Tuesday, 28 February 2023

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

Via E-Lodgement

Dear Sir/Madam

Mayne Pharma Group Limited
Interim Results

Please find attached the Appendix 4D Half Year Report, Directors' Report, the Financial Report and Auditor's Independent Review Report relating to the results for the half-year ended 31 December 2022.

This information should be read in conjunction with Mayne Pharma Group Limited's 2022 Annual Report.

This announcement comprises the information required by ASX Listing Rule 4.2A and the statement required by Rule 4.2C.2.

Yours faithfully,
Mayne Pharma Group Limited

Laura Loftus
Company Secretary

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

T +61 8 8209 2666 F +61 8 8281 0284
1538 Main North Road, Salisbury South, SA 5106 Australia
PO Box 700, Salisbury, SA 5108 Australia

RESULTS FOR ANNOUNCEMENT TO THE MARKET
APPENDIX 4D – HALF YEAR REPORT

	% Change	Dec 2022 $'000	Dec 2021 $'000
Revenue from ordinary activities	(33%)	**101,165**	150,398
Profit / (loss) from continuing operations before income tax expense		**(166,537)**	(84,037)
Profit / (loss) from continuing operations after income tax expense		**(129,175)**	(66,316)
Profit / (loss) from discontinued activities after income tax		**419,101**	15,719
Profit / (loss) after income tax		**289,927**	(50,597)
Attributable to:			
Equity holders of the parent		290,020	(50,370)
Non-controlling interests		(93)	(227)
		289,927	(50,597)
Other comprehensive income after income tax expense		**3,369**	24,761
Total comprehensive income after income tax expense		**293,296**	(25,836)
Attributable to:			
Equity holders of the parent		293,976	(25,721)
Non-controlling interests		(680)	(115)
		293,296	(25,836)

Net tangible assets per ordinary share [(1)]	**$0.04**	$0.11

	2022 Cents	2021 Cents
Basic earnings per share	**17.6**	(3.1)
Diluted earnings per share	**17.6**	(3.1)
Final dividend in respect of the financial year ended 30 June per share	**Nil**	Nil
Special dividend in respect of the period ended 31 December per share	**2.72**	Nil

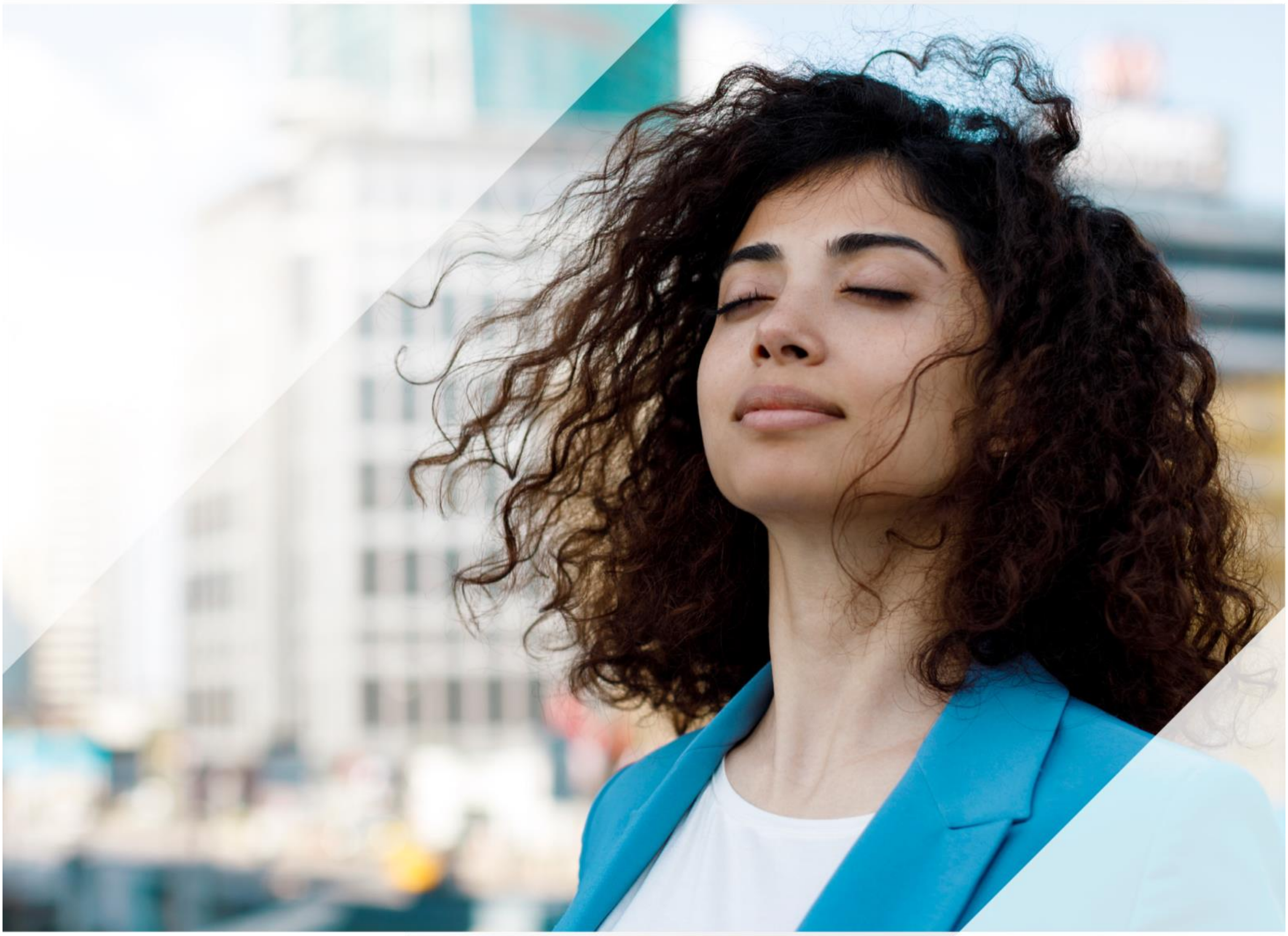
(1) Net tangible assets include Right-of-use lease assets

A special fully franked dividend was declared in relation to the period ended 31 December 2022 following the sale of the Metrics Contract Services (MCS) business and was paid subsequent to reporting date, on 27 January 2023.

Refer to the Directors' Report and the accompanying ASX announcement dated 28 February 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.



Half Year Financial Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2022
(PRIOR CORRESPONDING PERIOD: HALF YEAR ENDED 31 DECEMBER 2021)

CONTENTS

CORPORATE INFORMATION

DIRECTORS:	Mr Frank Condella (Chair) Mr Shawn Patrick O'Brien (Managing Director and CEO) Mr Patrick Blake Ms Ann Custin Dr Kathryn MacFarlane Dr Carolyn Myers Mr David Petrie Prof Bruce Robinson, AC
COMPANY SECRETARY:	Ms Laura Loftus
REGISTERED OFFICE	1538 Main North Road Salisbury South South Australia 5106
PRINCIPAL PLACES OF BUSINESS:	1538 Main North Road Salisbury South South Australia 5106 3301 Benson Drive Suite 401 Raleigh North Carolina 27609 USA
AUDITORS:	Ernst & Young 8 Exhibition Street Melbourne VIC 3000
SOLICITORS:	Minter Ellison Lawyers Collins Arch Level 20, 447 Collins Street Melbourne VIC 3000
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Telephone: (03) 9415 4184 Facsimile: (03) 9473 2500
BANKER:	Westpac 150 Collins Street Melbourne VIC 3000
ABN:	76 115 832 963
DOMICILE AND COUNTRY OF INCORPORATION:	Australia
LEGAL FORM OF ENTITY:	Public company listed on the Australian Securities Exchange (MYX)

DIRECTORS' REPORT

The Directors of Mayne Pharma Group Limited (the Company or Mayne Pharma) submit their report for the half-year ended 31 December 2022.

DIRECTORS

The names of the Company's Directors in office during the half-year and until 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 Carolyn Myers
Dr Kathryn MacFarlane
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)

REVIEW OF RESULTS

The Consolidated Entity's net profit attributable to members of the Company for the half-year ended 31 December 2022 was $290.0m (half-year ended 31 December 2021: net loss $50.4m). The profit included a $419.1m profit from discontinued operations which includes the profit on sale of the Metrics Contract Services (MCS) business.

Set out below is a summary of the financial performance attributable to Mayne Pharma shareholders for the six months ended 31 December 2022. The summary includes Mayne Pharma's share of Inhibitor Therapeutics Inc (INTI) for the period during which Mayne Pharma held control (ie 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. Earnings before interest tax, impairment, depreciation and amortisation (EBITDA) is used as a key measure of the earnings considered by management in operating the business and assessing performance.

The reconciliation of reported results and underlying results from continuing operations is as follows:

SALES AND PROFIT	REPORTED ATTRIBUTABLE TO MEMBERS DEC 2022 [1] $M	EARN-OUT REASSESSMENT [2] $M	RESTRUCTURING [3] $M	DISCONTINUED PRODUCTS[4] $M	IMPAIRMENT[5] $M	LITIGATION[6] $M	INTI – MAYNE PHARMA'S SHARE [7] $M	DISPOSAL INTI[8] $M	UNDERLYING DEC 2022 $M
Revenue	101.2			29.3					130.5
Gross profit	7.9			31.3					39.2
Gross profit %	*8%*								*30%*
EBITDA	**(99.2)**	(0.3)	9.3	31.3		2.6	0.1	3.1	**(53.1)**
Depreciation / Amortisation	(29.2)								(29.2)
Impairments	(14.1)				14.1				-
PBIT	**(142.5)**	(0.3)	9.3	31.3	14.1	2.6	0.1	3.1	**(82.3)**

(1) The values in the above table are values attributable to members of Mayne Pharma and hence include only Mayne Pharma's share of INTI. The Consolidated Statement of Profit or Loss and Other Comprehensive Income and supporting notes such as note 5 for income tax include 100% of INTI and hence differ from the above values.
(2) Earn-out and deferred consideration liabilities reassessment
(3) Restructuring costs principally related to organisational restructuring.
(4) Exit costs for discontinued products.
(5) Impairments relate to intangibles.
(6) Drug pricing and health care investigations, US Department of Justice and related litigation costs.
(7) INTI – Mayne Pharma's share of INTI's EBITDA loss.
(8) Loss on disposal of INTI.

The non IFRS financial information is unaudited.

A more detailed analysis of the operating performance is included in the ASX Announcement and Results Presentation dated 28 February 2023.

REVIEW OF OPERATIONS

The following information is provided on a total group basis, rather than that attributable to Mayne Pharma's members and hence includes 100% of the revenues and expenses incurred by Inhibitor Therapeutics Inc (INTI) where applicable (INTI revenue 2022: nil; 2021: nil).

During 1HFY2023 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. 1HFY2023 results include adjustments to reflect movements related to the sale as part of discontinued operations and to adjust 1HFY2022 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®. 1HFY2023 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 recorded revenue of $101.2m, down 33% on prior comparative period (pcp) and gross profit was $7.9m, down 88% on pcp impacted by continued competition in the retail generic market and on certain products in the dermatology business requiring normalisation of inventory in the distribution channel.

Gross profit reported as a percentage of sales revenue was 8.0% versus 45.5% in the pcp. Excluding the impact of discontinued products, gross profit as a percentage of sales revenue was 30%.

The Consolidated Entity operates in three operating segments being International, Branded Products (BPD) and Portfolio Products (PPD). During the current period, the Consolidated Entity sold the MCS segment and has therefore included MCS in discontinued operations (refer Note 5). 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.

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.

International revenue was stable at $27.6m ($27.6m pcp), gross profit increased by 1% to $8.9m ($8.8m pcp) and direct contribution decreased 30% to $2.8m ($4.1m pcp) for the period.

Revenue growth occurred for Australian based contract services, KAPANOL®, NEXTSTELLIS® and UROREC®.

Direct operating costs increased by $1.4m reducing the direct contribution. The additional costs incurred largely related to the launch of NEXTSTELLIS® in Australia.

Branded Products Division (BPD)

The Branded Products Division distributes medically differentiated specialty products in the US in the launch or growth phase. This division includes NEXTSTELLIS®.

BPD revenue increased 220% to $13.4m ($4.2m pcp) and gross profit increased 227% to $10.7m ($3.3m pcp) for the period. Direct contribution was -$26.0m (-$22.5m pcp) due to the investment in the launch of NEXTSTELLIS® which commenced in late June 2021.

Portfolio Products Division (PPD)

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

Revenue decreased 49% to $60.1m ($118.6m pcp), gross profit decreased to negative $11.7m (positive $52.6m pcp) and direct contribution decreased to a loss $32.6m ($36.7m profit pcp) for the period.

PPD performance was impacted by challenges in the dermatology business related to price and distribution channel inventories driven by competition on key products. Returns for discontinued products were also a major contributor to decline in sales and gross margin performance. Dermatology net sales declined by US$11.0m compared to pcp. Excluding the impact of discontinued products, retail generics performance was nominally improved vs pcp. Net revenues increased US$1.0m vs pcp, with US$0.5m additional margin on secondary contract business.

Expenses

Net research and development expense (total research and development costs less amounts qualifying for capitalisation) was $8.4m, an increase in expense of $0.8m on the pcp. While there was a small increase in spend ($0.3m), the balance of the increase was due foreign exchange translation. Reduction in spend on generic product projects (which are more likely to be capitalised) and maintenance of spend in the Speciality Products area (R&D in this area is generally not capitalised) has resulted in the level of R&D capitalisation declining this half.

	Dec 2022 $M	Dec 2021 $M
Total R&D costs incurred	8.8	8.0
Development costs capitalised	(0.4)	(0.8)
R&D expensed	8.4	7.2

Marketing and distribution expenses were $64.1m, an increase of $17.7m (38%) on the pcp. The largest component of the increase related to NEXTSTELLIS® sales force and promotional costs which increased to US$23.9m from US$15.7m in the pcp. Dermatology and Adelaide Apothecary costs increased (in total) by US$2.5m as these portfolios continue to expand.

Administration and other expenses were $67.1m, an increase of $6.6m on the pcp. The increase relates to restructuring costs and the loss on the deconsolidation of INTI. This category includes non-cash and non-operating items such as:

- Amortisation of intangible assets $24.8m ($31.4m pcp);
- Share based payments expense $2.2m ($2.6m pcp);
- Share based payments relating to restructuring and MCS sale $2.5m (nil pcp);
- Loss on deconsolidation of INTI $3.1m (nil pcp);
- Restructuring expenses $6.7m ($3.4m pcp); and
- Litigation costs $2.6m ($1.6m pcp).

Excluding these items, administration and other expenses increased by $3.7m to $25.1m due, in part, to foreign exchange translation (December 2022 average exchange rate 0.6706 compared to December 2021 average exchange rate 0.7317).

Asset impairments include specific intangible impairments of $5.6m related to discontinued products. CGU impairments of $8.5m were made relating to the MPI CGU.

Finance expenses were $26.6m, an increase of $11.6m on the pcp. Financing related costs include foreign exchange losses of $13.8m (pcp $0.3m) which occurred post the MCS sale as the group adjusted its balance sheet foreign exchange exposure. Discount unwind impacts on earnout and deferred consideration reduced to $5.9m (pcp $9.5m) in the current period. Other finance expenses excluding the impact of earn-outs and deferred consideration liabilities and foreign exchange losses increased by $1.5m on the pcp mainly due to exit costs for the syndicated loan facility.

The tax benefit of $35.9m comprised:

- Current period income tax expense for the six months to 31 December 2022 of $0.9m;
- Prior year under provision of $1.5m; and
- Benefit of $38.3m relating to the movement in net tax deferred tax assets and liabilities.

REVIEW OF BALANCE SHEET

Cash

Cash increased by $78.8m compared to 30 June 2022. Refer to Review of Cash Flows for further commentary.

Inventory, receivables and trade payables

As part of the TXMD asset acquisition completed on 31 December 2022, Mayne Pharma acquired various working capital items as outlined below:

- Trade and other receivables $46.3m
- Inventory $12.4m
- Other assets $4.3m
- Trade and other payables (incl GTNs) $45.1m

Excluding the TXMD working capital acquired and the MCS sale, receivables decreased by $59.1m, inventory increased by $14.3m and trade and other payables increased by $14.1m compared to 30 June 2022.

Intangible assets and goodwill

Intangible assets increased by $307.0m compared to the balance at 30 June 2022. The movement comprised of:

- An increase of $0.4m for capitalised development costs;
- An increase of $365.9m for other intangible asset additions, primarily the TXMD assets acquisition;
- A decrease of $5.6m for specific impairments;
- A decrease of $8.5m for CGU impairments;
- A decrease of $25.1m relating to the MCS business disposal;
- A decrease of $24.8m for amortisation; and
- An increase of $5.1m due to foreign currency translation with the AUD / USD exchange rate decreasing from 0.6892 at 30 June 2022 to 0.6818 at 31 December 2022.

Property, plant & equipment

Property, plant and equipment decreased by $175.0m compared to the balance at 30 June 2022. The movement comprised of:

- An increase of $1.9m for additions which includes capital works programs and general site maintenance capital expenditure;
- A decrease of $5.9m for depreciation;
- A decrease of $175.8m relating to the MCS business disposal; and
- An increase of $4.8m due to foreign currency translation.

Interest bearing liabilities.

Interest bearing liabilities includes lease liabilities which were $7.4m at balance date. Following the sale of the MCS business in October 2022, the syndicated loan facilities were repaid in full. Mayne Pharma issued convertible notes in December with total cash received of US$27.95m. The convertible notes liability has been split into two components – the loan liability ($31.4m included in interest bearing liabilities) and the conversion option (derivative) component ($9.7m – which is included in the balance sheet as "Other financial liabilities"). The receivables facility remains in place with a net reduction of amounts outstanding under this facility of $16.3m since 30 June 2022.

Other financial liabilities

Other financial liabilities increased by $180.8m from 30 June 2022 including as a result of:

- An increase of $5.9m due to the unwinding of the discount for the various earn-out liabilities and deferred consideration liabilities;

- An increase of $156.9m due to asset acquisitions;
- An increase of $9.7m due to recognition of an option derivative relating to convertible notes;
- An increase of $20.0m relating to the MCS business disposal;
- A decrease of $0.3m due to re-assessments of various earn-out and deferred consideration liabilities;
- A decrease of $12.0m due to payments made for earn-outs and deferred settlements; and
- An increase relating to foreign exchange and foreign currency translation of $0.5m.

REVIEW OF CASH FLOWS

Cash at 31 December 2022 was $175.5m, representing an increase of $78.9m from 30 June 2022. The increase in cash is a result of the sale of the MCS business, net of loan repayments.

A summary of operating cash flows is as follows:

	Dec 2022 $M	Dec 2021 $M
Operating cash flow before working capital movements	(106.7)	18.7
Working capital (investment) / release	49.9	(18.3)
Net Operating cash flows	**(56.8)**	**0.4**
Exclude transaction, restructuring and DOJ costs	33.8	4.6
Net operating cashflows excluding transaction, restructuring and DOJ costs	(23.0)	5.0

Operating cash flow was impacted by the continued investment in NEXTSTELLIS®, the sale of the MCS business and the reduced revenue from the PPD segment.

	Dec 2022 $M	Dec 2021 $M
Investing cash flows	478.0	(12.6)

Notable cash flows during the period included:

- Proceeds from the sale of the MCS business $722.5m
- $1.9m payments for capital expenditure;
- $212.2m payments for intangible asset acquisitions with the majority relating to the TXMD assets acquisition;
- $18.1m net working capital acquired as part of the TXMD assets acquisition;
- $0.4m in capitalised development expenditure; and
- Earn-out and deferred settlement payments totalling $12.0m.

	Dec 2022 $M	Dec 2021 $M
Financing cash flows	(338.8)	26.4

Notable cash flows during the period included:

- Net repayment of borrowings of $335.0m;
- Net interest payments $1.8m; and
- Lease payments (right-of-use) assets $2.0m.

DIVIDEND

The Directors declared a special dividend of 2.72 cents per share following the sale of the MCS business, which was paid subsequent to reporting date, on 27 January 2023. No dividend was declared or paid for the period ended 31 December 2021.

ROUNDING

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in this report and in the financial report. Amounts in this report and in the financial report have been rounded off in accordance with that Legislative Instrument to the nearest hundred thousand dollars or, in certain cases, to the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is included on page 12 of the Financial Report.

EVENTS SUBSEQUENT TO REPORTING DATE

The Company has entered into a definitive agreement to divest the retail generics business comprising the Portfolio Products Women's Health and Portfolio Products Other cash generating units. The transaction is expected to close by the end of fiscal year 2023, subject to customary closing conditions. The sale price is US$90m upfront, with contingent consideration of up to US$15m plus an amount for working capital (the estimated value of inventory transferred less liabilities transferred).

The Company announced in January 2023 that the Company had deferred the proposed capital return and reserved the right to reduce or cancel the return. On 28 February 2023, the Company announced that the Board had decided to cancel the capital return.

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

Signed in accordance with a resolution of the Directors.

Dated this 28th day of February 2023.

Frank Condella
Chair

AUDITOR'S INDEPENDENCE DECLARATION

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

As lead auditor for the review of the half year financial report of Mayne Pharma Group Limited for the half year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review;

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

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

David Petersen
Partner

28 February 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	31 December 2022 $'000	31 December 2021 $'000
Continuing operations			
Sale of goods		86,566	136,760
Services revenue		14,072	13,371
Royalties revenue		395	267
License fees		132	-
Revenue		**101,165**	**150,398**
Cost of sales	3	(93,273)	(85,792)
Gross profit		**7,892**	**64,606**
Interest income		2,682	367
Other income		2,827	4,157
Earn-out and deferred consideration liabilities reassessments		346	32,052
Research and development expenses		(8,379)	(7,195)
Marketing and distribution expenses		(64,113)	(46,448)
Administrative and other expenses	3	(67,066)	(60,479)
Asset impairments	10	(14,078)	(56,007)
Finance expenses - other	3	(6,867)	(5,295)
Foreign exchange (losses) / gains related to financing activities	3	(13,883)	(276)
Finance expenses – related to earn-outs & deferred consideration liabilities including discount unwind	3	(5,898)	(9,519)
Net (loss) / profit before income tax		(166,537)	(84,037)
Income tax credit / (expense)	4	37,362	17,721
Net (loss) / profit for the period from continuing operations		(129,175)	(66,316)
Discontinued operations			
Profit after tax for the period from discontinued operations	5	419,101	15,719
Net (loss) / profit for the period		289,927	(50,597)
Attributable to:			
Equity holders of the Parent		290,020	(50,370)
Non-controlling interests		(93)	(227)
		289,927	(50,597)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	31 December 2022 $'000	31 December 2021 $'000
Other comprehensive income for the period, net of tax			
Items which may be reclassified to profit/loss			
Unrealised (loss) / gain on cash flow hedges		(1,334)	866
Income tax effect		-	-
Exchange differences on translation		5,581	24,861
Income tax effect		(291)	(1,078)
Items that will not be reclassified to profit or loss in future periods			
Exchange differences on translation		(587)	112
Income tax effect		-	-
Total comprehensive income for the period		293,296	(25,836)
Attributable to:			
Equity holders of the Parent		293,976	(25,721)
Non-controlling interests		(680)	(115)
		293,296	(25,836)

Basic earnings per share		17.6 cents	(3.1) cents
Diluted earnings per share		17.6 cents	(3.1) cents
Earnings per share from continuing operations:			
Basic earnings (loss) per share from continuing operations		(7.8) cents	(4.0) cents
Diluted earnings (loss) per share from continuing operations		(7.8) cents	(4.0) cents

This statement should be read in conjunction with the accompanying notes to the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	31 December 2022 $'000	Restated (1) 30 June 2022 $'000
Current assets			
Cash and cash equivalents	6	175,541	96,672
Trade and other receivables	7	246,763	268,241
Inventories	8	125,316	108,908
Income tax receivable		14,140	14,094
Other financial assets		412	2,426
Other current assets		32,517	21,277
Total current assets		594,689	511,618
Non-current assets			
Other non-current assets		2,776	4,450
Property, plant and equipment	9	43,410	218,394
Right-of-use assets		6,731	7,461
Deferred tax assets	4	111,450	118,489
Intangible assets including goodwill	10	734,530	427,514
Total non-current assets		898,897	776,308
Total assets		1,493,586	1,287,926
Current liabilities			
Trade and other payables	11	240,767	187,581
Interest-bearing loans and borrowings	12	76,896	407,993
Income tax payable		--	1,224
Other financial liabilities	13	32,830	17,713
Provisions	14	58,397	14,800
Total current liabilities		408,889	629,311
Non-current liabilities			
Interest-bearing loans and borrowings	12	4,337	5,673
Other financial liabilities	13	274,069	108,401
Deferred tax liabilities	4	7,811	6,031
Provisions	14	285	280
Total non-current liabilities		286,502	120,385
Total liabilities		695,392	749,696
Net assets		798,194	538,230
Equity			
Contributed equity	15	1,238,537	1,238,537
Reserves		156,654	147,695
Retained Earnings		(596,998)	(840,349)
Equity attributable to equity holders of the Parent		798,194	545,883
Non-controlling interests		-	(7,653)
Total equity		798,194	538,230

(1) Refer Note 1(f) for details of restatement

This statement should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Contributed Equity $'000	Share-Based Payment 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 for the period	-	-	-	-	-	290,020	290,020	(93)	289,927
Other comprehensive income									
Foreign exchange translation (net of tax)	-	-	5,290	-	-	-	5,290	(587)	4,703
Cash flow hedge	-	-	-	(1,334)	-	-	(1,334)	-	(1,334)
Total comprehensive income	-	-	5,290	(1,334)	-	290,020	293,976	(680)	293,296
Transactions with owners in capacity as owners									
Dividend provided	-	-	-	-	-	(46,669)	(46,669)	-	(46,669)
Disposal of subsidiary		-	-	-	-	-	-	8,333	8,333
Share-based payments	-	5,004	-	-	-	-	5,004	-	5,004
Balance at 31 December 2022	1,238,537	53,928	105,870	-	(3,143)	(596,998)	798,194	-	798,194
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 for the period	-	-	-	-	-	(50,370)	(50,370)	(227)	(50,597)
Other comprehensive income									
Foreign exchange translation (net of tax)	-	-	23,783	-	-	-	23,783	112	23,895
Cash flow hedge	-	-	-	866	-	-	866	-	866
Total comprehensive income	-	-	23,783	866	-	(50,370)	(25,721)	(115)	(25,836)
Transactions with owners in capacity as owners									
Dividend provided	-	-	-	-	-	-	-	-	-
Share-based payments	-	3,118	-	-	-	-	3,118	-	3,118
Balance at 31 December 2021	1,238,537	46,439	73,566	(212)	(3,143)	(609,433)	745,754	3,107	748,861

This statement should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Notes	31 December 2022 $'000	31 December 2021 $'000
Cash flows from operating activities			
Receipts from customers		253,718	228,784
Payments to suppliers and employees		(264,870)	(217,194)
Tax paid		(3,796)	(50)
		(14,949)	11,540
Payments for research and non-capitalised development expenditure		(8,034)	(6,503)
Restructuring, transaction and DOJ costs		(33,826)	(4,638)
Net cash flows from operating activities	6	(56,809)	399
Cash flows from investing activities			
Payments for plant and equipment		(3,766)	(4,773)
Receipt of government grant relating to plant and equipment		1,900	-
Payments for intangible assets		(212,166)	-
Payments for capitalised development costs		(395)	(827)
Earn-out and deferred settlement payments		(11,954)	(12,167)
Net proceeds from sale of land		-	5,159
Working capital acquired as part of asset acquisition		(18,105)	-
Net proceeds from the sale of the MCS business		722,521	-
Net cash flows used in investing activities		478,035	(12,608)
Cash flows from financing activities			
Proceeds from borrowings (receivables finance facility – net of fees)		102,045	80,843
Repayment of borrowings (receivables finance facility)		(119,299)	(72,707)
Proceeds from borrowings (convertible notes – net of fees)		40,995	-
Proceeds from borrowings (syndicated facility - net of fees)		-	29,540
Repayment of borrowings (syndicated facility)		(358,698)	(5,000)
Payments of interest		(4,503)	(5,329)
Receipts of interest		2,682	367
Payment of lease liabilities (right-of-use assets)		(2,042)	(1,352)
Net cash flows from financing activities		(338,820)	26,362
Net increase/(decrease) in cash and cash equivalents		82,406	14,153
Cash and cash equivalents at beginning of period		96,672	97,980
Effect of foreign exchange changes on cash held in foreign currencies		(3,537)	2,600
Cash and cash equivalents at end of period	6	175,541	114,733

This statement should be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

The financial report for the half-year ended 31 December 2022 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial 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.

Under AASB 134 Interim Financial Reporting, measurement is generally made on an annual reporting period to date basis. However, it is recognised that the interim period is part of a larger annual reporting period not an independent reporting period.

It is recommended that the half-year financial 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 Mayne Pharma Group Limited during the half-year ended 31 December 2022 in accordance with the continuous disclosure obligations of the *ASX Listing Rules*.

(b) Change in presentation

Where required, items in the June 2022 and December 2021 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 31 December 2021 to separate the results of discontinued operations (refer to Note 5). As discussed below at Note 1(f), June 2022 comparatives have also been restated to record higher gross to net charges at 30 June 2022.

(c) Changes in accounting policy and adoption of new accounting standards

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022.

New and/or amended standards that were effective for the Group as of 1 July 2022 did not have a material impact on the financial statements of the Group as they are either not relevant to the Group’s activities or require accounting which is consistent with the Group's current accounting policies.

(d) New accounting standards and interpretations

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

(e) Significant judgements and estimates

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

• Note 1(g) Acquisition of assets	Asset acquisition accounting, determination of contingent consideration
• Note 2 - Reporting Segments	Revenue recognition
• Note 5 - Income tax	Recognition of deferred tax assets and liabilities
• Note 13 – Intangible assets	Development expenditure capitalisation, impairment and assessment of useful lives

- Note 14 - Trade and Other Payables		Customer rebates, returns and loyalty programs

(f) 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	(16.00) cents	(17.09) cents	(1.09) cents
Diluted earnings per share	(16.00) cents	(17.09) cents	(1.09) cents

However, there was no impact on reported 31 December 2021 Consolidated Statement of Comprehensive Income comparatives which are included in this half year financial report.

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.
- Updates to the 30 June 2022 comparative information contained within these financial statements is outlined above.

The restatement has no impact on reported cashflows from operations.

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

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 transaction closed on 30 December 2022 (US) / 31 December 2022 (Australia). Key terms of the transaction and related accounting impacts on the half year 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 for the transaction was $380.0 million, comprising $205.3 million of cash, $17.6m of net working capital (receivables, inventory and trade payables) acquired and $157.1m of contingent consideration liabilities recognised. 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) 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 12.

2. SEGMENT REPORTING

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

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

The Consolidated Entity operates in three operating segments being Portfolio Products Division (PPD), Branded Products Division (BPD) and International. During the current period, the Consolidated Entity sold the Metrics Contract Services segment (MCS) and has therefore included MCS in discontinued operations (refer Note 5).

Portfolio Products Division

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

Branded Products Division

The Branded Products Division distributes medically differentiated specialty products in the US in the launch or growth phase.

International

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

	Portfolio Products $'000	Branded Products $'000	International $'000	Total Consolidated $'000
Half Year ended 31 December 2022				
Sale of goods	60,112	13,427	13,027	86,566
Services income	-	-	14,072	14,072
Royalty income	-	-	395	395
Licence fee income	-	-	132	132
Revenue	60,112	13,427	27,626	101,165
Cost of sales	(71,808)	(2,715)	(18,750)	(93,273)
Gross profit	(11,696)	10,712	8,876	7,892
Direct operating expenses	(20,917)	(36,699)	(6,052)[1]	(63,668)
Direct contribution	(32,613)	(25,987)	2,824	(55,776)
Other income				2,827
Earn-out and deferred consideration liabilities reassessments				346
Asset impairments				(14,078)
Amortisation of intangible assets				(24,756)
Research and development expenses				(8,379)
Finance expenses (net)				(23,966)
Transaction and restructuring costs				(12,265)
Other unallocated expenses				(30,490)
Profit / (loss) before income tax				(166,537)
Income tax (expense) / benefit				37,362
Net profit / (loss) for the period from continuing operations				(129,175)

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

	Portfolio Products $'000	Branded Products $'000	International $'000	Total Consolidated $'000
Half Year ended 31 December 2021				
Sale of goods	118,636	4,195	13,929	136,760
Services income	-	-	13,371	13,371
Royalty income	-	-	267	267
Revenue	118,636	4,195	27,567	150,398
Cost of sales	(66,075)	(917)	(18,800)	(85,792)
Gross profit	52,561	3,278	8,767	64,606
Direct operating expenses	(15,839)	(25,743)	(4,685)[1]	(46,267)
Direct contribution	36,722	(22,465)	4,082	18,339
Other income				4,157
Earn-out and deferred consideration liabilities reassessments				32,052
Asset impairments				(56,007)
Amortisation of intangible assets				(31,425)
Research and development expenses				(7,195)
Finance expenses				(14,723)
Other unallocated expenses				(29,235)
Profit / (loss) before income tax from continuing operations				(84,037)
Income tax (expense) / benefit				17,721
Net profit / (loss) for the period from continuing operations				(66,316)

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

Geographical segment information	31 December 2022 $'000	31 December 2021 $'000
Australia	19,440	17,814
United States	73,539	122,831
Other	8,186	9,753
Total external revenue	**101,165**	150,398
Revenue from customer contracts		
Recognised at a point in time	87,543	137,027
Recognised over time	14,072	13,371
Total external revenue from customer contracts	**101,615**	150,398
Revenue by product group / service		
Third party contract services and manufacturing	14,072	13,371
Generic and branded products	86,566	136,760
Other revenue	527	267
Total external revenue	**101,165**	150,398

3. EXPENSES

	31 December 2022 $'000	31 December 2021 $'000
Finance expenses		
Interest expense	4,650	4,065
Unused line fees	31	443
Amortisation of borrowing costs	1,951	609
Interest expense – right-of-use asset lease liabilities	235	178
	6,867	5,295
Change in fair value attributable to the unwinding of the discounting of earn-out and deferred consideration liabilities	5,898	9,519
Foreign exchanges losses relating to funding activities including earn-outs and deferred consideration liabilities	13,883	276
Total finance expense	**26,648**	15,090
Depreciation property, plant & equipment	2,657	2,398
Depreciation right-of-use assets	1,756	1,066
Total Depreciation (continuing operations)	**4,412**	3,464
Cost of sales include the following:		
Inventory write-offs	1,374	3,366
Provision for inventory obsolescence and net realisable value adjustments[1]	4,441	2,252
Employee benefits expense [2]		
Wages and salaries	47,019	49,871
Superannuation expense	2,396	2,424
Share-based payments expense	4,781	2,783
Other employee benefits expense	3,069	3,170
Total employee benefits expense (continuing operations)	**57,265**	58,248
Administration and other expenses include the following:		
Litigation costs	2,612	1,554
Share-based payments expense	2,240	2,783
Share-based payments expense - restructuring	1,536	-
Share-based payments expense – MCS sale related	1,005	-
Amortisation of intangible assets	24,756	31,425
Transaction costs	-	
Loss on disposal of INTI shares	3,058	-
Restructuring expenses [3]	6,793	3,376
All other administration and other expenses	25,066	21,342
Total Administration and other expenses	**67,066**	60,480

Notes: (1) Net realisable adjustments relate to discontinued products.
(2) Employee benefit expense is included in various expense categories and cost of sales.
(3) Restructuring expense mainly relates to organisational transformation to simplify the operating model.

4. INCOME TAX

(a) The major components of income tax expense are:

	31 December 2022 $'000	31 December 2021 $'000
Current income tax		
Current income tax	(900)	(2,001)
Adjustment in respect of current income tax of previous years	(1,524)	(74)
Deferred income tax		
Relating to movement in net tax deferred tax assets and liabilities	38,301	15,180
Income tax credit / (expense) in the consolidated statement of profit or loss and other comprehensive income	**35,877**	13,105

(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

	31 December 2022 $'000	31 December 2021 $'000
The prima facie tax on operating (loss) / profit differs from the income tax provided in the accounts as follows:		
Profit / (loss) before income tax	254,050	(63,702)
Prima facie tax credit / (expense) at 30%	(76,214)	19,111
Effect of R&D concessions	182	918
Under provision in respect of prior years	(1,524)	(74)
Non-deductible expenses for tax purposes		
Amortisation	(913)	(1,026)
Share-based payments	(1,501)	(936)
Asset impairments	(1,837)	(417)
Transaction costs	(6,007)	-
Other non-deductible expenses	(268)	(65)
Non assessable income for tax purposes	129,427	-
Deferred tax asset not previously recognised	-	505
Effect of different tax rate in US	(12,874)	(6,377)
US State taxes	3,131	1,527
Tax losses not recognised	(89)	(65)
Restatement of DTA re changes to US state tax rates	183	4
Deferred tax asset derecognition adjustment	4,181	-
Income tax credit / (expense)	**35,877**	13,105

Income tax credit / (expense) from continuing operations	37,362	17,720
Income tax credit / (expense) from discontinued operations	(1,485)	(4,615)
Income tax credit / (expense)	**35,877**	13,105

(c) Recognised deferred tax assets and liabilities

	31 December 2022 $'000	Restated 30 June 2022 $'000
Deferred tax assets		
Intangible assets	71,599	107,474
Earn-outs and deferred consideration liabilities	62,719	28,088
Provisions	7,732	8,380
Payables	33,967	27,842
Inventory	10,186	7,073
Carry forward tax losses and R&D credits	14,613	44,210
US State taxes	15,494	18,601
Other	392	52
Less deferred tax asset not recognised	(105,101)	(108,040)
	111,601	133,680
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Assets	111,601	133,680
Set off against Deferred Tax Liabilities	(151)	(15,191)
Net Deferred Tax Assets(1)	**111,450**	118,489
Deferred tax liabilities		
Property, plant and equipment	1,174	13,724
Intangible assets	2,780	3,689
US State taxes	58	1,078
Unrealised foreign exchange gains	3,438	2,442
Other	512	289
	7,962	21,222
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Liabilities	7,962	21,222
Set off against Deferred Tax Assets	(151)	(15,191)
Net Deferred Tax Liabilities(2)	**7,811**	6,031

Notes: (1) Represents Australian and US Deferred Tax Assets that cannot be offset against US Deferred Tax Liabilities.
(2) Represents US Deferred Tax Liabilities that cannot be offset against Australian Deferred Tax Assets.

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

5. DISCONTINUED OPERATIONS

On 4 October 2022 Mayne Pharma completed the sale of the MCS business.

The results of discontinued operations were as follows –

	31 December 2022 $'000	31 December 2021 $'000
Service revenue	21,829	46,037
Cost of sales	(12,503)	(21,336)
Gross Margin	9,326	24,701
Profit on sale of MCS business	434,594	-
Sale transaction costs	(20,550)	-
Operating expenses	(2,785)	(4,366)
Operating profit before tax from discontinued operations	420,586	20,335
Tax expense	(1,485)	(4,616)
Profit for the period from discontinued operations	419,101	15,719

Basic and diluted earnings per share discontinued operations	25.5 cents	1.0 cents

Estimated operating cashflow relating to discontinued operations (Dec 22 includes transaction costs)	(10,400)	27,600
Investing cashflows related to discontinued operations		
Proceeds from sale of MCS	722,521	-
Payments for plant and equipment	(2,681)	(3,173)

There were no material financing cashflows specific to discontinued operations.

The above results for 31 December 2022 represent three months trading for the MCS business up to the date of disposal plus the profit on sale of the MCS business.

6. CASH AND CASH EQUIVALENTS

(a) For the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	31 December 2022 $'000	30 June 2022 $'000
Cash at bank and in hand	175,541	96,672

(b) Reconciliation of net profit after income tax to net cash flow from operating activities

	31 December 2022 $'000	31 December 2021 $'000
Net profit / (loss) after income tax	289,927	(50,597)
Adjustments for:		
Depreciation and amortisation	34,507	42,298
Share-based payments	5,004	3,118
Earn-out and deferred consideration liability reassessments	(347)	(32,052)
Discount unwind earn-out and deferred consideration liabilities	5,899	9,519
Other finance expenses	1,713	4,973

Profit on disposal of MCS business	(434,574)	-
Loss on disposal INTI	3,058	-
Profit on disposal of land	-	(3,683)
Asset impairments	14,078	56,007
Net unrealised foreign exchange differences	10,196	(12)
Non-cash provisions – inventory and restructuring	3,328	2,297
Changes in tax balances:		
Decrease / (Increase) in deferred tax assets	(22,753)	(12,174)
(Decrease) / Increase in current and deferred tax liabilities	(16,767)	(981)
Operating cash flows before working capital movements	(106,732)	18,713
Changes in working capital:		
Decrease / (Increase) in receivables	59,128	(17,379)
Decrease / (Increase) in inventories	(14,265)	(8,478)
(Increase) in other assets	(6,168)	(733)
(Decrease) / Increase in creditors	14,057	13,392
Increase / (Decrease) in provisions	(2,830)	(5,116)
Total working capital movements	49,922	(18,314)
Net cash flow from operating activities	(56,809)	399

7. TRADE AND OTHER RECEIVABLES

	31 December 2022 $'000	30 June 2022 $'000
Trade receivables (net of charge-backs)	226,836	258,759
Trade receivables – profit share	8,072	1,269
Provision for impairment	(1,109)	(988)
Other receivables	12,964	9,201
	246,763	268,241

Some of the Group's receivables are sold under the receivables financing program (refer Note 12). 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$31.9m at balance date. The book value of the receivables approximates the value the finance provided. Receivables are sold with no recourse to Mayne Pharma in relation to credit risk, although the receivables continue to be recognised on the Group's balance sheet as accounting derecognition criteria has not been met as Mayne Pharma retains certain risks in relation to the variability of charge-backs, rebates, returns and loyalty programs. Also refer Note 13.

8. INVENTORIES

	31 December 2022 $'000	30 June 2022 $'000
Raw materials and stores at cost	31,878	37,222
Work in progress at cost	17,667	8,559
Finished goods at lower of cost and net realisable value	75,771	63,127
	125,316	108,908

9. PROPERTY, PLANT AND EQUIPMENT

	LAND $'000	BUILDINGS $'000	PLANT AND EQUIPMENT $'000	CAPITAL WORKS IN PROGRESS $'000	TOTAL $'000
Six months ended 31 December 2022					
Balance at beginning of period net of accumulated depreciation	8,103	107,199	91,915	11,177	218,394
Additions	-	-	-	1,938	1,938
Transfers from capital under construction	-	511	3,399	(3,910)	-
Depreciation charge for year	-	(1,118)	(4,820)	-	(5,938)
Disposal of MCS business	(5,264)	(93,538)	(67,953)	(9,016)	(175,771)
Disposals	-	-	-	-	-
Foreign currency restatement	142	2,534	1,860	251	4,787
Balance at end of year net of accumulated depreciation	2,981	15,588	24,401	440	43,410
As at 31 December 2022					
At cost	2,981	19,924	62,015	5,236	90,156
Accumulated depreciation	-	(4,336)	(37,614)	-	(41,950)
Accumulated impairments	-	-	-	(4,796)	(4,796)
Net carrying amount	2,981	15,588	24,401	440	43,410

10. INTANGIBLE ASSETS AND GOODWILL

	Goodwill $'000	Customer Contracts, Customer Relationships Product Rights & Intellectual Property $'000	Development Expenditure $'000	Marketing & Distribution Rights $'000	Trade Names $'000	Total $'000
Six months ended 31 December 2022						
Balance at beginning of the period net of accumulated amortisation and accumulated impairments	22,127	341,895	9,071	23,529	30,892	427,514
Additions	-	364,011	395	1,491	-	365,897
Disposal of MCS business	(22,340)	-	-	-	(2,765)	(25,104)
Amortisation	-	(19,284)	(1,075)	(2,270)	(2,130)	(24,759)
Specific impairments	-	(5,568)	-	-	-	(5,568)
CGU impairments	(391)	(1,967)	(2,394)	(3,758)	-	(8,510)
Exchange differences	604	4,710	77	(403)	73	5,061
Balance at end of period net of accumulated amortisation and accumulated impairments	-	683,797	6,074	18,589	26,070	734,530
As at 31 December 2022						
Cost	43,606	1,958,980	190,173	81,189	63,837	2,337,785
Accumulated amortisation	-	(394,044)	(24,573)	(20,940)	(37,708)	(477,265)
Accumulated impairments	(43,606)	(881,139)	(159,527)	(41,660)	(59)	(1,125,991)
Net carrying amount	-	683,797	6,074	18,589	26,070	734,530

In the current period, specific impairments were recorded totalling $5.4m (pcp $2.0m) which related to discontinued products. CGU impairments of $8.5m were recorded relating to the MPI CGU.

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 periodically at the CGU level and any impairment charges are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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

	31 December 2022 $'000	30 June 2022 $'000
MCS	-	21,736
International	-	391
Total Goodwill	-	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 and trademarks) have been assessed as having finite useful lives and, as such, are amortised over their useful lives. The useful lives range from five to fifteen years and are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate.

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 estimates and assumptions

Impairment of goodwill and intangible assets

Intangible asset impairments recognised during the period totalled $14.1m (pcp: $214.5m) following a detailed review of the Company's intangible assets (which considered the current and projected US market dynamics for the portfolio and the industry) and consisted of the following:

- Specific intangible assets $5.4m
- MPI CGU Assets $8.5m

The MPI CGU impairment was allocated as follows:

- Customer Contracts, Customer Relationships Product Rights & Intellectual Property $2.0m
- Development expenditure $2.4m
- Marketing & distribution rights $3.8m
- Goodwill $0.4m

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

An asset is considered impaired when its balance sheet carrying amount exceeds its estimated recoverable value, which is defined as the higher of its fair value less cost of disposal and its value in use. The Group applies the value in use method which utilises net present value techniques using post-tax cash flows and discount rates for all CGUs except PPD Other and PPD Women's Health which have been assessed using a fair value less cost of disposal approach.

Fair value less costs of disposal for PPD Other and PPD Women's Health has been determined based on the estimated amounts to be recovered upon sale of these CGUs to Dr Reddy's, net of expected transaction and completion costs and adjustments. As announced to the ASX on 27 February 2023, the Group has entered into an agreement to sell its US retail generics portfolio (comprising these two CGUs) for upfront cash consideration of US$90 million (~A$133 million) and certain contingent milestone payments. Mayne Pharma will also receive amounts for certain working capital balances.

The estimates used in calculating net present value from the value in use approach 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 (compound efficacy, results of clinical trials, etc);
    - amount and timing of projected costs to develop in process research and development into commercially viable products; and
    - probability of obtaining regulatory approvals.

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

Goodwill and Intangible Impairment Testing Methodology

For impairment testing, intangible assets are allocated to individual CGUs (which are based on the product Therapeutic Groups or 'TG') which are then combined into the overall reporting segment CGUs of PPD, BPD, MCS and MPI for goodwill testing which is performed at the segment level.

Each CGU represents the lowest level within the Group at which the asset is monitored for internal management purposes and separately identifiable cash flows are present and is not larger than a reporting segment.

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

From 1 July 2022, the BPD Infectious Disease and BPD – Soltamox CGU's were assessed to form part of the PPD Generic – Other CGU due to changes in the way the associated products were managed.

The testing methodology for the recoverable value of each asset at 31 December 2022 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 5.5-year forecast period plus a terminal value calculation 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.

The allocation of intangible assets to CGUs as at 31 December 2022 is shown in the table below.

A$000s	PPD Generic Other	PPD Generic Women's Health	PPD Derm	BPD Women's Health	MPI	Total
Intangible Assets	21,002	23,519	85,806	599,124	5,079	**734,530**
Goodwill	-	-	-	-	-	**-**
Total Intangible Assets including Goodwill	21,002	**23,519**	**85,806**	599,124	**5,079**	**734,530**

The allocation of intangible assets to CGU's as at 30 June 2022 was shown in the table below:

A$000's	PPD Generic Other	PPD Generic Women's Health	PPD Derm	BPD Women's Health	MCS	BPD Infectious Disease	BPD - Soltamox	MPI	Total
Intangible Assets	16,368	29,295	89,963	245,773	2,659	6,427	1,100	13,893	**405,387**
Goodwill	-	-	-	-	21,736	-	-	391	**22,127**
Total Intangible Assets including Goodwill	**16,368**	**29,295**	**89,963**	**245,773**	**24,395**	**6,427**	**1,100**	**14,284**	**427,514**

Key Assumptions

Key assumptions in impairment testing methodology include:

- Cash flow forecasts for the on-market portfolio are based on FY23 forecast results as well as specific cash flows which have been forecast out to FY28. A terminal growth or erosion rate is then applied;
- Risk weighted pipeline cash flows are included in each of the relevant TG/Segment CGUs;
- Corporate overheads have been allocated to the relevant TG/Segment CGU based on their respective gross margin contributions;
- Other net assets have been allocated to the relevant TG/Segment CGU; and
- Individual CGU discount rates have been used.

Discount rates reflect Management's estimate of 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%
- MPI: Pre-Tax – 13.7% / Post Tax – 9.6%

Forecast gross margin growth rates including pipeline products are shown in the table below. These average growth rates are assumptions determined to satisfy applicable accounting standards but should not be used for guidance.

December 2022	Assumed Average Forecast Gross Margin Growth Rates[1]	Assumed Terminal Value Growth Rate
PPD Dermatology CGU	0.1%	-3.0%
BPD Women's Health CGU	132.4%[2]	-8.8% to -17.6%[3]
MPI CGU	8.5%	2.0%

Notes:
(1) Growth rates refer to the Compound Annual Growth Rates (CAGR) over the forecast period and includes both on-market and pipeline assets.
(2) BPD Women's Health was launched in late FY21 and is anticipated to reach annual net sales of A$200m across FY26 forecast period.
(3) Terminal growth rates within BPD Women's Health are assessed on a by product basis to take into account the differing finite exclusivity periods on the branded products within this CGU.

June 2022	Assumed Average Forecast Gross Margin Growth Rates 1st five years	Assumed Terminal Value Growth Rate
BPD Dermatology CGU	-0.7%	-3.0%
BPD Women's Health CGU	109.6%	-5.0%
MPI CGU	10.7%	2.0%

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

	Carrying Value[1]	Recoverable Value	Difference
PPD Generic Other CGU	85,573	110,882	25,309
PPD Generic Women's Health CGU	45,288	58,682	13,394
PPD Dermatology CGU	133,310	181,620	48,310
BPD Women's Health CGU	661,206	685,113	23,907
MPI CGU	28,435	28,435	-

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

Sensitivity to changes in assumptions

The tables below show the sensitivity of the changes in key variables on recoverable values for CGUs assessed on a VIU basis.

A$m	+/-1% Change in Gross Margin Growth	+/-1% Change in Terminal Growth Rate	+/-1% Change in WACC(1)
PPD Dermatology CGU	22.1/-21.1	4.1/-3.5	-10.8/13.0
BPD Women's Health CGU	37.2/-35.8	15.7/-13.0	-39.1/45.4
MPI CGU	13.2/-14.7	4.1/-5.1	-8.9/9.2

Note: (1) Change refers to the movement in the post-tax WACC.

The Group has completed its impairment assessment based on known facts and circumstances, incorporating its best estimates from information available to date however is conscious of the potential impact of changes in assumptions particularly the potential for future changes in the markets for the Group's products, for example the successful commercialisation of new products and impact of competitor actions.

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

- **BPD Women's Health:** forecasts for this CGU have incorporated a very high average rate of growth in Gross Margin produced over the first 5 years reflecting the expected demand following ongoing promotion of NEXTSTELLIS. A reduction in the compound rate of growth in gross margin (FY23 to FY28) of greater than 0.7% across the first 5 year period is likely to cause impairment.

- **MPI**: as the carrying amount of the CGU has been written down to its recoverable amount any further adverse changes in performance compared to current forecasts will result in impairment.

11. TRADE AND OTHER PAYABLES

	31 December 2022 $'000	30 June 2022 $'000
Trade payables	49,634	57,332
Accrued rebates, returns and loyalty programs	148,229	105,881
Other payables	42,904	24,368
	240,767	187,581

12. INTEREST-BEARING LOANS AND BORROWINGS

	31 December 2022 $'000	30 June 2022 $'000
Current		
Syndicated loan and working capital facility	-	342,254
Receivables financing	46,827	63,112
Convertible notes	27,018	-
Lease liabilities – right-of-use assets	3,050	2,626
	76,896	407,993

	31 December 2022 $'000	30 June 2022 $'000
Non-current		
Lease liabilities – right-of-use assets	4,337	5,673
	4,337	5,673

Convertible notes

As disclosed in Note 1(g), 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$41.6m). The discount to face value (US$3m) will be 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$0.295 per Mayne Pharma security (the conversion price can be adjusted for certain events including the special dividend and share consolidation which occurred in January 2023, the resulting adjusted conversion price post these events was $5.356). 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 13). At time of issue this derivative was a $9.743m liability. This embedded derivative will be subsequently accounted for at fair value.
- 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).

The loan liability has been classified as a current liability at 31 December 2022 as the restatement of the 30 June 2022 financial statements constituted a breach of warranty under the terms of the convertible note agreements meaning the amount was repayable at the demand of the noteholder. A waiver for the breach was signed by Mayne Pharma and the Noteholder on 23 February 2023. However, as the waiver was not signed prior to reporting date, the loan was treated a current liability at reporting date.

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.

Receivables financing facility

The receivables financing facility was established in December 2018 and has been renewed annually with the most recent renewal occurring in January 2023. It has a limit of US$50m and was drawn to US$31.9m 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.

13. OTHER FINANCIAL LIABILITIES

	31 December 2022 $'000	30 June 2022 $'000
Current		
Earn-out liabilities and deferred consideration – various products/distribution rights	15,285	17,713
Derivative related to convertible notes	9,743	-
Deferred liability – MCS sale related	7,802	-
	32,830	17,713

	31 December 2022 $'000	30 June 2022 $'000
Non-current		
Earn-out liabilities and deferred consideration – various products/distribution rights	262,486	108,401
Deferred liability – MCS sale related	11,583	-
	274,069	108,401

The Consolidated Entity has recognised various earn-out liabilities relating to various asset purchases. Most earn-outs are based on a percentage of net sales or gross margin and typically payable on a quarterly basis for a period of between two and ten years.

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

The deferred liability relating to the MCS sale relates to Mayne'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.

As disclosed at Note 1(g), the value of earn-out and deferred consideration liabilities has increased significantly due to contingent consideration recognised in relation to the TXMD assets acquired.

Significant accounting estimates and assumptions

Earn-out and deferred consideration liabilities

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

Earn-out liabilities represent the net present value of estimated future payments. Any changes in fair value for changes in the net present value of estimated future payments are recognised in the statement of profit or loss and other comprehensive income. The earn-out liabilities at reporting date include a charge representing the unwinding of the discounting of the earn-out liabilities of $5,898,000 (pcp: $9,519,000) for the period.

As at 31 December 2022 the deferred consideration amounts consist mainly of fixed amounts which are subject to sales milestone requirements.

Derivative related to convertible notes

Convertible notes have been separated into two liabilities – the fair value of the loan liability recorded at amortised cost and is classified as interest bearing loans and borrowings and the fair value of the conversion option (embedded derivative) which is included above in "Other financial liabilities".

14. PROVISIONS

	31 December 2022 $'000	30 June 2022 $'000
Current		
Special dividend	46,669	-
Employee entitlements	11,578	13,551
Restructuring	150	1,249
	58,397	14,800

	31 December 2022 $'000	30 June 2022 $'000
Non-current		
Employee entitlements	285	280
	285	280

15. CONTRIBUTED EQUITY

(a) Issued capital

	31 December 2022 $'000	30 June 2022 $'000
Ordinary shares, fully paid	1,238,537	1,238,537

(b) Movements in share capital

	Number	$'000
Balance at beginning of period	1,764,840,757	1,238,537
Shares issued to employees under the LTI non-recourse loan funded arrangement (subject to risk of forfeiture) (net of forfeitures)	-	-
Balance at end of period	**1,764,840,757**	**1,238,537**

16. DIVIDENDS

The Board declared a special fully franked dividend of 2.72 cents per share. The dividend was paid on 27 January 2023.

17. COMMITMENTS AND CONTINGENCIES

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

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

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

Except as specified below under the heading 'Other Matters', all these legal claims and allegations are being vigorously contested. Except as specified below under the heading 'Other Matters', no payment is considered probable and possible related amounts cannot be reliably estimated and as such no amounts have been provided at reporting date.

Drug pricing matters – investigations

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

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

Mayne Pharma is fully cooperating with these investigations, which appear to be focused on the generic doxycycline hyclate delayed-release market, and to be part of a broader inquiry into industry practices. Mayne has not had substantive communications with the Antitrust Division since late 2016, and the Antitrust Division has not indicated that it intends to bring criminal charges against the company or conduct any further investigation of Mayne Pharma. Likewise, Mayne Pharma has not had any contact with the Civil Division since late 2018, and the Civil Division also has not indicated that it intends to bring civil claims against the company or conduct any further investigation of Mayne Pharma.

Drug pricing matters - litigation

In the last few years, Mayne Pharma Inc has been sued alongside other generic pharmaceutical companies in civil complaints alleging anticompetitive conduct in the sale of generic drugs with claims related to drugs sold by Mayne Pharma as well as allegations that all defendants were part of an overarching, industry wide conspiracy to allocate markets and fix prices generally. The civil complaints include a complaint by the attorneys general of 45 US states, the District of Columbia and the Commonwealth of Puerto Rico, and class action lawsuits filed by direct purchasers (including one in Canada), indirect purchasers and indirect resellers, as well as lawsuits filed by opt out private plaintiffs and various county plaintiffs. The US cases have been consolidated into multidistrict litigation pending in the Eastern District of Pennsylvania. Mayne Pharma is strongly defending the allegations made in these civil complaints.

Federal Health care – investigation

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

Shareholder Class Action

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

Other matters

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

In November 2021, Mayne Pharma, INTI, and the named director and officer defendants participated in a confidential mediation with the plaintiffs from both actions before the Honorable Stephen P. Lamb. The parties continued to engage in arms-length settlement discussions for approximately seven months before coming to an agreement-in-principle on a settlement of all claims in the actions in June 2022. The agreement-was approved by the Delaware Court of Chancery on 10 November 2022 and the settlement became effective on 12 December 2022. In consideration of the settlement:

- the parties signed definitive documentation and exchanged comprehensive releases in customary form;
- Mayne Pharma's insurers made a cash payment of US$14.25 million to INTI;
- Mayne Pharma cancelled all of its equity in INTI;
- Mayne Pharma terminated all of the existing licensing rights to INTI for SUBA-Itraconazole in the remaining fields;
- INTI repaid to Mayne Pharma the US$411,000 that Mayne Pharma had extended in short-term financing to INTI; and
- Mayne Pharma wrote off its prepaid royalty to INTI in the amount of US$3.0 million. If certain contingent events occur in the future, Mayne Pharma would recapture some or all of that amount.

18. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group as at 31 December 2022.

	31 December 2022 $'000	30 June 2022 $'000
Financial assets		
Current		
Mark to market valuation – interest rate swaps	-	1,334
Financial liabilities		
Current		
Earn-out and deferred consideration liabilities	23,087	17,713
Embedded derivative convertible notes	9,743	-
	32,830	17,713

Non-current		
Earn-out and deferred consideration liabilities	274,069	108,401
	274,069	108,401

Trade and other receivables, trade and other payables, other financial assets and other liabilities are considered short term and their fair values approximates the carrying values.

Fair Value

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

	Carrying Amount		**Fair Value**	
	31 Dec 2022 $'000	**30 June 2022 $'000**	**31 Dec 2022 $'000**	**30 June 2022 $'000**
Assets				
Mark to market valuation – interest rate swaps	-	1,334	-	1,334
Liabilities				
Earn-out and deferred consideration liabilities	297,156	126,114	297,156	126,114
Embedded derivative convertible notes	9,743	-	9,743	-

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

Derivative related to convertible notes

Convertible notes have been separated into two liabilities – the fair value of the loan liability recorded at amortised cost and is classified as interest bearing loans and borrowings and the fair value of the conversion option (embedded derivative) which is included above in "Other financial liabilities".

The Consolidated Entity has recognised various earn-out liabilities relating to various asset purchases. Most earn-outs are based on a percentage of net sales or gross margin and typically payable on a quarterly basis for a period of between two and ten years.

Deferred consideration recognised includes amounts which have contingent conditions such as FDA approvals and on market conditions (e.g. timing of commercial launches, no entry of a new competitor into the relevant market, achievement of cumulative net sales milestones). At balance date the Group has assessed the amount expected to be paid for contingent amounts outlined in the asset purchase agreements, using best estimates as to timing and likelihood of payments.

Set out below are the significant unobservable inputs to valuation as at 31 December 2022:

Earn-out / deferred consideration	**Valuation technique**	**Significant unobservable inputs**	**Input used**	**Sensitivity of the input to fair value**
Mithra-NEXTSTELLIS® – deferred consideration liability	DCF	Forecast net sales		5% increase (decrease) in net sales would change the expected timing of milestone payments resulting in an increase (decrease) in fair value by $2.4m / ($3.1m).
		WACC	10.2%	1% increase / (decrease) in the WACC would result in decrease / (increase) in fair value by $5.7m / ($6.1m).
TXMD earn-out and deferred consideration liability	DCF	Forecast net sales		5% increase (decrease) in net sales would change the expected timing of milestone payments resulting in an increase (decrease) in fair value by $7.3m / ($4.9m).
		WACC	10.2%	1% increase / (decrease) in the WACC would result in decrease / (increase) in fair value by $7.9m / ($8.6m).

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Assets and liabilities measured at fair value

As at 31 December 2022, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	Level 2		Level 3	
	31 December 2022 $'000	30 June 2022 $'000	31 December 2022 $'000	30 June 2022 $'000
Financial assets				
Mark to market valuation – interest rate swaps	-	1,334	-	-
Financial Liabilities				
Earn-out and deferred consideration liabilities	-	-	297,156	126,114
Embedded derivative convertible notes	9,743	-	-	-

Reconciliation of fair value measurements of Level 3 financial instruments

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

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

	2022 Earn-out & deferred consideration liabilities $'000
Opening balance	126,114
Acquisitions / additions	176,944
Discount unwind	5,898
Reassessments	(347)
Foreign currency restatement	503
Payments	(11,954)
Closing Balance	297,156

During the six-month period ended 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements. The fair value increments and decrements were recorded in determining profit before tax.

19. EVENTS SUBSEQUENT TO REPORTING DATE

The Company has entered into an agreement to divest the retail generics business comprising the Portfolio Products Women's Health and Portfolio Products Other cash generating units. The transaction is expected to close by the end of fiscal year 2023, subject to customary closing conditions. The sale price is US$90m upfront with contingent consideration of up to US$15m plus an amount for working capital (the estimated value of inventory transferred less liabilities transferred).

Following on from the Company's announcement in January 2023 that the company had deferred the proposed capital return and reserved the right to reduce or cancel the return, the Company has now announced it has cancelled the capital return.

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

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Mayne Pharma Group Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position as at 31 December 2022 and the performance for the half-year ended on that date of the consolidated entity; and

  (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001;

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

On behalf of the Board

Frank Condella
Chair

Melbourne, 28 February 2023

AUDITOR'S INDEPENDENT REVIEW REPORT

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent auditor's review report to the members of Mayne Pharma Group Limited

Conclusion

We have reviewed the accompanying half-year financial report of Mayne Pharma Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the Corporations Act 2001, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and

b) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Building a better working world

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

David Petersen
Partner
Melbourne

28 February 2023