include financing and investing cash flows related to this transaction and establishment of opening balance figures for the transaction including intangible assets and net working capital items purchased.
- The Group completed the sale of the retail generics business to Dr. Reddy's Laboratories on 7 April 2023. The results include adjustments to reflect movements related to the sale as part of discontinued operations and to adjust FY22 results in this report to a comparable basis.

The Group recorded revenue for continuing operations of $183.6m, up 17% on the prior comparative period (pcp) and gross profit for continuing operations was $83.5m, up 6% on pcp.

Gross profit margin for continuing operations as a percentage of revenue was 45.5% (2022: 50.1%) which reflects the impact of the challenges faced during the year for the Dermatology business.

The reported loss before tax from continuing operations was $269.7m and the net loss after tax was $317.4m which includes $69.2m of asset impairments and a recoverable value adjustment of the deferred tax asset of $101.9m.

The impact of exchange rate movements on the Company's balance sheet is recognised in the Foreign Currency Translation Reserve (FCTR) which increased by $17.0m during the year.

Expenses

Net research, development medical and regulatory affairs expense (total costs less amounts qualifying for capitalisation) were $15.7m, an increase in the expense of $1.5m on the pcp.

	JUNE 2023 $M	JUNE 2022 $M
Total R&D, medical and regulatory affairs costs incurred	16.1	16.0
Development costs capitalised	0.4	1.8
R&D, medical and regulatory affairs expensed (includes discontinued operations)	15.7	14.2

Marketing and distribution expenses increased by $33.6m to $125.9m due to the continued investment in the US commercial launch of NEXTSTELLIS® and the addition of the TXMD women's health products.

Finance costs of $39.9m (2022: $31.7m) include the unwinding of discounts associated with earn-out liabilities and deferred liabilities which increased to $18.4m from $16.0m in the pcp. Included in finance costs are foreign exchange losses relating to financing activities of $11.0m (2022: $0.8m gain).

Impairments of $69.2m (2022: $68.3m) for continuing operations were recognised following a detailed review of the Company's intangible assets at 31 December 2022 and 30 June 2023. 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 14.

The impairments included the following:

- Cash Generating Unit (CGU) impairments totalling $68.4m (International $8.5m, PPD Dermatology $59.9m).

Administration and other expenses increased by $45.0m to $142.5m. This category includes non-cash and other non-operating items such as:

- Amortisation of intangible assets which was $56.6m (2022: $47.8m);
- Share based payments expense of $6.8m which including $3.0m related to restructuring and exiting the MCS business (2022: $4.6m);
- Drug pricing investigations and related litigation costs $5.1m (2022: $2.9m);
- A specific doubtful debt of $7.8m;
- Fair value movement on derivative $2.7m;
- Loss on disposal of INTI $3.1m; and
- Restructuring expenses were $9.1m (2022: $5.0m).

Excluding these items, administration and other expenses increased by $14.7m to $51.3m. Of this increase $2.7m relates to FX translation of US costs (FY23 rate 0.6733 versus 0.7256 for FY22). Other components of the increase include audit fees ($1.2m) and external costs to administer gross to net programs ($1.2m). Part of the change in other administrations costs relate to costs which were previously cross-charged to the MCS business ($3.3m). These costs have effectively been partially recouped via the transitional services agreement (disclosed as other income in Note 3 Transitional service income $2.7m).

Tax

Tax expense of $47.7m for continuing operations and tax expense of $6.3m for discontinued operations comprised:

- Current period income tax expense for the year to 30 June 2023 of $17.5m;
- An increase in current year tax expense in respect of prior years of $2.4m; and
- Deferred income tax expense of $34.1m.

Financial position

Set out below is a summary of the financial position as at 30 June 2023 compared to the position as at 30 June 2022.

BALANCE SHEET EXTRACT	2023 $M	2022 $M	CHANGE ON PCP $M	CHANGE ON PCP %
Cash	92.6	96.7	(4.1)	(4)
Marketable securities	127.5	-	127.5	n/a
Receivables	194.9	268.2	(73.3)	(27)
Inventory	82.7	108.9	(26.2)	(24)
Income tax receivable	14.6	14.1	0.5	4
PP&E	43.7	218.4	(174.7)	(80)
Intangible assets including goodwill	617.3	427.5	189.8	44
Other assets	74.1	154.1	(80.0)	(52)
Total assets	**1,247.4**	**1,287.9**	**(40.5)**	**(3)**
Interest-bearing debt (including lease liabilities)	47.5	413.7	(366.2)	(89)
Trade and other payables	246.5	187.6	58.9	31
Other financial liabilities	296.2	126.1	170.1	135
Other liabilities	22.8	22.3	0.5	2
Total liabilities	**613.0**	**749.7**	**(136.7)**	**(18)**
Equity	**634.4**	**538.2**	**98.2**	**18**

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

Cash

Cash decreased by $4.1m compared to 30 June 2022. In addition to cash, the Company also holds marketable securities of $127.5m. The increase in funds held was driven by the receipt proceeds for the sale of MCS and retail generics businesses. Major outflows included the acquisition of the TXMD assets, the repayment of the syndicated debt facility and the special dividend paid to shareholders.

Inventory, receivables and trade payables

With the sale of the MCS and retail generics businesses, partially offset by the acquisition of the additional women's health products, there were significant changes to working capital.
Inventory decreased by $26.2m and receivables decreased by $73.3m. Trade and other payables increased by $58.9m compared to the prior period.

Intangible assets and goodwill

Intangible assets increased by $189.8m compared to the balance at 30 June 2022. The movement comprised of:

- An increase of $0.4m for capitalised development costs;
- An increase of $363.5m for the TXMD intangible additions;
- Other intangibles additions of $1.5m;
- A decrease of $60.2m for amortisation;
- A decrease of $62.6m due to the sale of the MCS and retail generics businesses;
- A decrease of $74.3m for impairments; and
- An increase of $21.6m due to foreign currency translation as the AUD / USD exchange rate decreased from 0.6892 at 30 June 2022 to 0.6640 at 30 June 2023.

Property, plant & equipment

Property, plant and equipment decreased by $174.7m compared to the balance at 30 June 2022. The movement comprised of:

- An increase of $4.8m for net additions;
- A decrease of $175.1m due to the sale of the MCS business;
- A decrease of $8.6m for depreciation; and
- An increase of $4.1m due to foreign currency translation.

Interest bearing liabilities

Interest bearing liabilities (excluding lease liabilities) decreased to $39.3m from $405.4m at 30 June 2022. The syndicated loan facility was repaid in full in October 2022. Following the sale of the retail generics business, the receivables finance facility decreased to $10.8m from $63.1m at 30 June 2022. Convertible notes were issued in December 2022 to support the acquisition of the TXMD licensed assets.

Other financial liabilities

The major items included in Other financial liabilities as at 30 June 2023 were the earn-out liabilities and deferred consideration for the NEXTSTELLIS® distribution rights and the TXMD earn-out and deferred consideration liabilities.

Other financial liabilities increased by $170.1m from 30 June 2022 due to:

- An increase of $18.4m due to the unwinding of the discount for the various earn-out liabilities and deferred consideration liabilities including $10.1m relating to the NEXTSTELLIS® deferred consideration liability and $6.9m relating to the TXMD earn-out liabilities;
- An increase of $176.9m relating to the TXMD asset acquisition ($156.9m) and the Catalent overhead recovery liability ($20.0m);
- A decrease of $24.3m due to re-assessments which included the NEXTSTELLIS® liability which was reassessed downwards by $9.3m and the TXMD liabilities which were reassessed downwards by $15.7m;
- A decrease of $21.6m due to payments made;
- An increase of $12.4m with the inclusion of the derivative portion of the convertible notes; and
- An increase relating to foreign currency translation of $8.2m.

Equity

Shareholder equity movements include the current year profit (including discontinued operations) of $117.2m and other comprehensive income of $16.5m for a net movement of $132.3m.

Cash flow

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

	2023 $M	2022 $M
Net operating cash flows before income tax receipts / (payments) and before working capital movements	(184.1)	(5.6)
Net income tax receipts / (payments)	(4.0)	7.3
Working capital (investments) / releases	145.4	(8.9)
Net Operating cash flows	(42.7)	(7.2)

Net operating cash for FY23 was an outflow of $42.7m after including $4.0m of net tax payments and $145.4m net working capital release. Transaction costs, litigation costs and restructuring costs included in the operating cash outflows totalled $38.9m.

Other notable cash flows during the period included:

- Earn-out and deferred settlement payments totalling $21.6m;
- Acquisition of TXMD licences and working capital $226.0m;
- Proceeds from the sale of MCS $722.5m;
- Proceeds from the sale of the Retail Generics business $134.6m;
- Net debt repayments of $376.0m;
- Payment of special dividend $45.3m;
- Payments for share buy-backs of $6.2m; and
- $4.8m in capital expenditure across the Group.

Cash on hand plus marketable securities total $220.1m at 30 June 2023 representing an increase of $123.4m from 30 June 2022 for the reasons outlined above.

Reporting Segments

The Consolidated Entity operates in three operating segments being International, Branded Products (BPD) and Portfolio Products Division (PPD). During the current period, the Consolidated Entity sold the MCS segment and the Retail Generics business and has therefore included MCS and Retail Generics in discontinued operations (refer Note 6). The Retail Generics business was previously reported as part of the Portfolio Products Division (PPD) segment which also included Dermatology. Following the Retail Generics sale, the segment is now Dermatology only. The segment note in the financial statements (Note 2) shows the sales, gross margin (GM), direct operating expenses (opex) and the direct contribution (being the GM less direct opex) for each segment.

PPD (Dermatology)

	2023 $M	RESTATED 2022 $M	CHANGE %
Revenue	57.0	92.2	(38.2)
Gross profit	10.7	45.4	(76.4)
Gross profit %	19%	49%	
Direct opex (including lease depreciation)	(31.6)	(25.2)	(25.4)
Direct contribution	(21.0)	20.2	

Nature of operations

The Portfolio Products Division distributes established dermatology products in the US.

FY23 performance

The PPD reporting segment's sales were $57.0m down 38% on FY22. Gross profit was $10.7m, down 76% on FY22 and direct contribution decreased $41.2m compared to the pcp to -$21.1m. PPD performance was impacted by challenges in the dermatology business related to price and distribution channel inventories driven by competition on key products primarily in the first half year. A change in methodology to estimate co-pay accruals also impacted the dermatology business. The performance of the business improved during the second half in line with normalisation in the sales channel and an increase discipline across the business with some contribution from newly launched products.

BPD

	2023 $M	2022 $M	CHANGE %
Revenue	61.9	10.6	484.0
Gross profit	53.9	8.4	541.7
Gross profit %	87%	80%	
Direct opex (including lease depreciation)	(81.6)	(55.1)	(48.1)
Direct contribution	(27.6)	(46.6)	40.8

Nature of operations

The Branded Products Division distributes medically differentiated specialty products in the US. This division includes branded Women's Health products including NEXTSTELLIS® with ANNOVERA, IMVEXXY® and BIJUVA® added to the segment during the period with the acquisition of licenses from TXMD.

FY23 performance

The BPD reporting segment's sales were $61.9m, up 484% on FY22, gross profit was $53.9m, up 542% on FY22 and direct contribution was -$27.6m an improvement of $19.0m on the pcp. The sales performance of NEXTSTELLIS® improved significantly during the year as a result of refreshed sales leadership and marketing strategies. The second half saw a step change in the segment performance with the revenue and gross profit contribution of the newly licenced women's health products providing a larger base to offset the ongoing marketing and distribution expenses of NEXTSTELLIS®. Additional expense was added to support the new portfolio and a one-time accounting method change was incurred to establish an accrual for managed care charges associated with the portfolio.

International

	2023 $M	2022 $M	CHANGE %
Revenue	64.7	54.4	18.7
Gross profit	18.9	17.7	6.7
Gross profit %	29%	33%	
Direct opex	(12.1)	(9.6)	26.0
Direct contribution	6.9	8.1	(14.8)

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.

FY23 performance

The International reporting segment's revenues were $64.7m, up 18% on FY22, gross profit was $18.9m, up 7% on FY22 and direct contribution decreased 15% to $6.9m. The increase in direct opex is a result of the launch of NEXTSTELLIS® in Australia with increased sales staff and marketing activities. A business improvement program was initiated during the second half which will focus on improving operating efficiency as well as identifying new commercial opportunities to drive growth. Following the sale of the US Retail Generics business, there was an increase in third party contract manufacturing volumes.

Outlook

The Company expects to complete integration of the in-licensed women's health assets in FY24 with a focus on improved net selling prices. The Company is pursuing a growth strategy with the expected launch of low strength BIJUVA® and by leveraging our salesforce scale and effectiveness. For NEXTSTELLIS® the Company is targeting a profitable run rate in 1HFY24, with continued growth throughout FY24.

For Dermatology, the Company plans to continue to enter into capital light, accretive business arrangements and drive commercial excellence in FY24. We are further developing our channel strategy and leveraging our ability to drive market share to expand partnerships. Improved profitability is a clear objective for the Dermatology business.

For International, the Company is pursuing targeted investment and new manufacturing revenue streams. The Company plans to continue to drive specialty and generic product sales including driving growth in NEXTSTELLIS® in Australia and will continue to invest in a targeted manner in the Salisbury facility to improve our productivity and capabilities.

With all 3 business units contributing positive direct contribution, the Company expects to return to positive EBITDA and cash generation in FY24.

DIVIDENDS

A special fully franked dividend of 2.72 cents per share (pre-consolidation basis, 54 cents post 20:1 consolidation basis) was declared in relation to the period ended 31 December 2022 following the sale of the Metrics Contract Services (MCS) business and was subsequently paid on 27 January 2023.

No final dividend has been declared in relation to the period ended 30 June 2023.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	NOTE	CONSOLIDATED 2023 $'000	Restated 2022 $'000
Revenue from contracts with customers			
Sale of goods		146,874	132,932
Services revenue		35,516	23,333
License fee revenue		418	-
Royalties revenue		778	882
Revenue	2	**183,586**	**157,147**
Cost of sales		(100,099)	(85,577)
Gross profit		**83,487**	**71,570**
Interest income		6,719	461
Other income	3	9,411	4,730
Earn-out and deferred consideration liabilities reassessments		23,900	79,637
Research, development medical and regulatory affairs expenses		(15,729)	(12,207)
Marketing and distribution expenses		(125,945)	(92,323)
Administration expenses and other expenses	4	(142,485)	(97,466)
Impairments	14	(69,177)	(68,286)
Finance expenses - other	4	(10,454)	(16,391)
Foreign exchanges (losses) / gains related to financing activities	4	(11,029)	761
Finance expenses – related to earn-outs and deferred consideration liabilities discount unwind	4	(18,396)	(16,073)
Profit / (loss) before income tax		**(269,698)**	**(145,587)**
Income tax credit / (expense)	5	(47,745)	(74,501)
Net profit / (loss) from continuing operations after income tax		**(317,443)**	**(220,088)**
Discontinued operations			
Net profit / (loss) from discontinued operations after income tax	6	434,600	(71,805)
Net profit / (loss) for the period		**117,157**	**(291,893)**
Attributable to:			
Equity holders of the Parent		117,249	(281,286)
Non-controlling interests		(92)	(10,607)
		117,157	**(291,893)**
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		(1,334)	2,412
Income tax effect			-
Exchange differences on translation		18,366	53,649
Income tax effect		(1,322)	(2,852)
Items that will not be reclassified to profit or loss in future periods			
Exchange differences on translation		(588)	(268)
Income tax effect		-	-
Total comprehensive income / (loss) for the period		**132,279**	**(238,952)**
Attributable to:			
Equity holders of the Parent		132,959	(228,077)
Non-controlling interests		(680)	(10,875)
		132,279	**(238,952)**
Basic earnings per share	7	$1.42	($3.42)
Diluted earnings per share	7	$1.48	($3.42)
Earnings per share from continuing operations:			
Basic earnings (loss) per share from continuing operations	7	($3.86)	($2.58)
Diluted earnings (loss) per share from continuing operations	7	($3.86)	($2.58)

This statement is to be read in conjunction with the accompanying notes.
Refer Note 1D for details of restatement

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	NOTE	CONSOLIDATED 2023 $'000	Restated 2022 $'000
Current assets			
Cash and cash equivalents	22	92,616	96,672
Trade and other receivables	8	194,887	268,241
Inventories	9	82,700	108,908
Income tax receivable		14,630	14,094
Other financial assets	10	136,624	2,426
Other current assets	11	32,172	21,277
Total current assets		**553,629**	**511,618**
Non-current assets			
Other non-current assets	11	2,320	4,450
Property, plant and equipment	12	43,726	218,394
Right-of-use assets	13	7,756	7,461
Deferred tax assets	5	22,659	118,489
Intangible assets (including goodwill)	14	617,264	427,514
Total non-current assets		**693,725**	**776,308**
Total assets		**1,247,354**	**1,287,926**
Current liabilities			
Trade and other payables	15	246,513	187,581
Interest-bearing loans and borrowings	16	14,427	407,993
Other financial liabilities	17	35,299	17,713
Income tax payable		-	1,224
Provisions	18	14,720	14,800
Total current liabilities		**310,959**	**629,311**
Non-current liabilities			
Interest-bearing loans and borrowings	16	33,078	5,673
Other financial liabilities	17	260,856	108,401
Deferred tax liabilities	5	7,799	6,031
Provisions	18	302	280
Total non-current liabilities		**302,035**	**120,385**
Total liabilities		**612,994**	**749,696**
Net assets		**634,360**	**538,230**
Equity			
Contributed equity	19	1,233,692	1,238,537
Reserves	20	170,438	147,695
Retained earnings	21	(769,770)	(840,349)
Equity attributable to equity holders of the Parent		**634,360**	**545,883**
Non-controlling interests		-	(7,653)
Total equity		**634,360**	**538,230**

This statement is to be read in conjunction with the accompanying notes.
Refer Note 1D for details of restatement

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	NOTE	CONSOLIDATED 2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		615,364	473,069
Payments to suppliers and employees		(615,141)	(468,992)
Tax paid		(4,039)	-
Tax received		-	7,289
Net operating cash flows before restructuring costs, transaction costs and drug pricing investigations and related litigation costs		**(3,815)**	**11,366**
Restructuring, transaction and drug pricing investigations and related litigation costs		(38,897)	(18,572)
Net cash flows from / (used in) operating activities [1]	22	**(42,712)**	**(7,206)**
Cash flows from investing activities			
Payments for property, plant and equipment		(8,335)	(10,009)
Receipt of government grant relating to plant and equipment		3,600	-
Proceeds from sale of land		-	5,167
Payments for intangible assets		(210,840)	(40)
Payments for capitalised development costs		(410)	(1,804)
Earn-out and deferred settlement payments		(21,621)	(21,839)
Investment marketable securities		(127,526)	-
Working capital acquired as part of asset acquisition		(16,650)	-
Net proceeds from the sale of the Retail Generics business		132,746	-
Net proceeds from the sale of the MCS business		722,521	-
Net cash flows from / (used in) investing activities		**473,485**	**(28,526)**
Cash flows from financing activities			
Lease payments		(3,914)	(2,774)
Repayment of borrowings syndicated facility		(358,698)	(5,000)
Repayment of borrowings receivables facility		(239,880)	(171,517)
Proceeds from convertible notes		40,995	-
Discount paid convertible notes		(4,401)	-
Proceeds from receivables facility (net of fees)		185,938	216,304
On market share buy-back		(6,223)	-
Interest received		6,719	461
Interest paid		(7,130)	(9,873)
Dividend paid		(45,292)	-
Net cash flows from financing activities		**(431,886)**	**27,601**
Net increase / (decrease) in cash and cash equivalents		**(1,113)**	**(8,131)**
Cash and cash equivalents at the beginning of the period		96,672	97,980
Effect of exchange rate fluctuations on cash held		(2,943)	6,823
Cash at the end of the period	**22**	**92,616**	**96,672**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	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 2022 restated	**1,238,537**	**48,924**	**100,580**	**1,334**	**(3,143)**	**(840,349)**	**545,883**	**(7,653)**	**538,230**
Profit/(loss) for the period	-	-	-	-	-	117,249	117,249	(92)	117,157
Other comprehensive income									
Cash flow hedge	-	-	-	(1,334)	-	-	(1,334)	-	(1,334)
Foreign exchange differences (net of tax)	-	-	17,044	-	-	-	17,044	(588)	16,456
Total comprehensive income for the period	**-**	**-**	**17,044**	**(1,334)**	**-**	**117,249**	**132,959**	**(680)**	**132,279**
Transactions with owners in their capacity as owners									
Shares issued	-	-	-	-	-	-		-	-
Share issue costs (net of tax)	-	-	-	-	-	-		-	-
Equity contribution re LTI program	1,377	-	-	-	-	-	1,377	-	1,377
Disposal of subsidiary	-	-	-	-	-	-	-	8,333	8,333
On-market share buy-back	(6,223)	-	-	-	-	-	(6,223)	-	(6,223)
Share-based payments	-	7,033	-	-	-	-	7,033	-	7,033
Share options exercised	-	-	-	-	-	-	--	-	--
Dividend paid	-	-	-	-	-	(46,669)	(46,669)	-	(46,669)
Transfer to retained earnings – lapsed and cancelled employee LTI shares	-	-	-	-	-	-	-	-	--
Balance at 30 June 2023	**1,233,692**	**55,957**	**117,624**	**-**	**(3,143)**	**(769,770)**	**634,360**	**-**	**634,360**
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 restated	-	-	-	-	-	(281,286)	(281,286)	(10,607)	(291,893)
Other comprehensive income									
Cash flow hedge	-	-	-	2,412	-	-	2,412	-	2,412
Foreign exchange differences (net of tax)	-	-	50,797	-	-	-	50,797	(268)	50,529
Total comprehensive income for the period	**-**	**-**	**50,797**	**2,412**	**-**	**(281,286)**	**(228,077)**	**(10,875)**	**(238,952)**
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**	**100,580**	**1,334**	**(3,143)**	**(840,349)**	**545,883**	**(7,653)**	**538,230**

This statement is to be read in conjunction with the accompanying notes.
Refer Note 1D for details of restatement

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NOTE 1 – ABOUT THIS REPORT

Mayne Pharma Group Limited is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The preliminary report for the year ended 30 June 2023 was authorised for issue by the Directors on 31 August 2023.

A. Basis of preparation

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

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

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

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

It is recommended that the preliminary final report be read in conjunction with the annual report for the year ended 30 June 2022 and considered together with any public announcements made by the Company during the reporting period in accordance with the continuous disclosure obligations of the ASX Listing Rules.

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

Changes in presentation

Where required, items within the June 2022 comparatives have been reclassified to reflect the current presentation and enable better comparison between periods. This includes re-presentation of the Statement of Comprehensive Income for the period ended 30 June 2022 to separate the results of discontinued operations (refer to Note 6). As discussed below at Note 1(f), June 2022 Statement of Comprehensive Income and Statement of Financial Position comparatives have also been restated to record higher gross to net charges at 30 June 2022.

Corresponding restatements have been made to the notes to the preliminary financial statements where applicable.

B. Basis of consolidation

The consolidated financial statements comprise the preliminary financial statements of the Group and its subsidiaries as at 30 June 2023. 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 preliminary 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. Restatement of 30 June 2022 financial statements

The Group estimates the amount of expected rebates and charges (called Gross to Net charges) associated with sales of their product and deducts that amount from sales revenue at the time of sale based on the specific terms of each program, expected usage and timing of claims. The Group has subsequently identified that the accrual for anticipated copay (a component of Gross to Net) charges at 30 June 2022 had not taken into account higher customer inventory levels at 30 June 2022 which were in part due to the addition of several new products to the Portfolio Products segment during the year as well as sales volume trends leading into 30 June 2022.

Accordingly (and as announced to the ASX on 15 February 2023), the Group has assessed that these higher Gross to Net charges should have been recorded as at 30 June 2022.

Consequently this has been adjusted by restating each of the affected financial statement line items for the year ended 30 June 2022 as outlined below:

Impact on Consolidated Statement of Comprehensive income – for the year ended 30 June 22.

	As reported $'000	Restated $'000	Restatement impact $'000
Sale of goods	309,814	285,945	(23,869)
Cost of sales	(253,769)	(247,843)	5,926
Gross margin	171,028	153,085	(17,943)
Profit / (loss) before income tax	(217,818)	(235,761)	(17,943)
Profit / (loss) after tax	(273,950)	(291,893)	(17,943)
Attributable to:			
Equity holders of the Parent	(263,343)	(281,286)	(17,943)
Other Comprehensive income			
Exchange differences on translation	54,596	53,649	(947)
Total comprehensive income / (loss)	(220,062)	(238,952)	(18,890)
Attributable to:			
Equity holders of the Parent	(209,187)	(228,077)	(18,890)
Basic earnings per share	($3.20)	($3.42)	($0.22)
Diluted earnings per share [1]	($3.20)	($3.42)	($0.22)

1. Earnings per share amounts shown post impact of 20:1 share consolidation that occurred in FY23.

Impact on Consolidated Statement of Financial Position – as at 30 June 2022

	As reported $'000	Restated $'000	Restatement impact $'000
Trade and other payables	168,691	187,581	18,890
Total current liabilities	610,421	629,311	18,890
Total liabilities	730,806	749,696	18,890
Net assets	557,120	538,230	(18,890)
Equity			
Reserves	148,642	147,695	(947)
Retained earnings	(822,406)	(840,349)	(17,943)
Equity attributable to equity holders of the Parent	564,773	545,883	(18,890)
Total equity	557,120	538,230	(18,890)

The restatement had the following other impacts on the amounts previously reported in the 30 June 2022 financial statements:

- Reduced the recoverable amount of the Dermatology Cash Generating Unit (CGU) from $248.3m to $189.0m (as compared to the carrying value of $173.2m).
- Portfolio products segment direct contribution reduced from $63.508m to $45.565 million. (adjust for discontinued operations)
- Updates to the 30 June 2022 comparative information contained within these financial statements is outlined above.

The restatement had no impact on reported cashflows from operations.

E. Acquisition of assets from TherapeuticsMD, Inc (TXMD)

During the year the Group entered into agreements to licence three women's health products (ANNOVERA®, IMVEXXY® and BIJUVA®) and a number of pre-natal vitamins from TXMD for distribution in the US market. The transaction closed on 30 December 2022 (US) / 31 December 2022 (Australia). Key terms of the transaction and related accounting impacts on the financial statements, several of which involved the application of significant judgements, estimates and assumptions, are discussed below:

- Asset acquisition: the transaction was accounted for as an acquisition of assets as the Group did not acquire any personnel or processes directly from TXMD and assessed that the assigned supply and manufacture agreements did not constitute substantive processes.
- Determination of total consideration: the total consideration paid plus transaction costs paid for the transaction totalled $381.9 million, comprising $225.0 million of cash and $156.9m of contingent consideration liabilities recognised. The acquisition included $363.5m of intangibles, $16.7m of net working capital (receivables, inventory and trade payables) and $1.7m of Property, Plant and equipment. The contingent consideration represents the estimated present value of the future royalties and milestones payable on net sales of the product. Royalties on net sales of are payable to TXMD (8% of annual net sales of all products until loss of exclusivity, 2% thereafter) and the licensor of ANNOVERA®, the Population Council (10% on annual net sales of ANNOVERA®). Milestones are also payable to the Population Council as follows: US$13.0m in 2025, US$40.0m if cumulative lifetime net sales of ANNOVERA® reach US$400 million and a further US$40m if cumulative net sales reach US$1.0 billion.
- Convertible notes: refer Note 16.

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 three operating segments, being Branded Products Division (BPD), Portfolio Products Divison (PPD) and International. During the current period, the Consolidated Entity sold the MCS segment and the Retail Generics business and has therefore included MCS and Retail Generics in discontinued operations (refer Note 6). The Retail Generics business was previously reported as part of the Portfolio Products Division (PPD) segment which also included Dermatology. Following the Retail Generics sale, the segment is now Portfolio Products Dermatology. The comparatives reflect the new segments.

PPD

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

BPD

The Branded Products Division distributes branded women's health products 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:

	BPD $'000	PPD $'000	INTERNATIONAL $'000	TOTAL $'000
Year ended 30 June 2023				
Sale of goods	61,890	56,992	27,992	146,874
Services revenue	-	-	35,516	35,516
License fee revenue	-	-	418	418
Royalty revenue	-	-	778	778
Revenue	61,890	56,992	64,704	183,586
Cost of sales	(8,007)	(46,312)	(45,780)	(100,099)
Gross profit	53,883	10,680	18,924	83,487
Direct operating expenses	(81,569)	(31,639)	(12,050) [1]	(125,259)
Direct contribution	(27,686)	(20,959)	6,874	(41,772)
Other income				9,411
Earn-out and deferred consideration liabilities reassessments				23,900
Amortisation of intangible assets				(56,649)
Asset impairments				(69,177)
Research and development expenses				(22,998)
Restructure expenses and doubtful debt				(15,203)
Finance expenses (net of interest income)				(33,160)
Other expenses unallocated				(63,524)
(Loss) / Profit before income tax				(269,698)
Income tax expense				(47,745)
Net (Loss) / Profit for the period - continuing operations				(317,443)

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 and PPD segments.

The combined revenue from the largest customer from each reporting segment was $31.8m for the year ended 30 June 2023.

Approximately 28% of the Group's 2023 revenue (2022: 29%) 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.

	BPD $'000	PPD $'000	INTERNATIONAL $'000	TOTAL $'000
Year ended 30 June 2022 (restated)				
Sale of goods	10,567	92,212	30,153	132,932
Services revenue	-	-	23,333	23,333
Royalty revenue	-	-	882	882
Revenue	10,567	92,212	54,368	157,147
Cost of sales	(2,144)	(46,777)	(36,656)	(85,577)
Gross profit	8,423	43,435	17,712	71,570
Direct operating expenses	(55,102)	(25,228)	(9,563) [1]	(89,893)
Direct contribution	(46,679)	20,207	8,149	(18,323)
Other income				5,199
Earn-out and deferred consideration liabilities reassessments				79,637
Amortisation of intangible assets				(47,825)
Asset impairments				(68,286)
Research and development expenses				(12,207)
Finance expenses				(31,703)
Other expenses unallocated				(52,071)
(Loss) / Profit before income tax				(145,587)
Income tax expense				(74,501)
Net (Loss) / Profit for the period – continuing operations				(220,088)

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 and PPD segments.

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 (collectively referred to as 'Gross to Net' adjustments within the industry). 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

	2023 $'000	2022 $'000
Gain on sale of surplus land[1]	-	3,739
Rental from excess office space	274	266
Business interruption insurance recovery (Salisbury)	3,449	-
Other income – transitional services	2,718	-
Foreign exchange gain	1,513	92
Other	1,457	633
	9,411	4,730

Note: 1. During the prior 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

	2023 $'000	Restated 2022 $'000
Finance expenses		
Interest expense – syndicated loans	3,981	8,192
Unused line fees – syndicated loans	31	828
Interest expense – receivables finance	2,565	874
Interest expense – right-of-use asset leases	461	331
Amortisation of borrowing costs	3,416	1,300
Loss / (Gain) on modification of syndicated loan facility	-	4,866
	10,454	16,391
Change in fair value attributable to the unwinding of the discounting of the earn-out and deferred consideration liabilities[1]	18,396	16,073
Foreign exchange losses relating to funding activities including earn-outs and deferred consideration liabilities	11,029	(761)
Total finance expense	39,879	31,703
Depreciation right-of-use assets	3,509	2,539
Depreciation of property, plant and equipment	5,283	4,817
Total Depreciation	8,792	7,356
Employee benefits expense[2]		
Wages and salaries	87,940	88,851
Superannuation expense	4,748	4,603
Other employee benefits expense	5,305	5,646
Share-based payments	6,776	4,577
Total employee benefits	104,769	103,677
Administration and other expenses include the following:		
Drug pricing investigations and related litigation costs	5,093	2,885
Share-based payments expense	3,766	4,577
Share-based payments expense – restructuring related	1,796	-
Share-based payments expense – MCS and Retail Generics sale related	1,214	-
Restructuring and business turnaround expenses	9,135	5,014
Doubtful debt	7,795	-
Mark to market of derivative related to convertible note	2,702	-
Transaction costs	-	648
Amortisation of intangible assets	56,649	47,825
All other administration and other expenses	51,277	36,517
Total administration and other expenses	142,485	97,466

Notes: 1. The unwinding of the discount relates to all earn-out and deferred consideration liabilities.
2. 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:

	2023 $'000	2022 $'000
Income tax benefit / (expense)		
Current income tax	(17,516)	1,243
Adjustment in respect of current income tax of previous years	(2,445)	(1,077)
Deferred income tax	(34,071)	(56,298)
Income tax (expense) / benefit in the consolidated statement of profit or loss and other comprehensive income	(54,032)	(56,132)
Deferred income tax benefit/(expense) included in income tax expense comprises		
(Decrease) / Increase in deferred tax assets	(49,953)	(68,272)
Decrease in deferred tax liabilities	15,882	11,974
	(34,071)	(56,298)

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

	2023 $'000	2022 $'000
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:		
Profit/(loss) before income tax	171,188	(235,760)
Prima facie tax benefit/(expense) at 30%	(51,355)	70,229
Effect of R&D concessions	181	1,634
Over/(under) provision in respect of prior years	(2,445)	(1,077)
Deferred tax asset derecognition	(101,906)	(102,620)
Non assessable gain on disposal of business	129,440	-
Deferred tax asset not previously recognised	-	479
Non-deductible expenses for tax purposes		
Share-based payments	(2,075)	(1,681)
Asset impairments	(3,006)	(1,048)
Amortisation intangibles	(2,228)	(1,783)
Other non-deductible expenses	(8,146)	(4,620)
Tax losses not recognised	(60)	(116)
Effect of different tax rate in US compared to Australia	(20,854)	(21,037)
US state taxes	5,741	5,500
Restatement of DTA & DTL re US state tax rate changes	2,681	(492)
Income tax (expense) / benefit	(54,032)	(56,132)
Income tax (expense) / benefit from continuing operations	(47,745)	(74,501)
Income tax (expense) / benefit from discontinued operations	(6,286)	18,369
	(54,032)	(56,132)

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. Utilisation also dependant on continuing to meet regulatory requirements.

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 continued to be not probable that all the deferred tax assets would be recovered and hence a writedown to the expected probable recoverable amount was made of $107.4m. Certain deferred tax assets were transferred to Catalent as part of the MCS sale and hence were recovered.

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

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

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

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

US federal corporate tax

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 and on continuing to meet regulatory requirements.

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 – DISCONTINUED OPERATIONS

On 4 October 2022, Mayne Pharma completed the sale of the MCS business. On 7 April 2023, Mayne Pharma completed the sale of the Retail Generics business.

The results of discontinued operations – MCS were as follows. The assets and liabilities disposed as part of the MCS transaction primarily comprised property, plant and equipment ($175.1m, refer Note 12), deferred tax assets ($46.4m, refer Note 5), goodwill and intangible assets ($25.0m, refer Note 14) and other working capital and operational balances.

	2023 $'000	2022 $'000
Service Revenue	21,737	90,768
Cost of sales (includes depreciation)	(12,352)	(43,100)
Gross Margin	9,385	47,668
Profit on sale of MCS business (not taxable)	433,668	-
Sale transaction costs (non deductible)	(20,474)	(9,246)
Operating expenses (includes depreciation and amortisation)	(5,077)	(17,223)
Operating profit before tax from discontinued operations	417,502	21,198
Tax expense	(978)	(6,911)
Profit after tax for the period from discontinued operations - MCS	416,524	14,287

The above results for 30 June 2023 represent three months trading for the MCS business plus the profit on sale of the business.

On 7 April 2023, Mayne Pharma completed the sale of the Retail Generics business.

The results of discontinued operations – Retail Generics were as follows. The assets disposed as part of the Retail Generics transaction primarily comprised intangible assets ($37.7m, refer Note 14) and inventory ($49.0m).

	2023 $'000	2022 $'000
Sales Revenue	57,152	153,013
Cost of sales	(91,213)	(119,166)
Gross Margin	(34,060)	33,846
Reversal of historical accumulated impairment upon disposal	82,519	-
Transaction costs	(1,016)	-
Impairments	(5,263)	(123,736)
Amortisation	(3,588)	(12,490)
Earn-out and deferred consideration liabilities reassessments	383	1,960
Restructuring costs	(1,548)	-
Operating expenses	(14,043)	(10,229)
Finance expenses - discount unwind earn-out and deferred consideration liabilities	-	(727)
Operating profit before tax from discontinued operations	23,385	(111,367)
Tax expense	(5,308)	25,280
Profit / (loss) after tax for the period from discontinued operations – Retail Generics	18,077	(86,087)

	2023 $'000	2022 $'000
Profit / (loss) after tax for the period from discontinued operations	434,600	(71,805)

The above results for 30 June 2023 represent nine months trading for the Retail Generics business plus the profit / (loss) on sale of the business.

NOTE 7 – EARNINGS PER SHARE

	2023	Restated 2022
Earnings per share for profit attributable to the ordinary equity holders of the Parent:		
Basic earnings per share	$1.42	($3.42)
Diluted earnings per share	$1.48	($3.42)
Basic earnings (loss) per share from continuing operations	($3.86)	($2.55)
Diluted earnings (loss) per share from continuing operations	($3.86)	($2.55)
Basic earnings per share discontinued operations	$5.28	($0.87)
Diluted earnings per share discontinued operations	$5.26	($0.87)

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:

	2023 $'000	Restated 2022 $'000
For basic earnings per share		
Net profit / (loss) attributable to equity holders of the Company	117,249	(281,286)
For diluted earnings per share		
Net profit / (loss) attributable to equity holders of the Company	121,925	(281,286)
For basic earnings (loss) per share from continuing operations		
Net profit / (loss) from continuing operations	(317,351)	(209,481)
For diluted earnings (loss) per share from continuing operations		
Net profit / (loss) from continuing operations	(317,351)	(209,481)

	2023 '000	Restated 2022 '000
Weighted average number of ordinary shares for basic earnings per share	82,297	82,298
Effect of dilution (based on average share price during the year):		
LTI shares, options, performance rights and convertible notes	296	-
Weighted average number of ordinary shares adjusted for the effect of dilution	82,593	82,298

Where the group has made a loss as disclosed in the income table above potentially dilutive ordinary shares are anti-dilutive and diluted EPS is 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):

	2023 '000	2022 '000
Number of potential ordinary shares	5,746	10[illegible]

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 8 – TRADE AND OTHER RECEIVABLES

	2023 $'000	2022 $'000
Current		
Trade receivables (net of charge-backs)	180,838	258,759
Trade receivables – profit share	5,983	1,269
Provision for impairment	(9,426)	(988)
Other receivables	17,492	9,201
	194,887	268,241

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 16). 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$7.2m 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, $9,426,000 (2022: $988,000) of receivables were considered impaired. The impaired receivables include one individual receivable of $7,795,000. 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 9 – INVENTORIES

	2023 $'000	2022 $'000
Raw materials and stores at lower of cost and net realisable value	21,596	37,222
Work in progress at cost	9,331	8,559
Finished goods at lower of cost and net realisable value	51,773	63,127
	82,700	108,908

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 $22,767,000 (2022: $25,434,000).

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 10 – OTHER FINANCIAL ASSETS

	2023 $'000	2022 $'000
Current		
Restricted cash	9,098	408
Marketable securities	127,526	-
Mark to market value of interest rate swaps contracts	-	1,334
Unbilled client service fees	-	684
	136,624-	2,426

Marketable securities represent US money market fund investments.

Restricted cash includes U$4.5m held in escrow relating to the retail generics business sale. The balance represents cash held as security for leases and letters of credit.

NOTE 11 – OTHER ASSETS

	2023 $'000	2022 $'000
Current		
Deposits for gross-to-net sales arrangements	19,075	9,708
Prepayments	13,097	11,569
	32,172	21,277

	2023 $'000	2022 $'000
Non-Current		
Deposits for various commercial contracts	2,320	4,450
	2,320	4,450

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

	LAND $'000	BUILDINGS $'000	PLANT AND EQUIPMENT $'000	CAPITAL WORKS IN PROGRESS $'000	TOTAL $'000
Year ended 30 June 2023					
Balance at beginning of year net of accumulated depreciation	8,103	107,199	91,915	11,177	218,394
Additions	-	-	1,815	2,992 [1]	4,807
Disposals	-	-	-	-	-
Disposal of MCS business	(5,243)	(93,162)	(67,680)	(8,979)	(175,064)
Transfers	-	509	4,911	(5,420)	-
Depreciation charge for year	-	(1,364)	(7,191)	-	(8,555)
Foreign currency restatement	121	2,157	1,649	217	4,144
Balance at end of year net of accumulated depreciation	2,981	15,339	25,419	(13)	43,726
At 30 June 2023					
At cost	2,981	19,924	65,588	4,912	93,405
Accumulated depreciation	-	(4,585)	(40,169)	-	(44,754)
Accumulated impairments	-	-	-	(4,925)	(4,925)
Net carrying amount	2,981	15,339	25,419	(13)	43,726
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

Notes: 1. Net of government grant received of $3.6m.

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 13 – RIGHT-OF-USE ASSETS

	BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
Year ended 30 June 2023			
Balance at the beginning of year net of accumulated depreciation	5,466	1,995	7,461
Additions	-	6,410	6,410
Disposals	-	(836)	(836)
Modifications	(2,962)	980	(1,982)
Depreciation charge for year	(874)	(2,694)	(3,567)
Foreign currency restatement	150	120	270
Balance at end of year net of accumulated depreciation	1,781	5,975	7,756
At 30 June 2023			
At cost	5,413	9,914	15,236
Accumulated depreciation	(3,632)	(3,939)	(7,570)
Net carrying amount	1,781	5,975	7,756
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

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 16.

NOTE 14 – 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 2023						
Balance at beginning of year net of accumulated amortisation	22,127	341,895	9,071	23,529	30,892	427,514
Additions	-	363,541	409	1,485	-	365,435
Disposal of MCS business	(22,250)	-	-	-	(2,754)	(25,004)
Disposal of Retail Generics business	-	(34,282)	(3,167)	(293)	-	(37,742)
Amortisation	-	(50,058)	(1,899)	(4,077)	(4,187)	(60,221)
Specific impairments	-	(5,278)	(117)	(591)	-	(5,986)
CGU Impairments	(391)	(47,889)	(2,394)	(13,384)	(4,305)	(68,362)
Foreign currency restatement	514	21,039	136	(120)	61	21,630
Balance at end of year net of accumulated amortisation	-	588,969	2,039	6,549	19,707	617,264
As at 30 June 2023						
Cost	-	855,412	36,133	37,336	63,778	992,659
Accumulated amortisation	-	(153,608)	(9,507)	(14,026)	(39,766)	(216,907)
Accumulated impairments	-	(112,835)	(24,587)	(16,761)	(4,305)	(158,488)
Net carrying amount	-	588,969	2,039	6,549	19,707	617,264
The split between indefinite and definite life assets is as follows:						
Definite life assets	-	588,969	946	6,549	19,707	616,171
Indefinite life assets	-	-	1,093	-	-	1,093
Net carrying amount	-	588,969	2,039	6,549	19,707	617,264

	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 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

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:

	2023 $'000	2022 $'000
MCS	-	21,736
MPI / International	-	391
Closing goodwill balance at 30 June	-	22,127

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 seventeen 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 $74.3m (including $5.3m for discontinued operations) (2022: $192.0m) following detailed reviews of the Company's intangible assets at 31 December 2022 and 30 June 2023 (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 2023 totalled A$6.0m (majority related to discontinued operations) and were as follows:

- Specific intellectual property and distribution rights intangible assets $5.9m
- Specific Development Expenditure (pipeline products) $0.1m

The CGU impairments recognised during the year ended 30 June 2023 totalled $68.4m and were as follows:

- International (Dec 2022) $8.5m
- PPD Dermatology $59.9m

The CGU impairments were allocated first to goodwill then to all intangible assets in the CGU as follows:

- Goodwill $0.4m
- Customer contracts, customer relationships, product rights and intellectual property $47.9m
- Development expenditure $2.4m
- Tradenames $4.3m

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 BPD Women's Health and Infectious Disease CGUs which utilises net present value techniques using post-tax cash flows and discount rates. For the PPD Dermatology and International (MPI) CGUs, 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 and FVLCD 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 and associated gross margin 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.

The Group has identified the smallest identifiable group of assets that generate these largely independent cash flows at the Therapeutic Group (TG) level. Therefore each CGU comprises a Therapeutic Group (TG CGU's). During the year the following changes to TG CGUs:

- MCS and PPD Other and PPD Women's Health TG CGU's were disposed.
- The acquired TXMD products and existing BPD SOLTAMOX® CGU were assessed to form part of the BPD Women's Health CGU as the products are managed and distributed through the same salesforce as the existing NEXTSTELLIS® product.

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 value in use 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 MPI the FVLCD methodology is consistent with the VIU methodology described above except that it excludes certain Group corporate and R&D costs that would not be relevant to a market participant. The recoverable amount is cross checked to indicative market earnings multiples. For Dermatology, the FVLCD methodology assumes cash flows consistent with the value in use approach for a three year period, then a market value for the remaining intangible assets and net working capital of the CGU based on an assessment of market transaction earnings multiples.

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

A$00's	PPD Dermatology	BPD Women's Health	BPD Infectious Disease	MPI	Total
Intangible Assets	19,996	587,210	5,357	4,701	**617,264**

Key assumptions in impairment testing methodology include:

- Cash flow forecasts for the on-market portfolio are based on FY24 Budget projections as well as specific cash flows which have been forecast out to FY28 (or FY26 for the Dermatology CGU). 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 assessed consumption;
- 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 2022):

- 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 – 13.7% / Post Tax – 9.6%
- MPI: Pre-Tax – 13.7% / Post Tax – 9.6%

Forecast Gross Margin amount growth rates by TG CGU at 30 June 2023 and 31 December 2022 are shown in the tables below. These average growth rates are assumptions determined to satisfy applicable accounting standards but should not be used for guidance.

FY2023	FY23 ASSUMED AVERAGE FORECAST GROWTH RATES 1st FIVE YEARS[1]	FY23 ASSUMED TERMINAL VALUE GROWTH RATE
PPD Dermatology	55.7%]	n/a [2]
BPD Women's Health	44.9%	-5.9% to -30.1%
MPI	11.4%	2.0%
BPD Infectious Disease	-9.0%	0%

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 FY23 statutory result for the relevant CGU.
2. Gross margin growth rate for PPD Dermatology CGU reflects that applicable over three year period to disposal. Exit value assumed is based on a multiple of earnings so no terminal growth rate is applied.

December 2022	ASSUMED AVERAGE FORECAST GROWTH RATES 1st FIVE YEARS[1]	ASSUMED TERMINAL VALUE GROWTH RATE
MPI	8.5%	2%
PPD Dermatology	0.1%	-3.0%
BPD Women's Health	132.4%	-8.8% to -17.6%
BPD Infectious Disease	n/a[2]	n/a [2]

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.
2. At 31 December 2022 the product sold by BPD Infectious Disease was included within the PPD Other CGU and not seperately reported.

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

A$m	Carrying Value[1]	Recoverable Value	Difference
PPD Dermatology	53.8	53.8	-
BPD Women's Health	600.6	616.1	15.5
MPI	73.6	73.6	-
BPD Infectious Disease	5.3	7.5	2.2

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

Sensitivity to changes in assumptions

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.

As shown in the table above, the recoverable amount for the PPD Dermatology, BPD Women's Health and MPI CGUs approximates or equals their carrying amounts. Accordingly a small unfavourable change in key inputs is likely to cause impairment.

Estimation of useful lives of assets

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

NOTE 15 – TRADE AND OTHER PAYABLES

	2023 $'000	Restated 2022 $'000
Current		
Trade payables	32,027	63,571
Accrued rebates, returns and loyalty programs	181,301	99,642
Other payables	33,185	24,368
	246,513	187,581

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.

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 (including co-pay arrangements), 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 16 – INTEREST-BEARING LOANS AND BORROWINGS

	2023 $'000	2022 $'000
Current		
Syndicated loan and working capital facility	-	342,254
Receivables financing	10,810	63,112
Lease liabilities right-of-use assets	3,617	2,626
	14,427	407,993

	2023 $'000	2022 $'000
Non-current		
Convertible notes	28,480	-
Lease liabilities right-of-use assets	4,598	5,673
	33,078	5,673

Convertible notes

In connection with the TXMD assets acquisition, on 31 December 2022 the Group issued convertible notes with a face value of US$27.95m (A$41.1m). The discount to face value (US$3m) was paid by Mayne Pharma in June 2023. Key terms of these convertible notes include:

- Noteholders may redeem the notes for cash at face value upon the occurrence of certain change in control or default events or at maturity. The notes mature on 31 December 2026.
- Noteholders may convert the notes into equity at a fixed exchange rate and fixed conversion price of A$5.356 per Mayne Pharma security (the conversion price was adjusted for certain events including the special dividend and share consolidation which occurred in January 2023). Conversion can be exercised at any point from six months after issuance.
- Interest is payable at 2.5% per annum on the face value of US$27.95m.

The conversion option has been assessed as an embedded derivative that is not closely related to the host convertible note liability. Accordingly, the convertible notes have been separated into two components at initial recognition as follows:

- Fair value of the conversion option (embedded derivative). This is included in "Other financial liabilities" (refer Note 17). At time of issue this derivative was a $9.743m liability. This embedded derivative has subsequently been accounted for at fair value through profit and loss.
- Loan liability representing the net proceeds received less the fair value of the conversion option. The loan liability will be subsequently accounted for at amortised cost and is classified as interest bearing loans and borrowings (as above).

As disclosed in the 31 December 2022 half year financial statements, the restatement of the 30 June 2022 financial statements constituted a breach of warranty under the terms of the convertible note agreements. A waiver for the breach was signed by Mayne Pharma and the Noteholder on 23 February 2023.

Syndicated loan and working capital facilities

The syndicated loan and working capital facilities were repaid in full in October 2022 following the sale of the MCS business.

The total amount drawn across all facilities at 30 June 2022 was US$150m and A$124m.

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

Receivables financing facility

The receivables facility was established in December 2018 and extended in December 2019, December 2020, December 2021 and again in January 2023. The facility is an uncommitted facility, has a 364-day term, the limit was U$50m and was drawn to US$7.2m 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.

Financing facility maturities are summarised as follows:

	2023 $'000	2022 $'000
Current	10,810	405,366
Non-current	28,480	-
	39,290	405,366
Due by 30 June 2024	10,810	405,366
Due by 30 June 2027	28,480	-
	39,290	405,366

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.

The potential obligation to settle the convertible note with the Group's equity at the option of the Noteholder at any point from June 2023 through to maturity in December 2026 does not affect the current / non-current classification.

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 17 – OTHER FINANCIAL LIABILITIES

	2023 $'000	2022 $'000
Current		
Derivative related to convertible notes	12,445	-
Earn-out and deferred consideration liabilities – various products/distribution rights	15,203	17,713
Deferred liability – MCS sale related	7,651	-
	35,299	17,713

	2023 $'000	2022 $'000
Non-Current		
Earn-out and deferred consideration liabilities – various products/distribution rights	252,135	108,401
Deferred liability – MCS sale related	8,721	-
	260,856	108,401

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.

During the period the Group entered into agreements to licence three women's health products (ANNOVERA®, IMVEXXY® and BIJUVA®) and a number of pre-natal vitamins from TXMD for distribution in the US market. The contingent consideration (30 June 2023 balance A$174.9m) represents the estimated present value of the future royalties and milestones payable on net sales of the product. Royalties on net sales of are payable to TXMD (8% of annual net sales of all products) and the licensor of ANNOVERA®, the Population Council (10% on annual net sales of ANNOVERA®). Milestones are also payable to the Population Council as follows: US$13.0m in 2025, US$40.0m if cumulative lifetime net sales of ANNOVERA® reach US$400 million and a further US$40m if cumulative net sales reach US$1.0 billion.

The deferred liability relating to the MCS sale relates to Mayne Pharma's commitment to contribute towards overhead recovery for the Greenville site sold to Catalent as part of the MCS sale. The agreement specifies fixed amounts payable quarterly over 3 years.

The value of earn-out and deferred consideration liabilities has increased significantly due to contingent consideration recognised in relation to the TXMD assets acquisition in December 2022.

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.

At 30 June 2023 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.

Derivative related to convertible notes

The conversion option of the convertible notes has been assessed as an embedded derivative that is not closely related to the host convertible note liability. Accordingly, the convertible notes have been separated into two components at initial recognition as follows:

Fair value of the conversion option (embedded derivative). This is included above in "Other financial liabilities". At time of issue this derivative was a $9.743m liability (as discussed at Note 16). The value of the derivative has been determined using a Binomial Lattice model. Significant inputs to the model utilised at 30 June 2023 are Mayne Pharma's:

- Stock price, $4.40
- Expected volatility, 45%
- Estimated credit spread 9.34%.

The value derived is considered Level 3 in the fair value hierarchy.

NOTE 18 – PROVISIONS

	2023 $'000	2022 $'000
Current		
Employee benefits	14,566	13,551
Restructuring provision	154	1,249
	14,720	14,800
Non-Current		
Employee benefits	302	280
	302	280

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 19 – CONTRIBUTED EQUITY

Movements in contributed equity

	2023 Number	2022 Number	2023 $'000	2022 $'000
Balance at beginning of year	1,764,840,757	1,764,840,757	1,238,537	1,238,537
Share buy backs / share cancellations relating to forfeited employee LTI shares[1]	(49,260,061)	-	-	-
Equity contribution re LTI share plan	-	-	1,377	-
Subtotal prior to share consolidation	1,715,580,696	1,764,840,757	-	-
Effect of Share consolidation 20:1	(1,629,804,245)	-	-	-
Share buy backs / share cancellations – on market	(1,652,174)	-	(6,223)	-
Share buy backs / share cancellations relating to forfeited employee LTI shares[1]	(702,163)	-	-	-
Balance at end of year	83,422,114	1,764,840,757	1,233,692	1,238,537

Notes: 1. Share buy backs occurred for nil consideration.

Consolidation of shares

In January 2023 Mayne Pharma completed a twenty to one share consolidation.

On-market share buy-back

The Company commenced an on-market share buy-back on 22 May 2022. The Company may purchase up 10% of the shares on issue. Up to 30 June 2023, the Company had purchased 1,652,174 shares for a total value of $6,222,888 (approx. 2% of shares on issue). On-market share buy-backs were paused effective close of trade 30 June 2023 and remain on pause until after results release, consistent with Mayne Pharma's Securities Trading Policy.

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.

NOTE 20 – RESERVES

	2023 $'000	2022 $'000
Share-based payments reserve	55,957	48,924
Cash flow hedge reserve	-	1,334
Other reserve	(3,143)	(3,143)
Foreign currency translation reserve	117,624	100,580
	170,438	147,695

NOTE 21 – RETAINED EARNINGS

	2023 $'000	2022 $'000
Retained earnings at the beginning of the period	(840,349)	(559,063)
Transfer from share-based payments reserve re lapsed employee shares		-
Net (loss) / profit attributable to members	117,249	(281,286)
Dividend paid	(46,669)	-
Retained earnings at the end of the period	(769,770)	(840,349)

NOTE 22 – 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:

	2023 $'000	2022 $'000
Cash at bank and on hand	92,616	96,672

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

	2023 $'000	2022 $'000
Net (loss) / profit after income tax	117,157	(291,893)
Adjustments for:		
Depreciation	12,114	19,898
Amortisation of intangibles and borrowing costs	63,668	62,483
Share-based payments	7,033	5,603
Discount unwind earn-out and deferred consideration liabilities	18,396	16,799
Other (net) finance expenses	296	9,528
Movement in earn-out liability - reassessment	(24,283)	(81,596)
Asset impairments	74,440	192,023
Fair value adjustment convertible notes derivative	2,702	-
Loss / (gain) on modification of syndicated loan facility	-	4,866
Profit on sale of land	-	(3,683)
Loss on disposal INTI	3,058	-
Profit on sale MCS	(433,668)	-
Profit on sale retail generics	(82,519)	-
Net unrealised foreign exchange differences	8,796	1
Non-cash provisions	(5,316)	4,221
Changes in tax balances		
Decrease / (increase) in deferred tax assets	49,953	68,272
Increase / (decrease) in current and deferred tax liabilities	41	(4,853)
Operating cash flows before working capital movements	(188,132)	1,669
Changes in working capital		
Decrease / (Increase) in receivables	118,703	(66,124)
Decrease / (Increase) in inventories	(12,126)	(2,412)
(Increase) / decrease in other assets	(6,475)	4,244
(Decrease) / increase in creditors	45,316	60,730
Increase / (decrease) in provisions	2	(5,313)
Working capital (investment) / release	145,420	(8,875)
Net cash from operating activities	(42,712)	(7,206)

NOTE 23 – EVENTS SUBSEQUENT TO THE REPORTING PERIOD

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

COMPLIANCE STATEMENT

This report is based on financial statements that are in the process of being audited, and no material adjustments or qualifications are expected.

Laura Loftus, Company Secretary **31 August 2023**