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mayne pharma



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At Mayne Pharma we are focused on keeping our promises to patients, for better medicines and a better tomorrow.

We believe that everyone deserves medicines that are better, safe and more accessible. That's why our people are determined to create innovative products and services for our changing world.

Learn more at maynepharma.com



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What we do

Mayne Pharma is an ASX-listed specialty pharmaceutical company focused on commercialising novel and generic pharmaceuticals, offering patients better, safe and more accessible medicines.

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

A technology driven company, Mayne Pharma has expertise in complex oral and topical dose forms including highly potent compounds, modified release products and poorly soluble compounds. The business is supported by over 900 staff globally with more than 200 scientists.

Mayne Pharma has two full-service contract development and manufacturing organisations (CDMOs) servicing clients worldwide.

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

FY21 key metrics

A$400m
revenue

A$25m
invested in R&D

85%
of revenue in the US

900+
employees including 200+ scientists

90+
marketed products globally

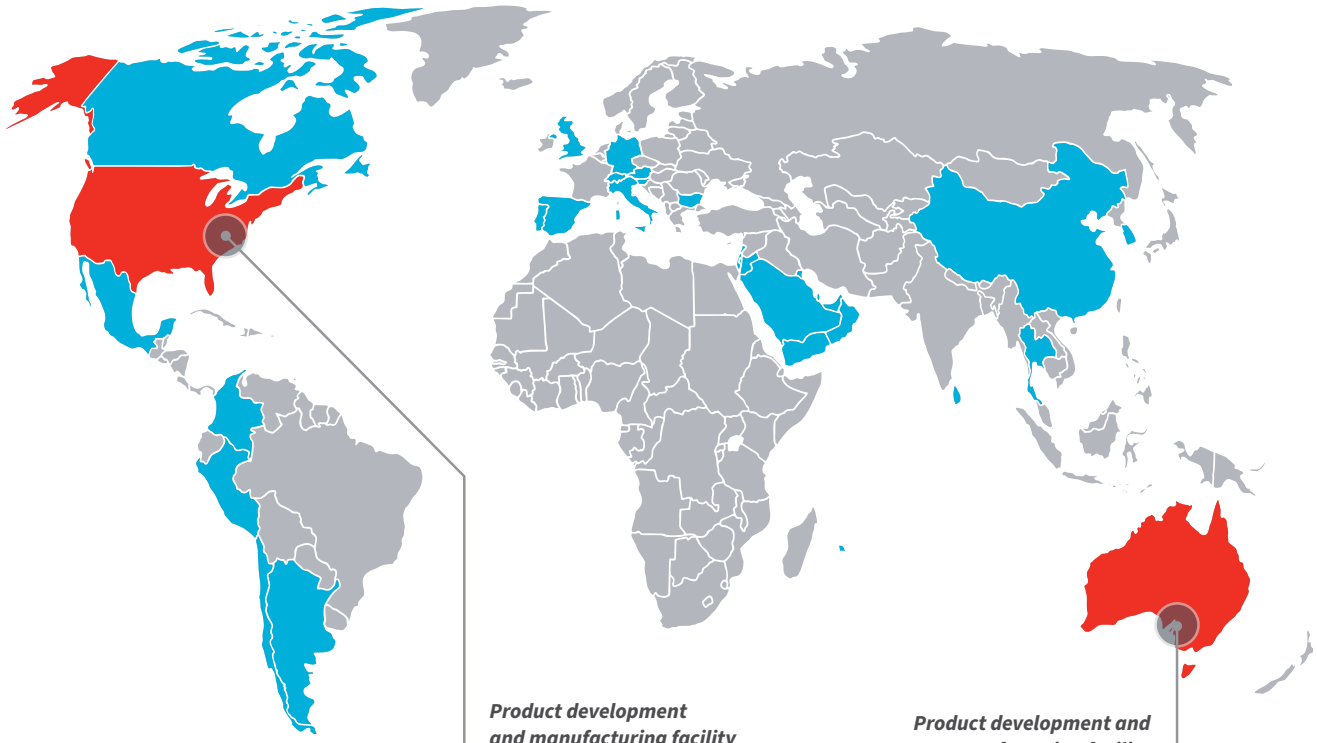
100+
contract service clients

1b+
doses sold in Australia and the US

15+
pipeline products

60+
novel drug products under development (third party)





Our international footprint

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

Product development and manufacturing facility
Greenville, North Carolina

36.1 acre facility; 126,000ft² of manufacturing space; 225,000ft² total facility.

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

US Commercial Office
Raleigh, North Carolina

Product development and manufacturing facility
Salisbury, South Australia

32.1 acre facility; 129,000ft² of manufacturing space.

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

Australian Commercial Office
Melbourne, Victoria



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FY21 Highlights

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July 2020

- Signed long-term supply agreement with Novast Laboratories for 13 generic contraceptive products, including five new products not previously marketed by the Company
- FDA approval of chlorpromazine tablets in the US
- Launched chlorzoxazone tablets in the US, a fast-acting muscle relaxant that is not associated with significant sedation or drowsiness

August 2020

- Filed NEXTSTELLIS® (E4/DRSP) with the Australian Therapeutics Goods Administration (TGA)

September 2020

- Commenced construction of US$10m plant expansion to add 3,760 square feet (350m^2) of production space to the Greenville, NC facility to provide greater flexibility and capacity

October 2020

- New clinical data on TOLSURA® (SUBA®-itraconazole) capsules presented at IDWeek
- Licensed SOLTAMOX® (tamoxifen) oral solution in the US to treat estrogen receptor-positive metastatic breast cancer and for prophylaxis in women at high risk of breast cancer
- Launched DORYX® (doxycycline hyclate) 80mg delayed-release tablets in the US

December 2020

- Launched a generic version of KERYDIN® (tavaborole) tablets in the US to treat onychomycosis of the toenails

April 2021

- FDA approval of NEXTSTELLIS oral contraceptive
- Launched a generic version of FABIOR® (tazarotene) foam in the US to treat acne

May 2021

- Launched a generic version of SORILUX® (calcipotriene) foam in the US to treat plaque psoriasis
- NEXTSTELLIS oral contraceptive granted five years of marketing exclusivity by FDA
- Phase III data on NEXTSTELLIS North American clinical study published in Contraception – an international peer-reviewed reproductive journal
- Filed FABIOR foam with the TGA

June 2021

- Completed recruitment and training of new women's health sales team in the US
- Launched NEXTSTELLIS oral contraceptive in the US
- Licensed SOLARAZE® (diclofenac sodium) gel and ACTIKERALL® (fluorouracil and salicylic acid) topical solution to treat actinic keratoses in Australia
- Launched clindamycin 1% gel in the US to treat acne
- Signed private label supply and distribution agreement with Upsher-Smith to distribute a generic version of ABSORICA® (isotretinoin) capsules in non-retail channels in the US

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Letter from the Chair



Frank Condella, *Chair*

Dear Shareholder,

It is a pleasure to be writing my first letter as your Chair.

Mayne Pharma's business was challenged in FY21 by the global COVID-19 pandemic, the weakening USD, ongoing pricing pressure due to increased competition in the generic market and increased demands for rebates by payors for insurance coverage. Despite the pandemic's impact, we continued to ensure the health and safety of our employees and maintained an uninterrupted supply of medicines and services to our customers and patients around the world.

Nevertheless, our performance was impacted by these negative market factors particularly in the US. Disappointingly, we reported a net loss after tax driven by the non-cash intangible asset impairment of the generic portfolio.

Mayne Pharma continues to evolve, innovate and adapt to changing market conditions and our diverse operating model of brands, generics, and contract services provides multiple opportunities for growth and potential value creation. For example, the licensing and approval of NEXTSTELLIS oral contraceptive in the US market provides our company with a strong opportunity for accelerated growth for many years to come. Developed by Mithra Pharmaceuticals, SA (Mithra), NEXTSTELLIS is a novel contraceptive containing estetrol or E4, a native human estrogen now derived from a plant source. This is the first and only product containing E4 and the first new estrogen introduced in the US in more than 50 years. The launch of NEXTSTELLIS is an important strategic milestone that could be transformational for Mayne Pharma. To further capitalise on this opportunity, we have also licensed NEXTSTELLIS in the Australian market and is currently under review by the TGA.

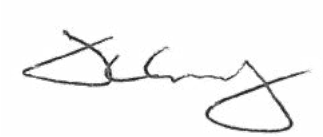
We continue to focus on key growth drivers including the launch of more than ten dermatology products across FY22, driving growth in Metrics Contract Services and International, while at the same time continuing to implement programs to maximise the efficiency of our operational cost base.

Mayne Pharma continues to evolve, innovate and adapt to changing market conditions and our diverse operating model of brands, generics, and contract services provides multiple opportunities for growth and potential value creation.

On behalf of the Board, I want to thank Roger Corbett and Bruce Mathieson for their significant contribution and service to Mayne Pharma. We will continue to evolve our Board over the coming year and expect to add new directors with skills that will help guide the company strategically. We are very pleased that Dr Carolyn Myers has agreed to join as a director. Dr Myers was nominated by Mayne Pharma's 9.6% shareholder, Mithra as required under the license and supply agreement to commercialise NEXTSTELLIS in the US. Dr Myers is a senior pharma executive with more than 30 years of industry experience including a distinguished track record in creating, growing, and leading health care businesses.

I look forward to working with the Mayne Pharma Board and the leadership team as we embark on a new chapter of growth.

Finally, I would like to thank all our shareholders for your continued commitment and support.



Frank Condella
Chair

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CEO's review



Scott Richards,
Chief Executive Officer

Our key operating achievments over the last year include:

- 'First pass' FDA approval and US launch of the novel oral contraceptive NEXTSTELLIS
- Established a new women's health commercial team in the US to support the launch of NEXTSTELLIS
- Metrics Contract Services (Metrics) delivered double digit revenue and gross profit growth in USD terms with the 2HFY21 up 20% compared to 1HFY21
- Restructuring of dermatology platform drove significant improvement in profitability of Specialty Products
- Entered into four new supply agreements with leading pharma companies to launch up to 11 dermatology products in FY22
- Maintained continuity of supply of medicines and services to our customers in the face of a global pandemic
- Significant operating expense reduction of $18m on a constant currency basis (excluding NEXTSTELLIS set up costs) to optimise global infrastructure
- Licensed SOLTAMOX (tamoxifen) oral solution in the US to treat estrogen receptor-positive metastatic breast cancer and for prophylaxis in women at high risk of breast cancer
- Licensed SOLARAZE (diclofenac sodium) gel and ACTIKERALL (fluorouracil and salicylic acid) topical solution in Australia, each used to treat different grades of actinic keratosis
- Filed NEXTSTELLIS and FABIOR (tazarotene) foam to treat acne with the Australian TGA
- Commissioned 3,760 square feet (350m^2) of new production space in Greenville, NC to provide greater flexibility and capacity to Metrics' clients

Whilst these results are not where we want our business to be, we have made strong progress on our strategic priorities to reposition our company for growth.

Financial performance and position

At a group level our results have been impacted by the weakening USD, the COVID-19 pandemic and softer performance of the retail generic business. Whilst these results are not where we want our business to be, we have made strong progress on our strategic priorities to reposition our Company for growth.

In terms of performance, the Company reported FY21 revenue of A$401m, down 12% on the prior corresponding period (pcp), reported EBITDA of A$66m, down 18% on pcp and underlying EBITDA of A$64m[1], down 34% on pcp. At the bottom line we reported a net loss after tax of A$208m which was largely impacted by a non-cash intangible asset impairment of the generic portfolio. On a constant currency basis, revenue was down 3%, reported EBITDA down 5% and underlying EBITDA down 10% excluding NEXTSTELLIS set up costs.

Pleasingly, all segments other than Generic Products contributed to EBITDA growth compared to the pcp. Metrics Contract Services showed a high degree of resilience during COVID-19 with revenues up 10% and gross profit up 18% benefiting from new commercial manufacturing revenues. Mayne Pharma International (MPI or International) grew revenue 1% and gross profit was up 20% on pcp benefiting from improved overhead recovery rates with growing production volumes. Specialty Products was flat at the sales and gross profit line with dermatology and TOLSURA impacted by COVID-19 and reduced access to physicians as well as a more challenging payor environment driving increased rebates in return for insurance coverage. The new product launches of NEXTSTELLIS and SOLTAMOX offset the dermatology decline. The final segment, Generic Products was impacted in FY21 by

1. Underlying result excludes certain specified expenses as outlined in the FY21 Results Presentation dated 27 August 2021.



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new competition on key products and ongoing pricing pressures across the portfolio. Excluding retail generics, the remainder of the business now accounts for 82% of gross profit up from 56% two years ago highlighting the rebalance of our company into more durable and predictable earnings streams.

The Company ended the year with cash of A$98m and net debt of A$249m. Net operating cash flow was an inflow of A$59m and we were able to reduce our net debt by $11m over the year. The Company remains compliant with all bank covenants at year end with bank leverage at 2.6x (covenant <3.75x), interest cover 7.9x (covenant >3x) and shareholders' funds of approximately A$776m (covenant >$600m).

First pass FDA approval of NEXTSTELLIS

Importantly, we achieved our first ever New Chemical Entity (NCE) approval of NEXTSTELLIS, a new birth control option for women containing a novel estrogen – estetrol or E4.

E4 is a low impact estrogen with a unique mechanism of action that offers potential advantages over other estrogens. NEXTSTELLIS has demonstrated in clinical trials to not only be safe and effective but also well tolerated with a desirable bleeding profile and minimal impact on triglycerides, cholesterol and glucose as well as weight, endocrine and coagulation markers.

Nearly 10 million women in the US use short-acting combination contraceptives with the market valued at US$3.5 billion according to IQVIA.

In late June 2021, we launched NEXTSTELLIS following recruitment and training of a new 70 person women's health sales team. The key priorities with this launch are to educate the market about E4, gain broad payor acceptance and reimbursement and ultimately become the preferred branded oral contraceptive in the market.

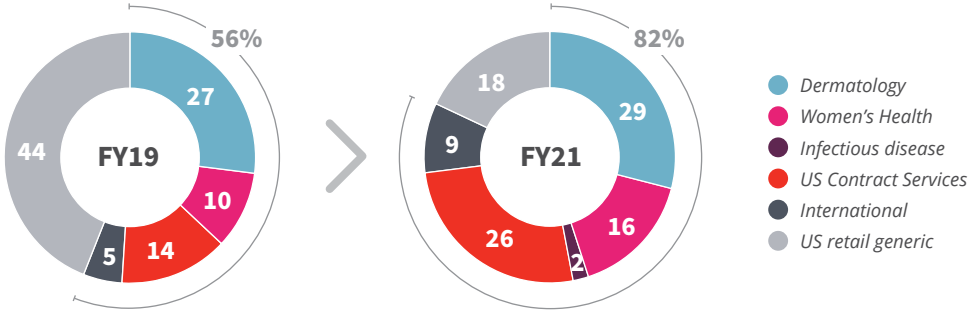
Dermatology commercialisation model

The US medical dermatology market is valued at US$17 billion affecting over 40% of the US population. The market has been impacted in recent years by the consolidation of buying groups and Pharmacy Benefit Managers (PBMs) that have squeezed pharmaceutical margins through lower coverage and higher rebates. These dynamics are creating opportunities to generate improved value propositions for patients. Mayne Pharma is well positioned given its channel strategy, portfolio selling approach and hybrid brand/generic business model.

Today, the dermatology sales team promotes more than a dozen branded and generic products to an extensive network of independent specialty pharmacies. We believe our go-to-market platform offers advantages in terms of greater convenience and price transparency for patients, reduced administration for healthcare providers and improved economics for dispensing pharmacies.

The Company has recently strengthened its dermatology pipeline by signing a number of supply and distribution agreements with leading suppliers for eleven dermatology products that treat key skin conditions such as acne, psoriasis and rosacea. Our recent partnering success validates our unique go-to-market approach that focuses on providing better outcomes for patients, prescribers and specialty pharmacies. These new products are expected to be launched across FY22 and leverage the commercial infrastructure that we have established.

Gross profit by type[1] *(%)*



1. Reported gross profit adjusted for the internal manufacturing margin on US products included in US Contract Services and International in both periods



Greenville Product Development and Manufacturing facility

Solid track record of double-digit US contract service growth

Over the last eight years, Metrics Contract Services has demonstrated a solid track record of growth, delivering a 12% CAGR (compound average growth rate) in revenue. Operating in the highly attractive CDMO segment, the industry is benefiting from an increase in outsourcing activity and the growing number of molecules in clinical development. M&A dynamics remain strong with many businesses being sold for trailing 12-month EBITDA multiples in the mid to high teens.

Based in Greenville, North Carolina, Metrics remains one of only a few US-based contract development and manufacturing organisations (CDMOs) capable of early-stage development through to commercialisation under a single FDA registration. Metric's capabilities are focused on high potent novel oral solid dose market, particularly in the rapidly expanding oncology treatment space. We continue to invest in the Greenville site to expand capacity and capability. Most recently, we invested US$10m into the Greenville site to add 3,760 square feet of production space and new equipment.

The outlook for Metrics remains attractive with a buoyant pipeline of development projects across the pharmaceutical value chain including five clients expected to file New Drug Applications (NDAs) with the FDA in FY22.

Consistent track record of International growth

MPI or International, based in Salisbury, South Australia, is the largest Australian-owned full service solid dosage plant to manufacture TGA and FDA-registered pharmaceuticals. The business has also demonstrated a track record of growth with a 5% revenue CAGR over the last six years.

MPI has a solid pipeline of new product launches both in Australia and international markets including the potential launches of NEXTSTELLIS and FABIOR which are both under active review at the TGA.

Outlook

Our success and performance will be heavily influenced by the effective execution of our strategic priorities and will also depend on market factors including movements in the USD, the timing of FDA approvals, payor reimbursement and competitor intensity in our key product areas. We remain focused on investing in activities that strategically reposition our business into more sustainable therapeutic areas and segments including women's health, dermatology, US contract services, and International.

In terms of our product pipeline, we have pivoted away from internal R&D focusing on business development activity in dermatology and women's health. In October 2021 we received another complete response letter from the FDA in relation to generic NUVARING®. We are confident that we can address the few remaining outstanding questions in a timely manner.

We will also continue to rationalise the generic portfolio, optimise the cost base through realignment of our supply chain with raw material suppliers and contract manufacturing organisations, prudently control our operating expenses and focus on further de-levering the balance sheet.

I want to thank all my colleagues for their hard work through these challenging times. I am confident that we have the right strategies and operational plans to return this business to growth driven by the successful commercialisation of NEXTSTELLIS and the pipeline of recently licensed dermatology products together with accelerating the growth of Metrics and International.



Scott Richards
Chief Executive Officer

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Strategic priorities

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Women's health

- *Successful commercialisation of NEXTSTELLIS*
- *Approval and successful launch of pipeline products pending at FDA*
- *Broaden women's health portfolio in areas of unmet need*
- *Maximise generic contraceptive portfolio*

Dermatology

- *Broaden dermatology offering to patients and prescribers including launch of recently in-licensed products*
- *Continue to expand portfolio through business development activities, encompassing brand and generic business platforms*
- *Leverage brand and generic model to maximise total product portfolio*

US Contract Services

- *Invest in broader capabilities (eg. high potent) and capacity to accelerate growth*
- *Expansion of commercial manufacturing and development client base in Greenville*
- *Refocus Greenville as CDMO site*

International

- *Establish dermatology and women's health portfolios*
- *Advance pipeline for further growth domestically and internationally*
- *Expansion of contract development client base*
- *Establish new capabilities and capacity to accelerate growth*

Cost base

- *Optimisation of supply chain to drive improved product costs (eg. API savings, manufacturing overhead recovery)*
- *Optimisation of gross to net (eg. US WAC and copay card adjustments)*
- *Proactive management of R&D, marketing and administration expenses*

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Women's Health



Women's health is a core therapeutic area for Mayne Pharma and we plan to create a leadership position in this US market over time through the addition of novel therapies in areas of unmet need.

In women's health, Mayne Pharma's portfolio includes more than 20 branded generic products covering approximately 75% of US contraceptive volumes and the novel contraceptive NEXTSTELLIS that received FDA approval in April 2021 and is under active review at the TGA.

NEXTSTELLIS (E4/DRSP) is a novel combined oral contraceptive composed of 14.2 mg estetrol (E4) and 3 mg drospirenone (DRSP). Estetrol (E4) is a native estrogen produced by the human foetal liver during pregnancy that is now manufactured from a plant source. Following more than 20 years of research and development by Mithra, E4 can now be produced at scale through a complex plant-based production process. E4 is the first new estrogen introduced in the US in more than 50 years. E4 is a low impact estrogen with a unique mechanism of action that offers potential advantages over other estrogens used in contraception.

NEXTSTELLIS is competing in the short-acting combination hormonal contraceptive (estrogen + progestin) market which is valued at US$3.5b[1]. Nearly 10 million American women use combination oral contraceptives, patches or vaginal rings for their contraceptive needs. Of these, more than 99% contain ethinyl estradiol, a synthetic estrogen that binds widely to all estrogen receptors in the body.

E4 acts differently than other estrogens and is the first estrogen with selective action in tissues focusing on those needed to support contraceptive efficacy, cycle control, and other beneficial effects of estrogens. Its unique pharmacological profile includes excellent oral bioavailability and a long half life[2] .

In two phase 3 clinical studies conducted in 3,725 women, NEXTSTELLIS was shown to be safe and effective in meeting its primary endpoint of pregnancy prevention. It also met a variety of endpoints that demonstrated excellent cycle control and bleeding pattern as well as favourable tolerability.

In June 2021, NEXTSTELLIS was launched into the US market and is being supported by a highly experienced national women's health sales team. By August 2021, the sales team had held 20,000 in-person interactions with prescribers and reached more than 60% of priority prescriber targets.

NEXTSTELLIS offers a predictable cycle with minimal impact on the body

Estetrol (E4) is the first newly approved estrogen in a contraceptive in 50 years

- Derived from a plant source
- Unique pharmacologic profile

Drospirenone (DRSP) is a proven progestin

- Closely resembles natural progesterone
- Anti-mineralocorticoid and anti-androgenic activity

NEXTSTELLIS allows for effective contraception without compromising safety and tolerability

- Efficacy comparable to other highly effective combined oral contraceptives
- Excellent bleeding profile – minimal unscheduled bleeding with predictable cycling
- Low rate of typical contraceptive adverse events (e.g. acne, weight gain, mood changes)
- Long half-life of both estrogen and progestin components (E4 and DRSP)
- Exceptional safety profile – zero VTEs in US Phase 3 trial, one VTE in EU/Russian Phase 3 trial
- Broad patient population recruited in clinical trials

1. IQVIA, MAT Sales, June 2021.
2. Coelingh Bennink HJ, et al. Climacteric. 2008;11(suppl 1):47-58; Visser M, et al. Climacteric. 2008;11(suppl 1):31-40; Clinical study report MIT-Es0001-C103; Coelingh Bennink HJ, et al. Climacteric. 2008;11(suppl 1):2-14.

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Mayne Pharma's Dermatology Product Portfolio

Dermatology



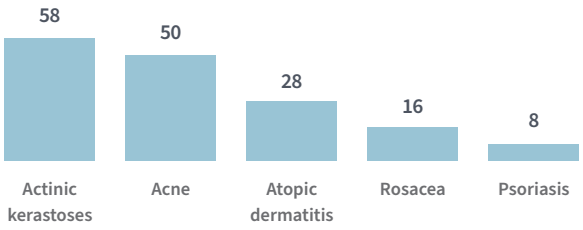
Mayne Pharma is focused on creating value for its patients and customers through our medications and the distribution channels used to get them to patients.

Mayne Pharma continues to make investments in its commercial platform through portfolio expansion, new sales and marketing capability and the addition of new distribution channels.

Dermatology is Mayne Pharma's largest therapeutic category by sales and gross profit. The US medical dermatology market is valued at US$17 billion[1] and remains attractive with significant patient populations, an ageing population and a greater incidence and treatment of key diseases driving growth.

Key dermatology disorders

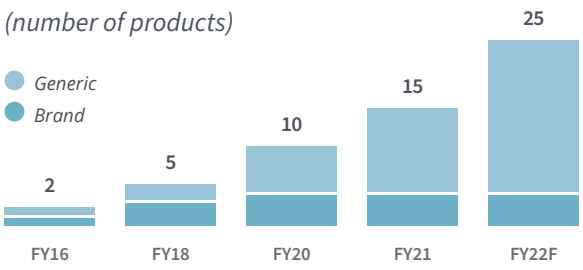
– patient prevalence in the US (millions)



Mayne Pharma has built its dermatology portfolio to include a mix of brand and generic products which are marketed by a field team of over 40 sales representatives. The branded products include DORYX and FABIOR to treat acne and SORILUX and LEXETTE to treat psoriasis. In addition, the business also markets a number of generic dermatology products across a range of indications including acne, rosacea, actinic keratosis, psoriasis and dermatoses.

US dermatology portfolio

(number of products)

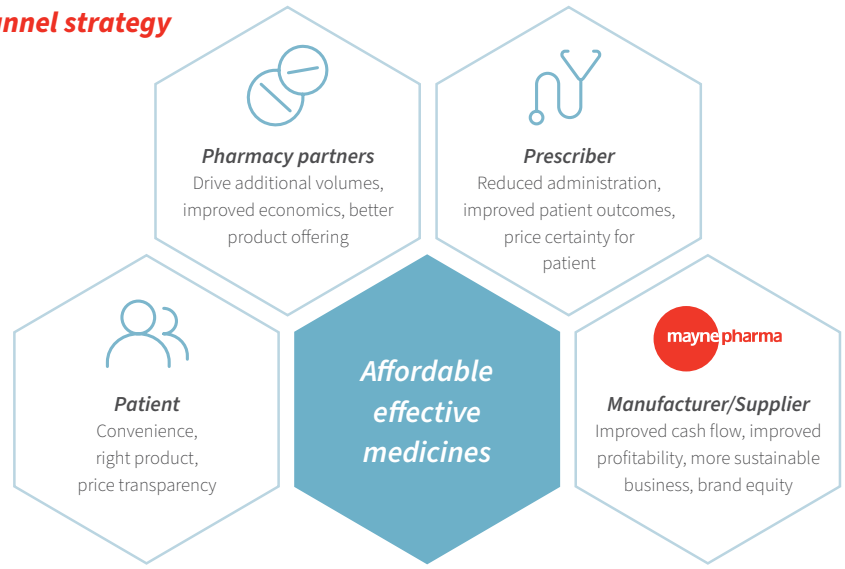


1. Internal company research.

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Mayne Pharma's dermatology go-to-market strategy is focused around leveraging its commercial infrastructure to create a more seamless 'prescription to patient' experience and aims to provide a benefit to all stakeholders in the process.

Mayne Pharma channel strategy



Benefits of using commercial infrastructure:

- Blended promotional team (in-field, telesales)
- Broad product portfolio
- Broad pharmacy network
- Focused prescriber base
- Aligned managed care coverage
- Multi-channel fulfillment

The Company has significantly strengthened its dermatology pipeline in 2021 through signing four supply and distribution agreements with leading suppliers for eleven dermatology products that treat key skin conditions. These dermatology partnerships leverage the established commercial capabilities across sales and marketing, medical affairs and patient access and support in non-retail channels.

Acceleration of dermatology product partnerships with leading generic companies[1]

Deal completion date	*Supply partner*	*Products*	*IQVIA market details[2]*	*Target launch*
NOV 2019	Teligent	*gCORDRAN®* *gLOCOID®*	<US$10m market	*Launched*
MAY 2021	Encube	*gTRIANEX®* *gKERYDIN®* *gCLEOCIN®*	>US$120m market	*Launched*
JUN 2021	UPSHER-SMITH	*gABSORICA®*	>US$150m market	*Launched*
JUL 2021	Cosette PHARMACEUTICALS	*gTAZORAC®* *gULTRAVATE®* *gMETROCREAM®* *gDESOWEN®* *gTEMOVATE®* *gDIPROSONE®*	>US$100m market	*Launched*
JUL 2021	torrent PHARMA	*1x topical*	>US$150m market	*FY22*
AUG 2021	Undisclosed	*2x topicals*	>US$100m market	*FY22*

1. Includes pipeline products with final or tentative FDA approval
2. IQVIA, MAT Sales, June 2021

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Metrics Contract Services

Metrics is one of a few potent solid oral dose CDMOs with a single site for early-stage development through to commercialisation

Metrics is a full-service CDMO with 25 years of history supporting its clients. The business provides formulation development, analytical testing and commercial manufacturing to over 100 clients worldwide from its Greenville, North Carolina facility. Key specialties include handling potent compounds and small to medium batch sizes, which are ideal for orphan or targeted drug development.

Metrics is one of a few US based potent solid oral dose CDMOs with a single site for early-stage development through to commercialisation. Between FY16-FY21, Mayne Pharma invested over US$100m into the Greenville facility to increase novel oral solid manufacturing capabilities and capacities.

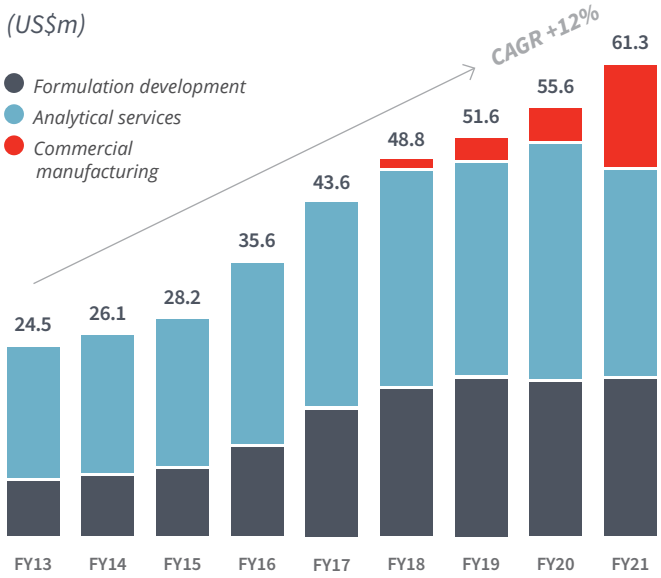
The business currently supports 66 projects across the pharmaceutical value chain with:

- 22 projects in phase I
- 20 projects in phase II
- 12 projects in phase III
- 6 projects under registration/transfer
- 6 commercial manufacturing clients

Metrics' customer base includes thirteen of the top twenty global pharma companies[1]. Many of its customers have long standing relationships dating back 15+ years.

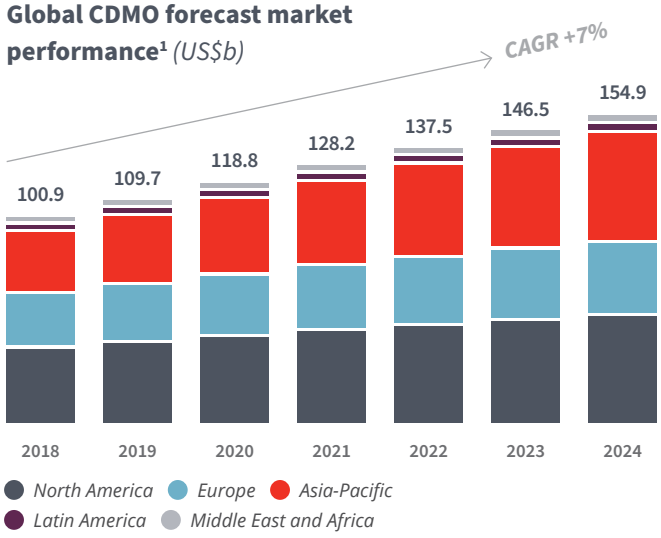
The business has a solid track record of financial performance delivering double digit compound annual growth (CAGR) over the last eight years.

Metrics historical sales *(US$m)*



Metrics operates in the attractive CDMO market which continues to grow in the mid-single digits, which is well above that of the broader pharmaceutical industry. It benefits from an increase in outsourcing activity and the growing number of molecules in clinical development.

Global CDMO forecast market performance[1] *(US$b)*



1. Mordor Intelligence Global CDMO market, 2018-2024.

1. Fierce Pharma Top 20 pharma companies by 2020 revenue.

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International



Mayne Pharma International has over 175 years of history in the Australian pharmaceutical market.

Mayne Pharma international's roots can be traced to FH Faulding, one of South Australia's largest public companies before it was acquired by Mayne Group Limited. The business has a 40-year track record of innovation and success in developing oral drug delivery systems. These technologies have been successfully commercialised in numerous products that continue to be marketed around the world including DORYX for acne, ASTRIX® to treat cardiovascular disease and KAPANOL® for the management of chronic pain and breathlessness.

The Salisbury, South Australia facility is the largest Australian owned full service solid dose plant that manufactures TGA and FDA-registered pharmaceuticals. It is also one of two FDA-approved full-service solid oral dose manufacturers based in Australia with an outstanding track record of regulatory compliance with international agencies.

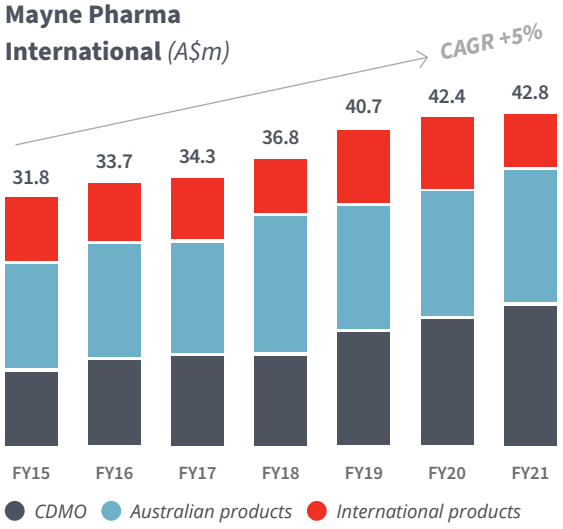
The Salisbury site has expertise in complex oral and topical dose forms such as multi-particulate (bead/pellet in a capsule or tablet) drug delivery technology and liquid and cream products. The site manufactures and exports product to more than a dozen countries.

Mayne Pharma International has a solid track record of growth delivering mid-single digit CAGR since FY15 driven by growth in the CDMO segment and new product launches in Australia.

In FY21, SOLARAZE (diclofenac sodium) gel and ACTIKERALL (fluorouracil and salicylic acid) topical solution were added to the Australian portfolio. Both products are indicated for the treatment of actinic keratosis and will be promoted by the existing specialty products sales team focusing on dermatologists and general practitioners that specialise in skin cancer.

The International segment has a solid product pipeline of new product launches including the potential launches of NEXTSTELLIS oral contraceptive and FABIOR foam to treat acne which are both under active review at the TGA.

Mayne Pharma International *(A$m)*



Select international pipeline

Product	Country	Therapeutic area	Regulatory status	Target market value[1] (A$m)	Potential launch timing
ACTIKERALL® (5FU / salicylic acid) solution	Australia	Actinic Keratosis	Approved	18	FY22
KAPANOL® (morphine sulphate) capsules	Switzerland	Opioid substitution therapy	Approved	15	FY22
NEXTSTELLIS® (E4/DRSP) tablet	Australia	Contraception	Filed	70	FY22
FABIOR® (tazarotene) foam	Australia	Acne	Filed	11	FY23
gEFUDIX® (5FU) cream	Australia	Actinic keratosis	Dossier preparation	18	FY23
gEFUDIX® (5FU) cream	UK	Actinic keratosis	Dossier preparation	11	FY23
KAPANOL® (morphine sulphate) capsules	Austria / Germany	Opioid substitution therapy	BE study	50	FY23
LEXETTE® (halobetasol) foam	Australia	Psoriasis	Dossier preparation	43	FY24

1. IQVIA MAT sales December 2020

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Sustainability

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



Our People

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



Our Operations

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

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



Our Products

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

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



Our Community

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

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

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As a socially responsible organisation, we aim to:

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



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Global leadership team

1. Scott Richards

Chief Executive Officer and Managing Director

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

2. Peter Paltoglou

Chief Financial Officer

Peter joined Mayne Pharma in August 2015 as Executive Vice President Corporate and Business Development. Peter has over 20 years of experience in executing public and private mergers and acquisitions and providing strategic advice across a range of contexts and market sectors. In 2020, Peter become Chief Financial Officer and is responsible for group finance along with corporate strategy, M&A, strategic alliances and wider corporate development activities including global business development. He was previously Managing Director of Investment Banking at Credit Suisse Emerging Companies in Australia. Prior to Credit Suisse, Peter was a Director of Hindal Group, a boutique M&A advisory business.

3. Gerard Nahum, MD

Chief Medical Officer

Gerard has more than 30 years of clinical and industry experience. He was previously the Vice President of Global Research & Development, Medical Devices & eHealth at Bayer Pharmaceuticals. He spent more than 15 years at Bayer including as the Head of Global Clinical Development for Women's Healthcare as well as for other therapeutic areas including Dermatology and Anti-infectives. He also spent two years at the US FDA in the Office of New Drugs at the Center for Drug Evaluation and Research. He is a trained physician who is board-certified in Obstetrics and Gynecology, and he previously served as a professor and residency program director at the Duke University School of Medicine before entering the pharmaceutical industry.

4. John Ross

President, Mayne Pharma USA

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

5. Stefan Cross

President, International Operations

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

6. Donald Pearl

Executive Vice President, Specialty Brands

Donald has more than 30 years of pharmaceutical industry experience in sales, operations, marketing and managed care. Prior to joining Mayne Pharma in November 2020, Donald served as Franchise Lead and Vice President of Ipsen's Neuroscience Division and as Chief Executive Officer for eNeura, a medical device company focused on the treatment of migraines and related ailments. Earlier, he served in multiple roles at Allergan over more than 20 years, including Vice President of US Neuroscience Sales during the launch of the chronic migraine indication for BOTOX®; Vice President, US Sales Operations, Vice President, Medical Reimbursement and Vice President International Sales & Marketing for SkinMedica an Allergan company. Donald has served on the corporate advisory boards for the American Academy of Neurology, Child Neurology Foundation and the American Academy of Physical Medicine and Rehabilitation.

7. Daniel Moore

Executive Vice President, Specialty Products & Patient Solutions

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

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8. Kate Hall

Executive Vice President and General Counsel

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

9. Brant Schofield

Executive Vice President, Corporate Development

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

10. Keith Moore

Vice President, Research and Development

Keith joined Mayne Pharma in 2015 and has more than 20 years of experience in the pharmaceutical industry. Keith has been instrumental in driving Mayne Pharma's pipeline and the development of branded and generic products. He also worked at Metrics, Inc. for 14 years prior to its acquisition by Mayne Pharma. Keith has served as Vice President of Analytical Services for Mayne Pharma's CDMO where he led all laboratory functions including laboratory operations, quality control unit, microbiology, analytical development and method validation, stability, and metrology comprising some 180 employees. Prior to this role, he worked at Salix Pharmaceuticals in technical operations supporting R&D, regulatory, and commercial activities.

11. Andrew Herdman

Vice President, Group Human Resources

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

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DIRECTORS' REPORT

The Directors of Mayne Pharma Group Limited ('the Company') present their report together with the financial report of the Company and its controlled entities (collectively the 'Group' or 'Consolidated Entity' or 'Mayne Pharma') for the year ended 30 June 2021 and the Auditor's Report thereon. The information set out below is to be read in conjunction with the Remuneration Report set out on pages 35 to 41, which forms part of this Directors' Report.

DIRECTORS

The Directors of the Company during the financial year and up to the date of this report are:

Mr Roger Corbett, AO (Chairman)
Mr Scott Richards (Managing Director and Chief Executive Officer)
Mr Patrick Blake
Mr Frank Condella
Ms Nancy Dolan
Mr Bruce Mathieson
Prof Bruce Robinson, AC
Mr Ian Scholes

The Directors' qualifications, other listed company directorships, experience and special responsibilities are detailed on pages 31 and 32 of this report. The qualifications and experience of the Company Secretary are detailed on page 32 of this report.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the 2021 financial year are:

	BOARD		AUDIT & RISK COMMITTEE		NOMINATION COMMITTEE		REMUNERATION & PEOPLE COMMITTEE		SCIENCE, TECHNOLOGY & MEDICAL COMMITTEE	
	HELD[1]	ATTENDED[2]	HELD[1]	ATTENDED[2]	HELD[1]	ATTENDED[2]	HELD[1]	ATTENDED[2]	HELD[1]	ATTENDED[2]
Mr R Corbett	11	10	-	-	3	3	6	6	-	-
Mr S Richards[3, 4]	11	11	-	-	-	-	6	4	3	3
Mr P Blake	11	11	9	9	-	-	6	6	-	-
Mr F Condella	11	11	-	-	3	3	-	-	3	3
Ms N Dolan	11	11	9	9	3	3	-	-	-	-
Mr B Mathieson	11	10	-	-	-	-	-	-	-	-
Prof Bruce Robinson	11	11	-	-	-	-	-	-	3	3
Mr I Scholes	11	11	9	9	-	-	6	6	-	-

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the prior period, Mayne Pharma executed an exclusive long-term licence and supply agreement with Mithra Pharmaceuticals SA to commercialise a novel oral contraceptive NEXTSTELLIS® (E4/DRSP) comprising estetrol (E4) and drospirenone (DRSP) in the US and Australia. In April 2021, NEXTSTELLIS was approved by the US Food and Drug Administration (FDA) and launched into the US market in June 2021 following the recruitment of a new national women's health sales team.

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

PRINCIPAL ACTIVITIES

Mayne Pharma is an ASX-listed specialty pharmaceutical company focused on commercialising novel and generic pharmaceuticals. Mayne Pharma also provides contract development and manufacturing services to clients worldwide.

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

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

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

Summary of financial performance

Set out below is a summary of the financial performance attributable to Mayne Pharma shareholders for the 2021 financial year (FY21) compared to the prior corresponding period (pcp).

This summary includes non-IFRS financial information that is stated excluding certain non-operating income and expense items. The results are set out this way as the Directors consider them to be a meaningful comparison from period to period. Key measures of earnings considered by management in operating the business and assessing performance are earnings before interest, tax, depreciation, amortisation and impairment ('EBITDA') and Adjusted EBITDA.

SALES AND PROFIT	2021 $M	2020 $M	CHANGE ON PCP $M
Reported Revenue	**400.8**	**457.0**	**(56.2)**
Reported Gross profit	**182.0**	**211.5**	**(29.5)**
Reported Gross profit %	*45.4%*	*46.3%*	
Adjusted EBITDA	63.5	95.6	(32.1)
Adjustments[1]	2.6	(15.0)	17.6
Reported EBITDA	**66.1**	**80.6**	**(14.5)**
Impairments	(229.3)	(99.0)	(130.3)
Depreciation / Amortisation	(67.7)	(84.1)	16.4
Reported Profit / (Loss) Before Interest and Tax	**(230.9)**	**(102.5)**	**(128.4)**
Net interest	(12.1)	(16.7)	4.6
Earn-out & deferred consideration liabilities discount unwind	(20.0)	(31.1)	(5.6)
Reported Profit / (Loss) Before Tax	**(263.0)**	**(133.6)**	**(129.4)**
Income tax credit / (expense)	54.6	40.8	13.8
Reported Net Profit / (Loss) After Tax attributable to Mayne Pharma shareholders	**(208.4)**	**(92.8)**	**(115.6)**

1. Current year adjustments are included in the table below. Prior period adjustments to Reported EBITDA include $8.6m expense for business turnaround and restructuring costs, $14.6m for gross-to-net adjustments, $4.9m for inventory adjustments, $18.7m credit for earn-out reassessments, $3.2m of legal costs associated with the cost of drug pricing investigations and related litigation, $0.3m for non-capitalised transaction costs and $2.2m to remove the Inhibitor Therapeutics Inc (INTI) losses attributable to members of the Company.

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

SALES AND PROFIT	REPORTED ATTRIBUTABLE TO MEMBERS JUNE 2021[1] $M	EARN-OUT REASSESSMENTS[2] $M	RESTRUCTURING[3] $M	ASSET IMPAIRMENTS[4] $M	INTI[5] $M	DRUG PRICING LITIGATION[6] $M	ADJUSTED JUNE 2021 $M
Revenue	400.8		1.3				**402.1**
Gross profit	182.0	-	6.0	-	-	-	**188.0**
Gross profit %	*45%*						*47%*
EBITDA	**66.1**	(20.6)	15.5	-	0.4	2.1	**63.5**
Depreciation / Amortisation	(67.7)	-	-	-	0.5	-	(67.2)
Asset impairments	(229.3)	-	-	229.3	-	-	-
PBIT	**(230.9)**	(20.6)	15.5	229.3	0.9	2.1	**(3.7)**

1. The values in the above table are values attributable to members of Mayne Pharma and hence include only Mayne Pharma's share of INTI. The Consolidated Statement of Profit or Loss and Other Comprehensive Income and supporting notes such as note 5 for income tax include 100% of INTI and hence differ from the above values.
2. Earn-out and deferred consideration liabilities reassessment.
3. Restructuring costs principally related to discontinued products and severance costs.
4. Impairments largely relate to intangible assets.
5. Mayne Pharma's share of INTI's EBITDA loss.
6. Drug pricing investigations and related litigation costs.

The non IFRS financial information is unaudited.

Review of operations

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

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

The Group recorded revenue of $400.8m, down 12% on prior comparative period (pcp) and gross profit was $182.0m, down 14% on pcp.

Gross profit margin as a percentage of revenue was 45.4% (2020: 46.3%) which reflects the changing sales mix with reduced contribution from higher margin generic products such as liothyronine.

Whilst the COVID-19 pandemic presented unprecedented challenges to the business in the fiscal year, the Company focused on ensuring the health and safety of its employees and maintaining an uninterrupted supply of medicines and services to its customers and patients around the world.

The reported loss before tax was $263.9m and the net loss after tax was $209.1m reflecting $229.3m ($178.0m after tax) of asset impairments.

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Foreign currency has been a headwind over the period for revenue, gross profit and EBITDA with the average AUD to USD FX rate strengthening 7 cents to 0.747 versus 0.671 in the pcp. On a constant currency basis, reported revenue was down 3%, reported EBITDA down 5% and adjusted EBITDA down 24%:

	AS REPORTED			CONSTANT CURRENCY[1]	
	FY21	FY20	CHANGE	FY21	CHANGE
SALES AND PROFIT	**$M**	**$M**	**%**	**$M**	**%**
Reported revenue	400.8	457.0	(12%)	441.2	(3%)
Reported gross profit	182.0	211.5	(14%)	200.4	(5%)
Gross profit %	*45.4%*	46.3%		*45.4%*	
Adjusted EBITDA	63.5	95.6	(34%)	73.2	(23%)
Adjustments	2.6	(15.0)		3.1	
Reported EBITDA	**66.1**	80.6	(18%)	76.3	(5%)

1. Constant currency removes the impact of exchange rate movements to facilitate comparability of operational performance for the Group. This is done in three parts: a) by converting the current year net profit / (loss) of entities in the group that have reporting currencies other than AU Dollars, at the rates that were applicable to the prior comparable period (Translation Currency Effect); b) by restating material transactions booked by the group that are impacted by exchange rate movements at the rate that would have applied to the transaction if it had occurred in the prior comparable period (Transaction Currency Effect); and c) by adjusting for current year foreign currency gains and losses (Foreign Currency Effect). The sum of translation currency effect, transaction currency effect and foreign currency effect is the amount by which reported EBITDA is adjusted to calculate the result at constant currency.

The impact of exchange rate movements on the Company's balance sheet is recognised in the Foreign Currency Translation Reserve (FCTR) which decreased by $70.9m during the year.

Expenses

Net research and development expense (total research and development costs less amounts qualifying for capitalisation) was $21.7m, a decrease in the expense of $3.1m (13%) on the pcp. Additional R&D spend in Speciality Products (R&D in this area is generally not capitalised) this period has resulted in the level of R&D capitalisation declining from 31% in the pcp to 18% this year.

	JUNE 2021 $M	JUNE 2020 $M
Total R&D costs incurred	26.6	35.8
Development costs capitalised	4.9	11.0
R&D expensed	21.7	24.8

Marketing and distribution expenses decreased by $16.5m to $57.7m due to the restructuring of the US dermatology sales team and the impact of the strengthening AUD. On a constant currency basis, the reduction was $9.1m.

Finance costs of $32.8m (2020: $31.8m) include interest and line fees on the loan facilities, plus the amortisation of related borrowing costs and the unwinding of discounts associated with earn-out liabilities and deferred liabilities which increased to $19.4m from $14.5m in the pcp. Also included is a gain recognised upon modification and extension of the syndicated loan facility of $1.8m (2020: loss $0.3m). The Company modified and extended its financing facilities in December 2020 including reducing the facility limit by U$50m as the facility limit was in excess of the Group's current requirements.

Impairments of $229.3m (2020: $99.0m) were recognised following a detailed review of the Company's intangible assets with the majority of the impairments recognised as at 31 December 2020 ($214.5m). The review considered the current and projected US market dynamics for the portfolio and the industry. Mayne Pharma participates in markets that are potentially exposed to COVID-19 and rapidly changing industry dynamics. These issues have been addressed in the impairment review on the basis of known facts and circumstances, incorporating best estimates from information available to date, as described in Note 13.

The impairments included the following:

- Specific pipeline products (development expenditure) - $5.2m
- Other specific intangible assets - $33.0m
- GPD – Other Cash Generating Unit (CGU) intangible assets - $191.1m.

Administration and other expenses decreased by $12.5m to $106.0m. This category includes non-cash and other non-operating items such as:

- Amortisation of intangible assets which was $48.8m (2020: $63.1m);
- The restatement of earn-out liabilities $20.6m gain (2020: $18.7m gain);
- Share based payments expense $7.7m (2020: $6.9m);
- Pre-launch of Nextstellis set up expenses $11.9m (2020: nil);
- Drug pricing investigations and related litigation costs $2.1m (2020: $3.2m); and
- Restructuring expenses were $9.5m (2020: $8.3m) and FX losses were $1.6m (2020: $0.2m).

Excluding these items, administration and other expenses decreased by $10.0m to $44.8m as a result of cost control initiatives and the FX translation impact.

Tax

The tax benefit of $54.8m comprised:

- Current period income tax expense for the year to 30 June 2021 of $3.3m;
- An increase in current year tax benefit in respect of prior years of $0.4m; and
- Deferred income tax benefit of $57.7m

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Financial position

Set out below is a summary of the financial position as at 30 June 2021 compared to the position as at 30 June 2020.

BALANCE SHEET EXTRACT	2021 $M	2020 $M	CHANGE ON PCP $M	CHANGE ON PCP %
Cash	98.0	137.8	(39.8)	(29)
Receivables	183.3	195.8	(12.5)	(6)
Income tax receivable	20.3	37.3	(17.0)	(46)
Inventory	102.5	94.0	8.5	9
PP&E	212.5	226.4	(13.9)	(6)
Intangible assets and goodwill	636.1	962.3	(326.2)	(34)
Other assets	210.5	171.6	38.9	23
Total assets	**1,463.2**	**1,825.2**	**(362.0)**	**(20)**
Interest-bearing debt (excluding lease liabilities)	337.0	385.6	(48.6)	(13)
Trade and other payables	113.7	106.9	6.8	6
Other financial liabilities	197.9	233.0	(35.1)	(15)
Lease liabilities	9.9	12.4	(2.5)	(20)
Other liabilities	33.0	45.0	(12.0)	(27)
Total liabilities	**691.6**	**782.9**	**(91.3)**	**(12)**
Equity	**771.6**	**1,042.3**	**(270.7)**	**(26)**

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

Cash

Cash decreased by $39.8m compared to 30 June 2020. Net operating cashflow was an inflow of $58.9m (2020: $99.8m), with investing cashflow $49.2m, leaving free cashflow of $9.7m. Cash utilisation included reducing external borrowings, paying earn-out and deferred consideration liability commitments and investing in property, plant and equipment.

Inventory, receivables and trade payables

Inventory increased by $8.5m and receivables decreased by $12.5m. Trade and other payables increased by $6.8m compared to the prior period.

Intangible assets and goodwill

Intangible assets decreased by $326.1m compared to the balance at 30 June 2020. The movement comprised of:

- An increase of $4.9m for capitalised development costs;
- An increase of $14.0m for other intangible additions;
- A decrease of $48.8m for amortisation;
- A decrease of $229.3m for impairments; and
- A decrease of $66.9m due to foreign currency translation as the AUD / USD exchange rate increased from 0.6877 at 30 June 2020 to 0.7507 at 30 June 2021.

Property, plant & equipment

Property, plant and equipment decreased by $13.9m compared to the balance at 30 June 2020. The movement comprised of:

- An increase of $17.1m for net additions;
- A decrease of $16.1m for depreciation; and
- A decrease of $14.9m due to foreign currency translation.

Interest bearing liabilities

Interest bearing liabilities decreased to $346.8m from $398.0m at 30 June 2020. Interest bearing liabilities includes lease liabilities. Lease liabilities recognised at balance date were $9.9m. Excluding lease liabilities interest bearing liabilities decreased to $337.0m from $385.6m at 30 June 2020. The net repayment of borrowings during the period was $25.8m. The decrease also includes $22.9m relating to the AUD/USD exchange rate movement.

Other financial liabilities

Other financial liabilities as at 30 June 2021 include the earn-out liabilities and deferred consideration for the NEXTSTELLIS distribution rights, the generic NUVARING® distribution rights, LEXETTE® distribution rights, generic EFUDEX® acquisition and various other product acquisitions and distribution rights.

Other financial liabilities decreased by $35.1m from 30 June 2020 due to:

- An increase of $19.4m due to the unwinding of the discount for the various earn-out liabilities and deferred consideration liabilities including $14.7m relating to the NEXTSTELLIS deferred consideration liability;
- An increase of $10.9m relating to other asset acquisitions;
- A decrease of $20.6m due to re-assessments of various earn-out liabilities;
- A decrease of $24.2m due to payments made;
- A decrease for mark to market valuation of interest rate swaps of $2.4m; and
- A decrease relating to foreign currency translation of $18.2m.

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Equity

Shareholder equity movements include the current year loss of ($209.1m) and other comprehensive income / (loss) of ($71.7m) for a net movement of ($278.4m).

Cash flow

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

	2021 $M	2020 $M
Net operating cash flows before income tax receipts / (payments) and before working capital movements	61.6	65.2
Net income tax receipts / (payments)	10.9	(1.8)
Working capital (investments) / releases	(13.6)	49.2
Net Operating cash flows	58.9	112.6

Net operating cash for FY21 was an inflow of $58.9m after including $10.9m of net tax receipts and $13.6m net working capital investments. The working capital investments included additional inventory to maintain supplies during Covid, additional inventory required during supply chain changes and inventory to support new product launches including NEXTSTELLIS.

Other notable cash flows during the period included:

- $23.7m in payments for research and development (includes expensed and capitalised);
- Earn-out and deferred settlement payments totalling $24.2m;
- Payments for intangibles of $3.2m; and
- $17.1m in capital expenditure across the Group.

Cash on hand at 30 June 2021 was $97.9m representing a decrease of $39.8m from 30 June 2020 for the reasons outlined above.

The Company had bank debt of $337.0m at 30 June 2021.

Pipeline

The Company continues to commit resources in terms of people, and research and development spend to develop and advance its pipeline globally. In FY21, the Company incurred, in total cost terms, $26.8m in research and development of which 18% (2020: 31%) was capitalised over the period to be amortised in the future over the expected life of the relevant product in accordance with Australian Accounting Standards.

Reporting Segments

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

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

GPD

	2021 $M	2020 $M	CHANGE %
Revenue	204.6	253.0	(19%)
Gross profit	68.3	95.7	(29%)
Gross profit %	33%	38%	

Nature of operations

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

FY21 performance

The GPD reporting segment's sales were $204.6m, down 19% on FY20 and gross profit was $68.3m, down 29% on FY20. In US dollar terms, sales were US$152.8m, down 10% on pcp impacted by new competition on key products such as liothyronine and ongoing pricing pressure across the portfolio.

The Company continues to rationalise the generics portfolio and discontinue unprofitable generic products, reduce stock obsolescence and optimise the cost base through realignment of its supply chain with raw material suppliers and contract manufacturing organisations (CMOs).

SPD

	2021 $M	2020 $M	CHANGE %
Revenue	71.3	78.8	(10%)
Gross profit	58.7	65.4	(10%)
Gross profit %	82%	83%	

Nature of operations

SPD's revenues and gross profit are derived principally from the distribution of specialty pharmaceutical products in the US in the dermatology, women's health and infectious disease therapeutic areas.

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FY21 performance

The SPD reporting segment's sales were $71.3m, down 10% on FY20 and gross profit was $58.7m, down 10% on FY20. In US dollar terms, SPD's sales were US$53.3m, up 1% on pcp.

Dermatology, the largest therapeutic category which represented 89% of SPD sales was down US$3m impacted by the COVID-19 pandemic and reduced managed care coverage. In response to these evolving market dynamics, the dermatology field team was restructured with operating expenses decreasing by US$9m on pcp.

Women's Health sales were US$3.5m benefiting from the launch of NEXTSTELLIS and SOLTAMOX® (tamoxifen) oral solution. Infectious disease sales were up 16% on pcp to US$2.2m and were impacted significantly by COVID-19 and access to physicians. With COVID-19 restrictions easing in the 2HFY21, TOLSURA sales rebounded to US$1.3m and were up 62% on the 1HFY21.

MCS

	2021 $M	2020 $M	CHANGE %
Revenue	82.1	82.8	(1%)
Gross profit	41.8	39.4	6%
Gross profit %	51%	48%	

Nature of operations

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

FY21 performance

The MCS reporting segment's revenues were $82.1m, down 1% on FY20 and gross profit was $41.8m, up 6% on FY20. In US dollar terms, sales were up 10% on pcp to US$61.3m benefiting from new commercial manufacturing revenues and an improving business mix.

Commercial manufacturing now represents 20% of MCS revenue up from just 8% in the pcp benefiting from the capital investments made into Greenville, North Carolina over the last five years.

Metrics remains one of a few US based potent solid oral dose CDMOs for early-stage development through to commercialisation from a single contiguous site. The business supports 66 projects across the pharmaceutical value chain with 60 products in development and six commercial products. Its customers include 13 of the top 20 global pharma companies.

MPI

	2021 $M	2020 $M	CHANGE %
Revenue	42.8	42.4	1%
Gross profit	13.2	11.0	20%
Gross profit %	32%	26%	

Nature of operations

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

FY21 performance

The MPI reporting segment's revenues were $42.8m, up 1% and gross profit was $13.2m, up 20% on FY20.

Contract services and manufacturing revenue grew 11% to $18.4m and Australian products sales grew 6% to US$17.5m. International sales were weaker due to timing of ASTRIX (aspirin) shipments in Korea and the end of a 40-year licencing deal in certain European countries for ERYC® (erythromycin). The improving gross margin reflects overhead recovery benefits in the Salisbury facility with dose volumes up 60% to 780 million.

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Strategy

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

The Company's core strategic priorities include the following:

KEY PRIORITIES	ACTIVITIES
• Women's health	• Successful commercialisation of NEXTSTELLIS in the US • Establish E4 as preferred estrogen in contraceptives • Approval and successful launch of key pipeline products pending at FDA (eg. generic NUVARING) • Broaden women's health portfolio in areas of unmet need (eg. menopause management, bacterial vaginosis, uterine fibroids) • Maximise generic contraceptive portfolio
• Dermatology	• Broaden dermatology offering to patients and prescribers including launch of recently in-licensed products • Continue to expand portfolio through business development activities, encompassing brand and generic business platforms • Leverage brand and generic model to maximise diversified distribution platform
• Contract services	• Invest in broader capabilities (eg. high potent) and capacity to accelerate growth • Expansion of commercial manufacturing client base in Greenville
• International	• Expand specialty brands presence across dermatology (SOLARAZE, FABIOR) and women's health (NEXTSTELLIS) therapeutic categories • Advance pipeline for further growth domestically and internationally • Expansion of contract development client base building off local incentives (IP Patent Box), and development track record of Salisbury facility • Addition of in demand capacity and capabilities (fluid bed) to drive further manufacturing efficiencies
• Cost base	• Optimisation of supply chain to drive improved product costs (eg. API savings, manufacturing overhead recovery) • Optimisation of gross to net (eg. WAC and copay card adjustments) • Proactive management of R&D, marketing and administration expenses

Material business risks

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

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

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

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RISK	NATURE OF THE RISK	ACTIONS / PLANS TO MITIGATE
In-market pricing and competitive intensity	• Competitive dynamics for a product become unfavourable • Sales of our products may be adversely impacted by continuing consolidation of the customer base • New competitors enter a market or competitors increase market share • Increasing consolidation of managed care providers and related reimbursement limitations constraining available market pricing • Inability to obtain or delays in obtaining satisfactory pricing and reimbursement from government bodies, national health authorities and other third parties	• Recruitment of experienced sales and marketing personnel • Disciplined and risk balanced product selection process • Strong systems and processes to monitor and manage the performance of each product and customer relationship • Diversify channels to market • Developing business models and systems to move closer to patients
Delays to R&D pipeline assets	• Negatively impact the order of market entry, reducing associated economic value of opportunity (Generic) • Development of competing treatments or therapies that may impact market dynamics (Brand) • Additional costs and resources required to satisfactorily complete regulatory tasks	• Build-out of R&D organisation to incorporate suitable medical and clinical capabilities • Disciplined new product selection process and portfolio management activities
Regulatory compliance	• Loss of regulatory compliance certification for production facilities • Violation of healthcare compliance requirements • Violation of antibribery or antitrust requirements	• Recruitment of experienced personnel in Quality, Production and Compliance • Establishment of a robust control environment with relevant policies and procedures • Strong systems and processes to manage and monitor compliance
Product cost inflation	• Increasing cost of active pharmaceutical ingredients and other components • Interruptions to supply of raw materials and drug product	• Exclusive supply arrangements, where appropriate • Distribution arrangements with partners allow for rising input costs to be passed through to customers • Back-up supply of key raw materials
Foreign exchange movements	• Adverse movements in exchange rates	• Hedging of balance sheet and net receipts in accordance with Company policy
Product liability	• Serious adverse event with consumers and potential product liability risks in marketing and use of products • Serious adverse events with participants in clinical trials	• Establishment and maintenance of systems to track medical information, pharmacovigilance (ie. monitoring the effects of medical drugs, particularly to identify and evaluate previously unreported adverse events), quality and where appropriate usage (eg. to identify potential abuse) • Allocate or share risk with distribution partners where appropriate • Appropriate insurance coverage
Intellectual property	• Infringement of third-party intellectual property rights • Loss or infringement of owned intellectual property	• Disciplined product selection process taking into account possible intellectual property infringement • Implementation of a robust intellectual property strategy • Allocate or share risks with manufacturing partners where appropriate
Asset impairments	• The recoverable amount of non-current assets, including brands and goodwill may be assessed to be less than the carrying value and an impairment charge may be recognised	• Robust and comprehensive testing environment • Assets are tested regularly for impairment • Capitalisation policies and useful lives of assets are reviewed by external auditors
Acquisition risk	• Integration of acquisitions can take longer than expected, divert management attention and not deliver the expected benefits	• Conduct detailed due diligence of acquisitions and engage third parties where relevant for expert advice • Preparation of detailed operational/integration plans and ongoing monitoring of acquisitions following completion
Environmental, health and safety	• Failure to comply with environmental health and safety regulations, laws and industry standards • Injury to employees or contractors • Failure to safely and appropriately handle hazardous and toxic materials	• Regional Environmental, Health and Safety ('EHS') Management Systems have defined policies, procedures and work practices for the elimination or mitigation of EHS hazards and risks
Information technology	• Cyber threats and data security • Disruptions or failures in our information technology systems and network infrastructure	• Recruitment of experienced IT personnel • Implementation of protective measures such as firewalls, antivirus, data encryption, routine back-ups, system audits, disaster recovery procedures

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RISK	NATURE OF THE RISK	ACTIONS / PLANS TO MITIGATE
Financial fraud	• Purposely publishing inaccurate financial data at the half year or at the end of the fiscal year • Falling prey to an internal scheme that has a material financial impact on the Company	• Hiring and cooperating with a reputable external accounting firm tasked with auditing our financial statements and evaluating our control environment • Recruitment of experienced financial controls personnel • Implementation and enforcement of policies and procedures that foster a robust control environment
Catastrophic facility / equipment failure	• Loss of buildings and/or key equipment • Exposure to "failure to supply" penalties	• Development of contingency plans to move production across our multiple facilities and among our CMO partners if facilities or equipment become unavailable • Purchase of insurance coverage to minimise the Company's exposure to penalties
COVID-19	• Spread of virus to employees • Impact of pandemic on mental health of our employees • Inability to produce finished goods • Inability to promote our products to healthcare providers in person	• Development and implementation of employee management plans that reduce the chance of virus spread, including enhanced hygiene practices, social distancing measures, increased number of shifts with fewer employees in manufacturing plants at any one time, increased use of protective equipment, allowing non-manufacturing employees to work from home • Implementation of processes to modify management plans based upon latest recommendations from local health authorities • Implementation of communication approaches designed to keep all employees informed of evolving mitigation plans • Providing targeted support to employees around mental wellbeing, including people leader training and all-employee webinars to raise awareness and acquaint employees with available support and resources • Mitigation of supply disruption through robust monitoring of global events, well established supplier partnerships and anticipatory planning (such as safety stock builds and identification of alternate sources of supply) • Development and implementation of technology solutions that allow our field sales team to interact and promote our products remotely without physically entering offices and endangering our customers, their patients, or our sales representatives

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

Outlook

Mayne Pharma's performance will be heavily influenced by the effective execution of its strategic priorities and will depend on many factors including movements in the US dollar, the timing of FDA approvals and competitor launches and withdrawals on key products.

Key growth drivers are expected to be the successful commercialisation of NEXTSTELLIS in the US and Australia, the launch of more than a dozen dermatology and women's health products, accelerating the growth of Metrics Contract Services and International, and continued optimisation of the cost base.

DIVIDENDS

No dividends were declared or paid during the 2021 financial year.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

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

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DIRECTORS' EXPERIENCE AND SPECIAL RESPONSIBILITIES

MR ROGER CORBETT AO, BCOM, FAIM
Independent Chairman
Age 78
Appointed 17 November 2010

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

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

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

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

MR SCOTT RICHARDS
Executive Director and Chief Executive Officer
Age 58
Appointed 13 February 2012

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

MR PATRICK BLAKE
Independent Non-Executive Director
Age 58
Appointed 28 June 2018

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

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

MR FRANK CONDELLA, BSPharm, MBA
Independent Non-Executive Director
Age 67
Appointed 30 May 2018

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

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

MS NANCY DOLAN, BA, LLB
Independent Non-Executive Director
Age 70
Appointed 21 September 2016

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

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

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

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

Mr Mathieson is a Director of the newly formed Endeavour Group Ltd (EGL).The Endeavour Group combines the Woolworths liquor assets (Dan Murphy and BWS) and the ALH Hotels. EGL was listed on the Australian ASX on 24 June 2021 (code: EDV). Mr Mathieson was previously a Director of the ALH Group and was the former Chief Executive Officer of the ALH Group, a joint venture between Woolworths Limited and the Mathieson Family. Mr Mathieson has operated in the hotel, leisure and hospitality industry since 1974 and is a well-respected member of the Australian business community. Mr Mathieson is also a Director of Ord Minnett Investments Ltd which owns 100% of Ord Minnett Stockbrokers. He has previously served as a Director of the Carlton Football Club. He is trained as an engineer and brings management and transactional experience from a number of industries to the Board

PROF BRUCE ROBINSON, AC, MD, MSC, FRACP, FAAHMS, FAICD
Independent Non-Executive Director
Age 65
Appointed 26 August 2014

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

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

MR IAN SCHOLES BCOM, CA
Independent Non-Executive Director
Age 66
Appointed 17 October 2007

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

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

COMPANY SECRETARY

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

DIRECTORS' INTERESTS IN SHARE CAPITAL AND OPTIONS

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

	FULLY PAID ORDINARY SHARES	RESTRICTED ORDINARY SHARES ISSUED UNDER LONG TERM INCENTIVE PLAN WITH LIMITED-RECOURSE LOANS
Mr R Corbett	10,440,569	-
Mr S Richards	5,585,369	28,869,697
Mr P Blake	260,000	-
Mr F Condella	343,428	-
Ms N Dolan	101,772	-
Mr B Mathieson	105,577,583	-
Prof B Robinson	634,895	-
Mr I Scholes	2,158,636	-

UNISSUED SHARES UNDER OPTION

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

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

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SHARE OPTIONS GRANTED

There were 16.7m employee options granted during the financial year.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

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

NON-AUDIT SERVICES

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

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

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

	2021 $	2020 $
Taxation services	251,024	205,680
Other assurance	18,601	26,699
Total	269,625	232,379

INDEMNIFICATION AND INSURANCE OF OFFICERS AND INDEMNIFICATION OF AUDITORS

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

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

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

ENVIRONMENT, HEALTH AND SAFETY (EHS) REGULATION AND PERFORMANCE

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

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

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

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

The Directors are not aware of any material breaches of EHS regulations by the Group.

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration has been received from EY and is included on page 42 of this report.

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Letter from Chairman of Remuneration and People Committee

Dear Shareholder,

On behalf of the Board of Directors, we are pleased to present Mayne Pharma's Remuneration Report for the financial year ended 30 June 2021. This report contains information regarding the remuneration arrangements for Non-Executive Directors and senior executives who are the Key Management Personnel (KMP) of Mayne Pharma during FY21.

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

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

The Company has two LTI plans for executives – the Executive Share Loan Scheme (ESLS) and the Performance Rights and Option Plan (PROP). The ESLS was introduced in FY15 and effectively operates like a 5-year option. Executives only receive a benefit from this program if the share price increases, with loan shares progressively vesting at continuously increasing performance hurdles. In FY20, the PROP was extended to allow the issue of performance rights which has allowed the Board to manage dilution concerns arising under the ESLS.

The challenges faced by Mayne Pharma over the last few years are reflected in the financial results of the company and ultimately in the remuneration outcomes for senior executives. Since the introduction of the ESLS in FY15, only 84,999 loan shares have been exercised. Furthermore at balance date, based on the 32 cents share price at 30 June 2021, no LTIs (eg. performance rights or loan shares) were in the money and could be exercised, which demonstrates the strong alignment of the LTI program with our shareholders.

While 151m LTI instruments remain outstanding, representing theoretical dilution of 8% at balance date, the actual dilution to shareholders is 0% based on the 30 June 2021 closing price.

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

Key items in the FY21 remuneration report

Following a review of the LTI program by the Board and in independent remuneration consultant, PricewaterhouseCoopers (PwC), the following changes were made to the program in FY21:

- The Total Shareholder Return (TSR) hurdles for LTI instruments to vest increased to 8% for minimum vesting (previously 5%) and 15% for maximum vesting (previously 10%)
- Reduction in the proportion of LTI instruments that vest at the minimum performance hurdle to 20% (previously 50%)
- Reduction in the multiplier that applies to loan shares and options to 1.92 times (previously 3.02 times). This effectively reduces the number of loan shares / options granted to executives by 36%
- Executives received 20% of their LTI participation value in the form of performance rights and 80% in the form of loan shares or options

Recognising the challenges our business has faced, the CEO's fixed salary has remained constant for three years, the Australian based NEDs have had no change to Board or committee fees for six years with exception of a fee introduced for the Science, Technology and Medical committee and the US based NEDs were adjusted on 1 January 2019 to more closely align with US market rates.

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

Yours sincerely



Roger Corbett, AO
Mayne Pharma Chairman

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REMUNERATION REPORT (AUDITED)

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

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

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

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

1. KEY MANAGEMENT PERSONNEL DETAILS

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

Independent Non-Executive Directors:

- Mr Roger Corbett, AO - Chairman
- Mr Patrick Blake
- Mr Frank Condella
- Ms Nancy Dolan
- Mr Bruce Mathieson
- Prof Bruce Robinson, AM
- Mr Ian Scholes

Executive Directors:

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

Other executive KMP:

- Mr Peter Paltoglou - Chief Financial Officer (CFO) - Appointed CFO 29 September 2020, previously Chief Development Officer and Interim CFO.

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

2. REMUNERATION GOVERNANCE

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

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

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

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

The fees payable for FY21 to PwC for remuneration advice were $131,580 which included fees relating to remuneration recommendations as defined under the *Corporations Act 2001* of $35,700.

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

Remuneration Report approval at the 2020 Annual General Meeting

The FY20 Remuneration Report received strong shareholder support at the 2020 AGM with a vote of 93% in favour. A resolution covering the issue of shares under the LTI share loan scheme and performance rights under the PROP to the CEO also received strong support with 94% of votes in favour.

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3. REMUNERATION POLICY

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

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

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

4. FY21 REMUNERATION AT A GLANCE

CEO	• No increase to fixed remuneration • No short-term incentive • A long-term incentive grant of $2,000,000 – 200% of fixed remuneration (same as prior year) • Statutory value of FY21 LTI grant was $1,355,025 (20% decrease on FY20 grant due to the structural changes made to the LTI program including higher TSR hurdles and a lower loan multiplier) • No LTIs vested during the year
CFO	• Fixed remuneration increased by 6.7% due to new role • No short-term incentive • A long-term incentive grant of 120% of fixed remuneration including superannuation (previously 100%) due to new role • Statutory value of FY21 LTI grant was $517,729 (18% increase on FY20 grant) • No LTIs vested during the year
DIRECTORS	• No change to director fees in base currency

5. ELEMENTS OF EXECUTIVE KMP REMUNERATION

Remuneration packages contain the following key elements:

- Fixed remuneration
- Performance linked remuneration

Fixed remuneration

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

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

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

The CEO's fixed remuneration is $1,000,000. With the CEO's relocation to the US during FY18, the CEO also receives a living away from home allowance, relocation support and other typical ex-pat benefits such as car lease, rental allowances, medical benefits and return airfares to Australia. The CEO's relocation contract includes an income tax "protection" clause ensuring the CEO is reimbursed for any increased income taxes incurred on employment related remuneration (including LTI awards) due to his relocation to the US.

Performance-linked remuneration

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

Executive Share Loan Scheme

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

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

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

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The base test dates for the ESLS issues made from 1 July 2016 to 31 December 2017 were set as 1 July each year. Base test dates for grants after 31 December 2017 are either 1 March or 1 September to align with results announcements.

Performance Rights and Option Plan

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

The base test dates for the performance rights issued in FY21, are 1 September and 1 March to align with the full year and half year results announcements.

In FY21, the Company issued loan shares or options and performance rights to ESLS participants on an 80:20 basis to manage dilution. US ESLS participants received options whereas Australian ESLS participants received loan shares.

Performance conditions

Vesting of loan shares, options and rights (granted in FY21) is based on the absolute Total Shareholder Return (TSR) measured over the relevant vesting period, 20% vesting if a TSR Compound Annual Growth (CAGR) of 8% is achieved (an increase from the 5% CAGR hurdle in prior periods), rising to 100% vesting for achievement of a TSR CAGR of 15% (an increase from the 10% CAGR hurdle in prior periods). Vesting will occur on a straight-line basis for performance between these two points.

If the CAGR performance conditions are met, vesting occurs progressively and at continuously increasing hurdles. Vesting can occur over a total period of 5 years with vesting being assessed annually over years 1 to 3 and six monthly in years 4 and 5 from the base test date.

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

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

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

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

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

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

The Board chose the absolute TSR growth targets to align executive reward with what the Board considers to be acceptable levels of return to Shareholders (ie. between 8% and 15% compound annual growth) over the performance period. The Board considered the use of a relative performance condition but does not consider that there are sufficient appropriate comparator pharmaceutical companies (ie. of similar size) listed in Australia.

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

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

Hedging of equity awards

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

6. EXECUTIVE KMP REMUNERATION

A) KMP STATUTORY REMUNERATION TABLES

The following table discloses executive KMP remuneration during the year ended 30 June 2021 as required by the Corporations Act:

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		SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS			TOTAL $	
		SALARY $	ANNUAL LEAVE $	OTHER BENEFITS[1] $	SUPER-ANNUATION $	OTHER[2] $	PERFORMANCE RIGHTS $	LOAN SHARES $		PROPORTION RELATED TO PERFORMANCE %
Mr S Richards (CEO)	**2021**	**978,997**	**86,546**	**284,906**[3]	**21,694**	**28,128**	**381,672**[6]	**1,357,351**[6]	**3,139,254**	**55.4**
	2020	978,997	86,506	357,824[3]	21,003	28,070	188,462	1,299,565	2,960,427	50.3
Mr P Paltoglou (CFO)	**2021**	**571,315**	**58,368**	**-**	**21,694**	**-**	**121,980**	**346,816**	**1,120,174**	**41.9**
	2020	525,834	45,481	-	21,003	14,790	43,200	367,898	1,018,206	40.4
Mr N Freeman (former CFO)	**2021**	-	-	-	-	-	-	-	-	-
	2020	527,150	30,133	-	25,888	(7,959)	-	(719,514)[4]	(144,302)	n/a
Dr I Stancovski[5] (former CSO)	**2021**	-	-	-	-	-	-	-	-	-
	2020	86,304	-	-	-	-	-	55,239	141,543	39.0
Total	**2021**	**1,550,312**	**144,874**	**284,906**	**43,388**	**28,128**	**503,653**	**1,704,168**	**4,259,428**	
	2020	2,118,285	162,120	357,824	67,894	34,901	231,662	1,003,188	3,975,874	

1. Other short-term benefits include car lease payments, rental allowances, medical related payments and relocation allowances.
2. Other long-term benefits represent accruals for long service leave entitlements that may arise should the relevant key management personnel meet the eligibility requirements.
3. As Mr Richards relocated to the US during FY18, he receives a living away from home allowance, relocation support and other typical ex-pat benefits such as car lease, rental allowances, medical benefits and return flights.
4. Mr Freeman resigned 12 June 2020 and, as he didn't meet service requirements to retain LTI awards, all LTI awards were forfeited with the prior period expense for these awards reversed.
5. Dr Stancovski ceased to be KMP effective 31 August 2019 and hence remuneration for FY20 relates to July & August only.
6. The CEO statutory LTI remuneration in FY21 reflects LTI grants issued from FY18 to FY21. The amortisation period for recent LTI grants is shorter than previous LTI grants which has contributed to the increase in FY21 LTI remuneration expense versus the prior year.

Whilst the above KMP tables show statutory remuneration in accordance with accounting standards, the actual remuneration received by KMP was significantly lower as no employee LTI's vested (or were exercised) during FY21. Based on the 32 cents share price at 30 June 2021, no employee LTI's were in the money and could be exercised, which demonstrates the strong alignment of the LTI program with shareholders.

The CEO statutory LTI remuneration in FY21 reflects LTI grants issued from FY18 to FY21. The amortisation period for recent LTI grants is shorter than previous LTI grants which has contributed to the increase in FY21 LTI remuneration expense versus the prior year.

The challenges faced by Mayne Pharma over the last few years are reflected in the financial results of the Company and ultimately in the remuneration outcomes for KMP. Since the introduction of the ESLS in FY15, no loan shares have been exercised by KMP and none were in the money at 30 June 2021.

B) EMPLOYMENT CONTRACTS

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

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

NAME	TERM OF AGREEMENT	BASE SALARY[1]	NOTICE PERIOD	INCENTIVE ARRANGEMENTS	TERMINATION BENEFITS
Mr S Richards[2] *Chief Executive Officer*	On-going commencing 13 February 2012	$1,000,000 (including superannuation)	12 months	Entitlement to participate in LTI share plan. The value of the LTI is based on 200% of fixed remuneration. Minimum shareholding requirement 1,239,912 unrestricted shares.	Nil if for serious misconduct. Otherwise, up to 12 months' pay in lieu of notice. If employment is terminated within six months of a change of control, entitled to a payment equal to 12 months' pay.
Mr P Paltoglou Chief Financial Officer	On-going commencing 24 August 2015	$580,000 (excluding superannuation)	6 months	Entitlement to participate in LTI share plan. The value of the LTI is based on 120% of fixed remuneration. Minimum shareholding requirement 349,984 unrestricted shares.	Nil if for serious misconduct. Otherwise, up to 6 months' pay in lieu of notice. If employment is terminated within six months of a change of control, entitled to a payment equal to 6 months' pay.

1. Base salary quoted is for a 12-month period and is current and is reviewed annually by the Remuneration and People Committee.
2. As Mr Richards relocated to the US, he also receives living away from home, relocation assistance and other typical expat benefits. Mr Richards' relocation contract includes an income tax "protection" clause ensuring Mr Richards is reimbursed for any increased income taxes incurred on employment related remuneration (including LTI awards) due to his relocation to the US.

7. NON-EXECUTIVE DIRECTORS' REMUNERATION

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

NED fee arrangements are designed to appropriately compensate suitably qualified directors with appropriate experience and expertise to discharge their responsibilities. In FY21, the Board had two committees for which fees were payable. The Board reviews the fees on an annual basis with reference to market rates in Australia and the US.

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

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

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

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

	YEAR	DIRECTORS' FEES $	OTHER BENEFITS[1] $	SUPERANNUATION $	TOTAL $
Mr R Corbett	**2021**	**250,000**	**22,500**	**23,750**	**296,250**
	2020	250,000	30,000	23,750	303,750
Hon R Best	**2021**	-	-	-	-
	2020	46,167	-	10,043	56,210
Mr P Blake [2]	**2021**	**193,251**	**-**	**-**	**193,251**
	2020	205,457	-	-	205,457
Mr F Condella [2]	**2021**	**190,278**	**-**	**-**	**190,278**
	2020	213,993	-	-	213,993
Ms N Dolan	**2021**	**115,077**	**-**	**27,273**	**142,350**
	2020	115,077	-	27,273	142,350
Mr B Mathieson	**2021**	**120,000**	**-**	**11,400**	**131,400**
	2020	120,000	-	11,400	131,400
Mr I Scholes	**2021**	**140,000**	**-**	**13,300**	**153,300**
	2020	140,000	-	13,300	153,300
Prof B Robinson	**2021**	**135,000**	**-**	**12,825**	**147,825**
	2020	135,000	-	12,825	147,825
Totals	**2021**	**1,143,606**	**22,500**	**88,548**	**1,254,654**
	2020	1,225,694	30,000	98,591	1,354,285

1. Other benefits include serviced office facilities for the Chairman.
2. US based directors

8. VALUE OF EQUITY INSTRUMENTS GRANTED TO KMP

Options awarded, vested, exercised and lapsed

Other than LTIs issued under the ESLS and PROP as disclosed below, no KMP held options during FY21 and no options were granted to KMP or modified during the period.

LTI program

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

ESLS awarded, vested, exercised, cancelled and lapsed

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

	GRANT DATE	EXPIRY DATE	EXERCISE PRICE/ 5 DAY VWAP AT GRANT DATE	NUMBER HELD AT 1 JULY 2020	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED OR CANCELLED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2021	NUMBER VESTED AT 30 JUNE 2021	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Mr S Richards	4 Dec 2015	31 Aug 2020	$1.2300	2,553,496	-	-	(2,553,496)	-	-	1,237,169	-
	6 Dec 2016	31 Jul 2021	$1.5760	2,242,005	-	-	-	2,242,005	-	949,815	-
	7 Dec 2017	31 Jul 2022	$0.6169	6,608,851	-	-	-	6,608,851	1,321,770	1,311,196	202,738
	6 Dec 2018	1 Oct 2023	$0.9696	6,229,373	-	-	-	6,229,373	-	1,871,927	637,305
	29 Nov 2019	30 Sep 2024	$0.4695	5,145,686	-	-	-	5,145,686	-	780,086	294,891
	3 Dec 2020	30 Sep 2025	$0.3554	-	8,643,782[(1)]	-	-	8,643,782	-	1,063,185	222,417
Mr P Paltoglou	24 Aug 2015	31 Aug 2020	$1.1300	2,231,344	-		(2,231,344)	-	-	633,032	-
	3 Jul 2017	31 Jul 2022	$1.1307	1,278,871	-	-	-	1,278,871	-	412,308	20,692
	28 Sep 2017	31 Jul 2022	$0.6631	314,989	-	-	-	314,989	62,998	67,030	6,923
	23 Mar 2018	31 Mar 2023	$0.7620	2,091,695	-	-	-	2,091,695	-	568,314	140,291
	26 Sep 2019	30 Sep 2024	$0.5151	1,274,849	-	-	-	1,274,849	-	194,160	70,696
	15 Sep 2020	30 Sep 2025	$0.3300	-	2,965,729[(2)]	-	-	2,965,729	-	371,309	98,362
	26 Sep 2020	30 Sep 2025	$0.3647	-	318,438[(3)]	-	-	318,438	-	38,276	9,852
				29,971,159	11,927,949	-	(4,784,840)	37,114,268	1,384,768	9,497,807	1,704,168

1. The fair value of the ESLS shares granted during the year was $0.1230 each.
2. The fair value of the ESLS shares granted during the year was $0.1252 each.
3. The fair value of the ESLS shares granted during the year was $0.1202 each.

Performance Rights awarded, vested, exercised, cancelled and lapsed

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

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	GRANT DATE	EXPIRY DATE	NUMBER HELD AT 1 JULY 2020	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED OR CANCELLED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2021	NUMBER VESTED AT 30 JUNE 2021	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Mr S Richards	29 Nov 2019	30 Sep 2024	2,555,805		-	-	2,555,805	-	907,822	319,948
	3 Dec 2020	30 Sep 2025	-	1,125,492[1]	-	-	1,125,492	-	291,840	61,724
Mr P Paltoglou	29 Nov 2019	30 Sep 2024	694,674		-	-	694,674	-	243,575	93,149
	15 Sep 2020	30 Sep 2025	-	341,674[2]	-	-	341,674	-	86,751	23,256
	26 Sep 2020	30 Sep 2025	-	85,952[3]	-	-	85,952	-	21,393	5,575
			3,250,479	1,553,118	-	-	4,803,597	-	1,551,082	503,653

1. The fair value of the performance rights granted during the year was $0.2593 each.
2. The fair value of the performance rights granted during the year was $0.2539 each.
3. The fair value of the performance rights granted during the year was $0.2489 each.

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

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

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

The number of shares issued to KMP on the exercise of options or performance rights during the year ended 30 June 2021 was nil.

11. SHARES HELD BY KMP

Movements in shares

The movement during FY20 and FY21 in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP including their related parties at reporting date, is as follows:

	HELD AT 30 JUNE 2019 NUMBER	RECEIVED DURING FY20 ON EXERCISE OF OPTIONS AND / OR LTI SHARES GRANTED NUMBER	LTI SHARES LAPSED OR FORFEITED NUMBER	OTHER CHANGES DURING FY20 NUMBER	HELD AT 30 JUNE 2020 NUMBER	RECEIVED DURING FY21 ON EXERCISE OF OPTIONS AND / OR LTI SHARES GRANTED NUMBER	LTI LOAN SHARES LAPSED OR FORFEITED NUMBER	OTHER CHANGES DURING FY21 NUMBER	HELD AT 30 JUNE 2021 NUMBER
Directors									
Mr R Corbett	**10,440,569**	-	-	-	**10,440,569**	-	-	-	**10,440,569**
Mr S Richards	**27,442,623**	5,145,686	(3,823,529)	-	**28,764,780**	8,643,782	(2,553,496)	(400,000)	**34,455,066**
Mr P Blake	**-**	-	-	260,000	**260,000**				**260,000**
Mr F Condella	**181,835**	-	-	50,897	**232,732**			110,696	**343,428**
Ms N Dolan	**101,772**	-	-		**101,772**				**101,772**
Mr B Mathieson	**98,777,583**	-	-	6,800,000	**105,577,583**				**105,577,583**
Mr I Scholes	**2,158,636**	-	-	-	**2,158,636**	-	-	-	**2,158,636**
Prof B Robinson	**634,895**	-	-	-	**634,895**	-	-	-	**634,895**
	139,737,913	5,145,686	(3,823,529)	7,110,897	**148,170,967**	8,643,782	(2,553,496)	(289,304)	**153,971,949**
Other KMP									
Mr P Paltoglou	**6,578,748**	1,274,849	-	-	**7,853,597**	3,284,167	(2,231,344)		**8,906,420**
	6,578,748	1,274,849	-	-	**7,853,597**	3,284,167	(2,231,344)		**8,906,420**
	146,316,661	6,420,535	(3,823,529)	7,110,897	**156,024,564**	11,927,949	(4,784,840)	(289,304)	**162878,369**

12. GROUP PERFORMANCE

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

The following table outlines key statistics reported by the Company over the last five years to 30 June 2021:

	2021	2020	2019	2018	2017
Total revenue ($000)	400,781	456,985	525,208	530,313	572,595
NPAT ($000) attributable to Mayne Pharma shareholders	(208,423)	(92,789)	(279,203)	(133,984)	88,562
Basic EPS (cents)	(13.26)	(6.07)	(19.04)	(9.16)	6.18
Share price (30 June)	$0.320	$0.385	$0.510	$0.870	$1.085
Dividends per share (cents)	-	-	-	-	-

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

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

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

The Company has 140 (or 14%) of senior staff participating in long term incentive schemes, either through the share loan scheme or the performance rights and option program, including 13 senior executives who have agreed to forgo STI entitlements. The Board considers this a strong indication of the alignment of the shareholders' and employees' interests.

The challenges faced by Mayne Pharma over the last few years are reflected in the financial results of the Company and ultimately in the remuneration outcomes for KMP. As at 30 June 2021, only 1.8% of outstanding LTIs have met vesting conditions.

Based on the 32c share price at 30 June 2021, no employee options, loan shares or performance rights were in the money and could be exercised, which demonstrates the strong alignment of the LTI program with shareholders.

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

Dated at Melbourne, Australia this 27th day of August 2021.



Mr Scott Richards
Managing Director and CEO

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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

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

As lead auditor for the audit of the financial report of Mayne Pharma Group Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

David Petersen
Partner
27 August 2021

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CORPORATE GOVERNANCE WEBSITE

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

The Company has adopted the ASX Corporate Governance Council 4th Edition Corporate Governance Principles and Recommendations. The recommendations allow companies to publish Corporate Governance information on their websites rather than include the information in the Annual Report.

The following documents are available on the Mayne Pharma website:

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

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	NOTE	CONSOLIDATED 2021 $'000	2020 $'000
Revenue from contracts with customers			
Sale of goods		299,701	356,441
Services revenue		100,520	99,462
License fee revenue		100	698
Royalties revenue		460	384
Revenue	2	**400,781**	**456,985**
Cost of sales	4	(218,803)	(245,470)
Gross profit		**181,978**	**211,515**
Interest income		687	788
Other income	3	979	539
Research and development expenses		(21,690)	(24,752)
Marketing and distribution expenses		(57,696)	(74,203)
Administration expenses and other expenses	4	(106,004)	(118,456)
Impairments	13	(229,321)	(98,985)
Finance expenses - other	4	(12,824)	(17,451)
Finance expenses – related to earn-outs and deferred consideration liabilities including discount unwind	4	(19,996)	(14,362)
Profit / (loss) before income tax		**(263,887)**	**(135,367)**
Income tax credit / (expense)	5	54,805	40,832
Net profit / (loss) from continuing operations after income tax		**(209,082)**	**(94,535)**
Attributable to:			
Equity holders of the Parent		(208,423)	(92,789)
Non-controlling interests		(659)	(1,746)
		(209,082)	**(94,535)**
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified to profit or loss in future periods			
Unrealised gain / (loss) on cash flow hedges		2,407	(3,048)
Income tax effect			
Exchange differences on translation		(63,529)	22,234
Income tax effect		(7,338)	(1,531)
Items that will not be reclassified to profit or loss in future periods			
Exchange differences on translation		(885)	203
Income tax effect			
Total comprehensive income for the period		**(278,427)**	**(76,677)**
Attributable to:			
Equity holders of the Parent		(276,883)	(75,134)
Non-controlling interests		(1,544)	(1,543)
		(278,427)	**(76,677)**
Basic earnings per share	6	(13.26) cents	(6.07) cents
Diluted earnings per share	6	(13.26) cents	(6.07) cents

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	NOTE	CONSOLIDATED 2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	21	97,980	137,785
Trade and other receivables	7	183,283	195,908
Inventories	8	102,510	93,997
Income tax receivable		7,696	37,327
Other financial assets	9	2,733	443
Other current assets	10	22,326	25,487
Total current assets		**416,528**	**490,947**
Non-current assets			
Income tax receivable		12,588	-
Other non-current assets	10	4,108	-
Property, plant and equipment	11	212,453	226,355
Right-of-use assets	12	9,142	11,889
Deferred tax assets	5	172,211	133,698
Intangible assets (including goodwill)	13	636,154	962,291
Total non-current assets		**1,046,656**	**1,334,233**
Total assets		**1,463,184**	**1,825,180**
Current liabilities			
Trade and other payables	14	113,798	106,943
Interest-bearing loans and borrowings	15	54,043	44,836
Other financial liabilities	16	36,080	52,778
Provisions	17	18,606	14,696
Total current liabilities		**222,527**	**219,253**
Non-current liabilities			
Interest-bearing loans and borrowings	15	292,776	353,211
Other financial liabilities	16	161,838	180,225
Deferred tax liabilities	5	13,460	28,981
Provisions	17	1,004	1,196
Total non-current liabilities		**469,078**	**563,614**
Total liabilities		**691,605**	**782,867**
Net assets		**771,579**	**1,042,313**
Equity			
Contributed equity	18	1,238,537	1,238,584
Reserves	19	88,883	149,603
Retained earnings	20	(559,063)	(350,640)
Equity attributable to equity holders of the Parent		**768,357**	**1,037,547**
Non-controlling interests		3,222	4,766
Total equity		**771,579**	**1,042,313**

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	NOTE	CONSOLIDATED 2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		504,684	689,781
Payments to suppliers and employees		(434,510)	(544,223)
Tax paid		(3,325)	(1,790)
Tax received		14,191	-
Net operating cash flows before research and non-capitalised development expenditure, restructuring costs, set-up and transaction costs and drug pricing investigations and related litigation costs		**81,040**	**143,768**
Payments for research and non-capitalised development expenditure		(18,910)	(21,745)
Restructuring, transaction and drug pricing investigations and related litigation costs		(3,268)	(9,432)
Net cash flows from operating activities [1]	21	**58,862**	**112,591**
Cash flows from investing activities			
Payments for property, plant and equipment		(17,091)	(8,989)
Payments for intangible assets		(3,192)	(27,129)
Payments for capitalised development costs		(4,814)	(11,000)
Earn-out and deferred settlement payments		(24,150)	(8,755)
Net cash flows used in investing activities		**(49,247)**	**(55,873)**
Cash flows from financing activities			
Proceeds from issues of shares		-	72
Lease payments		(3,009)	(3,896)
Repayment of borrowings		(222,255)	(203,404)
Proceeds from borrowings (net of fees)		196,430	211,751
Interest received		687	788
Interest paid		(12,293)	(13,602)
Net cash flows from financing activities		**(40,440)**	**(8,291)**
Net increase / (decrease) in cash and cash equivalents		**(30,825)**	**48,427**
Cash and cash equivalents at the beginning of the period		137,785	89,004
Effect of exchange rate fluctuations on cash held		(8,980)	354
Cash at the end of the period	**21**	**97,980**	**137,785**

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

1. **Note 21 provides further information in relation to operating cashflow movements including details of working capital movements.**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	CONTRIBUTED EQUITY $'000	SHARE-BASED PAYMENTS RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	OTHER RESERVE $'000	RETAINED EARNINGS $'000	TOTAL $'000	NON-CONTROLLING INTERESTS $'000	TOTAL EQUITY $'000
Balance at 1 July 2020	**1,238,584**	**35,581**	**120,650**	**(3,485)**	**(3,143)**	**(350,640)**	**1,037,547**	**4,766**	**1,042,313**
Profit/(loss) for the period	-	-	-	-	-	(208,423)	(208,423)	(659)	(209,082)
Other comprehensive income									
Cash flow hedge	-	-	-	2,407	-	-	2,407	-	2,407
Foreign exchange differences (net of tax)	-	-	(70,867)	-	-	-	(70,867)	(885)	(71,752)
Total comprehensive income for the period	**-**	**-**	**(70,867)**	**2,407**	**-**	**(208,423)**	**(276,883)**	**(1,544)**	**(278,427)**
Transactions with owners in their capacity as owners									
Shares issued	-	-	-	-	-	-		-	
Share issue costs (net of tax)	(47)	-	-	-	-	-	(47)	-	(47)
Tax effect of employee share options		-	-	-	-	-		-	
Share-based payments	-	7,740	-	-	-	-	7,740	-	7,740
Share options exercised	-	-	-	-	-	-	--	-	--
Transfer to retained earnings – lapsed and cancelled employee LTI shares	-	-	-	-	-	-	-	-	--
Balance at 30 June 2021	**1,238,537**	**43,321**	**49,783**	**(1,078)**	**(3,143)**	**(559,063)**	**768,357**	**3,222**	**771,579**
Balance at 1 July 2019	**1,140,008**	**28,644**	**99,947**	**(437)**	**(3,143)**	**(257,851)**	**1,007,168**	**6,309**	**1,013,477**
Profit/(loss) for the period	-	-	-	-	-	(92,789)	(92,789)	(1,746)	(94,535)
Other comprehensive income									
Cash flow hedge	-	-	-	(3,048)	-	-	(3,048)	-	(3,048)
Foreign exchange differences (net of tax)	-	-	20,703	-	-	-	20,703	203	20,906
Total comprehensive income for the period	**-**	**-**	**20,703**	**(3,048)**	**-**	**(92,789)**	**(75,134)**	**(1,543)**	**(76,677)**
Transactions with owners in their capacity as owners									
Shares issued	98,017	-	-	-	-	-	98,017	-	98,017
Share issue costs (net of tax)		-	-	-	-	-		-	
Tax effect of employee share options	507	-	-	-	-	-	507	-	507
Share-based payments	-	6,989	-	-	-	-	6,989	-	6,989
Share options exercised	52	(52)	-	-	-	-	--	-	--
Transfer to retained earnings – lapsed and cancelled employee LTI shares	-	-	-	-	-	-	-	-	--
Balance at 30 June 2020	**1,238,584**	**35,581**	**120,650**	**(3,485)**	**(3,143)**	**(350,640)**	**1,037,547**	**4,766**	**1,042,313**

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

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For the year ended 30 June 2021

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NOTE 1 – ABOUT THIS REPORT

Mayne Pharma Group Limited is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The financial report for the year ended 30 June 2021 was authorised for issue by the Directors on 27 August 2021.

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

A. Basis of preparation

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

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

The financial report is presented in Australian dollars and rounded to the nearest thousand dollars ($'000) (unless otherwise stated) in accordance with ASIC Legislative Instrument 2016/191.

B. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

C. Foreign currency

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

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

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

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

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

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

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

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

D. Other accounting policies

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

E. Significant judgements and estimates

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

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

F. Significant changes in the current reporting period

From 1 July 2020 the Group has adopted the relevant standards and interpretations mandatory for annual reports beginning on or after 1 July 2020. Adoption of the standards and interpretations had no material effect on the financial position or performance of the Group.

New accounting standards and interpretations

In June 2021, IFRIC published an agenda decision in relation to the accounting treatment when determining net realisable value (NRV) of inventories, in particular what costs are necessary to sell inventories under IAS 2 Inventories. The Group is currently assessing the impact the agenda decision will have on its current accounting policy and whether an adjustment to inventory may be necessary. Accordingly, a reliable estimate of the impact of the IFRIC agenda decision on the Group cannot be made at the date of this report, however based on preliminary analysis performed, the Group isn't expecting a material impact from the adoption of the IFRIC agenda decision. The Group expects to complete the implementation of the above IFRIC agenda decision as part of its 31 December 2021 reporting.

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

G. Change in presentation

For this reporting period, Mayne Pharma has made a change to the classification of finance costs paid in the Statement of Cash Flows. Previously interest paid was included in Operating Cash Flows. As the Group has significant earn-out and contingent deferred consideration liabilities which result in significant finance costs, it was considered more appropriate to include all finance costs including the finance costs related to earn-outs and contingent deferred consideration paid as part of financing activities rather than operating activities.

Where required, items in the 2020 comparative period have been reclassified to reflect the current presentation and enable better comparison between periods.

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NOTE 2 – REPORTING SEGMENTS

A reporting segment (which is also an operating segment) is a component of the Group:

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

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

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

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

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

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

GPD

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

MCS

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

SPD

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

MPI

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

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

	GENERIC PRODUCTS $'000	METRICS CONTRACT SERVICES $'000	SPECIALTY PRODUCTS $'000	MAYNE PHARMA INTERNATIONAL $'000	TOTAL $'000
Year ended 30 June 2021					
Sale of goods	204,601	-	71,335	23,765	299,701
Services revenue	-	82,086	-	18,434	100,520
Licence fee revenue	-	-	-	100	100
Royalty revenue	-	-	-	460	460
Revenue	204,601	82,086	71,335	42,759	400,781
Cost of sales	(136,328)	(40,242)	(12,664)	(29,569)	(218,803)
Gross profit	68,273	41,844	58,671	13,190	181,978
Other income					1,666
Amortisation of intangible assets					(48,826)
Asset impairments					(229,321)
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)					(169,384)
(Loss) / Profit before income tax					(263,887)
Income tax expense					54,805
Net (Loss) / Profit for the period					(209,082)

The combined revenue from the largest customer from each reporting segment was $81.1m for the year ended 30 June 2021.

Approximately 39% of the Group's 2021 revenue (2020: 36%) was derived from the three largest customers which is not unusual for operations in the US pharmaceutical market where most of the branded and generic sales are made to a small number of key wholesale and retail organisations. These three customers trade with both the GPD and SPD segments.

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

Geographical information

Revenue from external customers	2021 $'000	2020 $'000
Australia	29,818	28,240
United States	358,022	414,629
Asia	5,162	4,803
Other	7,779	9,313
Total external revenue	400,781	456,985

Revenue from customer contracts	2021 $'000	2020 $'000
Recognised at a point in time	300,261	357,523
Recognised over time	100,520	99,462
Total revenue from customer contracts	400,781	456,985

Non-current assets	2021 $'000	2020 $'000
Australia	109,349	118,460
United States	739,258	1,070,186
Total non-current assets	848,607	1,188,646

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

Product information

Revenue by product group/service	2021 $'000	2020 $'000
Third party contract services and manufacturing	100,520	99,462
Generic and branded products	299,701	356,441
Other revenue	560	1,082
Total external revenue	400,781	456,985

Revenue recognition and measurement

The Group accounting policy for revenue recognition is as follows:

Sale of goods

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

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

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

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Variable consideration

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

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

US specific healthcare plans and program rebates

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

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

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

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

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

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

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

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

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

Services revenue

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

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

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

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

Royalties revenue

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

License fee revenue

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

Interest income

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

NOTE 3 – OTHER INCOME

	2021 $'000	2020 $'000
Rental from excess office space	269	250
Other	710	289
	979	539

Lease income

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

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NOTE 4 – EXPENSES

	2021 $'000	2020 $'000
Finance expenses		
Interest expense – syndicated loans	9,025	11,829
Unused line fees	1,286	874
Interest expense – receivables finance	715	1,385
Interest expense – right-of-use asset leases	473	485
Amortisation of borrowing costs	1,803	2,201
Loss / (Gain) on modification of syndicated loan facility	(1,821)	253
Foreign exchange losses relating to funding activities	1,343	424
	12,824	17,451
Foreign exchange losses / (gain) related to earn-outs and deferred consideration liabilities	577	(153)
Change in fair value attributable to the unwinding of the discounting of the earn-out and deferred consideration liabilities[1]	19,419	14,515
	19,996	14,362
Total finance expense	32,821	31,813
Depreciation right-of-use assets	3,249	4,417
Depreciation of property, plant and equipment	16,113	17,062
Total Depreciation[2]	19,362	21,479
Cost of sales include the following:		
Inventory write offs	1,696	22,277
Inventory provision for obsolescence and net realisable value adjustments	9,735	(3,497)
Employee benefits expense[3]		
Wages and salaries	107,674	118,675
Superannuation expense	4,952	5,473
Other employee benefits expense	7,101	7,815
Share-based payments (refer Note 26)	7,740	6,989
Total employee benefits	127,467	138,952
Administration and other expenses include the following:		
Drug pricing investigations and related litigation costs	2,121	3,167
Share-based payments expense	7,527	6,770
Share-based payments expense – restructuring related	213	219
Fair value loss on restatement of INTI warrants	--	563
Restructuring and business turnaround expenses	9,500	8,335
Nextstellis – set-up costs (costs incurred prior to sales commencing)	11,946	-
Foreign exchange losses	1,607	219
Amortisation of intangible assets	48,826	63,083
Movement in undiscounted fair value of earn-out and deferred consideration liabilities[4]	(20,613)	(18,737)
All other administration and other expenses	44,877	54,837
Total administration and other expenses	106,004	118,456

Notes:
1. The unwinding of the discount relates to all earn-out and deferred consideration liabilities.
2. Depreciation expense (including depreciation of right-of-use assets) is included in cost of sales ($13,226,000), Marketing and distribution expenses ($876,000), Research and development expenses ($2,780,000) and Administration and other expenses ($2,480,000).
3. Employee benefit expense is included in various expense categories and cost of sales.
4. The movement in the undiscounted fair value of earn-out liabilities and deferred settlement liabilities of $20,613,000 credit (2020: $18,737,000 credit) was a non-cash (credit)/charge relating to re-assessment of the underlying assumptions for various earn-out and deferred settlement liabilities.

NOTE 5 – INCOME TAX

A. The major components of income tax expense are:

	2021 $'000	2020 $'000
Income tax benefit / (expense)		
Current income tax	(3,384)	34,545
Adjustment in respect of current income tax of previous years	353	817
Deferred income tax	57,836	5,470
Income tax benefit in the consolidated statement of profit or loss and other comprehensive income	54,805	40,832
Deferred income tax benefit/(expense) included in income tax expense comprises		
Increase in deferred tax assets	49,814	(2,213)
Decrease in deferred tax liabilities	8,023	7,683
	57,836	5,470

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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

	2021 $'000	2020 $'000
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:		
Profit/(loss) before income tax	(263,887)	(135,367)
Prima facie tax benefit/(expense) at 30%	79,166	40,621
Effect of R&D concessions	1,798	2,935
Over/(under) provision in respect of prior years	352	817
Deferred tax asset adjustment	-	(3,496)
Non-deductible expenses for tax purposes		
Share-based payments	(2,238)	(2,045)
Asset impairments	(2,202)	-
Amortisation intangibles	(3,246)	(1,625)
Other non-deductible expenses	(111)	(1,335)
Tax losses not recognised	(222)	(900)
Effect of different tax rate in US compared to Australia	(23,113)	(12,951)
Effect of carry-back US tax loss realised at (higher) historical rate	-	13,784
US state taxes	4,978	3,340
Restatement of DTA & DTL re US state tax rate changes	(357)	1,687
Income tax benefit	54,805	40,832

C. Recognised deferred tax assets and liabilities

	2021 $'000	2020 $'000
Deferred tax assets		
Intangible assets	72,889	40,476
Earn-outs and deferred consideration liabilities	41,943	51,576
Provisions	14,388	7,624
Payables	17,832	24,651
Carry forward tax losses and R&D credits	17,507	6,671
Inventory	6,022	6,609
US state taxes	14,954	12,658
Other	1,628	475
	187,163	150,740

	2021 $'000	2020 $'000
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Assets	187,163	150,740
Set-off of Deferred Tax Liabilities that are expected to reverse in the same period	(14,952)	(17,042)
Net Deferred Tax Assets[1]	172,211	133,698

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

	2021 $'000	2020 $'000
Deferred tax asset movements		
Opening balance	150,740	149,861
Credit/(charge) to profit/loss	49,814	(2,213)
Credit direct to equity[1]	-	277
Restatement of foreign currency balances	(13,356)	2,815
Balance at 30 June	187,198	150,740

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

	2021 $'000	2020 $'000
Deferred tax liabilities		
Property, plant and equipment	13,312	14,652
Intangible assets	13,191	19,361
Unrealised foreign exchange gains	-	9,546
Prepayments	178	138
US state taxes	1,527	2,159
Other	204	167
	28,412	46,023
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Liabilities	28,412	46,023
Set-off of Deferred Tax Assets that are expected to reverse in the same period	(14,952)	(17,042)
Net Deferred Tax Liabilities[1]	13,460	28,981

	2021 $'000	2020 $'000
Deferred tax liability movements		
Opening balances	46,023	51,098
Charge/(credit) to profit/loss	(8,023)	(7,683)
Charge/(credit) to other comprehensive income	(7,338)	1,531
Restatement of foreign currency balances	(2,250)	1,077
Balance at 30 June	28,412	46,023

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

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

Income tax and other taxes

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

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

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

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

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

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

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

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

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

US federal corporate tax changes

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

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

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

Tax consolidation legislation

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

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

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

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

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

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

Significant accounting judgements

Deferred tax assets

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

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future revenues, operating costs, capital expenditure and other capital management transactions. Judgements are also required about the application of income tax legislation in the jurisdictions in which the Group operates and the application of the arm's length principle to related party transactions.

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These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may affect the carrying amount of deferred tax assets and liabilities. Any resulting adjustment to the carrying value of a deferred tax item will be recorded in the Statement of Profit or Loss and Other Comprehensive Income.

Uncertain tax positions

The Group applies significant judgement in identifying uncertainties over income tax treatments. Due to the complex multinational tax environment in which the Group operates, the Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group has determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities and hence amounts are recognised within the financial statements on this basis. The Group continually monitors its position in respect of these matters.

NOTE 6 – EARNINGS PER SHARE

	2021	2020
Earnings per share for profit attributable to the ordinary equity holders of the Parent:		
Basic earnings per share	(13.26) cents	(6.07) cents
Diluted earnings per share	(13.26) cents	(6.07) cents

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

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

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

	2021 $'000	2020 $'000
For basic earnings per share		
Net profit / (loss) attributable to equity holders of the Company	(208,423)	(92,789)
For diluted earnings per share		
Net profit / (loss) attributable to equity holders of the Company	(208,423)	(92,789)

	2021 '000	2020 '000
Weighted average number of ordinary shares for basic earnings per share	1,571,500	1,529,419
Effect of dilution (based on average share price during the year):		
Weighted average effect of second tranche of shares issued to Mithra in May 2021 in accordance with Nextstellis license agreement (on FDA approval)	74,462	54,049
LTI shares, options and performance rights	3,399	-
Weighted average number of ordinary shares adjusted for the effect of dilution	1,649,361	1,583,468

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

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

	2021 '000	2020 '000
Number of potential ordinary shares	98,938	118,828

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

NOTE 7 – TRADE AND OTHER RECEIVABLES

	2021 $'000	2020 $'000
Current		
Trade receivables (net of charge-backs)	173,031	189,401
Trade receivables – profit share	907	3,211
Provision for impairment	(466)	(626)
Other receivables	9,811	3,922
	183,283	195,908

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

	NOT PAST DUE NOR IMPAIRED WITHIN TERMS $'000	OVERDUE AND NOT IMPAIRED 0-30 DAYS OVERDUE $'000	OVERDUE AND NOT IMPAIRED 30+ DAYS OVERDUE $'000	TOTAL $'000
Trade receivables 30 June 2021	168,068	3,078	2,326	173,472
Trade receivables 30 June 2020	183,074	8,420	492	191,986

Trade and other receivables

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

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

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

Receivables sold on a non-recourse basis total US$31.6m at balance date. The book value of the receivables approximates the value of the finance provided. Receivables are sold with no recourse to Mayne Pharma in relation to credit risk, although the receivables continue to be recognised on the Group's balance sheet as accounting derecognition criteria has not been met as Mayne Pharma retains certain risks in relation to the variability of charge-backs, rebates, returns and loyalty programs. Also refer note 15.

Trade receivables are non-interest bearing and are generally on 30-90-day terms. As at reporting date, $466,000 (2020: $626,000) of receivables were considered impaired. Trade receivables – profit share is due on 90-day terms. None of these receivables are considered impaired at reporting date.

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

Significant accounting judgements

Customer charge-backs and discounts

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

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

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

NOTE 8 – INVENTORIES

	2021 $'000	2020 $'000
Raw materials and stores at lower of cost and net realisable value	34,161	32,833
Work in progress at cost	10,052	8,204
Finished goods at lower of cost and net realisable value	58,298	52,960
	102,510	93,997

Recognition and measurement

Inventories

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

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

The Group has recognised provisions at reporting date for obsolescence and net realisable value adjustments of $20,824,000 (2020: $12,231,000).

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Significant accounting estimates and judgements

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

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

NOTE 9 – OTHER FINANCIAL ASSETS

	2021 $'000	2020 $'000
Current		
Restricted cash	374	409
Unbilled client service fees	2,359	34
	2,733	443

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

Financial Instruments

Initial recognition and subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

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

NOTE 10 – OTHER ASSETS

	2021 $'000	2020 $'000
Current		
Deposits for gross-to-net sales arrangements	13,475	18,052
Prepayments	8,851	7,435
	22,326	25,487

	2021 $'000	2020 $'000
Non-Current		
Deposits for various commercial contracts	4,108	-
	4,108	-

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	LAND $'000	BUILDINGS $'000	PLANT AND EQUIPMENT $'000	CAPITAL WORKS IN PROGRESS $'000	TOTAL $'000
Year ended 30 June 2021					
Balance at beginning of year net of accumulated depreciation	9,598	106,381	103,477	6,900	226,356
Additions	-	-	8,367	8,751	17,118
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Depreciation charge for year	-	(3,336)	(12,777)	-	(16,113)
Specific impairments	-	-	-	-	-
Foreign currency restatement	(431)	(7,501)	(6,561)	(415)	(14,908)
Balance at end of year net of accumulated depreciation	9,167	95,544	92,506	15,236	212,453
At 30 June 2021					
At cost	9,167	112,525	166,883	20,162	308,737
Accumulated depreciation	-	(16,981)	(74,377)	-	(91,358)
Accumulated impairments	-	-	-	(4,926)	(49,926)
Net carrying amount	9,167	95,544	92,506	15,236	212,453
Year ended 30 June 2020					
Balance at beginning of year net of accumulated depreciation	9,567	108,048	104,602	13,817	236,034
Additions	-	-	9,345	-	9,345
Disposals	(75)	-	-	(253)	(328)
Transfers	-	-	1,300	(1,300)	-
Depreciation charge for year	-	(3,656)	(13,432)	-	(17,088)
Specific impairments	-	-	-	(5,763)	(5,763)
Foreign currency restatement	106	1,989	1,662	400	4,157
Balance at end of year net of accumulated depreciation	9,598	106,381	103,477	6,900	226,356
At 30 June 2020					
At cost	9,598	121,009	168,762	12,278	311,647
Accumulated depreciation	-	(14,628)	(65,285)	-	(79,913)
Accumulated impairments	-	-	-	(5,378)	(5,378)
Net carrying amount	9,598	106,381	103,477	6,900	226,356

Property, plant and equipment

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

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

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

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

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

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

Significant accounting estimates and assumptions

Estimation of useful lives of assets

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

Impairments

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

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NOTE 12 – RIGHT-OF-USE ASSETS

	BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
Year ended 30 June 2021			
Balance at the beginning of year net of accumulated depreciation	7,650	4,239	11,889
Additions	206	1,572	1,778
Disposals	-	(376)	(376)
Depreciation charge for year	(1,154)	(2,095)	(3,249)
Foreign currency restatement	(582)	(318)	(900)
Balance at end of year net of accumulated depreciation	6,119	3,023	9,142
At 30 June 2021			
At cost	8,390	6,387	14,777
Accumulated depreciation	(2,271)	(3,364)	(5,635)
Net carrying amount	6,119	3,023	9,142
Year ended 30 June 2020			
Balance on initial recognition	8,686	6,252	14,938
Additions	-	1,282	1,282
Disposals	-	(264)	(264)
Depreciation charge for year	(1,222)	(3,195)	(4,417)
Foreign currency restatement	186	164	350
Balance at end of year net of accumulated depreciation	7,650	4,239	11,889
At 30 June 2020			
At cost	8,849	6,746	15,595
Accumulated depreciation	(1,199)	(2,507)	(3,706)
Net carrying amount	7,650	4,239	11,889

Right-of-use assets

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

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

NOTE 13 – INTANGIBLE ASSETS AND GOODWILL

	GOODWILL $'000	CUSTOMER CONTRACTS, CUSTOMER RELATIONSHIPS, PRODUCT RIGHTS AND INTELLECTUAL PROPERTY $'000	DEVELOPMENT EXPENDITURE $'000	MARKETING & DISTRIBUTION RIGHTS $'000	TRADE NAMES $'000	TOTAL $'000
Year ended 30 June 2021						
Balance at beginning of year net of accumulated amortisation	22,174	834,581	40,700	25,217	39,619	962,291
Additions	-	5,008	4,891	8,967	-	18,866
Disposals	-	-	-	-	-	-
Amortisation	-	(39,998)	(2,492)	(2,014)	(4,322)	(48,826)
Specific impairments	-	(31,193)	(5,181)	(1,837)	-	(38,211)
CGU Impairments	-	(167,708)	(16,427)	(6,975)	-	(191,110)
Foreign currency restatement	(1,828)	(62,439)	(1,464)	(860)	(265)	(66,856)
Balance at end of year net of accumulated amortisation	20,346	538,251	20,027	22,498	35,032	636,154
As at 30 June 2021						
Cost	59,595	1,489,035	174,124	70,192	68,813	1,861,759
Accumulated amortisation	-	(305,365)	(19,988)	(13,860)	(33,728)	(372,941)
Accumulated impairments	(39,249)	(645,419)	(134,109)	(33,834)	(53)	(852,664)
Net carrying amount	20,346	538,251	20,027	22,498	35,032	636,154
The split between indefinite and definite life assets is as follows:						
Definite life assets	-	494,941	6,841	22,498	35,032	559,311
Indefinite life assets	20,346	43,310	13,186	-	-	76,843
Net carrying amount	20,346	538,251	20,027	22,498	35,032	636,154

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	GOODWILL $'000	CUSTOMER CONTRACTS, CUSTOMER RELATIONSHIPS, PRODUCT RIGHTS AND INTELLECTUAL PROPERTY $'000	DEVELOPMENT EXPENDITURE $'000	MARKETING & DISTRIBUTION RIGHTS $'000	TRADE NAMES $'000	TOTAL $'000
Year ended 30 June 2020						
Balance at beginning of year net of accumulated amortisation	21,725	647,768	53,373	30,908	43,858	797,632
Additions	-	298,384	10,981	-	-	309,365
Disposals	-	-	-	-	-	-
Amortisation	-	(51,480)	(4,166)	(3,119)	(4,320)	(63,085)
Specific impairments	-	(7,902)	(15,135)	(92)	-	(23,129)
CGU Impairments	-	(61,606)	(5,452)	(3,035)	-	(70,093)
Foreign currency restatement	449	9,417	1,099	555	81	11,601
Balance at end of year net of accumulated amortisation	22,174	834,581	40,700	25,217	39,619	962,291
As at 30 June 2020						
Cost	65,018	1,617,459	181,507	65,360	69,273	1,998,617
Accumulated amortisation	-	(286,577)	(18,652)	(12,474)	(29,596)	(347,299)
Accumulated impairments	(42,844)	(496,301)	(122,155)	(27,669)	(58)	(689,027)
Net carrying amount	22,174	834,581	40,700	25,217	39,619	962,291

Goodwill and intangibles

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

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

The aggregate carrying amounts of goodwill are allocated to the Group's CGU/operating segments as follows:

	2021 $'000	2020 $'000
MCS	19,955	21,783
MPI	391	391
Closing goodwill balance at 30 June	20,346	22,174

Intangible Assets

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

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

Certain intangible assets other than goodwill (i.e. customer contracts, relationships, intellectual property, distribution rights and trade marks) have been assessed as having finite useful lives and, as such, are amortised over their useful lives on a straight-line basis. The useful lives range from five to fifteen years and are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. The amortisation expense on intangible assets with definite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

Significant accounting judgements

Research and development expenditure

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

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

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

Significant accounting estimates and assumptions

Impairment of intangible assets

Intangible asset impairments recognised during the period totalled $229.3m (2020: $93.2m) following detailed reviews of the Company's intangible assets at 31 December 2020 and 30 June 2021 (which considered the current and projected US market dynamics for the portfolio and the industry) and consisted of the following:

The impairments recognised during the six months to 30 June 2021 (and included above) totalled A$14.8m and were as follows –

- Specific Development Expenditure (pipeline products) $1.1m
- Other specific intangible assets $13.7m

The impairments recognised during the six months to 31 December 2020 (and included above) totalled A$214.5m and were as follows –

- Specific development expenditure: pipeline products A$4.1m
- Other specific intangible assets A$19.3m
- GPD – Other CGU Assets A$191.1m

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

- Marketing & distribution rights $6.9m
- Customer contracts, customer relationships, product rights and intellectual property $167.8m
- Development expenditure $16.4m

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

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

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

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

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

Goodwill and intangible impairment testing methodology

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

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

The Group periodically reassess the definition of its CGUs and the product composition within each CGU. Reflecting the increasing focus on Therapeutic Groups as well as realigned operating structure, the Group has reassessed its CGUs as follows from 1 July 2020:

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Operating Segments	Cash Generating Units (CGUs)	
	FY20	FY21
Generic Products (GPD)	• GPD-Women's Health • GPD-Other	• GPD-Women's Health • GPD-Other
Specialty Products (SPD)	• SPD-Dermatology	• SPD-Dermatology • SPD-Women's Health • SPD-Infectious Disease • SPD – Soltamox
Mayne Pharma International (MPI)	• MPI-Dermatology • MPI-Other	• MPI (which was known as MPI-Other previously)
Metrics Contract Services (MCS)	• MCS	• MCS

Certain products have been realigned to the most appropriate CGU based on the reassessed CGU definitions.

CGU	Product Change(s) due to CGU Reassessment
Women's Health	• NEXTSTELLIS is now included in SPD-Women's Health
SPD-Dermatology	• DORYX family, and SUBA-Itraconazole (BCCNS: in-process R&D) (from MPI-Dermatology CGU)
SPD-Women's Health	• NEXTSTELLIS (from GPD-Women's Health)
SPD-Infectious Disease	• TOLSURA (from MPI-Dermatology)
SPD-Soltamox	• SOLTAMOX from (MPI-Dermatology)
MPI-Dermatology	• Products are now included within the various TGs within SPD

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

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

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

Indefinite life intangible assets and intangible assets not yet available for use are included in a CGU. These include purchased assets not yet launched and 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.

As a result of individual internal projects not proceeding, development expenditure projects were impaired totalling $5.2m (2020: $15.1m).

The BCCNS intellectual property represents a similar asset to R&D in process. This asset is tested as part of the CGU at least on an annual basis.

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

A$m	GPD Other	GPD Women's Health	SPD Derm	SPD Women's Health	MCS	SPD Infectious Disease	SPD Soltamox	MPI	Total
Intangible Assets	32,102	137,137	160,573	251,184	3,372	11,194	1,248	18,998	**615,808**
Goodwill					19,955			391	**20,346**
Total Intangible Assets including Goodwill	**32,102**	**137,137**	**160,573**	**251,184**	**23,327**	**11,194**	**1,248**	**19,389**	**636,154**

Key assumptions in impairment testing methodology include:

- Cash flow forecasts for the on-market portfolio are based on FY22 forecast results as well as specific cash flows which have been forecast out to FY26. A terminal growth rate is then applied;
- Risk weighted pipeline cash flows are included in each of the relevant TG/Segment CGUs;
- Corporate overhead has been allocated to the relevant TG/Segment CGU based on their respective cash flow contributions;
- Other net assets have been allocated to the relevant TG/Segment CGU; and
- Individual CGU discount rates have been used.

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

The pre and post-tax discount rates used are shown below (and are unchanged from 30 June 2020):

- GPD Other: Pre-Tax – 12.5% / Post Tax – 9.6%
- GPD Women's Health: Pre-Tax – 12.5% / Post Tax – 9.6%
- SPD Dermatology: Pre-Tax – 13.3% / Post Tax – 10.2%
- SPD Women's Health: Pre-Tax – 13.3% / Post Tax –10.2%
- SPD Infectious Disease: Pre-Tax – 14.2% / Post – Tax 10.2%

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- SPD Soltamox: Pre-Tax – 13.3% / Post – Tax 10.2%
- MCS: Pre-Tax – 13.3% / Post Tax – 10.2%
- MPI: Pre-Tax – 13.7% / Post Tax – 9.6%

A comparison of the MCS, GPD, SPD and MPI CGU segments and their related TGs assumed forecast Gross Margin amount growth rates for the current year impairment testing is shown in the table below along with the HYR Dec 2020 Reported figures. These average growth rates are assumptions determined to satisfy applicable accounting standards but should not be used for guidance.

FY2021	FY21 ASSUMED AVERAGE FORECAST GROWTH RATES 1st FIVE YEARS[1]	FY21 ASSUMED TERMINAL VALUE GROWTH RATE
MCS	12.3%	2.0%
SPD Women's Health	143.0%	-5.0%
SPD Dermatology	1.8%	-5.0%
SPD Infectious Disease	36.7%	-5.0%
SPD Soltamox	*33.7%*	-5.0%
GPD Women's Health	*9.0%*	-3.0%
GPD Other	*-3.7%*	-3.0%
MPI	7.5%	2.0%

31 Dec 2020	HYR Dec 20 ASSUMED AVERAGE FORECAST GROWTH RATES FY21-FY25 [1]	HYR Dec 20 ASSUMED TERMINAL VALUE GROWTH RATE
MCS	12.5%	2.0%
SPD Women's Health [2]	*nmf*	-5.0%
SPD Dermatology	2.4%	-5.0%
SPD Infectious Disease	51.4%	-5.0%
SPD Soltamox	*0.0%*	-5.0%
GPD Women's Health	*8.2%*	-3.0%
GPD Other	*-9.9%*	-3.0%
MPI	13.5%	2.0%

Note: 1. Growth rates refer to the compound Annual Growth Rates (CAGR) over the forecast period and includes both on-market and pipeline assets.
2. SBD Women's Health CGU consisting of NEXTSTELLIS launched in 2H FY21.

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

A$m	Carrying Value[1]	Recoverable Value	Difference
MCS	193	421	228
SPD Women's Health	264	615	350
SPD Dermatology	201	219	18
SPD Infectious Disease	17	18	1
SPD Soltamox	1	4	3
GPD Women's Health	156	189	33
GPD Other	157	190	33
MPI	44	67	24

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

Sensitivity to changes in assumptions

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

A$m	+/-1% Change in Gross Margin Growth[1]	+/-1% Change in Terminal Growth Rate	+/-1% Change in WACC
MCS	+27/-25	+43/-33	-48/+61
SPD Women's Health	+33/-32	+39/-34	-54/+62
SPD Dermatology	+14/-12	+8/-7	-12/+14
SPD Infectious Disease	+2/-2	+9/-8	-2/+2
SPD Soltamox	+0/-0	+0/-0	+0/-0
GPD Women's Health	+10/-9	+9/+8	-14/+16
GPD Other	+14/-12	+7/-6	-14/+16
MPI	+8/-7	+9/-8	-9/+12

Note: 1. Change refers to the movement in Gross Margin ($ amount) growth rates for launched products from FY21 to FY26.

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.

In relation to management's best estimate impairment model in respect of the SPD Dermatology CGU, management have incorporated Gross Margin growth arising from the addition of new products to be launched in FY22 and modest rates of Gross Margin erosion for established products over the forecast period. Management have also assumed modest annual reductions in operating expenditure over the forecast period.

For the SPD Dermatology CGU, management note any adverse change to key assumptions resulting in a reduction in total forecast Gross Margin amount of greater than 4%, or greater than expected operating expenditures, across the forecast period is likely to cause impairment.

Management also notes that the SPD Infectious Disease CGU has limited headroom against its carrying value. Any adverse change to key assumptions will likely cause impairment to this CGU.

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Estimation of useful lives of assets

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

NOTE 14 – TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Current		
Trade payables	42,363	29,842
Accrued rebates, returns and loyalty programs	50,704	56,624
Other payables	20,731	20,477
	113,798	106,943

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

Trade and other payables

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

Included in other payables is a contract liability ($0.2m) (2020: $1.0m) for which the service is expected to be completed during FY22.

Significant accounting judgements

Customer rebates, returns and loyalty programs

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

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

NOTE 15 – INTEREST-BEARING LOANS AND BORROWINGS

	2021 $'000	2020 $'000
Current		
Syndicated loan (working capital facility)	9,000	-
Receivables financing	42,158	41,229
Lease liabilities right-of-use assets	2,885	3,607
	54,043	44,836

	2021 $'000	2020 $'000
Non-current		
Syndicated loan and working capital facility	285,802	344,420
Lease liabilities right-of-use assets	6,974	8,791
	292,776	353,211

Syndicated loan and working capital facilities

The loan facility is supported by a syndicate of seven banks and was extended in December 2018 and modified in December 2019 and December 2020. The three year fixed term loan component, which was due to mature on 30 November 2021, was renewed during the period for a four year term and now matures on 30 November 2024. The loan facility limit is US$300m comprising a 4-year US$100m term loan (matures November 2024) and a 5-year US$200m revolving facility (matures November 2023). The facility can be drawn in either USD or AUD.

Working capital facilities of A$10m and US$20m are also available. The working capital facilities have a two-year period and mature November 2021.

The total amount drawn, across all facilities, at 30 June 2021 was US$150m and A$99m (2020: US$160m, A$115m).

The facilities are unsecured and incur interest based on either LIBOR (for USD) or BBSY (for AUD) (both have a zero floor) plus a margin based on a net debt leverage ratio. The facilities are subject to certain covenants and have an unused line fee payable based on the undrawn amounts.

The Group complied with the facility covenants at reporting date.

At 30 June 2021, the average variable interest rate was 1.955% (30 June 2020: 2.185%). The Group has entered into interest rate swap contracts to hedge the interest rate risk exposure with 50% of the outstanding US dollar loan amount and 61% of the AUD loan amount hedged at 30 June 2021 (US loans 30 June 2020: 53%, AUD loans 52%). The interest rate risk is managed using interest rate swaps in which the Group agrees to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

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The syndicated facility was modified in the current period with a gain on modification of $1.8m recognised in profit or loss. During the prior period a loss of $0.3m on the modification of the loan was recognised in profit or loss.

Receivables financing facility

The receivables facility was established in December 2018 and extended in December 2019 and again in December 2020. The facility is a committed facility, has a 364-day term, has a limit of US$50m and was drawn to US$31.6m at reporting date. Receivables are sold with no recourse to Mayne Pharma in relation to credit risk and generally roll each 90 days as each debtor pays amounts outstanding. The receivables continue to be recognised on the Group's balance sheet as accounting derecognition criteria has not been met as Mayne Pharma retains certain risks in relation to the variability of charge-backs, rebates, returns and loyalty programs.

Lease liabilities (right-of-use assets)

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

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

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

	2021 $'000	2020 $'000
Current	51,158	41,229
Non-current	289,814	347,660
	340,971	388,889
Due by 30 June 2021	-	41,229
Due by 30 June 2022	51,158	232,660
Due by 30 June 2023	-	-
Due by 30 June 2024	156,605	115,000
Due by 30 June 2025	133,209	-
	340,971	388,889

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

There were no defaults or breaches on any loans during the year ended 30 June 2021.

Changes in liabilities arising from financing activities	PERIOD ENDED	OPENING BALANCE $'000	CASH FLOWS $'000	FOREIGN EXCHANGE AND NON-CASH MOVEMENTS $'000	CLOSING BALANCE $'000
Interest bearing loans	30 June 2021	385,650	(25,826)	(22,864)	336,960
Lease liabilities	30 June 2021	12,398	(3,009)	471	9,860
Interest bearing loans	30 June 2020	369,382	8,347	7,921	385,650
Lease liabilities	30 June 2020	14,938	(3,896)	1,356	12,398

Recognition and measurement

Interest-bearing loans and borrowings

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

Leases

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

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NOTE 16 – OTHER FINANCIAL LIABILITIES

	2021 $'000	2020 $'000
Current		
Mark to market value of interest rate swaps contracts	1,078	3,485
Earn-out liabilities – various products/distribution rights	14,718	7,226
Deferred consideration – various products/distribution rights	20,284	41,991
Completion of clinical studies obligation relating to acquired asset	--	76
	36,080	52,778

	2021 $'000	2020 $'000
Non-Current		
Earn-out liabilities – various products/distribution rights	8,593	18,053
Deferred consideration – various products/distribution rights	153,245	162,172
	161,838	180,225

Earn-out and deferred consideration liabilities

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

Recognition and derecognition

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

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

Subsequent measurement

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

Hedging

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

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

Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment, and could affect profit or loss.

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

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

Significant accounting estimates and assumptions

Earn-out and deferred consideration liabilities

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

Any changes in fair value for changes in the net present value of estimated future payments are recognised in the statement of profit or loss and other comprehensive income. The earn-out liabilities and contingent deferred consideration liabilities at reporting date include a charge representing the unwinding of the discounting of $19,419,000 (2020: $14,514,000) for the period.

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At 30 June 2021 the contingent deferred consideration amounts consist mainly of amounts which are subject to FDA approvals, no new competitors entering the market or similar milestone requirements and hence changes in these assumptions could have a material impact on profit or loss (refer note 23).

NOTE 17 – PROVISIONS

	2021 $'000	2020 $'000
Current		
Employee benefits	13,079	13,867
Restructuring provision	5,527	829
	18,606	14,696
Non-Current		
Employee benefits	654	846
Restoration	350	350
	1,004	1,196

Restructuring provision

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

Provisions and employee benefits

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

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

Employee leave benefits

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

Long service leave

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

Restoration provision

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

Significant accounting estimates and assumptions

Restoration provision

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

NOTE 18 – CONTRIBUTED EQUITY

Movements in contributed equity

	2021 Number	2020 Number	2021 $'000	2020 $'000
Balance at beginning of year	1,679,068,131	1,582,936,521	1,238,584	1,140,008
Issued during the year:				
Tax effect of employee share options	-	-	-	507
Shares issues as part settlement for an asset acquisition	85,772,626[2]	83,100,000[1]	-	97,946[1]
Other shares issued	-	-		-
Options exercised	-	120,000		123
Equity raising costs	-	-	(47)	-
LTI shares issued (restricted)[3]	19,371,998	20,335,310	-	-
LTI shares forfeited	(19,371,998)	(7,423,700)	-	-
Balance at end of year	1,764,840,757	1,679,068,131	1,238,537	1,238,584

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Notes:
1. The number of shares issued to Mithra in the prior year related to the 1st tranche only due under the asset purchase agreement (number due on financial close) whereas the value of the shares recorded in the prior period relates to both tranches (shares due on financial close plus shares due on FDA approval).
2. The number of shares issued to Mithra in the current year relate to the 2nd tranche which were due on FDA approval. FDA approval was granted 15 April 2021. No value for these shares is included in the current period as the value of these shares was recognised in the prior period.
3. The shares were granted under the ESLS (and are subject to risk of forfeiture).

The 2nd tranche of Mithra shares (85,772,626) which were issued 13 May 2021 are subject to a contractual (no trading) lock for 12 months.

Contributed equity

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

A. Terms and conditions of contributed equity

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

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

B. Capital management

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

The Group manages its capital structure and adjusts it considering changes in economic conditions and the Company's strategy. To maintain or adjust the capital structure, the Company may return capital to shareholders or issue new shares. During the year ended 30 June 2021 the Company issued new shares and amended available debt facilities. No changes were made in the objectives, policies or processes during the years ended 30 June 2021 and 30 June 2020.

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

	2021 $'000	2020 $'000
Interest-bearing borrowings (including lease liabilities)	346,819	398,047
Less cash and cash equivalents	(97,980)	(137,785)
Net debt	248,839	260,262

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

NOTE 19 – RESERVES

	2021 $'000	2020 $'000
Share-based payments reserve	43,321	35,581
Cash flow hedge reserve	(1,078)	(3,485)
Other reserve	(3,143)	(3,143)
Foreign currency translation reserve	49,783	120,650
	88,883	149,603

Share-based payments reserve

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

	2021 $'000	2020 $'000
Balance at beginning of year	35,581	28,644
Share-based payments expense	7,740	6,989
Transfer to contributed equity on exercise of options	-	(52)
Transfer to retained earnings on cancellation of employee shares	-	-
Balance at end of year	43,321	35,581

Cash flow hedge reserve

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

	2021 $'000	2020 $'000
Balance at beginning of year	(3,485)	(437)
Mark to market unrealised gain / (loss) on interest rate swap contracts	2,407	(3,048)
Balance at end of year	(1,078)	(3,485)

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Other equity reserve

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

	2021 $'000	2020 $'000
Balance at beginning of year	(3,143)	(3,143)
Change to equity investment in INTI	-	-
Balance at end of year	(3,143)	(3,143)

Foreign currency translation reserve

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

	2021 $'000	2020 $'000
Balance at beginning of year	120,650	99,947
Foreign exchange translation differences (net of tax)	(70,867)	20,703
Balance at end of year	49,783	120,650

NOTE 20 – RETAINED EARNINGS

	2021 $'000	2020 $'000
Retained earnings at the beginning of the period	(350,640)	(257,851)
Transfer from share-based payments reserve re lapsed employee shares		-
Net (loss) / profit attributable to members	(208,423)	(92,789)
Retained earnings at the end of the period	(559,063)	(350,640)

NOTE 21 – NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

A. Cash and cash equivalents

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

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

	2021 $'000	2020 $'000
Cash at bank and on hand	97,980	137,785

Cash at bank attracts floating interest at current market rates.

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

	2021 $'000	2020 $'000
Net (loss) / profit after income tax	(209,082)	(94,535)
Adjustments for:		
Depreciation	19,362	21,479
Amortisation of intangibles and borrowing costs	50,629	65,283
Share-based payments	7,740	6,989
Discount unwind earn-out and deferred consideration liabilities	19,419	14,515
Other finance expenses	10,686	13,802
Movement in earn-out liability - reassessment	(20,613)	(18,737)
Asset impairments	229,321	98,985
Loss / (gain) on modification of syndicated loan facility	(1,821)	253
Loss on restatement of INTI warrants	-	563
Net unrealised foreign exchange differences	1,079	352
Non-cash provisions	9,668	(2,908)
Changes in tax balances		
Decrease / (increase) in deferred tax assets	(49,814)	2,213
Increase in current and deferred tax liabilities	5,875	(44,835)
Operating cash flows before working capital movements	72,449	63,419
Changes in working capital		
Decrease / (Increase) in receivables	(3,203)	67,512
Decrease / (Increase) in inventories	(25,923)	13,077
(Increase) / decrease in other assets	(5,278)	(498)
(Decrease) / increase in creditors	16,395	(27,292)
Increase / (decrease) in provisions	4,422	(3,627)
Working capital (investment) / release	(13,587)	49,172
Net cash from operating activities	58,862	112,591

NOTE 22 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Risk exposures and responses

Interest rate risk

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

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

	2021 $'000	2020 $'000
Variable Interest-bearing loans and borrowings	340,971	388,889
Less Face value of interest rate swaps	(159,907)	(186,690)
Net variable interest rate exposure	181,064	202,199

The Group has partially hedged the USD and AUD interest rate exposures by entering into interest rate swap contracts. At 30 June 2021 the interest swaps had a face value of US$75m (2020: US$85m) and A$60m (2020: A$60m).

USD interest rate swaps with a face value of US$75m mature in December 2022. AUD interest rate swaps mature in June 2022 (A$60m).

The average hedge rates are 0.2925% for USD interest rate swaps and 1.83% for AUD interest rate swaps.

The cash flow hedges are considered highly effective.

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

	2021 $'000	2020 $'000
Cash at bank and on hand	97,980	137,785

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

	NET PROFIT/(LOSS)		EQUITY	
		HIGHER/(LOWER)		HIGHER/(LOWER)
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
US interest rates +0.5% (50 basis points)	(258)	73	747	598
AUD interest rates +0.5% (50 basis points)	(157)	(240)	300	487

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

Foreign currency risk

The Group has significant transactional currency exposures arising from sales and purchases in currencies other than the functional currency of the parent entity. Approximately 90% of the Group's revenues and 83% of the Group's costs are denominated in currencies other than the functional currency of the parent entity.

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

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

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

	A$'000 30 JUNE 2021	A$'000 30 JUNE 2020
Cash at bank	7,209	11,050
Trade receivables	807	704
Intra Group loans receivable	177,434	231,715
Prepayments	3,996	4,362
Trade and other payables	(2,442)	(762)
Other financial liabilities	(1,146)	(3,063)
Interest-bearing borrowings	(199,814)	(232,660)
Net exposure which may impact Net Profit/(Loss)	(13,956)	11,346
Intra Group loans receivable	106,567	247,201
Net exposure which may impact equity	106,567	247,201

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

	NET PROFIT/(LOSS)		EQUITY	
		HIGHER/(LOWER)		HIGHER/(LOWER)
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
AUD/USD +5%	665	(540)	(5,075)	(11,771)
AUD/USD -5%	(735)	597	5,608	13,011

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

Credit risk

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

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

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Management of credit risk

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

Approximately 39% of the Group's 2021 revenue was derived from the three largest customers which is not unusual for operations in the US pharmaceutical market where most of both branded and generic sales are made to a small number of key wholesale and retail organisations. The Group had three customers who comprised approximately 63% of the total trade receivables balance at reporting date. These customers were operating within agreed trading terms at the end of the FY21 period.

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

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

Financial assets included on the Consolidated Statement of Financial Position that potentially subject the Group to concentration of credit risk consist principally of cash and cash equivalents, interest rate swaps and trade receivables. The Group minimises this concentration of risk by placing its cash and cash equivalents with financial institutions that maintain superior independent credit ratings to limit the degree of credit exposure. The maximum exposures to credit risk as at 30 June 2021 in relation to each class of recognised financial assets is the carrying amount of those assets, as indicated in the Consolidated Statement of Financial Position.

Credit quality of financial assets:

	2021 $'000	2020 $'000
Cash and cash equivalents[1]	97,980	137,785
Trade and other receivables[2]	183,283	195,908
	281,263	333,693

Notes: 1. Minimum of S&P AA rated counterparty with which deposits are held.
2. At period end 2021 trade receivables were $173,472,000, with 97% of trade receivables within trading terms.

Liquidity risk

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

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

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

The following table discloses the remaining contractual maturities for the Group's liquid financial assets and liabilities based on undiscounted cash flows and exclude cash flows relating to interest or line fees on interest bearing loans and borrowings. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

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

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

The Group has undrawn loan facilities of US$82.4m, undrawn working capital facilities of US$20m and undrawn receivables financing of US$18.4m available at reporting date (subject to available qualifying receivables). Refer Note 15.

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

NOTE 23 – FAIR VALUE MEASUREMENT

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	CARRYING AMOUNT		FAIR VALUE	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Liabilities				
Earn-out and deferred consideration liabilities	196,841	229,518	196,841	229,518
Mark to market valuation - interest rate swap contracts	1,078	3,485	1,078	3,485

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

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

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

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

Set out below are the significant unobservable inputs to valuation as at 30 June 2021:

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 WACC	 10.2%	5% increase (decrease) in net sales would change the expected timing of milestone payments resulting in an increase (decrease) in fair value by $1.7m / ($2.5m). 1% increase / (decrease) in the WACC would result in decrease / (increase) in fair value by $7.3m / ($7.8m).
LEXETTE earn-out and deferred consideration liability	DCF	Forecast net sales WACC	 10.2%	5% increase (decrease) in net sales would result in an increase (decrease) in fair value by $0.4m / ($0.6m). 1% increase (decrease) in the WACC would result in decrease (increase) in fair value by $0.4m / ($0.4m).
Mithra – gNuvaring – deferred consideration liability	DCF	Timing of ANDA approval WACC	 9.6%	A delay of 1 year for the ANDA approval would decrease the fair value by $1.0m 1% increase (decrease) in the WACC would result in decrease (increase) in fair value by $0.1m / ($0.1m).

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

Assets and liabilities measured at fair value

As at 30 June 2021, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	LEVEL 2		LEVEL 3	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Financial Liabilities				
Earn-out and deferred consideration liabilities	-	-	196,841	229,518
Mark to market valuation - interest rate swap contracts	1,078	3,485	-	-

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:

	2021 $'000 EARN-OUT & DEFERRED CONSIDERATION LIABILITIES	2020 $'000 EARN-OUT & DEFERRED CONSIDERATION LIABILITIES
Opening balance	229,518	73,438
Additions recognised for acquisitions made during current year	10,910	171,426
Change in fair value attributable to the unwinding of the discounting	19,419	14,515
Movement in undiscounted fair value	(20,613)	(18,737)
Amounts settled	(24,150)	(8,755)
Restatement of foreign currency balances	(18,243)	(2,369)
Closing balance	196,841	229,518

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NOTE 24 – RELATED PARTY DISCLOSURES

A. Subsidiaries

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

		% EQUITY INTEREST		INVESTMENT $'000	
	COUNTRY OF INCORPORATION	2021	2020	2021	2020
Mayne Pharma International Pty Ltd	Australia	100	100	39,205	39,205
Mayne Products Pty Ltd[1]	Australia	100	100	-	-
Mayne Pharma UK Limited[1]	United Kingdom	100	100	-	-
Mayne Pharma Inc	United States	100	100	604,785	717,892
Mayne Pharma Ventures Pty Ltd	Australia	100	100	-	-
Mayne Pharma Ventures LLC[1]	United States	100	100	-	-
Swan Pharmaceuticals LLC[1]	United States	100	100	-	-
Inhibitor Therapeutics Inc	United States	53.5	53.5	-	-
Mayne Pharma SIP Pty Ltd	Australia	100	100	-	-
Mayne Pharma LLC	United States	100	100	-	-
Mayne Pharma (Switzerland) GmbH (in liquidation)	Switzerland	100	100	-	-
Mayne Pharma (Ireland) Limited[1]	Ireland	100	-	-	-
Adelaide Apothecary LLC	United States	100	-	-	-
				643,990	757,097

Note: 1. Dormant subsidiaries.

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

Portion of equity interest held by non-controlling interest:

		% EQUITY INTEREST	
	COUNTRY OF INCORPORATION	2021	2020
Inhibitor Therapeutics Inc	United States	46.5	46.5

Summarised statement of profit or loss for period ended 30 June 2021

	INTI 2021 $'000	INTI 2020 $'000
Revenue	-	-
Cost of sales	-	-
Interest income		11
Other income	56	-
Research and development expenses	(53)	(1,278)
Administration expenses	(465)	(1,559)
Depreciation and amortisation	(882)	(982)
Share-based payments expenses	(277)	(174)
Loss before tax	(1,621)	(3,982)
Income tax benefit	204	227
Loss after tax	(1,417)	(3,754)
Other Comprehensive income	(885)	203
Total Comprehensive income	(2,302)	(3,551)
Attributable to non-controlling interests	(1,544)	(1,543)

Summarised statement of financial position as at 30 June 2021

	INTI 2021 $'000	INTI 2020 $'000
Cash at bank	125	200
Other current assets	57	115
Intangible assets	27,908	31,422
Trade and other payables	(4,424)	(4,779)
Interest bearing liabilities	(308)	-
Deferred tax liabilities	(6,233)	(7,026)
Total equity	17,125	19,932
Attributable to equity holders of Mayne Pharma		
Attributable to non-controlling interests	3,222	4,766

B. Ultimate parent

Mayne Pharma Group Limited is the ultimate parent entity.

C. KMP Compensation

	2021 $'000	2020 $'000
Short-term employee benefits	3,146	3,929
Post-employment benefits	132	166
Long-term benefits	28	35
Share-based payments	2,208	1,235
	5,514	5,365

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D. Transactions with related parties

The Company had no other transactions with KMP or other related parties during the financial years ended 30 June 2021 or 30 June 2020.

Amounts owing to Directors, Director-related parties and other related parties at 30 June 2021 and 30 June 2020 were nil.

NOTE 25 – AUDITOR'S REMUNERATION

	2021 $	2020 $
Amounts received or due and receivable by EY for		
Fees for auditing the statutory financial report of the Group	848,591	887,333
Fees for assurance services that are required by legislation to be provided by the auditor		-
Fees for other assurance and agreed upon procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm		-
Fees for other services:		
Tax compliance services	251,024	205,680
Other services	18,601	26,699
	1,118,216	1,119,712

	2021 $	2020 $
Amounts received or due and receivable by overseas member firms of EY Australia		
Fees for auditing the statutory financial report of the Group	588,178	580,900
Fees for assurance services that are required by legislation to be provided by the auditor		-
Fees for other assurance and agreed upon procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm		-
Fees for other services:		
Tax compliance and advisory services	289,204	342,649
	877,382	923,549

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

NOTE 26 - SHARE-BASED PAYMENT PLANS

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

	2021 $'000	2020 $'000
Expense arising from equity-settled share-based payment transactions	7,740	6,989

Share-based payment transactions – recognition and measurement

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

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

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

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (refer to note 6).

Significant accounting estimates and assumptions

Share-based payment transactions

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

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Performance Rights and Option Plan (PROP)

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

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

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

The tables below show the options which were issued during the year ended 30 June 2021 (2020: nil) under the PROP.

	2021 NUMBER OF OPTIONS	2021 WEIGHTED AVERAGE EXERCISE VALUE $	2020 NUMBER OF OPTIONS	2020 WEIGHTED AVERAGE EXERCISE VALUE $
Balance at beginning of year	-	-	2,020,000	0.6697
Granted during the year	16,706,827	0.3322	-	-
Exercised during financial year	-	-	(120,000)	0.5923
Forfeitures and lapses	-	-	(1,900,000)	0.6745
Balance at end of year	16,706,827	0.3322	-	-

Share Options granted to employees

	EXERCISE PRICE	EXPIRY DATE	BALANCE AT BEGINNING OF YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	OTHER MOVEMENTS DURING THE YEAR NUMBER[1]	BALANCE AT END OF YEAR NUMBER	OPTIONS EXERCISABLE AT END OF YEAR NUMBER
Year ended 30 June 2021								
Unlisted options	0.3309	30 Sep 25	-	11,695,841	-	-	11,695,841	-
Unlisted options	0.3554	30 Sep 25	-	2,210,656	-	-	2,210,656	-
Unlisted options	0.3193	31 Mar 26	-	2,800,330	-	-	2,800,330	-
			-	16,706,827	-	-	16,706,827	-

Options were issued to US executives under the PROP during the year ended 30 June 2021.

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

Note: 1. Options lapsed on expiry date.

For options granted during the financial year, the fair value of the options granted was determined by valuation specialists, using the Monte Carlo Simulation option pricing model. The following inputs were used in the valuations:

	LTI OPTIONS GRANTED 15 SEPT 2020			LTI OPTIONS GRANTED 1 DEC 2020			LTI OPTIONS GRANTED 15 MAR 2021		
	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of shares (treated as options for accounting)	2,339,168	3,508,752	5,847,921	442,131	663,179	1,105,328	560,066	840,099	1,400,165
Monte Carlo Simulation model fair value	$0.115	$0.124	$0.130	$0.112	$0.122	$0.128	$0.111	$0.120	$0.125
Share price at grant date	$0.3500	$0.3500	$0.3500	$0.3550	$0.3550	$0.3550	$0.3400	$0.3400	$0.3400
Exercise price	$0.3309	$0.3309	$0.3309	$0.3554	$0.3554	$0.3554	$0.3193	$0.3193	$0.3193
Expected volatility	45%	45%	45%	45%	45%	45%	45%	45%	45%
Expected option life	3.11yrs	3.38yrs	3.71yrs	2.90yrs	3.17yrs	3.51yrs	3.11yrs	3.38yrs	3.71yrs
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	0.44%	0.44%	0.44%	0.31%	0.31%	0.31%	0.09%	0.09%	0.09%

Performance Rights granted to employees

	EXPIRY DATE	BALANCE AT BEGINNING OF YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	OTHER MOVEMENTS DURING THE YEAR NUMBER[1]	BALANCE AT END OF YEAR NUMBER
Year ended 30 June 2021						
Performance Rights	30 Sep 2024	15,285,101	-	-	(838,878)	14,446,223
Performance Rights	30 Sep 2025	-	14,814,451	-	(692,274)	14,122,177
Performance Rights	31 Mar 2026	-	1,994,634	-	-	1,994,634
		15,285,101	16,809,085	-	(1,531,152)	30,563,034

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

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

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

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

	PERFORMANCE RIGHTS GRANTED 15 SEPT 2020 (US)			PERFORMANCE RIGHTS GRANTED 15 SEPT 2020 (AU)			PERFORMANCE RIGHTS GRANTED 26 SEPT 2020 (AU)		
	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of shares (treated as options for accounting)	1,822,198	2,733,297	4,555,495	840,834	1,261,252	2,102,086	17,190	25,786	42,976
Monte Carlo Simulation model fair value	$0.284	$0.262	$0.244	$0.281	$0.259	$0.240	$0.276	$0.254	$0.235
Share price at grant date	$0.3500	$0.3500	$0.3500	$0.3500	$0.3500	$0.3500	$0.3600	$0.3600	$0.3600
Exercise price	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Expected volatility	45%	45%	45%	45%	45%	45%	45%	45%	45%
Expected option life	2.51yrs	2.86yrs	3.30yrs	3.11yrs	3.38yrs	3.71yrs	3.12yrs	3.38yrs	3.71yrs
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.37%	0.37%	0.37%

	PERFORMANCE RIGHTS GRANTED 1 DEC 2020 (US)			PERFORMANCE RIGHTS GRANTED 15 MAR 21 (US)		
	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of shares (treated as options for accounting)	282,668	424,001	706,669	398,927	598,390	997,317
Monte Carlo Simulation model fair value	$0.288	$0.264	$0.245	$0.274	$0.253	$0.235
Share price at grant date	$0.3550	$0.3550	$0.3550	$0.3400	$0.3400	$0.3400
Exercise price	NIL	NIL	NIL	NIL	NIL	NIL
Expected volatility	45%	45%	45%	45%	45%	45%
Expected option life	2.30yrs	2.65yrs	3.10yrs	2.50yrs	2.86yrs	3.30yrs
Dividend yield	0%	0%	0%	0%	0%	0%
Risk-free rate	0.31%	0.31%	0.31%	0.09%	0.09%	0.09%

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

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

Shares granted to employees

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

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

Year ended 30 June 2021	GRANT DATE	EXPIRY DATE	LOAN VALUE PER SHARE	NUMBER HELD AT 1 JULY 2020	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED, FORFEITED OR CANCELLED DURING THE YEAR[1]	NUMBER HELD AT 30 JUNE 2021
Unlisted shares	3 Aug 15	31 Aug 20	$1.1000	8,676,211	-	-	(8,676,211)	-
Unlisted shares	24 Aug 15	31 Aug 20	$1.1297	2,231,344	-	-	(2,231,344)	-
Unlisted shares	11 Nov 15	31 Aug 20	$1.0460	524,070	-	-	(524,070)	-
Unlisted shares	4 Dec 15	31 Aug 20	$1.2300	2,553,496	-	-	(2,553,496)	-
Unlisted shares	6 Dec 16	31 Jul 21	$1.5760	2,242,005	-	-	-	2,242,005
Unlisted shares	3 Jan 17	31 Jan 22	$1.3720	1,915,000	-	-	-	1,915,000
Unlisted shares	3 Jul 17	31 Jul 22	$1.1307	15,175,013	-	-	(1,877,144)	13,297,869
Unlisted shares	28 Sep 17	31 Jul 22	$0.6631	6,348,112	-	-	(305,451)	6,042,661
Unlisted shares	26 Oct 17	31 Jul 22	$0.7071	414,359	-	-	-	414,359
Unlisted shares	7 Dec 17	31 Jul 22	$0.6169	6,608,851	-	-	--	6,608,851
Unlisted shares	23 Mar 18	31 Mar 23	$0.7620	27,665,771	-	-	(2,063,297)	25,602,474
Unlisted shares	3 Sep 18	1 Oct 2023	$1.1326	2,535,000	-	-	(239,000)	2,296,000
Unlisted shares	1 Oct 2018	1 Oct 2023	$1.2752	796,754	-	-	-	796,754
Unlisted shares	8 Oct 2018	1 Oct 2023	$1.2909	2,489,627	-	-	-	2,489,627
Unlisted shares	6 Dec 2018	1 Oct 2023	$0.9696	6,229,373	-	-	-	6,229,373
Unlisted shares	29 Sep 2019	30 Sep 2024	$0.5151	12,001,816	-	-	(590,748)	11,411,068
Unlisted shares	29 Nov 2019	30 Sep 2024	$0.4695	5,145,686	-	-	-	5,145,686
Unlisted shares	15 Sep 2020	30 Sep 2025	$0.3309	-	10,409,778	-	-	10,409,778
Unlisted shares	26 Sep 2020	30 Sep 2025	$0.3647	-	318,438	-	-	318,438
Unlisted shares	1 Dec 2020	30 Sep 2025	$0.3554	-	8,643,782	-	-	8,643,782
				103,552,488	19,371,998	-	(19,060,761)	103,863,725

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

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

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

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

Vesting of loan shares, options and rights (granted in FY21) is based on the absolute Total Shareholder Return (TSR) measured over the relevant vesting period, 20% vesting if a TSR Compound Annual Growth (CAGR) of 8% is achieved, rising to 100% vesting for achievement of a TSR CAGR of 15%. Vesting will occur on a straight-line basis for performance between these two points. The number/proportion of shares that vest for prior year grants is based on the absolute Total Shareholder Return (TSR) over the period, with 50% vesting if a TSR of 5%. Compound Annual Growth (CAGR) is achieved, rising to 100% vesting for achievement of a TSR CAGR of 10%. Vesting will occur on a straight-line basis for performance between these two points.

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

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

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

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

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

Vesting between 20% and 100% will occur on a straight-line basis for performance between these two points.

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

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

The base test dates for the ESLS issues made prior to 31 December 2017 were set as 1 July each year. Base test dates for grants after 31 December 2017 are either 1 March or 1 September to align with results announcements. This progressive vesting schedule can provide a rolling benefit to senior executives in the absence of a short-term incentive.

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

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

	LTI SHARES GRANTED 15 SEPT 2020			LTI SHARES GRANTED 26 SEP 2020			LTI SHARES GRANTED 1 DEC 2020		
	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of shares (treated as options for accounting)	2,081,956	3,122,933	5,204,889	63,688	95,531	159,219	1,728,756	2,593,135	4,321,891
Monte Carlo Simulation model fair value	$0.115	$0.124	$0.130	$0.110	$0.119	$0.125	$0.112	$0.122	$0.128
Share price at grant date	$0.3500	$0.3500	$0.3500	$0.3600	$0.3600	$0.3600	$0.3550	$0.3550	$0.3550
Exercise price	$0.3309	$0.3309	$0.3309	$0.3647	$0.3647	$0.3647	$0.3554	$0.3554	$0.3554
Expected volatility	45%	45%	45%	45%	45%	45%	45%	45%	45%
Expected option life	3.11yrs	3.38yrs	3.71yrs	3.12yrs	3.38yrs	3.71yrs	2.90yrs	3.17yrs	3.51yrs
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	0.44%	0.44%	0.44%	0.37%	0.37%	0.37%	0.31%	0.31%	0.31%

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

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

NOTE 27 – PARENT ENTITY DISCLOSURES

Financial position

	2021 $'000	2020 $'000
Assets		
Current assets	11,391	76,453
Non-current assets	925,509	1,185,640
Total assets	936,900	1,262,093
Liabilities		
Current liabilities	12,248	7,920
Non-current liabilities	287,858	354,960
Total liabilities	300,105	362,879
Net assets	636,794	899,214
Equity		
Issued capital	1,238,537	1,238,584
Reserves	39,122	29,252
Accumulated losses	(640,865)	(368,622)
Total equity	636,794	899,214

Financial performance

	2021 $'000	2020 $'000
Profit/(Loss) for the year	(272,243)	(93,186)
Other comprehensive income	2,407	(3,048)
Total comprehensive income	(269,836)	(96,234)

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

NOTE 28 – COMMITMENTS AND CONTINGENCIES

A. Commitments

Capital Commitments

The Group had $1.4m of contractual obligations for the purchase of capital equipment as at 30 June 2021 (2020: $2.3m).

B. Contingencies

The partly owned subsidiary INTI continues to require a secure source of funding. There is a risk that INTI will be unable to obtain additional financing when needed on commercially reasonable terms, if at all. Mayne Pharma has no obligation to provide additional funding. If INTI's external fund-raising activities are successful, Mayne Pharma could lose control of INTI.

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

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sometimes occur. Consequently, Mayne Pharma may in the future incur judgements or enter into settlements of claims that could have a material adverse effect on its operating results and/or cash flow.

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

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

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

Drug pricing matters – investigations

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

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

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

Drug pricing matters - litigation

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

Product liability - amiodarone

In the last few years, Mayne Pharma Inc and other pharmaceutical companies have been sued in multi-plaintiff/coordinated complaints in California involving allegations relating to amiodarone. The issues involved include allegations of failure to adequately warn about risks associated with amiodarone, failure to provide the FDA-required medication guide directly to the patients, off-label promotion, and conspiring with the other defendants to downplay the risks of the drug. Plaintiffs have filed individually against Mayne Pharma Inc in Delaware. Mayne Pharma continues to defend these proceedings vigorously, and some lawsuits have already been dismissed.

Federal Health care – investigation

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

Shareholder Class Action

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

Other matters

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

NOTE 29 – DIVIDENDS

No dividends were paid or declared in the year ended 30 June 2021 (2020: nil).

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Franking credit balance

	2021 $'000	2020 $'000
Opening balance	20,564	20,564
Franking credits arising from payments (net of refunds)	-	-
Franking credits that will arise from the payment / (refunds) of income tax as at the end of the financial year	-	-
Franking credits available for future reporting periods	20,564	20,564

NOTE 30 – DEED OF CROSS GUARANTEE

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

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

Set out below are a Consolidated Statement of Profit or Loss and Other Comprehensive Income and a summary of movements in consolidated retained earnings for the year ended 30 June 2021 of the closed group consisting of the Company and MPIPL.

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

	CONSOLIDATED	
	2021 $'000	2020 $'000
Continuing operations		
Sale of goods	59,304	57,449
Services revenue	18,434	16,638
License fee income	100	698
Royalties revenue	460	384
Revenue	**78,298**	**75,169**
Cost of sales	(55,854)	(49,134)
Gross profit	**22,444**	**26,035**
Other income	22,786	36,391
Research and development expenses	(6,065)	(7,433)
Marketing expenses and distribution expenses	(5,017)	(4,689)
Amortisation expenses	(6,982)	(7,259)
Administration expenses and other expenses	(47,587)	(22,213)
Finance costs	(11,741)	(15,189)
Impairments	(254,118)	(98,772)
Profit before income tax	**(286,280)**	**(93,129)**
Income tax (expense)/benefit	7,848	(3,913)
Net profit from continuing operations after income tax	**(278,429)**	**(97,042)**
Other comprehensive income for the period, net of tax	2,407	(3,048)
Total comprehensive income for the period attributable to owners of the parent	**(276,022)**	**(100,090)**

	2021 $'000	2020 $'000
Retained earnings at the beginning of the financial year	(249,301)	(152,259)
Transfer from reserve		
Profit for the period	(278,429)	(97,042)
Retained earnings at the end of the financial year	**(527,730)**	**(249,301)**

(b) Consolidated Statement of Financial Position

Set out below is a Consolidated Statement of Financial Position as at 30 June 2021 of the closed group consisting of the Company and MPIPL.

	2021 $'000	2020 $'000
Current assets		
Cash and cash equivalents	14,998	29,421
Trade and other receivables	8,446	7,958
Inventories	17,494	15,253
Income tax receivable	-	225
Other current assets	6,189	6,285
Total current assets	**47,127**	**59,142**
Non-current assets		
Related party receivables	304,586	500,931
Investment in subsidiaries	604,785	717,892
Property, plant and equipment	47,406	48,867
Right-of-use assets	803	1,072
Deferred tax assets	6,394	6,095
Intangible assets and goodwill	61,943	69,985
Total non-current assets	**1,025,917**	**1,344,842**
Total assets	**1,073,044**	**1,403,984**

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Current liabilities		
Trade and other payables	7,687	8,581
Interest-bearing loans and borrowings	9,521	435
Other financial liabilities	3,069	3,885
Provisions	7,012	6,551
Total current liabilities	**27,289**	**19,452**
Non-current liabilities		
Interest-bearing loans and borrowings	286,114	345,084
Other financial liabilities	1,964	2,905
Provisions	1,004	1,196
Deferred tax liabilities	6,744	16,811
Total non-current liabilities	**295,826**	**365,996**
Total liabilities	**323,115**	**385,448**
Net assets	**749,929**	**1,018,536**
Equity		
Contributed equity	1,238,537	1,238,584
Reserves	39,122	29,253
Retained earnings / (accumulated losses)	(527,730)	(249,301)
Total equity	**749,929**	**1,018,536**

NOTE 31 – EVENTS SUBSEQUENT TO THE REPORTING PERIOD

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

NOTE 32 – NEW AND REVISED ACCOUNTING STANDARDS

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

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

At the date of authorisation of the financial report, there are no new Standards and Interpretation that were issued but not yet effective that the Group expects to have a material impact when applied.

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DIRECTORS' DECLARATION

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

In the opinion of the Directors:

(a) The financial statements and notes of Mayne Pharma Group Limited for the financial year ended 30 June 2021 are in accordance with the Corporations Act 2001, including:

  (i) Giving a true and fair view of its financial position as at 30 June 2021 and performance for the financial year ended on that date; and

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

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

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

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

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the Board



Mr Scott Richards
Managing Director and CEO

Dated at Melbourne, Australia this 27th day of August 2021.

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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

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Mayne Pharma Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

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

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Carrying value of intangible assets including goodwill

Why significant	How our audit addressed the key audit matter

At 30 June 2021, the Group held $636.2 million in intangible assets including goodwill, customer contracts and relationships, product rights and intellectual property, in-process development expenditure, marketing and distribution rights and trade names. These include both finite and indefinite lived intangible assets as disclosed in Note 13 of the financial report.
At each reporting period, the Group assesses for indicators of impairment and where indicators are considered to exist undertakes an impairment test. At a minimum, the Group performs an annual impairment assessment of indefinite lived intangible assets including finite lived intangible assets if these are considered to display indicators of impairment. These assets are assessed either on an individual asset basis or in the Cash Generating Unit ("CGUs") to which the assets belong.
Impairment indicators existed at both 31 December 2020 and 30 June 2021 in the form of below budget performance of key products within the Generics business, industry-wide generic pharmaceutical pricing pressures in the United States and the carrying amount of the Group's net assets exceeding its market capitalisation. This led to impairment assessments being undertaken at both the 31 December 2020 and 30 June 2021 reporting dates with a total impairment charge during the year of $229.3 million recognised.
The range of judgments and assumptions relating to revenue growth, profit margins, research and development, overhead costs and discount rates used in the Group's impairment assessments, and the sensitivity of the assessment to these assumptions, results in this area being considered a key audit matter. Judgment was also applied in considering the potential future impact of the COVID-19 pandemic on future cashflows.
Note 13 of the financial report provides disclosure of the Group's impairment assessments and impairment charge of $229.3 million recognised during the current year and highlights the impact of reasonably possible changes to key assumptions as required by Australian Accounting Standards.
	We assessed the Group's determination of impairment indicators and whether CGUs were appropriately determined. We tested the mathematical accuracy of the Group's value-in-use models and evaluated the assumptions and methodologies used by the Group. Where appropriate, we involved our valuation specialists to assist with the execution of these procedures.
	In respect of the Group's impairment assessment of CGUs containing indefinite and finite lived assets and in-process development expenditure, our audit procedures included the following:
	• Assessed the key judgments and estimates contained within the cash flows prepared by the Group with reference to available supporting calculations and external data (where available) including revenue growth rates, profit margins and terminal growth rates.
	• Assessed management's judgments surrounding potential future impact arising from COVID-19 pandemic.
	• Assessed the current year actual results in comparison to the prior year Board approved budget to assess forecast accuracy.
	• Assessed the appropriateness of the discount rates for each CGU by comparing this to external market data of comparable companies.
	• In respect of pipeline products not yet released to market:
	  • assessed a sample of projects and their status against plan, including milestone achievement for the period.
	  • obtained and considered any regulator correspondence for the sample of projects selected.
	  • assessed any updates made by the Group to the initial project feasibility assessments.
	• Assessed the identification of any products or pipeline products which have been discontinued and require specific impairment.
	• Considered the earnings multiples implied by the value-in-use models of each CGU against the earnings multiples of other comparable companies for each respective CGU.
	• Performed sensitivity analysis in respect of the key assumptions to ascertain the extent to which changes in those assumptions would either individually or collectively be required for the intangible assets to be impaired.
	• We also assessed the adequacy of disclosures made in the financial report as required by Australian Accounting Standards.

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

Why significant	How our audit addressed the key audit matter
In respect of the Group's operations in the United States of America, distribution of products to its ultimate customer occurs in many cases through wholesale distributors. The ultimate net selling price received by the Group is determined based on the contractual arrangements that the Group has with its indirect customers such as retail pharmacy chains and the ultimate patient's insurer or other payment programs, whom purchase the Group's products from the wholesale distributors. Revenue for products sold is recognised when control of the goods is passed upon delivery to the distributor. This requires an estimate of the variable consideration at that time, taking into consideration different elements such as chargebacks, rebates, returns and related accruals (collectively known as 'gross-to-net' sales adjustments). The estimate depends on customer specific contract terms and regulations, as well as customer forecast sales mix at its weighted average sales prices, trade volumes, inventories held by the distributor and historical trend of customer product returns. The dispensing of the product to the patient (being the end users) and the final determination of the actual selling price may be several months later. This is a significant area and a key audit matter as the estimation processes involve large volumes of data processed through the contract management system and is highly judgmental, and as such we focused our audit procedures on these 'gross to net' adjustments with particular focus on the gross accrual recorded at balance date and trade receivables (where chargebacks are recorded on a net basis). The gross accrual accounted for against revenues amounted to $61.8 million at reporting date. The Group's accounting policies and significant accounting estimates for this key audit matter are disclosed in Note 2 of the financial report.	With respect to the contract management system that produced the underlying source data for the gross to net sales adjustment calculations, we performed audit procedures noted below to confirm the integrity and accuracy of the data. For each gross to net amount accrued we agreed the material estimates, on a sample basis, to underlying supporting documentation such as actual sales, settlements and/or reclassification between the elements of gross-to-net sales adjustments. For each of the estimated accruals, we tested the mathematical accuracy of the calculations and assessed the integrity of the data used in the calculations. We assessed the inputs used in the calculations including product returns, weighted average sales prices and inventory levels which remain unsold by the distributor, taking into account historical trends and specific circumstances at reporting date, to the underlying supporting documentation. Based on the historical data and trends our audit procedures included the following: • Developed an expectation on expected gross to net accrual balances and compared this to the recorded accrual balances and where material variances were identified we obtained supporting evidence. • Assessed key judgements and estimates contained within managements accrual models including considering actual claims made in previous periods to evaluate the Group's estimation of the gross to net sales adjustments. • Agreed a sample of transactions processed in the contract management system during the period to source documents such as signed customer contracts and claim details such as chargeback rates, product details, wholesaler details. • Assessed claims made subsequent to balance date and considered whether these were appropriately treated at reporting date. • Analysed credit notes and payments (on a sample basis) throughout the year and post year-end, and assessed the impact to accruals recorded during the period.

Taxation

Why significant	How our audit addressed the key audit matter
Accounting for tax is a key audit matter as the Group's operations are subject to income taxes in two different tax jurisdictions being Australia and the United States of America. This results in complexities around the applicability of the different tax legislations for the Group. The Group has also considered whether it has any uncertain tax positions not probable of acceptance by taxation authorities.	• The audit procedures we performed included testing the mathematical accuracy of the Group's calculations to derive current and deferred taxes. • We involved our taxation specialists to assess the tax positions adopted by the Group for each of their material components and to assess the methodology, estimations and assumptions applied in each jurisdiction. • As part of these procedures we also assessed the Group's cash flow forecast, including the assumptions and

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Why significant	How our audit addressed the key audit matter
As a result of the net operating loss recorded by the Group after recording a significant impairment, a net deferred tax asset of $172.2 million has been recognised at 30 June 2021. An assessment of the recoverability of deferred tax assets based on tax regulatory requirements as well as future forecast profitability in both jurisdictions has been undertaken to determine the amount that may be recognised. This involves significant judgment. The Group's tax disclosures are included in Note 5 of the financial report.	estimates made to support the recognition of deferred tax assets in the current year and compared these cash flows for consistency with the Group's impairment testing. • We assessed management's judgements in determining there were no uncertain tax positions as defined in IFRIC 23 Uncertainty over income tax treatments. • We also assessed the adequacy of the related disclosures made in the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit

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conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

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

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public

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disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 35 to 41 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Mayne Pharma Group Limited for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Ernst & Young

David Petersen
Partner
Melbourne

27 August 2021

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ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 29 September 2021. At a general meeting, every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each share held.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS		NUMBER OF SHARES	
1 to 1,000	1,710	11%	939,884	0%
1,001 to 5,000	4,447	28%	12,858,840	1%
5,001 to 10,000	2,612	17%	20,800,123	1%
10,001 to 100,000	5,784	37%	200,448,128	11%
100,001 and over	1,190	7%	1,529,793,782	87%
Total	15,743	100%	1,764,840,757	100%

Included in the above total are 2,765 shareholders holding less than a marketable parcel of 1,755 shares.

TWENTY LARGEST HOLDERS OF QUOTED ORDINARY SHARES

SHAREHOLDER	SHARES	% OF TOTAL
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	215,194,570	12.2%
CITICORP NOMINEES PTY LIMITED	182,907,070	10.4%
ESTETRA SRL	168,872,626	9.6%
MR BRUCE MATHIESON AND RELATED ENTITIES	105,577,583	6.0%
SOLIUM NOMINEES (AUSTRALIA) PTY LTD <BARE ALLOCATED A/C>	101,323,754	5.7%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	95,117,187	5.4%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	31,095,949	1.8%
BNP PARIBAS NOMS PTY LTD <DRP>	18,784,099	1.1%
SOLIUM NOMINEES (AUS) PTY LTD <UNALLOCATED A/C>	17,554,187	1.0%
IVL GROUP PTY LTD	16,000,000	0.9%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	14,275,000	0.8%
Y S CHAINS PTY LTD	13,100,000	0.7%
MR ROGER CORBETT AND RELATED ENTITIES	10,440,569	0.6%
VIVNAT (CURTIN) PTY LTD	10,000,000	0.6%
WAL ASSETS PTY LTD <THE LA WILSON PROPERTY A/C>	9,193,503	0.5%
RETZOS EXECUTIVE PTY LTD <RETZOS EXECUTIVE S/FUND A/C>	8,500,000	0.5%
NATIONAL NOMINEES LIMITED	8,021,759	0.5%
R & J SMITH SHAREHOLDING PTY LTD <R & J SMITH SHAREHOLDING A/C>	7,530,531	0.4%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	7,514,401	0.4%
XUE INVESTMENTS PTY LIMITED <XUE FAMILY A/C>	6,025,589	0.3%
TOTAL	**1,047,028,377**	**59.3%**

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders in the Company who had notified the Company in accordance with Section 671B of the Corporations Act are:

SHAREHOLDER	NUMBER OWNED	% OF ISSUED CAPITAL[1]
ESTETRA SRL	168,872,626	9.6%
INVESTORS MUTUAL LIMITED	125,723,514	7.1%
MR BRUCE MATHIESON AND RELATED ENTITIES	105,577,583	6.0%
LAZARD ASSET MANAGEMENT PACIFIC CO	104,006,124	5.9%

1. Updated for current issued capital of 1,764,840,757

SECURITIES SUBJECT TO ESCROW ARRANGEMENTS

85,772,626 fully paid ordinary shares issued to Estetra SRL (a subsidiary of Mithra Pharmaceuticals, SA) are subject to voluntary escrow until 14 May 2022.

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INTELLECTUAL PROPERTY & GLOSSARY

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For further information on Mayne Pharma's products, refer to the product section of the Company's website: maynepharma.com.

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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Corporate information

REGISTERED OFFICE

1538 Main North Road, Salisbury South
South Australia 5106

Telephone: +61 8 8209 2666
Website: maynepharma.com

PRINCIPAL PLACES OF BUSINESS

- 1538 Main North Road, Salisbury South, South Australia 5106
- 1240 Sugg Parkway, Greenville, North Carolina 27834 USA

AUDITORS

EY Australia
8 Exhibition Street
Melbourne VIC 3000

SOLICITORS

Minter Ellison Lawyers
Level 20, Collins Arch
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

BANKERS

Westpac
150 Collins Street
Melbourne VIC 3000

ABN

76 115 832 963

DOMICILE AND COUNTRY OF INCORPORATION

Australia

LEGAL FORM OF ENTITY

Public company listed on the Australian Securities Exchange (MYX)

FURTHER INFORMATION

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

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