Annual Report 2016

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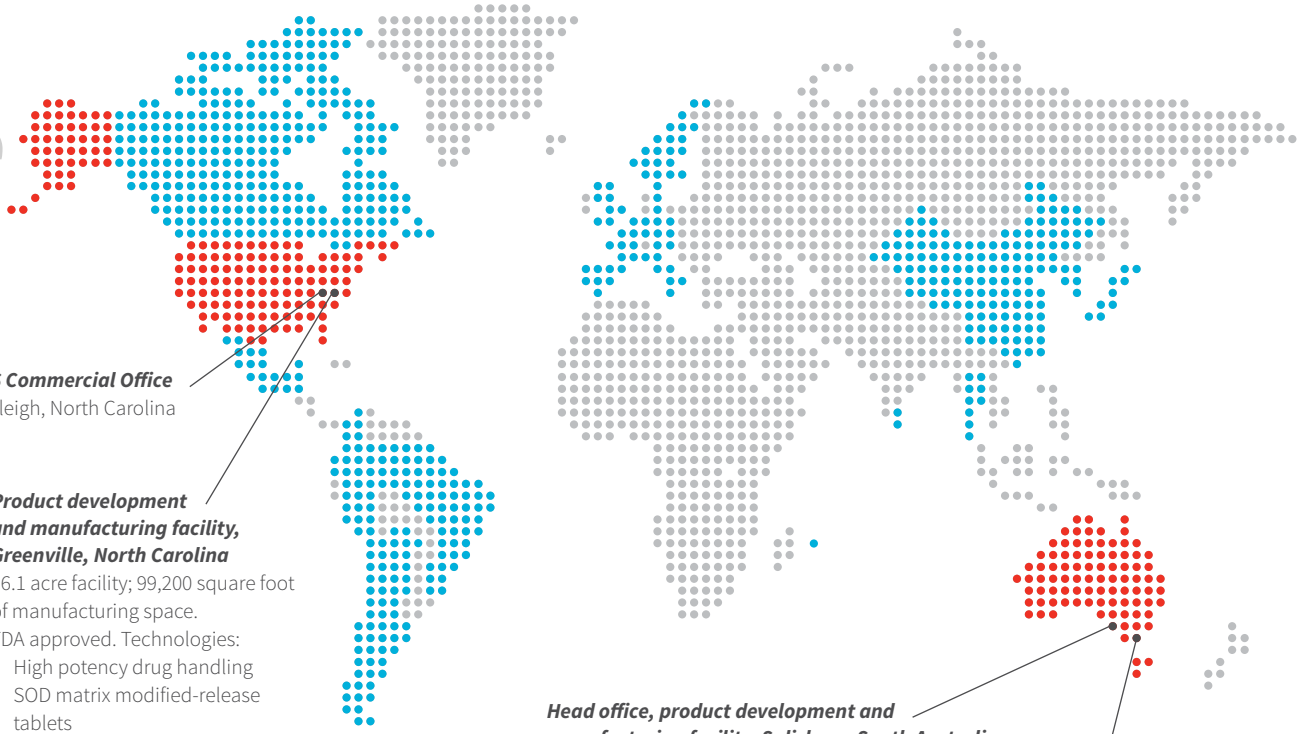
Our international footprint

● *Direct commercial presence* ● *Indirect presence through distribution partners for current and pipeline products*



US Commercial Office
Raleigh, North Carolina

Product development and manufacturing facility, Greenville, North Carolina
36.1 acre facility; 99,200 square foot of manufacturing space.
FDA approved. Technologies:
- High potency drug handling
- SOD matrix modified-release tablets
- Controlled substances (CII-CV)
- Multi-particulate modified-release (via capex expansion)

Head office, product development and manufacturing facility, Salisbury, South Australia
32.1 acre facility; 129,000 square foot of manufacturing space. FDA, MHRA and TGA approved.
Technologies:
- Multi-particulate modified-release beads
- Multi-particulate modified-release tablets
- Microencapsulation utilising spray drying process

Global Commercial Office
Melbourne, Victoria

Our Business Units

	UNITED STATES			*REST OF WORLD*
Overview	**Generic Products** *Develops, manufactures, markets and distributes generic products in the US*	**Specialty Brands** *Markets and distributes specialty branded products in the US*	**Contract Services** *Provides contract pharmaceutical development and analytical services to third party customers globally*	**Mayne Pharma International** *Develops, manufactures, markets and distributes branded and generic products globally (excl. US)*
Key products & services	• Butalbital / APAP / Caffeine • Carbidopa / Levodopa • Clonidine • Dextroamphetamine • Dofetilide • Liothyronine • Methamphetamine • Methylphenidate • Oxycodone • Range of oral contraceptives	• Doryx® • Doryx® MPC • Fabior® • Sorilux®	• Analytical services (method development and validation, drug substance and drug product release, stability, and trace metals analysis) • Formulation Development (incl. clinical trials manufacturing)	• Astrix® • Doryx® • Eryc® • Lozanoc® / Itragerm® • Kapanol® / Kadian® • Luxiq® • Magnoplasm® • Olux-E® • Range of injectable products

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About Mayne Pharma

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

Mayne Pharma has a 30-year track record of innovation and success in developing new oral drug delivery systems and these technologies have been successfully commercialised in numerous products that have been marketed around the world.

Mayne Pharma has two product development and manufacturing facilities based in Salisbury, Australia and Greenville, USA with expertise in the formulation of complex oral dose forms including highly potent compounds, controlled substances, modified-release products and inherently unstable compounds.

Key business facts

- *700+ staff*
- *200+ scientists employed globally*
- *A$267 million in sales revenue in FY16*
- *A$1.5 billion market capitalisation at 30 June 2016*
- *A$29 million invested in research and development in FY16*
- *A$30 million strategic investment in Australian and US facilities in FY16*
- *40+ US pipeline products and 10+ Australian pipeline products*
- *100+ contract service customers*
- *Products sold in 10+ countries*

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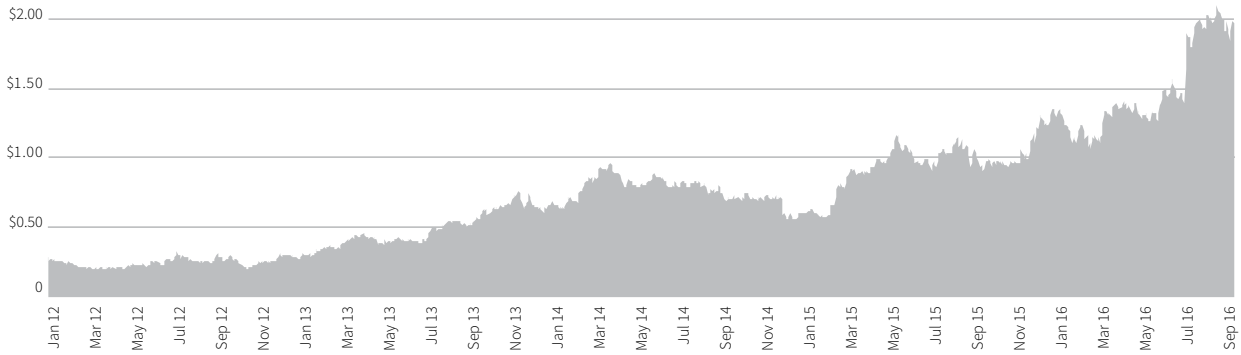
Mayne Pharma Performance

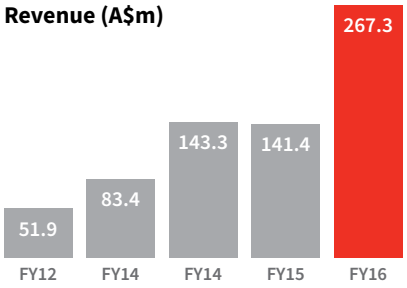
Strong track record of growth since 2012

Mayne Pharma share price (A$)



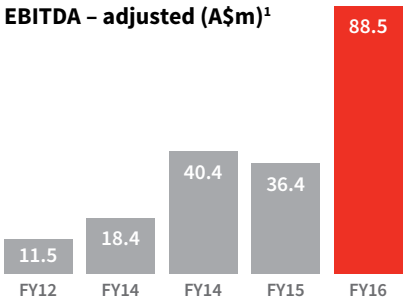
Key Financials

Revenue (A$m)



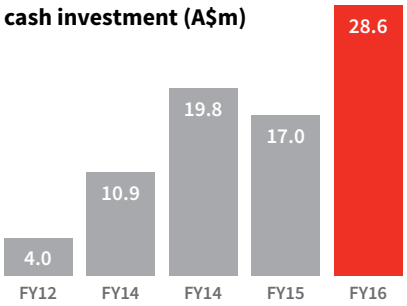
51%
Compound annual growth rate since 2012

EBITDA – adjusted (A$m)[1]



67%
Compound annual growth rate since 2012

Research & development cash investment (A$m)



64%
Compound annual growth rate since 2012

Key organic initiatives

Jul 2013
Launched doxycycline DR tablets and erythromycin DR capsules in the US

Jun 2014
Launched Lozanoc in Australia and Spain and received FDA approval for oxycodone solution

May 2015
Re-launched Doryx 200mg tablet as part of Mayne Pharma's new US Specialty Brands Division

Aug 2015
Announced expansion of US and Australian facilities to support projected growth

Aug 2015
In-licensed generic butalbital/APAP/caffeine (BAC) tablet and launched in the US

May 2016
Announced FDA approval of Doryx MPC tablets

Jun 2016
Launched dofetilide capsules in the US, first generic approval to Pfizer's Tikosyn™

M&A activity

Oct 2012
Announced acquisition of Metrics, Inc. for up to US$120m

Dec 2012
Announced A$14m acquisition of Kapanol

Jul 2013
Announced acquisition of US based generic company Libertas Pharma Inc.

Feb 2014
Announced acquisition of select brands from Forest Laboratories for up to US$12m

Feb 2015
Announced acquisition of Doryx for US$50m and methamphetamine tablets and BAC capsules for US$15.7m

May 2015
Acquired oxycodone franchise from Mylan

Aug 2016
Completed US$652m acquisition of US product portfolio from Teva and Allergan

1. Adjusted EBITDA excludes certain one-off items. Refer to reconciliation table in our earnings releases dated 26 August 2016, 28 August 2015, 27 August 2014, 27 August 2013 and 21 August 2012 for adjustment details

FY16 Business Highlights

AUGUST 2015

- 50mg Doryx tablet launched in the US
- Recipient of a A$4m grant from the Federal Government as part of the Next Generation Manufacturing Investment Programme to support investment in a new fluid bed coater at the Salisbury site
- Announced US$65m investment in new oral dose manufacturing facility in Greenville, North Carolina
- Launched BAC tablet in the US
- HedgePath Pharmaceuticals commenced Phase IIb multi-centre, open label, non-placebo controlled trial in Basal Cell Carcinoma Nevus Syndrome using Mayne Pharma's SUBA®-itraconazole capsules

OCTOBER 2015

- Oxycodone immediate-release tablet launched in Australia; first independent generic source
- In-licensed a specialty branded product to launch in Australia

NOVEMBER 2015

- Out-licensed Lozanoc to ISDIN in Brazil

DECEMBER 2015

- Out-licensed Kapanol to Spirig HealthCare in Switzerland

FEBRUARY 2016

- Mayne Pharma USA announced as Pitt County's Industry of the Year Award for 2015-16 which recognises a manufacturer or distributor that best represents the community as a model corporate citizen

MARCH 2016

- Launched noradrenaline injectable in Australia – first generic source
- Acquired 100% of liothyronine ANDA from Perrigo Company plc

APRIL 2016

- Lozanoc capsules listed on the PBS in Australia for systemic fungal infections

MAY 2016

- Itraisdin™ (SUBA-itraconazole capsule) launched in Germany by marketing and distribution partner ISDIN
- Approval of Doryx MPC tablets in the US
- Launched generic doxycycline hyclate delayed-release 50mg and 200mg tablets in the US
- Invested US$2.8m in HedgePath Pharmaceuticals to support ongoing clinical program using Mayne Pharma's patented oral formulation of itraconazole to treat certain cancers

JUNE 2016

- Approval and launch of dofetilide capsules – first generic alternative to Pfizer's Tikosyn™
- Announced US$652m acquisition of 42 generic products from Teva Pharmaceutical Industries Limited ("Teva") and Allergan plc ("Allergan")

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Growth strategy

KEY GROWTH DRIVER	ACTIVITIES
US retail generics maximisation	• Optimise market penetration of product portfolio • Commercialise filed FDA products • Efficient and reliable product sourcing, manufacturing and supply • Leverage product portfolio in non-retail segments (e.g. government, universities and institutional) • Extract synergies from recent product acquisitions • Portfolio expansion through growing product pipeline
Expand US branded specialty franchise portfolio	• Develop US specialty dermatology franchise by leveraging Doryx, Fabior and Sorilux and pipeline of future products • Build new specialty therapeutic platforms that leverage the Company's development and manufacturing capabilities
Research and development maximisation	• Portfolio selection that leverages drug delivery expertise in complex generics and specialty products • Selective paragraph IV[2] filings in the US • Development of SUBA-itraconazole in cancer through the alliance with HedgePath Pharmaceuticals
Strategic acquisitions, licensing and partnerships	• In-licensing niche generic or specialty products in Australia and the US • Commercialisation of specialty products such as Lozanoc through out-licensing arrangements in key markets to broaden global footprint • Product and enterprise acquisitions with strong growth potential, complementary assets and technologies • Build an injectable portfolio and branded specialty franchise in Australia
Optimise and grow Metrics Contract Services	• Enhance operational efficiencies and client experience • Globalise customer base • Introduce high value manufacturing services following Greenville site expansion

2. A product may be filed with the FDA before the relevant patent has expired as a paragraph IV certification either because the filer believes the patent is not infringed; is invalid, or both.

Chairman's Letter

Roger Corbett AO, Chairman

Dear Fellow Shareholders,
On behalf of the Mayne Pharma Board and Management,
I am pleased to present the 2016 annual report.

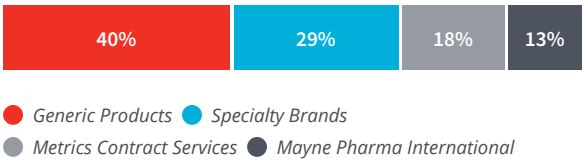
Over the last twelve months, your Board and Management have focused on delivering on our objective of becoming a leading global specialty pharmaceutical company. The 2016 financial year has been another successful period for Mayne Pharma as new product launches, product acquisitions and increased market penetration of key product franchises contributed to the strong financial result.

Financial performance

The Company reported FY16 revenue of A$267.3m up 89% on the prior corresponding period (pcp), underlying EBITDA of A$88.5m[3] up 143% on pcp and reported NPAT of A$37.4m up 379% on pcp. These results were driven by inclusion of the full year of earnings from the Doryx acquisition and strong growth in the generics and contract service businesses. Doryx achieved the EBITDA guidance, which the Company provided at the time of the Doryx acquisition in February 2015. The approval and launch of dofetilide capsule, the Company's first generic product to be awarded 180-days of market exclusivity achieved 100% return on investment in its first week following regulatory approval.

Sales by region (%)

Sales by division (%)



Investing for growth

We also continued to strengthen the organisation through significant investment in research and development to advance our product pipeline, expansion of our facilities, strategic M&A as well as the strengthening of our team and capabilities.

During FY16 A$29m was invested in research and development, an increase of more than 70% from the prior year. Most of this investment was directed towards generic programs that leverage the Company's capabilities in modified-release, potent compounds and controlled substances.

Acquisitions remain a key driver of growth with the business announcing in June 2016 a transformational US$652m acquisition of 42 generic products from Teva and Allergan. This acquisition was completed in August 2016 and transforms the scope and breadth of the US Generic Products Division, diversifying Mayne Pharma's earnings across more products, therapeutic areas, dosage forms and complex technologies. Up to eleven of the acquired products will be transferred into our manufacturing facilities in Salisbury, South Australia and Greenville, North Carolina. This will accelerate utilisation of manufacturing capacity and enable additional margin to be captured over time, improving overhead recovery and the return on capital invested in expanding these two facilities.

In August 2016, we announced the US$50.1m acquisition of a portfolio of dermatology foam products from GlaxoSmithKline (GSK). The key acquired products were Fabior and Sorilux, which are complementary dermatology products to Doryx and will be marketed through Mayne Pharma's established Specialty Brands Division. These products will strengthen Mayne Pharma's position in the US dermatology market, diversify future branded earnings and create new opportunities for growth.

3. Underlying result excludes certain specified expenses as outlined in the FY16 Results Presentation dated 26 August 2016.

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Acquisitions remain a key driver of growth with the business announcing a transformational US$652m acquisition of 42 generic products from Teva and Allergan.

In terms of our facilities, I am pleased to report the investment we announced twelve months ago to transform our global manufacturing footprint is well underway and on track to be completed by early 2018. These investments will bring new capacity and capability on line. The dual-site expansion programs will support the mid to long-term growth we are forecasting across our products and pipeline. We see significant strategic value in controlling the supply chain where possible to reduce business continuity risk, service our customers better, protect our IP and reduce cost.

To support the growth of the Company, we also expanded our global workforce to over 700 employees with at least 100 new roles added in the last year across all key functions.

Financial position

The Company ended the year in a solid financial position with cash of A$47.5m and outstanding borrowings of A$76.8m. As a result of the recent product acquisitions, the Company successfully raised an additional A$888m in equity and expanded existing debt facilities to fund these transactions. Following the acquisitions, the Company's new capital structure has retained flexibility to pursue further growth initiatives with significant undrawn debt capacity.

Outlook

The outlook remains very positive with growth to be driven by recent product acquisitions, new product launches and growth of our existing products.

The Company will also continue to identify further business development opportunities to in-license or acquire complementary assets to expand the on-market portfolio and pipeline, or introduce new manufacturing or technology platforms.

On behalf of the Board, I would like to thank all of our dedicated team at Mayne Pharma for their continued commitment and hard work over the last year to deliver our strategic goals.

The Board is grateful to you, our shareholders, for your continued support and in particular for the support we received during the equity raising this year. I am confident that Mayne Pharma will continue to deliver shareholder value into the future.

Roger Corbett, AO
Chairman

Chief Executive Officer's Review

Scott Richards, CEO

Dear Fellow Investors

It is a pleasure to present the Chief Executive Officer's Review for 2016.

FY16 has been a strong year for Mayne Pharma with the business reporting growth across all operating segments and group revenue, adjusted EBITDA, NPAT and cashflow were all up significantly on the prior year. The Generic Products Division and Metrics Contract Services delivered especially strong growth in US dollar terms and the Specialty Brands Division which incorporates Doryx achieved the guidance we announced to the market in February 2015 when we acquired the rights to the product.

Our key achievements in FY16 include:

- Revenue up 89% on pcp to A$267m
- Reported NPAT up 379% on pcp to A$37m and growth in earnings per share of more than 300% to 4.6c
- Material improvement in Gross Profit and adjusted EBITDA margins reflecting the full year contribution of the high margin Doryx franchise
- Launch of dofetilide capsules, the first generic approval to Pfizer's Tikosyn™ capsules
- FDA approval of patent-protected Doryx MPC tablets
- Launched BAC tablet and authorised generics to the 50mg and 200mg Doryx tablets in the US
- Commenced construction of a new oral dose manufacturing facility in Greenville, North Carolina
- Announced the transformational acquisition of 42 products from Teva and Allergan for US$652m
- Acquired 100% of liothyronine ANDA from Perrigo
- Launched oxycodone tablets in Australia, an original Metrics, Inc. product and the first independent generic alternative to Endone™
- Completed further out-licensing deals for Lozanoc and Kapanol around the world
- HedgePath Pharmaceuticals commenced Phase IIb study in Gorlin's Syndrome (a rare form of skin cancer) using Mayne Pharma's patented oral formulation of itraconazole

Mayne Pharma's strength lies in its integrated operations from product development, through to manufacturing and marketing of our products and services around the world. With three US-facing business segments and 87% of revenue generated in this market, Mayne Pharma's key focus and attention over the medium term is to continue to drive and optimise performance in this strategically important market.

Having both branded and generic product platforms diversifies our business model and enables the Company to fully leverage growth opportunities. Future branded products can be marketed by the Specialty Brands Division and as these products lose exclusivity, the Company can participate in a new generic market that may form. A very recent example of this was the introduction of generic competition on the 50mg and 200mg Doryx franchise in May 2016 which led to Mayne Pharma also launching its own authorised generic variants. Pleasingly, the combined brand and generic franchise held onto more than 80% of the prescriptions written for those dose strengths across June and July.

Operating performance

In terms of the operating performance at a segment level, the Specialty Brands Division reported sales of A$77.8m and gross profit of A$73.4m. In USD terms the division met the guidance target of US$2.7m adjusted EBITDA per month on average over FY16.

The Generic Products Division grew sales 84% to A$106.8m and gross profit grew 58% to A$60.8m driven by new product launches and growth in the key product franchises with eight of the top ten molecules growing sales year on year.

Metrics Contract Services revenue was A$48.9m, an increase of 45% and gross profit was A$26.4m, up 55% on pcp reflecting the continued focus on operational efficiencies, price optimisation and improvement in service mix.

The fourth segment, Mayne Pharma International grew sales 6% to A$33.7m and gross profit grew 7% to A$7.8m.

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Pipeline

The Company increased its investment in research and development this year to expand and accelerate the product pipeline. The US pipeline contains over 40 products in various stages of development targeting markets with sales greater than US$7bn[4] and in Australia there are 10 pipeline products targeting markets with sales greater than A$100m[4]. During the year, the Company introduced eight new US pipeline products into development targeting markets with sales greater than US$1bn[4] and filed five products with the FDA.

Commercialisation of Lozanoc, the Company's patented formulation of itraconazole is advancing with the product recently launched in Germany. Lozanoc is now out-licensed in 15 countries and on-market in Spain, Germany and Australia. Further countries are expected to launch in 2017 including Italy, the largest itraconazole market in Europe. Also during the period, the Company invested US$2.8m in HedgePath Pharmaceuticals Inc to support the repurposing of Mayne Pharma's itraconazole to treat certain cancers. A Phase IIb study in Gorlin's Syndrome (a rare form of skin cancer) is currently underway with encouraging interim results.

Management changes

Senior leadership changes during FY16 included the appointment of Mr Andrew Van Breugel as Executive Vice President of Operations who brings over 30 years of industry experience and strengthens our leadership in this critical area as we embark on a phase of material product and capacity expansion. Mr Craig Boyd joined as Executive Vice President of Generic Products bringing more than 20 years' of industry experience across generic, branded and biosimilar product offerings.

Recent acquisitions

The recent product acquisitions from Teva and GSK will enhance the generic and specialty platforms and provide a stable base of revenue and earnings with growth to come from a combination of the launch of pipeline products, the re-launch of Fabior and Sorilux, and the delivery of revenue and cost synergies over time. Both acquisitions will leverage existing operating infrastructure with material synergies to come from leveraging relationships with customers, bringing in-house manufacture of select products and optimising our expanded network of suppliers and contract manufacturing organisations.

Mayne Pharma's strength lies in its integrated operations from product development, through to manufacturing and marketing of our products and services around the world.

The year ahead

I am looking forward to the coming year and integrating the recent product acquisitions, launching many new products and continuing the growth we are delivering across all business segments.

I would like to take this opportunity to thank our 700 staff who are responsible for the Company's current success. I am confident we have the right team of people to lead and execute on the various growth opportunities we have around the world.

Scott Richards,
Chief Executive Officer

4. IMS Health, MAT June 2016.

Global Leadership Group

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Mayne Pharma has an established and experienced leadership team

Scott Richards
Chief Executive Officer and Managing Director

Mr Richards has more than 27 years' international experience in the pharmaceutical industry and has worked in Europe, the US and Asia. Prior to joining Mayne Pharma, Mr Richards 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, 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 five years with Faulding in the United States leading business development and portfolio management operations.

Mark Cansdale
Group CFO and Company Secretary

Mr Cansdale is a Chartered Accountant and Company Secretary with more than 25 years' experience in the accounting and finance profession. Mr Cansdale was formerly the CFO and Company Secretary at McMillan Shakespeare Limited and prior to that, Vision Systems Limited. He has extensive experience in the areas of business development, mergers and acquisitions, corporate strategy, tax, financial planning and analysis, risk management, treasury and investor relations. Prior to joining Vision Systems in 2002, Mr Cansdale held senior finance positions in the insurance and financial services industry at Norwich Union Australia and KPMG.

Stefan Cross
President, Mayne Pharma USA

Mr Cross brings more than 25 years' of pharmaceutical industry experience to his role. Prior to joining Mayne Pharma, Mr Cross was Head of Marketing (Asia Pacific) for Hospira Inc., a leading global provider of pharmaceuticals and medical devices, 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, Mr Cross 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.

Ilana Stancovski
Executive Vice President and Chief Scientific Officer

Dr Stancovski has over 20 years' of international experience in the pharmaceutical industry and academia. She has been instrumental in driving Mayne Pharma's pipeline selection, the global development of branded and generic products and the regulatory approval of NDAs, ANDAs and 505(b)2 dossiers. Prior to joining Mayne Pharma, Dr Stancovski was Vice President of Research & Development for Actavis Group's global Hospital Division where she made a significant contribution to advancing that company's injectable pipeline. Prior to Actavis, Dr Stancovski was the Vice President Scientific Affairs at Intas Pharmaceuticals Limited and also held senior management roles at other multinational pharmaceutical and biotech companies. She holds a Ph.D. in Life Sciences from the Weizmann Institute, Israel and worked as a post-doctoral scholar at Caltech and MIT in the United States.

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Kate Rintoul
Executive Vice President and General Counsel

Ms Rintoul has over 15 years' of varied legal experience in corporate, commercial, intellectual property (IP) and litigation law, spanning multiple jurisdictions. She is responsible for worldwide legal operations, including IP. Prior to joining Mayne Pharma, Ms Rintoul spent much of her career 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. Ms Rintoul has also worked for Shell International in The Hague as IP Counsel and for the University of British Columbia's technology transfer office in Vancouver as a consultant.

Peter Paltoglou
Chief Development Officer, Head of M&A

Mr Paltoglou has over 15 years' of experience in executing public and private mergers and acquisitions, capital management and providing strategic advice across a range of contexts and market sectors. He was previously Managing Director of Investment Banking at Credit Suisse Emerging Companies in Australia. Prior to Credit Suisse, Mr Paltoglou was a Director of Hindal Group, a boutique M&A advisory business.

Eric Evans
Chief Financial Officer, Mayne Pharma USA

Mr Evans has 30 years' of experience in financial leadership roles across both the pharmaceutical and contract services sectors. He was previously the CFO of AAIPharma Services, a leading global provider of contract services with over 800 employees across seven sites in the US and Europe. Prior to AAIPharma, he was CFO and EVP at Patheon, Inc. and VP and Controller for Novartis Pharmaceuticals' US branded business with sales in excess of US$8 billion. He was also CFO for Sandoz US, one of the world's largest generic pharma companies.

Andy McClenaghan
Executive Vice President, Specialty Brands

Mr McClenaghan has more than 25 years' of pharmaceutical industry experience across general management, marketing, sales, managed care, operations and regulatory affairs. Prior to leading Mayne Pharma's new Specialty Brands Division in 2015, Mr McClenaghan was the Vice President of Commercial Operations for North America at Warner Chilcott and responsible for US$2 billion in sales, a 700 member sales team and key brands including Doryx until its acquisition by Actavis in October 2013. He was also General Manager at Procter & Gamble Pharmaceuticals, responsible for its Canadian business.

Craig Boyd
Executive Vice President, Generic Products

Mr Boyd has more than 20 years' of experience in the pharmaceutical industry across generic, branded, biosimilar and device businesses and has worked extensively in the US, Europe and Australia. Prior to joining Mayne Pharma he was the Head of Sales for Pfizer's US generic injectables division with revenue of over US$4 billion and more than 300 staff. Mr Boyd was also previously the Vice President of Global Sales at Mylan, leading sales teams across all international markets. He also spent ten years in a number of senior commercial and sales and marketing roles at Novartis.

John Ross
Executive Vice President, Metrics Contract Services

Mr Ross has more than 20 years' of experience in the pharmaceutical industry across finance, sales, operations and supply chain. Prior to joining Mayne Pharma, Mr Ross 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.

Andrew Van Breugel
Executive Vice President, Operations

Mr Van Breugel has more than 30 years' experience in the pharmaceutical industry across Europe and Asia Pacific. Prior to joining Mayne Pharma, he was Chief Operating Officer for Medochemie with responsibility for 11 manufacturing plants. He was also Operations Director at Douglas Pharmaceuticals and Schering Plough/Merck with responsibility for key functions such as quality, manufacturing, engineering, finance and IT.

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Investing for growth

Research and development

Mayne Pharma continues to invest in the development of new generic and branded products focusing on higher value and niche product opportunities in the US. The Company has invested more than A$75m in research and development over the last four years.

During FY16, the Company received two significant US FDA product approvals - dofetilide capsules, the first generic alternative to Pfizer's Tikosyn™ brand and Doryx MPC, a new product in the Doryx family.

Doryx MPC tablet

Doryx is a tetracycline-class antimicrobial indicated as adjunctive therapy for severe acne. Doryx incorporates Mayne Pharma's drug delivery IP and contains enteric-coated delayed-release pellets designed to minimise upper gastro intestinal (GI) tract exposure to doxycycline.

In May 2016, Mayne Pharma received approval for a new formulation of doxycycline - Doryx MPC, which incorporates a modified polymer coat designed to further retard the release of doxycycline in the acidic environment of the stomach. The new polymer coat further delays absorption of Doryx MPC into the GI tract by approximately 15 minutes. Doryx MPC was launched in August 2016 and is expected to become a material part of the Doryx franchise. Mayne Pharma has been granted two patents by the US Patent and Trademark Office relating to this formulation with expiry dates in 2034 and one further patent has received a Notice of Allowances.

Dofetilide capsule

Dofetilide capsules are an antiarrhythmic agent used to prevent irregular heartbeats such as atrial fibrillation and atrial flutter. In early 2013, Mayne Pharma began working on the generic dofetilide program and filed the ANDA with the FDA in May 2014 certifying Paragraph IV. In November 2014, Pfizer announced its intention to sue Mayne Pharma in connection with the filing of the ANDA, however, in February 2015, Pfizer withdrew its lawsuit.

In June 2016, Mayne Pharma received FDA approval for dofetilide capsules and was awarded 180-days of market exclusivity as the first company to file a substantially complete ANDA containing a Paragraph IV certification.

Launch of Mayne Pharma's dofetilide began immediately following approval with 19 batches of product or more than 50,000 bottles dispatched to customers. Mayne Pharma achieved 100% return on the investment of all development and related litigation costs in the first week and after ten weeks held 44% unit share of the total dofetilide market and 75% share of the generic market[5].

A variety of proven therapy options with the new DORYX® family

5. IMS Health, US Weekly dofetilide prescription volume, data up to week ending 12 August 2016.

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Greenville facilities expansion

Facilities Expansion

In August 2015, Mayne Pharma announced the construction of a new 125,000 square foot solid oral dose manufacturing facility in Greenville, North Carolina. The investment will more than double the operational footprint to 225,000 square foot and creates new capacity and capability to accelerate growth.

Current commercial production is expected to migrate to the new building following completion in early 2018. The facility adds multi-particulate layering, bead coating fluid bed technology, organic solvent coating capacities and commercial scale handling of potent compounds, increasing dose capacity from 250m to 1bn units / year.

In Australia, Mayne Pharma announced strategic investments at the company's manufacturing facility in Salisbury, South Australia, to expand fluid bed processing capacity and add new potent handling capability to support the pipeline of products under development and the transfer in-house of three products from the Teva portfolio. The construction of new and refurbished production spaces and the installation of new equipment is expected to be completed by early 2018.

Greenville construction site status as at September 2016

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 2016 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 27 to 34, which forms part of this Directors' Report.

DIRECTORS

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

Mr Roger Corbett, AO (Chairman)
Mr Scott Richards (Managing Director and Chief Executive Officer)
Hon Ron Best
Mr William (Phil) Hodges
Mr Bruce Mathieson
Prof Bruce Robinson, AM
Mr Ian Scholes

Particulars of the Directors' qualifications, other listed company directorships, experience and special responsibilities are detailed on pages 23 and 24 of this report. Particulars of the qualifications and experience of the Company Secretary are detailed on page 24 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 2016 financial year are:

	BOARD		AUDIT & RISK COMMITTEE		NOMINATION COMMITTEE		REMUNERATION AND PEOPLE COMMITTEE	
	HELD[1]	ATTENDED[2]	HELD[1]	ATTENDED[2]	HELD[1]	ATTENDED[2]	HELD[1]	ATTENDED[2]
Mr R Corbett	15	15	-	-	-	-	1	1
Mr S Richards	15	15	-	-	-	-	1[3]	1
Mr I Scholes	15	14	3	3	-	-	1	1
Hon R Best	15	15	3	3	-	-	1	1
Mr B Mathieson	15	14	3	3	-	-	-	-
Mr P Hodges	15	13	-	-	-	-	-	-
Prof Bruce Robinson	15	15	-	-	-	-	-	-

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 Scott Richards is not a member of the Remuneration and People Committee however he attended a meeting at the Chairman's invitation.

The Nomination Committee did not meet during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 28 June 2016, the Company announced it had entered into an agreement to acquire 37 approved and 5 FDA filed products from Teva Pharmaceutical Industries Limited ("Teva") and Allergan plc ("Allergan") for cash consideration of US$652m ("the Teva transaction").

The Teva transaction significantly transforms the scope and breadth of the Company's Generic Products Division and is expected to propel Mayne Pharma into the top 25 retail generic pharmaceutical companies and the top 2 in the generic oral contraceptives market in the United States. The acquisition also increases and diversifies Mayne Pharma's earnings across more products, therapeutic areas, dosage forms and complex technologies, and builds upon the Company's expertise in modified-release, potent compounds and controlled substances. This asset purchase was completed 3 August 2016.

The Company funded the acquisition via an extension of its existing debt facility, and a fully underwritten A$601m 1-for-1.725 accelerated non-renounceable entitlement offer and A$287m placement which was completed in July 2016.

On 18 August 2016 the Company acquired a portfolio of on-market dermatology Foam Assets from GlaxoSmithKline (GSK) for US$50.1m. The Foam Assets include US rights to Fabior® and Sorilux®, Canadian rights to Luxiq® and Olux-E® and Mexican rights to betamethasone foam. Under the terms of the agreement Mayne Pharma will acquire the approved regulatory filings, trademarks, marketing materials, select product inventory, related medical and technical data and will acquire or obtain licenses for related patents.

Both Fabior and Sorilux will be marketed through Mayne Pharma's Specialty Brands Division and existing sales team. Re-launch for both products is expected in FY17. During the intervening period GSK will continue to distribute Fabior and Sorilux under a transition services arrangement.

The non-US dermatology Foam Assets will continue to be distributed by GSK in the short term and Mayne Pharma will seek to out-license these products to new partners.

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

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PRINCIPAL ACTIVITIES

Mayne Pharma is an ASX-listed specialty pharmaceutical company focused on applying its drug delivery expertise to commercialise branded and generic pharmaceuticals. Mayne Pharma also provides contract development and manufacturing services to more than 100 clients worldwide.

Mayne Pharma has a 30-year track record of innovation and success in developing new oral drug delivery systems and these technologies have been successfully commercialised in numerous products that have been marketed around the world.

Mayne Pharma has two product development and manufacturing facilities based in Salisbury, South Australia and Greenville, North Carolina USA with expertise in formulating complex oral dose forms including highly potent compounds, controlled substances, modified release products and inherently unstable 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 2016 financial year (FY16) compared to the prior corresponding period (pcp). This summary includes non-IFRS financial information that is stated excluding certain non-operating income and expense items. The results are set out this way as the Directors consider them to be a meaningful comparison from period to period. Earnings before interest tax, depreciation and amortisation (EBITDA) is used as a key measure of the earnings considered by Management in operating the business and assessing performance.

SALES AND PROFIT	NOTES	2016 $M	2015 $M	CHANGE ON PCP $M	CHANGE ON PCP %
Revenue		**267.3**	**141.4**	**125.9**	**89%**
Gross profit		**168.4**	**80.0**	**88.4**	**111%**
Gross profit %		*63.0%*	*56.6%*		
Adjusted EBITDA		88.5	36.4	52.1	143%
Adjustments	1	(11.6)	(5.1)	(6.5)	
Reported EBITDA		**76.9**	**31.3**	**45.6**	**146%**
Depreciation / Amortisation		(20.9)	(13.5)	(7.4)	55%
Reported PBIT		**56.0**	**17.6**	**38.4**	**218%**
Net Interest	2	(3.2)	(6.4)	3.2	(50%)
Income tax expense		(15.5)	(3.7)	(11.8)	(219%)
Reported NPAT attributable to Mayne Pharma shareholders		**37.4**	**7.8**	**29.6**	**379%**

1. *Adjustments in FY16 include a $5.2m non-cash credit arising from the decrease in the fair value of earn-out liabilities, a $6.7m payment to settle a dispute with a former distributor, $6.8m of transaction and other related costs in relation to the recent product acquisitions, $1.3m of legal costs relating to the Department of Justice investigation, $2.5m to exclude HedgePath Pharmaceuticals losses attributable to members of the Company and a non-cash credit of $0.5m relating to the fair value increment of the HPPI warrants.*
2. *Includes finance expenses of $2.5m plus the notional non-cash interest expense of $1.1m (representing the charge for the unwinding of the discount on earn-out liabilities) less interest revenue $0.5m.*

The non IFRS financial information is unaudited.

Review of operations

The following information is provided on a total group basis, rather than that attributable to Mayne Pharma's members and hence includes 100% of the revenues (2016: nil; 2015: nil) and expenses incurred by Hedgepath Pharmaceuticals Inc (HPPI) where applicable.

The Group recorded revenue of $267.3m, up 89% on pcp and gross profit was $168.4m up 111% on pcp.

Gross profit margin as a percentage of revenue was 63.0% up from 56.6% driven by inclusion of earnings from the Doryx acquisition for the full year.

Reported EBITDA attributable to members of Mayne Pharma was $76.9m and adjusted EBITDA (i.e. the reported result excluding certain specified non-operating items) was $88.5m, up 143% on pcp. The reported profit before tax attributable to the members of Mayne Pharma was $52.8m and the net profit after tax was $37.4m, up 379% on pcp.

Expenses

Gross research and development costs increased by $12.2m to $31.3m. Development expenditure of $22.6m (2015: $13.5m) was capitalised during the period as it related to qualifying products under development in accordance with Australian Accounting Standards, leaving net R&D expenses of $8.7m compared to $5.6m in the pcp.

Marketing and distribution expenses increased by $20.5m to $38.0m with the majority of the increase relating to the inclusion of the Speciality Brands Division sales force for the entire period.

Finance costs of $2.5m represent interest and line fees on the USD loan facility established in June 2015 and the amortisation of related borrowing costs.

Administration and other expenses increased by $31.2m. This category includes amortisation of intangible assets which was $16.3m for the year, an increase of $7.8m on the prior year. The increase in the current year is due to the fact that FY16 includes a full year charge of $7.4m (2015:$2.9m) relating to the amortisation of intangible assets recognised following the Doryx acquisition. The balance of the increase in administration and other expenses relates to the settlement with a former distributor ($6.7m), transaction, set up other costs relating to the Teva transaction $6.8m and increased legal and corporate costs.

Tax

The tax expense of $15.3m comprised:

- Current period income tax expense for the year to 30 June 2016 of $33.4m;
- A reduction in current year tax in respect of prior years of $0.2m; and
- A reduction in income tax expense of $17.8m relating to the movement in deferred tax assets and liabilities.

Financial position

Set out below is a summary of the financial position as at 30 June 2016 compared to the position as at 30 June 2015.

BALANCE SHEET EXTRACT	NOTES	2016 $M	2015 $M	CHANGE ON PCP $M	%
Cash		47.5	59.2	(11.7)	(20%)
Inventory & receivables		162.7	87.1	75.6	87%
PP&E		84.4	59.6	24.8	42%
Intangibles		332.5	303.0	29.5	10%
Teva/Allergan product acquisition asset rights		876.1	-	876.1	
Other assets		54.2	20.0	34.2	171%
Total assets		**1,557.4**	**528.9**	**1,028.5**	**194%**
Interest-bearing debt		76.8	61.8	15.0	24%
Other financial liabilities		19.0	34.1	(15.1)	(44%)
Other liabilities		209.1	110.8	98.3	89%
Teva/Allergan product acquisition asset obligation		876.1	-	876.1	
Total liabilities		**1,181.2**	**206.7**	**974.5**	**471%**
Equity		**376.2**	**322.2**	**54.0**	**17%**

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

Cash

Cash decreased by $11.7m compared to 30 June 2015. Refer below for further commentary.

Inventory, receivables and other liabilities

Inventory, receivables and payables increases reflect the full year impact of US Doryx and the launch of Dofetilide in June 2016.

Intangible assets and goodwill

Intangible assets increased by $29.5m compared to the balance at 30 June 2015. The movement comprised of:

- An increase of $22.6m for capitalised development costs;
- An increase of $19.1m for several product ANDAs and marketing and distribution rights acquired;
- A decrease of $16.3m for amortisation;
- A decrease of $1.8m for impairments; and
- An increase of $5.9m due to foreign currency translation as a result of the weaker Australian dollar against the US dollar.

The tangible and intangible assets relating to the Teva transaction will be recognised next financial year as the transaction had not closed at 30 June 2016.

Other financial liabilities

Other liabilities as at 30 June 2016 include the earn-out liabilities and deferred consideration for the Liothyronine acquisition, the oxycodone distribution rights, and the Zebutal™, Esgic™ and Lorcet™ branded products, as well as the Libertas and various other product acquisitions.

Other financial liabilities decreased by $15.0m from 30 June 2015 as a result of:

- A decrease of $5.2m relating to re-assessment of the underlying assumptions for the Hospira and Methamphetamine earn-out liabilities;
- An increase of $1.1m due to the non-cash unwinding of the discount for the various earn-out liabilities;
- An increase of $8.9m resulting from new asset acquisitions relating to ANDAs;
- Payments of $20.9m; and
- An increase relating to foreign currency translation of $0.9m.

The equity movements include current year profit and loss and other comprehensive income of $37.1m.

Cash flow

Net operating cash flow before interest, tax, transaction and other costs was $95.7m up $56.6m. Total net cash flows from operating activities was an inflow of $53.5m after including supplier dispute costs ($6.7m) transaction, set-up and other costs ($8.1m), $26.5m of tax payments and $1.0m of net interest payments.

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Cash on hand at 30 June 2016 was $47.5m representing a decrease of $11.7m from 30 June 2015.

The Company had bank debt of $77.0m at 30 June 2016, with significant headroom against the facility's financial covenants.

Notable cash flows during the period included:

- An inflow of $13.7m representing the net proceeds from new borrowings;
- $28.6m in payments for research and development (includes expensed and capitalised);
- Earn-out and deferred settlement payments totalling $20.9m relating to the 2009 acquisition of Mayne Pharma International Pty Ltd from Hospira ($5.4m), the Methamphetamine acquisition ($5.5m), the Oxycodone acquisition ($4.7m) and various other acquisitions ($5.3m);
- An outflow of $10.7m for the acquisition of various intangible assets;
- An outflow of $3.4m for acquisition related expenses;
- $29.6m in capital expenditure across the Group.

Research and development

The Company continues to commit substantial resources in terms of people and research and development spend to developing and advancing its pipeline globally. In FY16, the Company spent, in cash terms, $28.6m in research and development of which 79% was capitalised over the period to be amortised in the future in accordance with Accounting Standards.

The Company now has more than 40 pipeline products in the US, of which 19 are pending FDA approval. In Australia, the Company has more than ten pipeline products of which four products are pending approval at the TGA.

In June 2016, Mayne Pharma launched dofetilide capsules, the first generic approval to Pfizer's Tikosyn™. Mayne Pharma was the first company to file a substantially complete ANDA containing a Paragraph IV certification for dofetilide capsules and as a result was awarded 180-days of market exclusivity.

The Company also continues to advance the pipeline of branded products, which are an important part of the strategy to diversify the business across both branded and generic products. During the period, the Company received FDA approval for Doryx® MPC which is a new formulation that incorporates a modified polymer coat designed to further retard the release of doxycycline in the acidic environment of the stomach.

Operating Segments

The Consolidated Entity operates in four operating segments being, Generic Products (GPD), Specialty Brands (SBD), Metrics Contract Services (MCS), and Mayne Pharma International (MPI). In the prior comparative period, the Consolidated Entity reported three operating segments being GPD (formerly called US Products), MCS and MPI.

Following the acquisition of the Doryx assets in February 2015, the Company separated the US Products segment into GPD which markets and distributes generic products and SBD which markets and distributes specialty branded products. The June 2015 comparative information has been restated, including re-allocations between segments, to reflect the new operating segment structure.

Refer to Note 2 for further information about the operating segments

GPD

$MILLION	2016	2015	CHANGE %
Revenue	106.8	58.2	83.6
Gross profit	60.8	38.5	57.9
Gross profit %	57%	66%	

Nature of operations

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

FY16 performance

GDP performed strongly with sales at $106.8m, up $48.6m or 84% on FY15 and gross profit was $60.8m up 58% on FY15.

In US dollar terms, sales were up 60% to US$77.8m driven by the launch of BAC tablet and dofetilide and further market penetration of oxycodone, hydrocodone and methamphetamine. Nystatin and the legacy doxycycline generic product strengths were impacted by more competitive market dynamics.

Gross profit margin was down from 66% to 57% reflecting the changing portfolio with stronger contribution from profit share products including dofetilide, and oxycodone and hydrocodone that participate in more competitive markets.

SBD

$MILLION	2016	2015	CHANGE %
Revenue	77.8	17.6	342.3%
Gross profit	73.4	17.1	328.4%
Gross profit %	94%	97%	

Nature of operations

The SBD operating segment markets and distributes specialty branded pharmaceutical products in the US.

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FY16 performance

The SBD operating segment's sales were $77.8m and gross profit was $73.4m in FY16. This segment operated for the whole period for the first time this reporting period.

In the last quarter of FY16, Doryx faced generic competition on the 50mg and 200mg dose strengths, which impacted sales in that period. In May 2016, SBD launched authorised generic 50mg and 200mg products to compete in the newly formed generic market.

MCS

$MILLION	2016	2015	CHANGE %
Revenue	48.9	33.8	44.7
Gross profit	26.4	17.0	55.0
Gross profit %	54%	50%	

Nature of operations

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

FY16 performance

MCS outperformed industry growth with revenue of $48.9m up $15.1m or 45% on FY15 and gross profit was $26.2m up 54% on FY15. In US dollar terms, sales were up 26% to US$35.6m. Revenue and gross profit margin increases were the result of an increase in higher margin, later stage formulation development work, improved pricing and lab operating efficiencies.

Key performance measures continued to improve over the period with the committed business pipeline growing 30%. Continued investment in new state-of-the-art laboratory and production equipment has helped contribute to an increase in the average number of quotes signed which were up 44% on the prior year.

MPI

$MILLION	2016	2015	CHANGE %
Revenue	33.7	31.8	6.0
Gross profit	7.8	7.3	6.9
Gross profit %	23%	23%	

Nature of operations

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

FY16 performance

MPI's revenue was $33.7m up $1.9m or 6% on FY15 and gross profit improved 7% to $7.8m. Australian sales grew 11% driven by the launch of a number of new products including noradrenaline injectable the first generic competitor in this market and oxycodone tablets, which is a product, originally developed in Greenville. The rest of world sales declined 10% driven by softer sales of Astrix in Korea in the first half, which then rebounded in the second half.

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Strategy and material business risks

Mayne Pharma is using its world-class oral drug delivery expertise to build a global speciality pharmaceutical company. The Company is focused on increasing the breadth of its product portfolio, technologies and footprint.

The Company's core strategic priorities include the following:

KEY GROWTH DRIVER	ACTIVITIES
US retail generics maximisation	• Optimise market penetration of product portfolio • Commercialise filed FDA products • Efficient and reliable product sourcing, manufacturing and supply • Leverage product portfolio in non-retail segments (e.g. government, universities and institutional) • Extract synergies from recent product acquisitions • Portfolio expansion through growing product pipeline
Expand US branded specialty franchise portfolio	• Develop US specialty dermatology franchise by leveraging Doryx, Fabior and Sorilux and pipeline of future products • Build new specialty therapeutic platforms that leverage the Company's development and manufacturing capabilities
Research and development maximisation	• Portfolio selection that leverages drug delivery expertise in complex generics and specialty products • Selective paragraph IV[1] filings in the US • Development of SUBA-Itraconazole in cancer through the alliance with HedgePath Pharmaceuticals
Strategic acquisitions, licensing and partnerships	• In-licensing niche generic or specialty products in Australia and the US • Commercialisation of specialty products such as Lozanoc through out-licensing arrangements in key markets to broaden global footprint • Product and enterprise acquisitions with strong growth potential, complementary assets and technologies • Build an injectable portfolio and branded specialty franchise in Australia
Optimise and grow MCS	• Enhance operational efficiencies and client experience • Globalise customer base • Introduce high value manufacturing services following Greenville site expansion

1. A product may be filed with the FDA before the relevant patent has expired as a paragraph IV certification either because the filer believes the patent is not infringed; is invalid, or both.

Material business risks

The Company maintains a risk register and the material business risks are regularly reported on and discussed with the Audit & Risk Committee. The material business risks faced by the Group that could have an effect on the financial prospects of the Group include:

RISK	NATURE OF THE RISK	ACTIONS / PLANS TO MITIGATE
Internal product development	• Failure to establish bioequivalence and meet end points in clinical trials • Development of new intellectual property and products takes longer and is more expensive than forecast • Product development projects may not be commercialised, requiring capitalised spend to be written off The balance of capitalised development costs at 30 June 2016 was $72m covering 46 projects for products in-market and under development	• Recruitment of experienced product development personnel • Disciplined and risk-balanced product selection process • Robust business cases developed for selected products • Regular monitoring of product development progress • Input from regulatory authorities before and during the development process
Other product development - HPPI	• Application of SUBA®-itraconazole in Gorlin's Syndrome cancer fails to meet underlying valuation assumptions, including risk-adjusted assessments of expected clinical trial program outcomes, resulting in full or partial write-off of investment in HPPI • The carrying value of the investment in HPPI plus the value of warrants held at 30 June 2016 was $16.5m.	• Recruitment of experienced regulatory personnel • Input from US FDA before and during the development process • Active engagement with Gorlin's Syndrome Patient Association • Engagement with independent regulatory and quality experts
In-market pricing and competitive intensity	• Competitive dynamics for a product become unfavourable • New competitors enter a market or competitors increase market share • 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
Customer relationships	• Loss of a key customer • Inability to renew contracts on similar terms • Inability to attract new customers • Customers fail to honour payment obligations	• Recruitment of experienced sales and marketing and business development personnel • Management of customer pricing, economics and contract compliance • Strong systems and processes to manage and monitor collections
Regulatory compliance	• Loss of regulatory compliance certification for production facilities	• Recruitment of experienced quality and production personnel • Strong systems and processes to manage and monitor compliance

RISK	NATURE OF THE RISK	ACTIONS / PLANS TO MITIGATE
Product cost inflation	• Increasing cost of active pharmaceutical ingredients and other components	• Exclusive supply arrangements • Distribution arrangements with partners allow for rising input costs to be passed through
Foreign exchange movements	• Adverse movements in exchange rates	• Hedging of 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	• Medical information, pharmacovigilance and quality systems established and maintained • Allocate or share risk with distribution partners where appropriate • Appropriate insurance cover
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
Legal	• Litigation and other proceedings taken against the Company	• Recruitment of experienced legal personnel • Limit liability in contractual relationships where possible • Provide for resolution of international disputes through mediation and arbitration where possible

The above list does not represent an exhaustive list and it may be subject to change based on underlying market events and developments in the Company's operations.

Outlook

The outlook remains very positive and the Company has significant growth opportunities across multiple channels and all US business segments in the world's largest pharmaceutical market. Growth in FY17 will be driven by the recent product acquisitions, new product launches and further market penetration of the on-market portfolio globally.

The recently announced product acquisitions from Teva and GSK will significantly enhance the GPD and SBD platforms and provide a stable base of revenue and earnings with growth to come from a combination of the launch of pipeline products, the re-launch of Fabior® and Sorilux®, and the delivery of revenue and cost synergies over time.

The Company will also continue to identify further business development opportunities to in-license or acquire complementary assets to expand the on-market portfolio and pipeline or introduce new manufacturing or technology platforms

DIVIDENDS

The Directors have not declared an interim or final dividend for the 2016 financial year.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 28 June 2016, the Company announced it had entered into an agreement to acquire 37 approved and 5 FDA filed products from Teva Pharmaceutical Industries Limited ("Teva") and Allergan plc ("Allergan") for cash consideration of US$652m.

This asset purchase was completed on 3 August 2016.

The Company funded the acquisition via an extension of its existing debt facility (increasing limit to US$400m), and a fully underwritten A$601m 1-for-1.725 accelerated non-renounceable entitlement offer and A$287m placement.

Prior to settling the Teva transaction, the Company drew down the syndicated loan facility to an amount of US$150m which included rolling over the existing loan balance.

On 29 July 2016, the Company announced it had entered into a settlement agreement with Forest Laboratories, LLC ("Forest") relating to Mayne Pharma's US Patent No. 6,194,000. In December 2013, Mayne Pharma filed a patent infringement lawsuit against Forest over Forest's Namenda XR product, which was launched in the USA in June 2013.The settlement is expected to result in Mayne Pharma recording additional income of up to US$19.5m in FY17.

On 18 August 2016 the Company acquired a portfolio of on-market dermatology Foam Assets from GSK for US$50.1 million. Under the terms of the agreement Mayne Pharma will acquire the approved regulatory filings, trademarks, marketing materials, select product inventory, related medical and technical data and will acquire or obtain licenses for related patents.

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

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DIRECTORS' EXPERIENCE AND SPECIAL RESPONSIBILITIES

MR ROGER CORBETT AO, BCom, FAIM

Independent Chairman
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 more than 40 years. In 1984, Mr Corbett joined the board of David Jones Australia as a Director of Operations and in 1990 was appointed to the board of Woolworths Limited and to the position of Managing Director of BigW. In 1999, Mr Corbett was appointed Chief Executive Officer of Woolworths Limited, from which he retired in 2006. Mr Corbett was Chairman of Fairfax Media Limited, one of Australia's largest diversified media companies from October 2009 until 31 August 2015. Mr Corbett was a Director of the Reserve Bank of Australia until 1 December 2015, and was a director of Wal-Mart Stores until May 2016.

In addition to being Chairman of the 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
Appointed 13 February 2012

Mr Richards has more than 27 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 United States 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.

HON RON BEST

Independent Non-Executive Director
Appointed 26 July 2006

The Hon Ron Best is a highly respected former member of the Victorian Parliament (1988 to 2002), having held a number of senior positions in the National Party of Australia (Victoria) including Parliamentary Secretary, Shadow Minister for Housing and Spokesman for Health, Housing, Racing, Sport and Recreation. Mr Best has also been a member of various Parliamentary Committees including the Public Accounts and Estimates Committee, the Environmental and Natural Resources Committee and a Board Member of the Victorian Health Promotion Foundation. Prior to his political career, Mr Best was the owner of a successful food distribution business and General Manager of the Glacier Food Group. Since retiring from politics in 2002 Mr Best has consulted for privately-owned companies in the food services industry.

Mr Best is Chairman of the Nomination Committee and a member of the Audit & Risk Committee.

MR BRUCE MATHIESON

Independent Non-Executive Director
Appointed 16 February 2007

Mr Mathieson is currently a Director and was the former Chief Executive Officer of Australian Leisure and Hospitality Group Pty Limited, a joint venture between Woolworths Limited and the Mathieson Family. The ALH Group owns approximately 325 hotels and 520 retail outlets across Australia, and employs more than 15,000 staff. Mr Mathieson has operated in the hotel, leisure and hospitality industry since 1974 and is a well-respected member of the Australian business community. He has previously served as a Director of the Carlton Football Club. He is trained as an engineer, and brings management and transactional experience from across a number of industries to the Board. Mr Mathieson is a director of Western Desert Resources Limited and was a director of Isonea Limited (resigned 28 November 2014).

Mr Mathieson is a member of the Audit & Risk and Nomination Committees.

MR IAN SCHOLES BCom, CA

Independent Non-Executive Director
Appointed 17 October 2007

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

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

MR WILLIAM (PHIL) HODGES

Non-Executive Director
Appointed 15 November 2012

Mr Hodges has been involved in the pharmaceutical industry for over 30 years and founded the Metrics business in 1994. Since 1994, Mr Hodges oversaw the transition of Metrics from a start-up analytical laboratory with four employees to a specialty pharmaceutical company with a portfolio of niche generic products. Prior to starting Metrics, Mr Hodges spent 11 years at Burroughs Wellcome Co. (which became part of GlaxoSmithKline) in the development and validation of analytical methods. Mr Hodges ceased his executive role as President of Metrics on 31 December 2013 but continues as a Non-Executive Director of Mayne Pharma Group Limited.

PROF BRUCE ROBINSON, AM

Non-Executive Director
Appointed 26 August 2014

Professor Robinson is Dean of Sydney Medical School at the University of Sydney, a position he has held since 2007. As Dean, he leads one of the largest medical schools in Australia. Professor Robinson is an Endocrinologist and practices at Sydney's Royal North Shore Hospital. 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 Board Member of the Woolcock Institute, the ANZAC Research Institute for Cancer Research, the Centenary Institute for Cancer Research, the Royal Flying Doctor Service (South-Eastern Division) and is Chair of RFDS Medical Advisory Committee.

COMPANY SECRETARY

Mr Mark Cansdale, BEc, CA (Group CFO and Company Secretary) was appointed as the Company Secretary on 27 January 2011. Mr Cansdale is a Chartered Accountant with 25 years' experience in the accounting and finance profession. Mr Cansdale has extensive experience in the areas of business development, mergers and acquisitions, corporate strategy, tax, financial planning and analysis, risk management, treasury and investor relations.

DIRECTORS' INTERESTS IN SHARE CAPITAL AND OPTIONS

The relevant interest of each Director in the share capital and options 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 NON RECOURSE LOANS	NUMBER OF OPTIONS OVER ORDINARY SHARES
Mr R Corbett	10,284,769	-	-
Mr S Richards	9,368,564	6,377,025	7,500,000
Hon R Best	1,568,506	-	-
Mr B Mathieson	90,269,499	-	-
Mr I Scholes	2,058,636	-	-
Mr P Hodges	8,406,554	-	-
Prof B Robinson	407,519	-	-

UNISSUED SHARES UNDER OPTION

As at the date of this Directors' Report there were 29,874,000 unissued ordinary shares under option (31,460,000 at the reporting date). Details of these options are as follows:

DATE OPTIONS GRANTED	EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER OPTION
13 February 2012	13 February 2019	$0.1492	7,500,000
11 January 2013	12 January 2019	$0.2184	7,220,000[1]
25 January 2013	26 January 2019	$0.2184	4,634,000
1 July 2013	1 July 2019	$0.3184	1,000,000
2 July 2013	7 March 2019	$0.2984	500,000
21 April 2014	11 November 2019	$0.6647	1,000,000
1 May 2014	21 October 2019	$0.5923	320,000
1 May 2014	30 November 2019	$0.6754	1,000,000
19 August 2014	28 March 2019	$0.8003	600,000
19 August 2014	19 June 2019	$0.7701	600,000
19 August 2014	30 June 2019	$0.8188	1,000,000
19 August 2014	2 July 2019	$0.8109	400,000
19 August 2014	1 August 2019	$0.7437	200,000
19 August 2014	28 August 2019	$0.7682	600,000
29 January 2015	17 December 2019	$0.6447	600,000
29 January 2015	1 February 2020	$0.5347	2,700,000
Total			29,874,000

1. 1,110,000 options were forfeited prior to year-end and are excluded from the outstanding options.

The exercise price of all options was reduced by 9.43 cents effective 22 July 2016 under ASX Listing Rule 6.22 following the 1:1.725 non-renounceable rights issue announced in June 2016.

In the prior year, the exercise price of all options granted prior to March 2015 were reduced by 1.73 cents under ASX Listing Rule 6.22 following the 1:3.45 rights issue announced in February 2015.

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

No share options were granted during the financial year.

Further details of options are contained in Note 27 of the financial statements.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

During the financial year options have been exercised to acquire a total of 3,450,000 fully paid ordinary shares in Mayne Pharma Group Limited at a weighted average exercise price of $0.2895 per share.

NON-AUDIT SERVICES

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

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

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

	2016 $	2015 $
Taxation services	140,930	61,367
Acquisition accounting services	49,600	30,750
Other assurance	31,025	31,000
Total	221,555	123,117

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. In addition, the indemnity will not apply to liabilities arising out of conduct involving a lack of good faith. The Company has entered into an Access, Indemnity and Insurance Deed with each of the Directors and Officers of the Company. Each Access, Indemnity and Insurance Deed 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 Access, Indemnity and Insurance Deeds 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 Mayne Pharma Group Limited in respect of any liability incurred in connection with the performance of their duties as Directors or Officers of the Company, other than for matters involving a wilful breach of duty or a contravention of sections 182 or 183 of the Corporations Act 2001 as permitted by section 199B of the Corporations Act 2001. The Company's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

To the extent permitted by law, 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 (for an unspecified amount). 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 workplaces and environmental sustainability of our operations.

The EHS function continues to refine and improve our 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 including but not limited to performance data such as injury rates, utilities consumption, waste discharges and emissions to various internal and external stakeholders. The operating sites in Salisbury and Greenville are subject to periodic inspections by EHS regulators; several inspections occurred during the year by the relevant authorities with no violations or citations recorded.

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

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration has been received from the Auditor and is included on page 35 of this report.

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REMUNERATION REPORT (AUDITED)

This report outlines the specific remuneration arrangements in place for the key management personnel ("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.

Changes from the prior year include an expanded number of KMP due to the recruitment of additional senior executives and the establishment of the Corporate Executive Committee (CEC - all members of which are considered to be KMP) and a revision of TSR hurdles for the LTI share plan as recommended by independent remuneration consultants 3 Degrees Consulting Pty Limited (3dc) and as outlined in the 2015 Remuneration Report were implemented effective 1 July 2015.

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1. KEY MANAGEMENT PERSONNEL DETAILS

Non-Executive Directors:

- Mr Roger Corbett, AO – Independent Chairman
- Hon Ron Best – Independent Non-Executive Director
- Mr Phil Hodges – Non-Executive Director
- Mr Bruce Mathieson – Independent Non-Executive Director
- Prof Bruce Robinson, AM – Independent Non-Executive Director
- Mr Ian Scholes – Independent Non-Executive Director

Executive Directors:

- Mr Scott Richards – Managing Director and Chief Executive Officer

Other executive KMPs:

- Mr Mark Cansdale – Group CFO and Company Secretary
- Mr Stefan Cross – President of Mayne Pharma USA
- Dr Ilana Stancovski – Chief Scientific Officer
- Ms Kate Rintoul – Executive Vice President and General Counsel
- Mr Eric Evans – Chief Financial Officer of Mayne Pharma USA (appointed 3 August 2015)
- Mr Peter Paltoglou – Chief Development Officer and Head of M&A (appointed 22 August 2015)
- Ms Lisa Pendlebury – Vice President Investor Relations and Communications (appointed 11 November 2015)
- Mr Andrew Van Breugel – Executive Vice President Operations (appointed 11 January 2016)

The CEC monitors business strategy and performance, guides strategic allocation of resources and capital, assesses and mitigates material business risks and sets the framework for interaction and management of external stakeholders and influencers.

2. REMUNERATION GOVERNANCE

The Board of Directors has delegated the responsibility for determining and reviewing compensation arrangements for the Directors, other 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 and the CEO, Group CFO and the Director of People and Culture attend meetings as required at the invitation of the Committee Chair.

The RPC assesses the appropriateness of the nature and amount of emoluments of such 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. Such officers are paid their base emolument in cash only.

To ensure the RPC is fully informed when making remuneration decisions it seeks advice from the Company's Director of People and Culture as well as specialist advice from external remuneration consultants. The RPC continued to engage 3dc during the year.

The fees paid to 3dc for the remuneration advice were $85,000 (2015: $99,000) which included remuneration recommendations as defined under the *Corporations Act 2001*.

The RPC is satisfied that the advice received from 3dc was free from undue influence from the KMP to whom the recommendations may have related as 3dc were engaged by, and reported directly to, the Chair of the RPC.

Remuneration Report approval at the 2015 Annual General Meeting

The FY15 Remuneration Report received strong shareholder support at the 2015 AGM with a vote of 96% in favour. Additional remuneration-related resolutions covering the issue of shares under the LTI share loan scheme to the Managing Director and an increase in the fee pool for Non-Executive Directors also received strong support.

3. REMUNERATION POLICY

In general, the Board links the nature and amount of KMP and other senior executives' emoluments to the Company's financial and operational performance. Given the nature of the industry in which the Company operates and the position it is in regarding the on-going 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 paid to the Company's Directors and senior executives is also 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 in the ASX 151-200. This assessment is undertaken with reference to published information provided by various executive search firms operating in the sector.

4. ELEMENTS OF KMP REMUNERATION

Remuneration packages may contain the following key fixed and performance-based elements:

- Short-term benefit – salary/fees, annual leave, bonuses and other benefits such as novated lease payments;
- Post-employment benefits – superannuation;
- Share-based payments – share options granted under the Company's approved option plans and LTI shares granted under the non-recourse loan arrangements as disclosed in Note 27 to the financial statements;
- Long-term benefits – long service leave; and
- Termination payments

Fixed remuneration

Managing Director and Officers

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, and industry benchmarks wherever possible and CPI data.

In assessing fixed remuneration, the Board has considered the increasing scale and complexity of the operations of Mayne Pharma, and the remuneration paid to comparable roles amongst the companies comprising the ASX151-200. As a result, the Board resolved to increase the fixed remuneration of the CEO from $800,000 to $900,000 effective 13 February 2016 (being the anniversary of his commencement). The Board is very comfortable that this increase is appropriate having regard to Mayne Pharma's continued growth and strong performance during the year under Mr Richards' leadership.

Non-executive directors

Total remuneration for non-executive directors is determined by resolution of shareholders. The maximum available aggregate cash remuneration approved for non-executive directors at the 2015 Annual General Meeting is $1,200,000. Non-executive directors do not receive retirement benefits other than a superannuation guarantee contribution required by government regulation, 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.

The current annual fees for the Chairman and other non-executive directors were reviewed effective 1 July 2015 and reflect the market competitiveness review conducted by 3dc.

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.

Performance-linked remuneration

Remuneration packages for KMP and senior executives have traditionally included the entitlement to short-term incentives (STI) in the form of cash bonuses, and the entitlement to long-term incentives (LTI) through the award of options over ordinary shares under the Chief Executive Share Option Plan, and to other executives under the Employee Share Option Plan.

Effective 1 July 2014, and as approved by shareholders at the 2014 Annual General Meeting, the Board removed the entitlement to an STI for the CEO and Group CFO & Company Secretary and replaced it with an amended LTI based on annual grants under the new Executive Share Loan Scheme (ESLS). Following a further review (from the perspective of both the Company and senior executives), the Board decided to expand the ESLS to all KMP and other select senior executives effective 1 July 2015, to ensure that these executives are focussed on the long term growth of shareholder value.

The ESLS allows the issue of shares to participants based on a percentage of fixed remuneration funded by a non-recourse loan. Issues will be made annually to KMP and other senior executives who have foregone their STI entitlement.

Under the ESLS, eligible senior management are provided with non-recourse loans from the Group for the sole purpose of acquiring the shares. 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 and while the loan remains outstanding, with any unvested/unexercised shares lapsing 49 months after the first test date.

Any dividends paid on the shares are applied (on a notional after tax basis) towards repaying the loan.
The shares generally vest over three years with 20% vesting after the first test date, 30% after the second test date and 50% vesting after the third test date, other than those issued to the CEO during FY15, of which 100% only vest after 36 months if the hurdles are met.

The test dates for the LTI loan scheme issues made since 1 July 2015 have been set as 1 July each year. For previous issues the testing dates were based on the anniversary of the grant date. This provides a rolling benefit to senior executives over the three year period in the absence of a short term incentive.

The number/proportion of shares (granted prior to reporting date) that vest is based on the absolute Total Shareholder Return (TSR) over the period, with 50% vesting if a TSR of 5% (10% for pre 1 July 2015 issues) Compound Annual Growth (CAGR) is achieved, rising to 100% vesting for achievement of a TSR CAGR of 10% (15% for pre 1 July 2015 issues). If the hurdles are not met at the date of the initial test, the unvested shares are re-tested at the next test date. If any shares remain unvested after the third test date, they are able to be re-tested six monthly for a further two years, at which point they will lapse if unvested. The Board has determined that the opportunity for re-testing of the absolute TSR hurdle is appropriate at this time given the uncertain timing of product approvals. The Board took advice from

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3d on the appropriate TSR targets for the issues made since 1 July 2015 considering the significant growth in the Company's share price. Given this, the Board set the TSR target range at a CAGR of 5% to 10% for LTI issues made since 1 July 2015.

The Board considered performance measures other than TSR however concluded these were not appropriate at this time. The Board will continue to consider whether an earnings or returns based measure is more appropriate for future grants. The Board considers that an absolute TSR target aligns managements reward (via the share based loan plan) with that of shareholders.

Hedging of equity awards

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

5. KMP REMUNERATION TABLES

The following table discloses KMP remuneration during the year ended 30 June 2016:

	SHORT-TERM BENEFITS					POST-EMPLOYMENT BENEFITS	LONG TERM BENEFITS				
	DIRECTORS' FEES $	SALARY $	ANNUAL LEAVE $	BONUS[1] $	OTHER BENEFITS[2] $	SUPER-ANNUATION $	OTHER[3] $	OPTIONS $	LTI SHARES $	TOTAL $	PROPORTION RELATED TO PERFORMANCE %
Non-Executive Directors											
Mr R Corbett	250,000	-	-	-	-	23,750	-	-	-	273,750	-
Hon R Best	95,583	-	-	-	-	46,767	-	-	-	142,350	-
Mr B Mathieson	130,000	-	-	-	-	12,350	-	-	-	142,350	-
Mr I Scholes	140,000	-	-	-	-	13,300	-	-	-	153,300	-
Mr P Hodges	120,000	-	-	-	-	-	-	-	-	120,000	-
Prof B Robinson	120,000	-	-	-	-	11,400	-	-	-	131,400	-
Executive Directors											
Mr S Richards	-	803,127	60,052	-		19,308	19,517	403,257	443,875	1,749,136	48.4
Other KMP											
Mr M Cansdale	-	387,435	35,053	-	26,194	19,308	7,449	-	227,432	702,871	32.4
Mr S Cross	-	535,383	32,968	-	119,395	36,744	4,275	131,258	169,914	1,029,937	29.2
Dr I Stancovski	-	332,992	27,730	-	-	-	9,012	-	149,017	518,751	28.7
Ms K Rintoul[4]	-	295,301	23,343	53,560	-	19,308	4,960	38,131	90,087	524,690	34.6
Mr E Evans[5]	-	421,860	33,120	-	16,162	5,652	-	-	131,487	608,281	21.6
Mr P Paltoglou[6]	-	337,658	26,923	-	9,111	17,011	-	-	187,505	578,208	32.4
Ms L Pendlebury[7]	-	140,000	12,307	-	-	14,102	-	-	48,155	214,564	22.4
Mr A Van Breugel[8]	-	129,164	10,577	-	29,991	10,836	-	-	-	180,568	-
Total	855,583	3,382,920	262,073	53,560	200,853	249,836	45,213	572,645	1,447,472	7,070,156	

1. Bonuses are accrued when specified personal and/or corporate parameters are met.
2. Other benefits include car lease payments, rental allowances and medical related payments. Mr Cross also receives return flights to Australia and other typical expat benefits.
3. Other long-term benefits represent accruals for long service leave entitlements that may arise should the relevant key management personnel meet the eligibility requirements in the future.
4. Ms Rintoul was considered to be KMP from 1 July 2015.
5. Mr Evans commenced with the Group on 5 August 2015
6. Mr Paltoglou commenced with the Group 22 August 2015
7. Ms Pendlebury commenced with the Group (as a full time employee) 11 November 2015
8. Mr Van Breugel commenced with the Group 15 January 2016.

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The following table discloses KMP remuneration during the year ended 30 June 2015:

	SHORT-TERM BENEFITS					POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS				
	DIRECTORS' FEES $	SALARY $	ANNUAL LEAVE $	BONUS[1] $	OTHER BENEFITS[2] $	SUPER-ANNUATION $	OTHER[3] $	OPTIONS $	LTI SHARES $	TOTAL $	PROPORTION RELATED TO PERFORMANCE %
Non-Executive Directors											
Mr R Corbett	140,000	-	-	-	-	13,300	-	-	-	153,300	-
Hon R Best	77,500	-	-	-	-	7,362	-	-	-	84,862	-
Mr B Mathieson	77,500	-	-	-	-	7,362	-	-	-	84,862	-
Mr I Scholes	77,500	-	-	-	-	7,362	-	-	-	84,862	-
Mr P Hodges	77,500	-	-	-	-	-	-	-	-	77,500	-
Prof B Robinson[4]	64,583	-	-	-	-	6,135	-	-	-	70,718	-
Executive Directors											
Mr S Richards	-	626,673	52,367	-		18,783	17,026	461,540	96,770	1,273,179	43.9
Other KMP											
Mr M Cansdale	-	345,507	31,631	-	29,334	18,783	6,722	16,435	55,794	504,206	14.3
Mr S Cross	-	369,132	20,989	92,283	233,146	37,527	4,275	162,466	-	919,820	27.7
Dr I Stancovski[5]	-	298,371	21,231	-	20,324	15,653	-	-	17,145	372,724	4.6
Total	514,583	1,639,683	126,238	92,283	282,806	132,267	28,023	640,441	169,709	3,626,033	

1. Bonuses are accrued when specified personal and/or corporate parameters are met.
2. Other benefits include car lease payments, rental allowances and medical related payments. Mr Cross also receives return flights to Australia and other typical expat benefits.
3. Other long-term benefits represent accruals for long service leave entitlements that may arise should the relevant key management personnel meet the eligibility requirements in the future.
4. Prof Robinson was appointed 26 August 2014.
5. Dr Stancovski commenced with the Group 1 September 2014.

6. VALUE OF EQUITY INTRUMENTS GRANTED TO KMP

Options

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

	GRANT DATE	NUMBER HELD AT 1 JULY 2015	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2016	NUMBER VESTED AT 30 JUNE 2016	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Year ended 30 June 2016									
Mr R Corbett		-	-	-	-	-		-	-
Mr S Richards	13 Feb 12	7,500,000	-	-	-	7,500,000	7,500,000	1,842,300[1]	403,257
Hon R Best		-	-	-	-	-	-	-	-
Mr B Mathieson		-	-	-	-	-	-	-	-
Mr I Scholes		-	-	-	-	-	-	-	-
Mr P Hodges		-	-	-	-	-	-	-	-
Prof B Robinson		-	-	-	-	-	-	-	-
Mr M Cansdale		-	-	-	-	-	-	-	-
Mr S Cross	25 Jan 13	800,000	-	-	-	800,000	300,000	110,800[2]	27,197
Mr S Cross	21 Apr 14	1,000,000	-	-	-	1,000,000	200,000	336,850[2]	104,061
Dr I Stancovski		-	-	-	-	-	-	-	-
Ms K Rintoul	2 Jul 13	800,000	-	-	-	800,000	300,000	164,090	38,131
Mr E Evans		-	-	-	-	-	-	-	-
Mr P Paltoglou		-	-	-	-	-	-	-	-
Ms L Pendlebury		-	-	-	-	-	-	-	-
Mr A Van Breugel		-	-	-	-	-	-	-	-
		10,100,000	-	-	-	10,100,000	8,300,000	2,454,040	572,645

1. As a result of the underwritten pro-rata accelerated non-renounceable entitlement offer announced on 10 February 2015 to fund the US Doryx acquisition, the exercise price changed in accordance with ASX Listing Rule 6.22 and the hurdle prices of unquoted options issued to the Chief Executive Officer were reduced in accordance with a resolution passed at the 2013 AGM. The fair value of the options prior to the change were as follows: tranche one $0.560, tranche two $0.537, tranche three $0.506 per option and the fair value of the options after the change were as follows: tranche one $0.577, tranche two $0.554, tranche three $0.533 per option. At grant date the total value of the options was $940,000. This value was increased by $740,000 as a result of the previous hurdle price changes. The value further increased as a result of the 2015 exercise price and hurdle changes by $162,300.
2. As a result of the underwritten pro-rata accelerated non-renounceable entitlement offer announced on 10 February 2015 to fund the US Doryx acquisition, the exercise price of unquoted options issued to Stefan Cross were reduced by $0.0173 on 11 March 2015 in accordance with ASX Listing Rule 6.22. At the grant dates the total value of the options was $434,100. This value was increased by $13,550 as a result of the exercise price change in March 2015.

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	GRANT DATE	NUMBER HELD AT 1 JULY 2014	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2015	NUMBER VESTED AT 30 JUNE 2015	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Year ended 30 June 2015									
Mr R Corbett		-	-	-	-	-	-	-	-
Mr S Richards	13 Feb 12	7,500,000	-	-	-	7,500,000	4,000,000	1,842,300[1]	461,540
Hon R Best		-	-	-	-	-	-	-	-
Mr B Mathieson		-	-	-	-	-	-	-	-
Mr I Scholes		-	-	-	-	-	-	-	-
Mr P Hodges		-	-	-	-	-	-	-	-
Prof B Robinson		-	-	-	-	-	-	-	-
Mr M Cansdale	25 Jul 11	950,000	-	950,000	-	-	-	295,129[2]	16,435
Mr S Cross	25 Jan 13	1,000,000	-	200,000	-	800,000	-	110,800[3]	32,886
Mr S Cross	21 Apr 14	1,000,000	-	-	-	1,000,000	-	336,850[3]	129,580
Dr I Stancovski		-	-	-	-	-	-	-	-
		10,450,000	-	1,150,000	-	9,300,000	4,000,000	2,585,079	640,441

1. As a result of the underwritten pro-rata accelerated non-renounceable entitlement offer announced on 10 February 2015 to fund the US Doryx acquisition, the exercise price changed in accordance with ASX Listing Rule 6.22 and the hurdle prices of unquoted options issued to the Managing Director and Chief Executive Officer were reduced in accordance with a resolution passed at the 2013 AGM. The fair value of the options prior to the change were as follows: tranche one $0.560, tranche two $0.537, tranche three $0.506 per option and the fair value of the options after the change were as follows: tranche one $0.577, tranche two $0.554, tranche three $0.533 per option. At grant date the total value of the options was $940,000. This value was increased by $740,000 as a result of the previous hurdle price changes. The value further increased as a result of the 2015 exercise price and hurdle changes by $162,300.
2. As a result of the underwritten pro-rata accelerated non-renounceable entitlement offer announced on 10 February 2015 to fund the US Doryx acquisition, the exercise price of unquoted options issued to the Group CFO and Company Secretary was reduced by $0.0173 on 11 March 2015 in accordance with ASX Listing Rule 6.22. At grant date the total value of the options was $152,994. This value was increased by $125,700 as a result of the exercise price change in November 2013 and by $16,435 as a result of the exercise price change in March 2015.
3. As a result of the underwritten pro-rata accelerated non-renounceable entitlement offer announced on 10 February 2015 to fund the US Doryx acquisition, the exercise price of unquoted options issued to Stefan Cross were reduced by $0.0173 on 11 March 2015 in accordance with ASX Listing Rule 6.22. At the grant dates the total value of the options was $434,100. This value was increased by $13,550 as a result of the exercise price change in March 2015.

Chief Executive Officer Share Option Plan (CEOSOP)

As noted above, a share option plan was used historically where the CEO could be issued with options over the ordinary shares of Mayne Pharma Group Limited. Shareholders approved the plan at the Extraordinary General Meeting held on 27 January 2012. The options, issued for nil consideration, were issued in accordance with guidelines established by the Directors.

Each CEO share option converts to one ordinary share in Mayne Pharma Group Limited upon exercise. The options carry neither rights to dividends nor voting. Options may be exercised at any time from the date of vesting to seven years after the Grant Date (13 February 2019) subject to the terms and conditions outlined in the plan, including Share Price hurdles ranging from $0.74 to $1.19 (2015: share price hurdles were $0.74 to $1.19), Share Gateway conditions apply.

The options were issued in three tranches:

	NUMBER OF OPTIONS	GRANT DATE	VESTING DATE
Tranche 1	1,500,000	13 February 2012	13 February 2015
Tranche 2	2,500,000	13 February 2012	13 February 2015
Tranche 3	3,500,000	13 February 2012	13 February 2016

	2016 NUMBER OF OPTIONS	2016 WEIGHTED AVERAGE EXERCISE PRICE $	2015 NUMBER OF OPTIONS	2015 WEIGHTED AVERAGE ERERCISE PRICE $
Balance at beginning of year	7,500,000	0.2435[1,2]	7,500,000	0.2435[1]
Granted during the year	-	-	-	-
Balance at end of year	7,500,000		7,500,000	

1. The weighted average exercise price of the CEOSOP options changed during the previous year as a result of the application of ASX Listing Rule 6.22 following the Company's entitlement offer announced in February 2015.
2. The exercise price of the CEOSOP options were reduced by 9.43 cents each to $0.1492 subsequent to the reporting period (effective 22 July 2016) as a result the application of ASX Listing Rule 6.22 following the Company's entitlement offer announced in June 2016.

The Tranche 3 options vested during the reporting period.

There were no option issues under the CEOSOP during the year (2015: nil).

Option modification

The terms of the options issued in February 2012 under the CEOSOP were modified during the previous year. Following the issue of shares under an underwritten pro-rata accelerated non-renounceable entitlement offer of new ordinary shares, as announced in February 2015, the exercise price was changed in accordance with ASX Listing Rule 6.22 and the hurdle price of the options was subsequently adjusted in accordance with the special resolution passed at the Company's 2013 AGM. The exercise price was reduced by 1.73 cents and the hurdle prices were changed such that the tranche two hurdle changed from $0.98 to $0.92 and the tranche three hurdle changed from $1.29 to $1.19.

As tranche 1 and tranche 2 options had vested and were exercisable at the time of the exercise price change, the change in the intrinsic value was considered to be equal to the change in the exercise price (i.e. change $0.0173 cents per option).

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The modification resulted in an expense value greater than the pre-modification expense value of $93,100 for the unvested options and as such the expense amount was changed with this additional amount to be expensed over the remaining life of the options. The modification of the vested options resulted in additional expense of $69,200 which was expensed in the prior year.

Following the issue of shares under an underwritten pro-rata accelerated non-renounceable entitlement offer of new ordinary shares, as announced in June 2016, the exercise price was reduced by 9.43 cents in accordance with ASX Listing Rule 6.22 effective 22 July 2016. The expense impact had not been assessed at the date of this report. Any adjustment to the expense will be reflected in the FY17 reporting period.

LTI Shares

As noted above, under the new LTI program ("Executive Share Loan Scheme" or "ESLS"), eligible KMP (and other select senior management) are invited to acquire shares in the Company funded by a non-recourse loan from the Group. 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 recognized in the financial statements.

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

	GRANT DATE	NUMBER HELD AT 1 JULY 2015	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2016	NUMBER VESTED AT 30 JUNE 2016	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Year ended 30 June 2016									
Mr R Corbett	-	-	-	-	-	-	-	-	-
Mr S Richards	4 Dec 14	3,823,529	-	-	-	3,823,529	-	845,000	169,000
Mr S Richards	4 Dec 15	-	2,553,496	-	-	2,553,496	-	1,237,169	274,875
Hon R Best	-	-	-	-	-	-	-	-	-
Mr B Mathieson	-	-	-	-	-	-	-	-	-
Mr I Scholes	-	-	-	-	-	-	-	-	-
Mr P Hodges	-	-	-	-	-	-	-	-	-
Prof B Robinson	-	-	-	-	-	-	-	-	-
Mr M Cansdale	8 Sep 14	1,092,063	-	-	-	1,092,063	218,413	344,000	68,800
Mr M Cansdale	3 Aug 15		1,173,682	-	-	1,173,682	-	518,885	158,632
Mr S Cross	3 Aug 15	-	1,257,153	-	-	1,257,153	-	555,787	169,914
Dr I Stancovski	2 Feb 15	833,003	-	-	-	833,003	166,601	210,000	42,000
Dr I Stancovski	3 Aug 15	-	791,789	-	-	791,789	-	350,050	107,017
Ms K Rintoul	3 Aug 15	-	666,533	-	-	666,533	-	294,674	90,087
Mr E Evans	5 Aug 15	-	974,997	-	-	974,997	-	432,996	131,487
Mr P Paltoglou	24 Aug 15	-	2,231,344	-	-	2,231,344	-	633,032	187,505
Ms L Pendlebury	11 Nov 15	-	524,070	-	-	524,070	-	200,771	48,155
Mr A Van Breugel	-	-	-	-	-	-	-	-	-
		5,748,595	10,173,064	-	-	15,921,659	385,014	5,622,364	1,447,472

	GRANT DATE	NUMBER HELD AT 1 JULY 2014	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2015	NUMBER VESTED AT 30 JUNE 2015	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Year ended 30 June 2015									
Mr R Corbett	-	-	-	-	-	-	-	-	-
Mr S Richards	4 Dec 14	-	3,823,529	-	-	3,823,529	-	845,000	96,770
Hon R Best		-	-	-	-	-	-	-	-
Mr B Mathieson		-	-	-	-	-	-	-	-
Mr I Scholes		-	-	-	-	-	-	-	-
Mr P Hodges	-	-	-	-	-	-	-	-	-
Prof B Robinson	-	-	-	-	-	-	-	-	-
Mr M Cansdale	8 Sep 14		1,092,063	-	-	1,092,063	-	344,000	55,794
Mr S Cross	-	-	-	-	-	-	-	-	-
Dr I Stancovski	2 Feb 15	-	833,003	-	-	833,003	-	210,000	17,145
		-	5,748,595	-	-	5,748,595	-	1,399,000	169,709

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7. OPTIONS AND SHARES GRANTED SUBSEQUENT TO REPORTING DATE

No options were issued to KMP subsequent to report date.

The following restricted shares were issued subsequent to report date to KMP in accordance with the terms of the ESLS:

NAME	Date granted	Number of shares issued	Exercise Price / loan value $	Expiry date
Mr M Cansdale	11 August 2016	676,119	2.01	31 July 2021
Mr S Cross	11 August 2016	715,418	2.01	31 July 2021
Dr I Stancovski	11 August 2016	584,979	2.01	31 July 2021
Ms K Rintoul	11 August 2016	516,017	2.01	31 July 2021
Mr E Evans	11 August 2016	556,600	2.01	31 July 2021
Mr P Paltoglou	11 August 2016	719,413	2.01	31 July 2021
Ms L Pendlebury	11 August 2016	298,291	2.01	31 July 2021
Mr A Van Breugel	11 August 2016	370,617	2.01	31 July 2021

8. SHARES ISSUED ON EXERCISE OF OPTIONS BY KMP

No shares were issued to KMP on the exercise of options during the year ended 30 June 2016.

	SHARES ISSUED NUMBER	PAID PER SHARE $	UNPAID PER SHARE $
30 June 2015			
Mr S Cross	200,000	0.3127	-
Mr M Cansdale	950,000	0.2505	
Total	1,150,000		-

9. SHARES HELD BY KMP

Movements in shares

The movement during the year 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 2014	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS AND / OR LTI SHARES GRANTED	OTHER CHANGES DURING THE YEAR	HELD AT 30 JUNE 2015	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS AND / OR LTI SHARES GRANTED	OTHER CHANGES DURING THE YEAR	HELD AT 30 JUNE 2016
Directors	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
Mr R Corbett	**5,047,499**	-	1,463,043	**6,510,542**	-	-	**6,510,542**
Mr S Richards	**2,500,000**	3,823,529	1,090,367	**7,413,896**	2,553,496	-	**9,967,392**
Hon R Best	**2,173,244**	-	319,094	**2,492,338**	-	68,000	**2,560,338**
Mr B Mathieson	**43,774,748**	-	12,688,332	**56,463,080**	-	680,000	**57,143,080**
Mr I Scholes	**1,010,328**	-	292,846	**1,303,174**	-	-	**1,303,174**
Mr P Hodges	**5,302,738**	-	1,536,929	**6,839,667**	-	-	**6,839,667**
Prof B Robinson	**-**	-	257,971	**257,971**	-	-	**257,971**
	59,808,557	3,823,529	17,648,582	**81,280,668**	2,553,496	748,000	**84,582,164**
Other KMP							
Mr M Cansdale	**230,710**	2,042,063	(566,588)	**1,706,185**	1,173,682	-	**2,879,867**
Mr S Cross	**-**	200,000	-	**200,000**	1,257,153	-	**1,457,153**
Dr I Stancovski	**-**	833,003	40,000	**873,003**	791,789	-	**1,664,792**
Ms K Rintoul	**-**	-	-	**-**	666,533	-	**666,533**
Mr E Evans	**-**	-	-	**-**	974,997	-	**974,997**
Mr P Paltoglou	**-**	-	-	**-**	2,231,344	374,000	**2,605,344**
Ms L Pendlebury	**-**	-	-	**287,697**	524,070	-	**811,767**
Mr A Van Breugel	**-**	-	-	**-**	-	-	**-**
	230,710	3,075,066	(526,588)	**3,066,885**	7,619,568	374,000	**11,060,453**
	60,039,267	6,898,595	17,121,994	**84,347,553**	10,173,064	1,122,000	**95,642,617**

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10. EMPLOYMENT CONTRACTS

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

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

NAME	TERM OF AGREEMENT	BASE SALARY INCLUDING SUPERANNUATION[1]	NOTICE PERIOD	INCENTIVE ARRANGEMENTS	TERMINATION BENEFITS
Mr S Richards *Chief Executive Officer*	On-going commencing 13 February 2012	$900,000	12 months	Entitlement to participate in LTI option plan. The value of the LTI is based on 130% of fixed remuneration.	Nil if for serious mis-conduct. Otherwise, up to 12 months' pay in lieu of notice. If employment is terminated within six months of a change of control, entitled to a payment equal to 12 months' pay.

1. Base salary quoted is for a 12 month period and is current and is reviewed annually by the Remuneration and People Committee.

Other executive KMP are subject to service agreements with notice periods from 3 months to 6 months. Other KMP participate in the LTI plan receiving an annual allocation of shares under the plan. LTI participation is between 70% and 90% of fixed remuneration. These executives no longer participate in the STI plan.

In order to align the executive KMP interests with shareholder interests, all executive KMP are required to build and hold a specified minimum shareholding in the Company over time.

11. GROUP PERFORMANCE

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

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 written assessments form the basis of a performance review discussion between the employee and their manager.

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

As outlined in this report, the Company has implemented a broader based long-term incentive (LTI) plan 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.

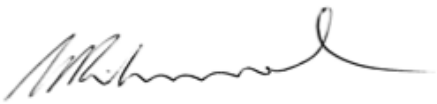
The Company now has 132 senior members of staff participating in the LTI programme, either though previous option issues, or more recently through the share loan scheme, including 14 senior executives who have agreed to forgo STI entitlements. The Board considers this a strong indication of the alignment of the shareholders' and employees' interests.

The following table outlines key statistics reported by the Company over the last five years to 30 June 2016:

	2016 $000'S	2015 $000'S	2014 $000'S	2013 $000'S	2012 $000'S
Total revenue ($000)	267,280	141,420	143,254	83,431	51,904
NPAT ($000) attributable to Mayne Pharma shareholders	37,355	7,759	21,290	(2,843)	6,153
Basic EPS (cents)	4.77	1.18	3.72	(0.70)	4.05
Share price (30 June)	$1.905	$0.985	$0.850	$0.430	$0.350
Dividends per share (cents)	-	-	-	-	-

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

Dated at Melbourne, Australia this 25th day of August 2016.



Mr Scott Richards
Managing Director and CEO

Building a better working world

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

As lead auditor for the audit of Mayne Pharma Group Limited for the financial year ended 30 June 2016, 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

Ernst & Young

Ashley C Butler
Partner
Melbourne
25 August 2016

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

The following documents are available on the Mayne Pharma website:

- Corporate Governance Statement;
- Board Charter;
- Audit & Risk Committee, RPC and Nomination Committee Charters;
- Code of Conduct;
- Communications Policy;
- Continuous Disclosure Policy,
- Risk Management Framework;
- Workplace Gender Equality Agency Annual Compliance Report; and
- Securities Trading Policy.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	NOTE	CONSOLIDATED 2016 $'000	2015 $'000
Continuing operations			
Sale of goods		206,629	96,316
Services revenue		59,170	43,514
License fee revenue		391	494
Royalties revenue		1,090	1,096
Revenue		**267,280**	**141,420**
Cost of sales		(98,914)	(61,433)
Gross profit		**168,366**	**79,987**
Other income	4	7,491	6,920
Research and development expenses		(8,731)	(5,588)
Marketing and distribution expenses		(38,029)	(17,549)
Administration expenses and other expenses	6	(76,766)	(45,592)
Finance expenses	6	(2,494)	(5,945)
Share of associate loss	14	-	(990)
Profit before income tax		**49,837**	**11,243**
Income tax expense	7	(15,314)	(3,706)
Net profit from continuing operations after income tax		**34,523**	**7,537**
Attributable to:			
Equity holders of the Parent		37,355	7,759
Non-controlling interests		(2,832)	(222)
		34,523	**7,537**
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified to profit or loss in future periods			
Unrealised loss on cash flow hedges		(864)	-
Income tax effect		-	-
Exchange differences on translation		3,161	22,665
Income tax effect		-	-
Share of associate exchange differences on translation	14	-	1,528
Items that will not be reclassified to profit or loss in future periods			
Exchange differences on translation		310	515
Income tax effect		-	-
Total comprehensive income for the period		**37,130**	**32,245**
Attributable to:			
Equity holders of the Parent		39,652	31,952
Non-controlling interests		(2,522)	293
		37,130	**32,245**
Basic earnings per share	8	4.77 cents	1.18 cents
Diluted earnings per share	8	4.62 cents	1.15 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 2016

	NOTE	CONSOLIDATED 2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents	23	47,481	59,201
Trade and other receivables	9	123,716	64,657
Inventories	10	38,943	22,444
Income tax receivable		7,399	2,956
Other financial assets	11	3,458	2,229
Other current assets	12	887,653	5,333
Total current assets		**1,108,650**	**156,820**
Non-current assets			
Property, plant and equipment	13	84,449	59,597
Deferred tax assets	7	31,799	9,569
Intangible assets and goodwill	15	332,483	302,960
Total non-current assets		**448,731**	**372,126**
Total assets		**1,557,381**	**528,946**
Current liabilities			
Trade and other payables	16	1,020,553	59,980
Interest-bearing loans and borrowings	17	503	-
Income tax payable		12,308	1,764
Other financial liabilities	18	13,273	26,811
Provisions	19	9,287	6,523
Total current liabilities		**1,055,924**	**95,078**
Non-current liabilities			
Interest-bearing loans and borrowings	17	76,331	61,756
Other financial liabilities	18	5,814	7,312
Deferred tax liabilities	7	41,640	41,353
Provisions	19	1,451	1,245
Total non-current liabilities		**125,236**	**111,666**
Total liabilities		**1,181,160**	**206,744**
Net assets		**376,221**	**322,202**
Equity			
Contributed equity	20	263,161	255,834
Reserves	21	39,058	30,861
Retained earnings	22	61,530	24,175
Equity attributable to equity holders of the Parent		**363,749**	**310,870**
Non-controlling interests		12,472	11,332
Total equity		**376,221**	**322,202**

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 2016

	NOTE	CONSOLIDATED 2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		208,745	111,156
Payments to suppliers and employees		(107,024)	(68,898)
Interest received		461	355
Interest paid		(1,422)	(4,264)
Tax paid		(26,496)	(7,587)
Net operating cash flows before research and non-capitalised development expenditure, set-up and transaction costs		**74,264**	**30,762**
Payments for research and non-capitalised development expenditure		(6,014)	(3,174)
Settlement costs relating to a distributor dispute		(6,668)	-
Set-up, transaction and other costs		(8,079)	(5,168)
Net cash flows from operating activities	23	**53,504**	**22,420**
Cash flows from investing activities			
Payments for property, plant and equipment		(29,590)	(4,174)
Payments for intangible assets		(10,665)	(65,917)
Acquisition of subsidiary (net of cash acquired)	31	-	996
Acquisition of warrants		-	(966)
Payments for capitalised development costs		(22,593)	(13,512)
Earn-out payments		(20,950)	(11,931)
Net cash flows used in investing activities		**(83,798)**	**(95,504)**
Cash flows from financing activities			
Proceeds from issues of shares		995	118,596
Transaction costs on issue of shares		-	(4,581)
Equity contributions from non-controlling interests		3,658	-
Repayment of borrowings		(344)	(59,682)
Proceeds from borrowings (net of fees)		13,681	60,776
Net cash flows from financing activities		**17,990**	**115,109**
Net increase / (decrease) in cash and cash equivalents		**(12,304)**	**42,025**
Cash and cash equivalents at the beginning of the period		59,567	15,110
Effect of exchange rate fluctuations on cash held		595	2,432
Cash at the end of the period		**47,858**	**59,567**
Less restricted cash	11	**(377)**	**(366)**
Cash at the end of the period (unrestricted)	23	**47,481**	**59,201**

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	CONTRIBUTED EQUITY $'000	SHARE-BASED PAYMENTS RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	OTHER RESERVE $'000	RETAINED EARNINGS / ACCUMULATED LOSSES $'000	TOTAL $'000	NON-CONTROLLING INTERESTS $'000	TOTAL EQUITY $'000
Balance at 1 July 2015	**255,834**	**3,230**	**27,631**	**-**	**-**	**24,175**	**310,870**	**11,332**	**322,202**
Profit/(loss) for the period	-	-	-	-	-	37,355	37,355	(2,832)	34,523
Other comprehensive income									
Cash flow hedge	-	-	-	(864)	-	-	(864)	-	(864)
Foreign exchange differences	-	-	3,161	-	-	-	3,161	310	3,471
Total comprehensive income for the period	**-**	**-**	**3,161**	**(864)**	**-**	**37,355**	**39,652**	**(2,522)**	**37,130**
Transactions with owners in their capacity as owners									
Shares issued	995	-	-	-	-	-	995	-	995
Share issue costs (net of tax)	-	-	-	-	-	-	-	-	-
Change equity investment in subsidiary	-	-	-	-	1,180	-	1,180	-	1,180
Equity contributions by non-controlling interests	-	-	-	-	-	-	-	3,662	3,662
Tax effect of employee share options	5,943	-	-	-	-	-	5,943	-	5,943
Share-based payments	-	5,109	-	-	-	-	5,109	-	5,109
Share options exercised	389	(389)	-	-	-	-	-	-	-
Balance at 30 June 2016	**263,161**	**7,950**	**30,792**	**(864)**	**1,180**	**61,530**	**363,749**	**12,472**	**376,221**
Balance at 1 July 2014	**137,498**	**1,922**	**3,438**	**-**	**-**	**16,416**	**159,274**	**-**	**159,274**
Profit/(loss) for the period	-	-	-	-	-	7,759	7,759	(222)	7,537
Other comprehensive income									
Foreign exchange differences	-	-	24,193	-	-	-	24,193	515	24,708
Total comprehensive income for the period	**-**	**-**	**24,193**	**-**	**-**	7,759	**31,952**	**293**	**32,245**
Transactions with owners in their capacity as owners									
Shares issued	119,768	-	-	-	-	-	119,768	-	119,768
Share issue costs (net of tax)	(3,207)	-	-	-	-	-	(3,207)	-	(3,207)
Tax effect of employee share options	1,261	-	-	-	-	-	1,261	-	1,261
Share-based payments	-	1,822	-	-	-	-	1,822		1,822
Share options exercised	514	(514)	-	-	-	-	-	-	-
Non-controlling interest arising on a business combination (note 3)	-	-	-	-	-	-	-	11,039	11,039
Balance at 30 June 2015	**255,834**	**3,230**	**27,631**	**-**	**-**	**24,175**	**310,870**	**11,332**	**322,202**

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

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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 2016 was authorised for issue by the Directors on 25 August 2016.

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 a general purpose financial report which has 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 financial instruments which have been measured at the fair value.

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

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

B. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2016. 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
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not 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
- 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. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

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 Other Comprehensive Income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss as part of the gain or loss on sale.

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

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

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

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

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

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

D. Other accounting policies

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

E. Key judgements and estimates

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

- Note 7 - Income tax
- Note 15 - Intangible assets
- Note 16 - Trade and Other Payables
- Note 18 - Other Financial Liabilities
- Note 19 - Provisions
- Note 27 - Share-Based Payments

F. Significant changes in the current reporting period

There were no changes in accounting policy during the year ended 30 June 2016, nor did the introduction of new accounting standards lead to any change in measurement or disclosure in these financial statements. See note 35 for details on new accounting standards introduced this financial year.

G. Reclassification of comparatives

Where required, items in the 2015 comparative period have been reclassified to reflect the current presentation and enable better comparison between periods.

NOTE 2 – OPERATING SEGMENTS

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 segment and assess its performance; and
- for which discrete financial information is available.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating 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 operating 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 operating segments are identified by Management based on the nature of revenue flows and responsibility for those revenues. Discrete financial information about each of these operating segments is reported to the chief operating decision maker on at least a monthly basis.

The Consolidated Entity operates in four operating segments being, Generic Products (GPD), Specialty Brands (SBD), Metrics Contract Services (MCS), and Mayne Pharma International (MPI). In the prior comparable period, the Consolidated Entity reported three operating segments being GPD (formerly called US Products), MCS and MPI. Following the acquisition of the Doryx assets in February 2015, the

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Company separated the US Products segment into GPD which markets and distributes generic products and SBD which markets and distributes specialty branded products. The June 2015 comparative information has been restated, including re-allocations between segments, to reflect the new operating segments structure.

GPD

GPD's revenue and gross profit are derived from the manufacturing and distribution of generic and branded pharmaceutical products in the United States.

MCS

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

SBD

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

MPI

MPI's revenues and gross profit are derived principally from the Australian manufacture and sale of branded and generic pharmaceutical product globally 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 segments:

	GENERIC PRODUCTS $'000	METRICS CONTRACT SERVICES $'000	SPECIALTY BRANDS $'000	MPI $'000	TOTAL CONSOLIDATED $'000
Year ended 30 June 2016					
Sale of goods	106,824	-	77,835	21,970	206,629
Services income	-	48,886	-	10,284	59,170
License fee revenue	-	-	-	391	391
Royalty income	-	-	-	1,090	1,090
Revenue	106,824	48,886	77,835	33,735	267,280
Cost of sales	(46,048)	(22,492)	(4,436)	(25,938)	(98,914)
Gross profit	60,776	26,394	73,399	7,797	168,366
Other income					7,491
Amortisation of intangible assets					(16,335)
Fair value movement in earn-out liability					4,086
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)					(113,771)
Profit before income tax					49,837
Income tax expense					(15,314)
Net Profit for the period					34,523

The combined revenue from the largest customer from each segment was $71,418,000 for the year ended 30 June 2016. Revenue from two individual customers was 23% and 15% of the Group's total revenue. Both customers trade with both the GPD and SBD segments.

	GENERIC PRODUCTS $'000	METRICS CONTRACT SERVICES $'000	SPECIALTY BRANDS $'000	MPI $'000	TOTAL CONSOLIDATED $'000
Year ended 30 June 2015					
Sale of goods	58,199	-	17,601	20,516	96,316
Services income	-	33,793	-	9,721	43,514
License fee revenue	-	-	-	494	494
Royalty income	-	-	-	1,096	1,096
Revenue	58,199	33,793	17,601	31,827	141,420
Cost of sales	(19,676)	(16,760)	(467)	(24,530)	(61,433)
Gross profit	38,523	17,033	17,134	7,297	79,987
Other income					6,920
Amortisation of intangible assets					(8,527)
Fair value movement in earn-out liability					(3,023)
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)					(64,114)
Profit before income tax					11,243
Income tax expense					(3,706)
Net Profit for the period					7,537

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Geographical information

Revenue from external customers	2016 $'000	2015 $'000
Australia	26,021	23,369
United States	233,654	109,632
Korea	2,465	4,014
Europe	2,319	1,837
Other	2,821	2,568
Total external revenue	267,280	141,420

Non-current assets	2016 $'000	2015 $'000
Australia	111,736	111,671
United States	305,196	250,886
Total non-current assets	416,932	362,557

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

Product information

Revenue by product group/service	2016 $'000	2015 $'000
Contract services	10,284	9,721
Analytical & formulation	48,886	33,793
Oral & other pharmaceuticals	207,020	96,810
Other revenue	1,090	1,096
Total external revenue	267,280	141,420

Revenue recognition and measurement

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer or wholesalers.

US distribution sales are typically subject to agreement with customers allowing for chargebacks, rebates, rights of returns and other pricing adjustments. These amounts are recorded as reductions to revenue and accounts receivable and as such revenue is recognised on a net basis. The distribution receivables are included in trade receivables. Chargebacks and rebates for pharmaceutical products sold by the Group to its wholesalers but estimated to be unsold by the wholesalers at year end are recorded as accrued chargebacks and rebates. The Group may incur chargebacks and rebates that differ from the original estimate.

US Doryx sales are subject to customer loyalty programs, wholesaler fees, rebates, rights of returns and other pricing adjustments. These amounts are recorded as reductions to revenue and as such revenue is recognised on a net basis. Accruals for customer loyalty programs, rebates and returns are made based on historical trends. The Group may incur charges that differ from the original estimate.

Profit-sharing revenue represents the Group's share of the net profit from the sale of generic pharmaceutical products based on agreements with distribution partners. Amounts are based on calculated profits net of cost of goods sold, distribution expenses, chargebacks, returns and related accruals as reported by the distribution partners. Product return allowances are calculated for products that may be returned due to expiration dates or recalls. The Group and its distribution partners do not expect any significant product returns that are not adequately covered by the reserve amounts calculated and recorded by the distribution partners.

Services revenue

Services revenue relates to manufacturing and analysis for third parties. Revenue is recognised when the work is completed and the work is billed or billable to the client.

Royalties revenue

Royalties arising from the manufacturing rights are recognised when earned in accordance with the substance of the agreement.

Research and development income

Research and development income is recognised when its recoverability can be regarded as assured when the specific milestones of the projects are met.

License fee revenue

Some of the Group's revenues are generated on the basis of 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 other liabilities and recognised in profit or loss over the estimated performance period stipulated in the agreement.

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NOTE 3 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk 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 US dollars. At reporting date, approximately 41% of the Group's borrowings were swapped to fixed interest.

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

	2016 $'000	2015 $'000
Interest bearing loans and borrowings	76,999	61,756

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

	2016 $'000	2015 $'000
Cash at bank and in hand	47,481	59,201

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)	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
US interest rates +0.5% (50 basis points)	(158)	(161)	-	-
AUD interest rates +0.5% (50 basis points)	47	166	-	-

The movements are due to higher/lower interest expense on borrowings less 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. Approximately 89% of the Group's revenues and 70% of the Group's costs are denominated in currencies other than the functional currency.

It is the Group's general policy to enter into simple Forward Exchange Contracts or Participating Forward Exchange Contracts over a set percentage of the forecast net receipts of US dollars. The percentages used vary depending on the length of the forecast period (0-3 months and 4-6 months). The Group has not applied the hedge accounting rules and no mark-to-market valuation for the contracts has been recognised in the Statement of Profit or Loss and Other Comprehensive Income at 30 June 2016 (2015: $nil).

The Company enters into FX contracts to manage the FX exposure of the Australian parent 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.

Prior to year-end and in preparation to settle the purchase price for the Teva / Allergan assets, the Company entered into forward exchange contracts to exchange AUD860m for USD639.9m (average exchange rate 0.7441).

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

	A$'000 30 JUNE 2016	A$'000 30 JUNE 2015
Cash at bank	13,602	208
Other financial assets	2,918	1,267
Intra Group receivables	121,707	61,088
Trade and other payables	(673)	(983)
Other financial liabilities	(1,343)	(2,496)
Interest-bearing borrowings	(76,163)	(61,744)
Net exposure	60,049	(2,452)

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 including non-designated foreign currency derivatives and embedded derivatives. The pre-tax impact on the Group's equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Group's exposure to foreign currency changes for all other currencies is not material.

	NET PROFIT/(LOSS) HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
AUD/USD +5%	(4,903)	(2,130)	-	-
AUD/USD -5%	5,467	2,354	-	-

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 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 nor is it the Group's policy to securitise its trade and other receivables.

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, past experience and industry reputation.

Approximately 50% of the Group's 2016 revenue was derived from the three largest customers which is not unusual for operations in the US pharmaceutical market where the majority 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 72% of the total trade receivables balance at reporting date. All of these customers were operating within agreed trading terms at the end of the 2016 period.

The Group believes that there is no 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.

The collectability of debts is assessed on an ongoing basis. A provision for impairment loss is raised when there is objective evidence that the Group will not be able to collect the debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Bad debts are written off when identified. Receivables are monitored on an ongoing basis and the incidence of bad debt write off has been extremely low.

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 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 in order to limit the degree of credit exposure. The maximum exposures to credit risk as at 30 June 2016 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:

	2016 $'000	2015 $'000
Cash and cash equivalents[1]	47,481	59,201
Trade and other receivables[2]	123,716	64,657
	171,197	123,858

Notes: 1. Minimum of S&P AA rated counterparty with which deposits are held
2. At period end 2016 trade receivables were $123,164,000, with 96% of trade receivables within trading terms.

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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 through the use of bank loans and cash and short-term deposits sufficient to meet the Group's current cash requirements.

The Board manages liquidity risk by monitoring, on a monthly basis, the total cash inflows and outflows expected forecast on a rolling 18-month basis.

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

	LESS THAN 6 MONTHS $'000	6 TO 12 MONTHS $'000	1 TO 5 YEARS $'000	GREATER THAN 5 YEARS $'000	TOTAL $'000
30 June 2016					
Liquid financial assets					
Cash and cash equivalents	47,481	-	-	-	47,481
Trade and other receivables	123,716	-	-	-	123,716
	171,197	-	-	-	171,197
Financial liabilities					
Trade and other payables	(144,409)	-	-	-	(144,409)
Settlement obligation in relation to the Teva transaction[1]	(876,144)	-	-	-	(876,144)
Interest-bearing loans and borrowings	-	-	(76,834)	-	(76,834)
Other financial liabilities	(6,436)	(6,837)	(7,306)	-	(20,579)
	(1,026,989)	(6,837)	(84,140)	-	(1,117,966)
Net inflow/(outflow)	(855,792)	(6,837)	(84,140)	-	(946,769)

Note: 1. The Teva transaction was settled on 3 August 2016 using funds from the share issue (A$865m) completed in July 2016 as well as additional borrowings.

	Less THAN 6 MONTHS $'000	6 TO 12 MONTHS $'000	1 TO 5 YEARS $'000	GREATER THAN 5 YEARS $'000	TOTAL $'000
30 June 2015					
Liquid financial assets					
Cash and cash equivalents	59,201	-	-	-	59,201
Trade and other receivables	64,657	-	-	-	64,657
	123,858	-	-	-	123,858
Financial liabilities					
Trade and other payables	(59,980)	-	-	-	(59,980)
Interest-bearing loans and borrowings	-	-	(61,774)	-	(61,774)
Other financial liabilities	(13,861)	(12,966)	(8,473)	-	(35,300)
	(73,841)	(12,966)	(70,247)	-	(157,054)
Net inflow/(outflow)	50,017	(12,966)	(70,247)	-	(33,196)

The Group has undrawn loan facilities of US$67.7m plus the undrawn working capital facility of A$10m available at reporting date. Refer note 17.

NOTE 4 – OTHER INCOME

	2016 $'000	2015 $'000
Interest received	461	355
Rental from excess office space	185	174
Gain on restatement of HPPI investment and warrants	470	3,951
Net gain on foreign exchange	4,462	2,257
Other	1,913	183
	7,491	6,920

Interest revenue

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

Lease revenue

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

NOTE 5 – FAIR VALUE MEASUREMENT

Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets, 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, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account 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 and/or the Group's independent auditors.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of 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 carried in the financial statements.

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	CARRYING AMOUNT		FAIR VALUE	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets				
Warrants (options) - HPPI	2,918	1,267	2,918	1,267
Liabilities				
Earn-out liability - Hospira	-	6,500	-	6,500
Earn-out liability - Libertas' former shareholder	1,343	2,402	1,343	2,402
Earn-out liability - Oxycodone	5,230	9,479	5,230	9,479
Earn-out liability - various other products/distribution rights	8,826	4,131	8,826	4,131
Mark to market valuation - interest rate swap contracts	864	-	864	-
Interest bearing syndicated loan	76,163	60,776	76,999	61,774

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

Warrants represent options to purchase shares in HPPI. A summary of the number of warrants and exercise prices are included in note 11. The warrants have been recognised at fair value using the Black-Scholes method. A key input in determining the fair value of the warrants is share price volatility. The share price volatility used in the valuation was 62% and was based on the Nasdaq Bio-tech index over 5 years. A change in the share price volatility to 72% would increase the warrants value by approximately 13% in US dollar terms.

The earn-out liabilities payable utilise present value calculation techniques that are not based on observable market data. The key inputs are forecast sales. Based on current data and normal market variations, no reasonable possible change in inputs is expected to have a material impact on earn-out liabilities.

Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using the discount rate applying at the end of the reporting period. The own non-performance risk at reporting date was assessed as insignificant.

Fair value hierarchy

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

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

Assets and liabilities measured at fair value

As at 30 June 2016, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	LEVEL 2		LEVEL 3	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial Assets				
Warrants (options)	-	-	2,918	1,267
Financial Liabilities				
Earn-out liability – Hospira	-	-	-	6,500
Earn-out liability – Libertas' former shareholder	-	-	1,343	2,402
Earn-out liability – Oxycodone	-	-	5,230	9,479
Earn-out liabilities – various other products / distribution rights	-	-	8,826	4,131
Deferred consideration – Methamphetamine ANDA and distribution rights	-	-	-	9,142
Mark to market valuation - interest rate swap contracts			864	-

Reconciliation of fair value measurements of Level 3 financial instruments

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

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

	2016 $'000 WARRANTS	2015 $'000 WARRANTS	2016 $'000 EARN-OUTS	2015 $'000 EARN-OUTS
Opening balance	1,267	392	31,654	11,259
Additions recognised for acquisitions made during current year	1,181	966	5,292	27,053
Fair value movement (refer Note 5)	470	(91)	(4,086)	3,023
Amounts settled	-	-	(18,089)	(13,076)
Restatement of foreign currency balances	-	-	629	3,395
Closing Balance	2,918	1,267	15,400	31,654

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NOTE 6 – EXPENSES

	2016 $'000	2015 $'000
Finance costs		
Interest expense – loan	1,504	3,936
Unused line fees	725	-
Amortisation of borrowing costs	209	411
Interest expense – finance leases	56	-
Write-off of unamortised borrowing costs related to borrowing facilities repaid during the period	-	1,598
	2,494	5,945
Depreciation[1]	5,042	4,975
Employee benefits expense[2]		
Wages and salaries	64,135	46,015
Superannuation expense	3,080	2,564
Other employee benefits expense	9,065	6,528
Share-based payments (refer note 27)	5,109	1,822
Total employee benefits	81,389	56,929
Administration and other expenses		
Settlement costs relating to a distributor dispute	6,668	-
Department of Justice legal costs	1,255	-
Acquisition costs	3,382	658
Set-up costs re Teva/Allergan products acquisition	3,442	-
Establishment costs for Speciality Brands Division	-	4,510
Amortisation of intangible assets	16,335	8,527
Movement in undiscounted fair value of earn-out liabilities[3]	(5,202)	2,235
Change in fair value attributable to the unwinding of the discounting of the earn-out liabilities[4]	1,116	788

Notes:
1. Depreciation expense is included in R&D expenses and cost of sales.
2. Employee benefit expense is included in various expense categories and cost of sales.
3. The movement in the undiscounted fair value of earn-out liabilities of $5,202,000 is a non-cash (credit)/charge relating to re-assessment of the underlying assumptions for the Hospira and Methamphetamine earn-out liabilities.
4. The non-cash unwinding of the discount relates to all earn-out liabilities

Acquisition costs

In the current financial period acquisition costs relating to the Teva/Allergan transaction of $3,382,000 were expensed.

In the prior period $658,000 of acquisition costs relating to the US Doryx™ and HPPI acquisitions were expensed.

NOTE 7 – INCOME TAX

A. The major components of income tax expense are:

	2016 $'000	2015 $'000
Income tax expense		
Current income tax	(33,359)	(7,130)
Adjustment in respect of current income tax of previous years	232	235
Deferred income tax	17,813	3,189
Income tax expense in the consolidated statement of profit or loss and other comprehensive income	(15,314)	(3,706)
Deferred income tax benefit/(expense) included in income tax expense comprises		
Increase in deferred tax assets	25,684	6,358
(Increase) in deferred tax liabilities	(7,871)	(3,169)
	17,813	3,189

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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

	2016 $'000	2015 $'000
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:		
Profit/(loss) before income tax	49,837	11,243
Prima facie tax benefit/(expense) at 30%	(14,952)	(3,373)
Effect of R&D concessions	803	401
Over/(under) provision in respect of prior years	232	(141)
Recognition of DTA for share-based payments	-	377
Non-deductible expenses for tax purposes		
Share-based payments	(546)	(51)
Acquisition costs	(44)	(176)
Adjustments relating to earn-out liabilities	957	(121)
Share of associate loss	-	(297)
Amortisation intangibles	(2,217)	(861)
Other non-deductible expenses	(172)	(64)
Non assessable income	141	312
Tax loss not recognised	(1,511)	(113)
Restatement of deferred tax balances due to change in US tax rate	-	39
Effect of higher tax rate in USA	449	477
US State taxes	275	(138)
US Domestic production activity deduction	1,271	23
Income tax expense	(15,314)	(3,706)

C. Recognised deferred tax assets and liabilities

	2016 $'000	2015 $'000
Deferred tax assets		
Intangible assets	1,883	2,023
Provisions	2,542	2,138
Other		
Payables	18,944	5,344
Inventory	14,497	3,466
Employee share options	7,296	1,952
Equity raising costs	1,145	1,699
US state taxes	2,789	731
Earn-out liability	496	766
Other	55	1
	45,222	13,958
	49,647	18,119

	2016 $'000	2015 $'000
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Assets	49,647	18,119
Set off of Deferred Tax Liabilities that are expected to reverse in the same period	(17,848)	(8,550)
Net Deferred Tax Assets [1]	31,799	9,569

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

	INTANGIBILE ASSETS $'000	PROVISIONS $'000	OTHER $'000	TOTAL $'000
Deferred tax asset movements				
Balance at 1 July 2014	2,164	2,096	4,011	8,271
Credit/(charge) to profit/loss	(141)	(183)	6,682	6,358
Credit direct to equity	-	-	2,635	2,635
Restatement of foreign currency balances	-	225	630	855
Balance at 30 June 2015	2,023	2,138	13,958	18,119
Credit/(charge) to profit/loss	(140)	371	25,453	25,684
Credit direct to equity	-	-	5,943	5,943
Restatement of foreign currency balances	-	33	(132)	(99)
Balance at 30 June 2016	1,883	2,542	45,222	49,647

	2016 $'000	2015 '000
Deferred tax liabilities		
Property, plant and equipment	4,468	4,680
Intangible assets	46,805	40,340
Other		
Unrealised foreign exchange gains	663	601
US State taxes	5,286	4,171
Other	2,266	111
	8,215	4,883
	59,488	49,903
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Liabilities	59,488	49,903
Set off of Deferred Tax Assets that are expected to reverse in the same period	(17,848)	(8,550)
Net Deferred Tax Liabilities[1]	41,640	41,353

	PROPERTY PLANT EQUIPMENT $'000	INTANGIBLE ASSETS $'000	OTHER $'000	TOTAL $'000
Deferred tax liability movements				
Balance at 1 July 2014	4,309	22,252	2,170	28,731
Charge to profit/loss	(103)	1,138	2,133	3,169
Restatement of foreign currency balances	474	5,123	580	6,177
Acquisition of subsidiary	-	11,827	-	11,827
Balance at 30 June 2015	4,680	40,340	4,883	49,903
Charge/(credit) to profit/loss	(283)	4,977	3,177	7,871
Restatement of foreign currency balances	71	1,488	155	1,714
Balance at 30 June 2016	4,468	46,805	8,215	59,488

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

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

Income tax and other taxes

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

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

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

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

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

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.

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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.

Mayne Pharma Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, 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.

Tax consolidation legislation

Mayne Pharma Group Limited and its wholly-owned Australian controlled entities are part of an income tax consolidated group.

The head entity, Mayne Pharma Group Limited, and the 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, Mayne Pharma Group Limited 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. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of other tax losses and temporary differences not yet recognised.

NOTE 8 – EARNINGS PER SHARE

	2016	2015
Earnings per share for profit attributable to the ordinary equity holders of the Parent:		
Basic earnings per share	4.77 cents	1.18 cents
Diluted earnings per share	4.62 cents	1.15 cents

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

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

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

	2016 $'000	2015 $'000
For basic earnings per share		
Net profit attributable to equity holders of Mayne Pharma	37,355	7,759
For diluted earnings per share		
Net profit attributable to equity holders of Mayne Pharma	37,355	7,759

	2016 '000	2015 '000
Weighted average number of ordinary shares for basic earnings/(loss) per share	782,397	655,016
Effect of dilution:		
Share options and LTI shares	26,950	19,465
Weighted average number of ordinary shares adjusted for the effect of dilution	809,347	674,887

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The calculation of weighted average number of ordinary shares adjusted for the effect of dilution does not include the following options which could potentially dilute basic earnings per share in the future, but were not dilutive in the periods presented:

	2016 '000	2015 '000
Number of potential ordinary shares	-	3,200

Subsequent to reporting date, the Company issued the following shares to part-fund the Teva acquisition:

	PRICE PER SHARE	DATE ISSUED	NUMBER OF SHARES '000	VALUE $'000
Institutional placement	$1.50	7 July 2016	191,300	286,950
Institutional – take-up of shortfalls	$1.50	7 July 2016	2,797	4,195
Institutional entitlement offer	$1.28	7 July 2016	227,892	291,701
Directors accelerated entitlement offer	$1.28	7 July 2016	40,793	52,215
Retail entitlement offer	$1.28	22 July 2016	198,111	253,582
			660,892	888,643

The Teva acquisition is expected to be significantly EPS accretive.

There have been no other 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 9 – TRADE AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Current		
Trade receivables	121,494	60,993
Trade receivables – profit share	1,670	1,544
Provision for impairment	(23)	(22)
Other receivables	575	2,143
	123,716	64,657

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 2016	117,990	1,021	4,130	123,141
Trade receivables 30 June 2015	54,135	8,025	355	62,515

Trade receivables are non-interest bearing and are generally on 30 to 60-day terms. A provision for impairment loss is raised when there is objective evidence that the Group will not be able to collect the debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. As at reporting date, $23,000 (2015: $22,000) of receivables were considered to be impaired.

Trade receivables – profit share are due on 90 day terms. None of these receivables are considered to be impaired at reporting date.

Other receivables include amounts 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.

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

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. A provision for impairment loss is raised when there is objective evidence that the Group will not be able to collect the debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

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NOTE 10 – INVENTORIES

	2016 $'000	2015 $'000
Raw materials and stores at cost	11,301	6,512
Work in progress at cost	11,525	2,901
Finished goods at lower of cost and net realisable value	16,117	13,031
	38,943	22,444

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.

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.

NOTE 11 – OTHER FINANCIAL ASSETS

	2016 $'000	2015 $'000
Current		
Restricted cash	377	366
Unbilled client service fees	163	596
Warrants	2,918	1,267
	3,458	2,229

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

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

	EXERCISE PRICE (US CENTS)	EXPIRY DATE	BALANCE AT BEGINNING OF YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	BALANCE AT END OF YEAR	2016 $'000	2015 $'000
			Number	Number	Number	Number		
Unlisted options	8.78	24/06/19	10,259,569	-	-	10,259,569	350	245
Unlisted options	7.50	15/05/20	33,333,333	-	-	33,333,333	1,481	1,022
Unlisted options	12.00	27/05/21	-	28,364,236	-	28,364,236	1,087	-
			43,592,902	28,364,236	-	71,957,138	2,918	1,267

The warrants have been recognised at fair value using the Black-Scholes method.

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.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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 include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

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 presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

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Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Forward exchange contracts

The Group uses derivative financial instruments (forward currency contracts) to hedge its risks associated with foreign currency, and interest rate fluctuations. These derivatives do not qualify for hedge accounting and mark to market valuation adjustments are recognised in profit or loss in income or expenses.

NOTE 12 – OTHER ASSETS

	2016 $'000	2015 $'000
Current		
Pre-payments	11,509	5,333
Contract rights relating to the Teva transaction settled post year-end	876,144	-
	887,653	5,333

On 28 June 2016, the Company announced it had entered into an agreement to acquire 37 approved and 5 FDA filed products from Teva Pharmaceutical Industries Limited ("Teva") and Allergan plc ("Allergan") for cash consideration of US$652m. As the Company had a contractual obligation at 30 June 2016, the Company has recognised both the rights and obligations under the contract at reporting date.

This asset purchase was completed on 3 August 2016.

The Company funded the acquisition via an extension of its existing debt facility, and a fully underwritten A$601m, 1-for-1.725 accelerated non-renounceable entitlement offer and A$287m placement.

After the completion of the transaction, the assets acquired will be recognised in the appropriate asset categories on the balance sheet with the majority relating to product rights intangible assets.

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NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	LAND	BUILDINGS	PLANT AND EQUIPMENT	CAPITAL UNDER CONSTRUCTION	TOTAL
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2016					
Balance at beginning of year net of accumulated depreciation	9,150	26,913	21,559	1,974	59,597
Additions	-	596	4,134	24,529	29,259
Disposals	-	-	-	-	-
Depreciation charge for year	-	(998)	(4,044)	-	(5,042)
Foreign currency restatement	133	581	364	(442)	636
Balance at end of year net of accumulated depreciation	9,283	27,092	22,013	26,061	84,449
At 30 June 2016					
At cost	9,283	31,462	42,602	26,061	109,408
Accumulated depreciation	-	(4,370)	(20,589)	-	(24,959)
Net carrying amount	9,283	27,092	22,013	26,061	84,449
Year ended 30 June 2015					
Balance at beginning of year net of accumulated depreciation	8,280	23,758	20,157	1,214	53,409
Additions	-	291	3,143	713	4,147
Disposals	-	-	(66)	-	(66)
Depreciation charge for year	-	(898)	(4,078)	-	(4,976)
Foreign currency restatement	870	3,762	2,403	47	7,083
Balance at end of year net of accumulated depreciation	9,150	26,913	21,559	1,974	59,597
At 30 June 2015					
At cost	9,150	30,247	37,943	1,974	79,314
Accumulated depreciation	-	(3,333)	(16,384)	-	(19,717)
Net carrying amount	9,150	26,914	21,559	1,974	59,597

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.

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.

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.

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NOTE 14 – INVESTMENT IN ASSOCIATE

In the prior year (up to 15 May 2015), the Group held a 41.5% interest in HedgePath Pharmaceuticals Inc ("HPPI") which is pursuing clinical development, registration and commercialisation of Mayne Pharma's patented formulation of itraconazole, known as SUBA™-Itraconazole, for treatment of a variety of cancers in the United States. Mayne Pharma acquired this initial interest in HPPI in June 2014. HPPI shares held by certain shareholders may be traded on the OTC market in the US although trading volumes are very limited. The Group's interest in HPPI was accounted for using the equity method in the consolidated financial statements in the prior year.

The Group gained control of HPPI effective 15 May 2015. The results from operations in the prior period below reflect the period from the beginning of the prior period up to the date control was gained. Results post gaining control are included in the appropriate line items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

		2016 $'000	2015 $'000
Revenue		-	-
Expenses		-	(2,384)
Loss before income tax		-	(2,384)
Income tax		-	-
Net Loss after tax		-	(2,384)
Group's share of profit/(loss) for the period	**41.5%**	-	(990)
Group's share of other comprehensive income/(loss) for the period		-	1,528

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. At 30 June 2014, HPPI was considered to be an associate of the Company. As a result of changes which occurred during the prior year, HPPI became a controlled entity effective 15 May 2015 and hence the Group has consolidated HPPI from that date and ceased equity accounting its investment in HPPI.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The annual financial statements of the associate (HPPI) are prepared on a December year-end basis. The associate prepares quarterly unaudited financial statements which have been utilised by the Group to prepare these financial statements. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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NOTE 15 – INTANGIBLE ASSETS AND GOODWILL

	GOODWILL	CUSTOMER CONTRACTS, CUSTOMER RELATIONSHIPS, PRODUCT RIGHTS AND INTELLECTUAL PROPERTY	DEVELOPMENT EXPENDITURE	MARKETING & DISTRIBUTION RIGHTS	TRADE NAMES	OTHER	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2016							
Balance at beginning of year net of accumulated amortisation	58,436	38,609	51,562	56,646	65,183	32,523	302,960
Transfers[1]	-	32,523	-	-	-	(32,523)	-
Additions	-	17,886	22,593	1,196	-	-	41,675
Amortisation	-	(5,500)	(1,189)	(1,992)	(7,654)	-	(16,335)
Impairments[2]	-	-	(1,701)	-	(54)	-	(1,755)
Foreign currency restatement	1,679	1,794	783	1,551	131	-	5,938
Balance at end of year net of accumulated amortisation	60,115	85,312	72,048	57,402	57,606	-	332,483
As at 30 June 2016							
Cost	60,115	120,725	77,180	59,677	68,855	-	386,552
Accumulated amortisation	-	(35,413)	(2,028)	(2,275)	(11,195)	-	(50,911)
Accumulated impairments	-	-	(3,104)	-	(54)	-	(3,158)
Net carrying amount	60,115	85,312	72,048	57,402	57,606	-	332,483
Year ended 30 June 2015							
Balance at beginning of year net of accumulated amortisation	47,476	29,450	33,438	27,078	3,673	-	141,115
Additions	-	6,824	13,461	25,497	63,775	-	109,557
Acquisition of subsidiary	-	-	-	-	-	31,122	31,122
Amortisation	-	(4,602)	(442)	(289)	(3,098)	(98)	(8,529)
Impairments[2]	-	-	(1,278)	-	-	-	(1,278)
Foreign currency restatement	10,960	6,937	6,383	4,360	834	1,499	30,973
Balance at end of year net of accumulated amortisation	58,436	38,609	51,562	56,646	65,183	32,523	302,960
As at 30 June 2014							
Cost	58,436	68,226	53,712	56,962	68,711	32,630	338,677
Accumulated amortisation	-	(29,617)	(832)	(316)	(3,527)	(107)	(34,399)
Accumulated impairments	-	-	(1,318)	-	-	-	(1,318)
Net carrying amount	58,436	38,609	51,562	56,646	65,184	32,523	302,960

Notes:
1. Additions relating to HPPI temporarily classified as Other Intangibles for the year ended 30 June 2015 have been reviewed and reclassified to the appropriate category in the current period
2. Development expenditure impairments are included in research and development expenses in the Statement of Profit or Loss and Other Comprehensive Income.

Goodwill and intangibles

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following its initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (CGU) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

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 basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with AASB 8 Operating Segments.

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

	2016 $'000	2015 $'000
GPD	39,986	38,869
MCS	20,129	19,567
Closing goodwill balance at 30 June	60,115	58,436

Goodwill arising from the acquisition of Metrics, has been allocated between two CGUs operating in the USA, namely the GPD and MCS segments. The allocation split was 65% to GPD and the balance to MCS. Goodwill arising on the acquisition of Libertas has been allocated to the GPD CGU.

The Directors have used the following key assumptions in determining the value-in-use calculations:

- *Gross margin*
  The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the first budgeted year adjusted for the budgeted growth for the next two years.

- *Budgeted overheads*
  The basis used to determine the value assigned to the budgeted overheads is the average overhead achieved in the year immediately before the budgeted year adjusted for the budgeted increase for the following two years.

- *Discount rates*
  Discount rates reflect Management's estimate of time value of money and the risks specific to the CGU. In determining appropriate discount rates, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for business risk specific to the CGU. The discount rates used were 10.2% for MCS and 11% for GPD.

- *Growth rate estimate*
  The basis used reflects Management's estimates, determined by future forecasts in sales generation methods and by growth rates achieved within previous periods:
  - The average growth rate used for the MPI CGU for the first three years was 5%, for the next two years 5.0% and the long-term rate of 2.5% for future periods.
  - The average growth rate used for the GPD was 42% for the first three years, 6% for the next three years and a long-term rate of 3% for future periods. The growth rates reflect new product approvals.
  - The average growth rate used for the MCS CGU was 8% for the first three years 12% for the next three years and a long-term rate of 1% for future periods.

Sensitivity to changes in assumptions

Management believe that, based on currently available information, there are no reasonably possible changes to any of the above key assumptions that would result in the carrying value of the CGUs materially exceeding its recoverable amount.

Intangibles

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.

Intangibles 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.

Intangible assets with finite lives are amortised over their useful life, which range from ten to twenty years, and 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 accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Certain intangible assets other than goodwill (i.e., customer contracts, relationships, intellectual property and trade marks) have been assessed as having finite useful lives and as such are amortised over their useful lives. Intangible assets relating to the Metrics, Libertas and HPPI acquisitions are amortised on a straight line basis. Marketing and distribution rights are considered to have an infinite life and hence are not amortised. The assets' residual values, useful lives and bases of amortisation are reviewed annually and adjusted if appropriate.

Research and development expenditure

Research costs are expensed as incurred. Development expenditures on an individual project 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;

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- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

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

Significant accounting judgements

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it 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 development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. During the year ended 30 June 2016, 46 development projects met the requirements for capitalisation (2015: 43 development projects).

Significant accounting estimates and assumptions

Impairment of intangible assets

The Group determines whether intangible assets are impaired in accordance with the accounting policies stated. This process requires an estimation to be made of the recoverable amount of future cash flows of the assets.

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. In addition, 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 16 – TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Current		
Trade payables	135,508	51,572
Other payables	8,901	8,408
Settlement obligation in relation to the Teva transaction	876,144	-
	1,020,553	59,980

On 28 June 2016, the Company announced it had entered into an agreement to acquire 37 approved and 5 FDA filed products from Teva Pharmaceutical Industries Limited ("Teva") and Allergan plc ("Allergan") for cash consideration of US$652m.

This asset purchase was completed and the above liability was settled on 3 August 2016.

The Company funded the acquisition via an extension of its existing debt facility, and a fully underwritten A$601m, 1-for-1.725 accelerated non-renounceable entitlement offer and A$287m placement.

Information regarding liquidity risk exposure is set out in Note 3.

Trade and other payables

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

Significant accounting judgements

Chargebacks, rebates, returns and customer loyalty programs

Accruals are made for customer rebates, rebates, chargebacks and loyalty programs. The Group may incur costs that differ from its original estimate.

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NOTE 17 – INTEREST-BEARING LOANS AND BORROWINGS

	2016 $'000	2015 $'000
Current		
Lease liabilities	503	-
	503	-

	2016 $'000	2015 $'000
Non-current		
Syndicated loan	76,999	61,774
Borrowing costs (net of amortisation)	(836)	(998)
Lease liabilities	168	980
	76,331	61,756

The syndicated loan facility provided by Westpac and National Australia Bank (NAB) is a five year loan effective from 24 June 2015. The amount drawn at 30 June 2016 was US$57.3m (30 June 2015 US$47.32m). This facility has a limit of US$125 million and can be drawn down in either USD or AUD with USD expected to be the major currency drawn down.

The facility is unsecured and incurs interest based on either LIBOR (for USD) with no floor, or BBSY (for AUD) plus an agreed fixed margin. The loan is subject to certain covenants and has an unused line fee payable based on the undrawn amount.

The Group was in compliance with the covenants at reporting date and the Directors believe there is no risk of default at reporting date.

At 30 June 2016, the average variable interest rate was 1.943% (30 June 2015: 1.944%).

NAB has also provided a working capital facility of A$10m. The facility is subject to interest based on BBSY plus a margin. The facility is subject to the same financial covenants as the syndicated loan facility and also has an unused line fee payable based on the undrawn amount.

Loan maturities are summarised as follows:

	2016 $'000	2015 '000
Current	-	-
Non-current	76,999	61,774
	76,999	61,774
Due by 30 June 2017	-	-
Due by 30 June 2018	-	-
Due by 30 June 2019	-	-
Due by 30 June 2020	76,999	61,774
	76,999	61,774

There were no defaults or breaches on any loans during the year ended 30 June 2016.

Subsequent to the reporting period, the Company increased the syndicated loan facility to US$400m to partially fund the acquisition of the Teva/Allergan products. The revised facility has two tranches with US$150m maturing in three years and US$250m maturing in five years from the effective date (29 July 2016). Other material aspects of the syndicated facility remain similar to the facility as at 30 June 2016.

Recognition and measurement

Interest-bearing loans and borrowings

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

Leases

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the lease item are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

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NOTE 18 – OTHER FINANCIAL LIABILITIES

	2016 $'000	2015 $'000
Current		
Earn-out liability – Hospira	-	6,500
Earn-out liability – Libertas' former shareholder	1,343	1,159
Earn-out liability – Oxycodone	5,230	6,095
Earn-out liability – Liothyronine	3,252	-
Earn-out liability – various other products/distribution rights	1,432	1,444
Deferred consideration - Liothyronine	2,016	-
Deferred consideration – BAC ANDA	-	2,471
Deferred consideration – Methamphetamine ANDA and distribution rights	-	9,142
	13,273	26,811
Non-current		
Earn-out liability – Libertas' former shareholder	-	1,244
Earn-out liability – Oxycodone	-	3,381
Earn-out liability – Liothyronine	1,314	-
Earn-out liability – various products/distribution rights	2,829	2,687
Deferred consideration – Liothyronine	1,671	-
	5,814	7,312

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

Deferred consideration recognised includes amounts which are contingent on market conditions (e.g. no entry of a new competitor into the relevant market). At balance date the Group expects to pay all contingent amounts outlined in the asset purchase agreements and has therefore recognised such liabilities in full.

During the period, a decrease in the liabilities of $5,202,000 was recognised relating to re-assessment of the underlying assumptions for the Hospira and Methamphetamine earn-out liabilities. Refer note 6.

Earn-out liabilities

Recognition and derecognition

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

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 reported in the consolidated statement of profit or loss and other comprehensive income.

Significant accounting estimates and assumptions

Earn-out liabilities

The earn-out liabilities have been determined based on contracted royalty rates payable on expected future cash flows. 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.

Earn-out liabilities represent the net present value of estimated future payments. Any changes in fair value for changes in the net present value of estimated future payments are recognised in the statement of profit or loss and other comprehensive income. The earn-out liabilities at reporting date include a charge representing the unwinding of the discounting of the earn-out liabilities of $1,116,000 (2015: $789,000) for the period representing the change in fair value as a result of the unwinding of the discounting.

Deferred consideration liabilities

Deferred consideration liabilities represent the net present value of future predetermined payments. In the prior year, one of the accrued amounts was subject to market conditions. Conditions in the current period resulted in the amount accrued being re-assessed (refer note 6). At 30 June 2016 all deferred consideration amounts reflect fixed contract amounts and are not subject to market conditions.

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NOTE 19 – PROVISIONS

	2016 $'000	2015 $'000
Current		
Employee benefits	9,287	6,523
Non-Current		
Employee benefits	1,075	815
Restoration	376	430
	1,451	1,245

Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of 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

Since the acquisition of Mayne Pharma International Pty Ltd from Hospira, a provision has been reflected in the statement of financial position for 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 20 – CONTRIBUTED EQUITY

A. Movements in contributed equity

	2016 NUMBER	2015 NUMBER	2016 $'000	2015 $'000
Balance at beginning of year	786,754,531	586,651,477	255,834	137,498
Issued during the year:				
US Doryx™ and selected generic product acquisition funding[1]	-	188,890,338	-	114,352
Libertas earn-out consideration	-	314,002	-	227
Product rights acquisition consideration	-	1,420,119	-	918
Tax effect of employee share options	-	-	5,943	1,261
Options exercised	3,450,000	3,730,000	1,384	1,578
Shares issued to KMP (restricted)[2]	19,841,815	5,748,595	-	-
Balance at end of year	810,046,346	786,754,531	263,161	255,834

Notes: 1. Shares issued are net of $3,207,000 of equity raising costs (net of income tax).
2. The shares were granted under the LTI arrangement (and are subject to risk of forfeiture)

Refer note 8 for details of contributed equity changes subsequent to the reporting period.

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.

B. 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.

C. 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 in order to support its business objectives and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of 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 2015 the Company issued new shares and refinanced the available debt facilities. No changes were made in the objectives, policies or processes during the years ended 30 June 2015 and 30 June 2014.

Management monitors capital with reference to the net debt position. The Group includes within net debt, interest-bearing loans and borrowings, trade and other payables, less cash and cash equivalents. The Group's current policy is to maintain a net debt position that the Directors are comfortable with and that can be serviced by the Group's cash flows.

	2016 $'000	2015 $'000
Trade and other payables	144,410	59,980
Interest-bearing borrowings	76,834	61,756
Less cash and cash equivalents	(47,481)	(59,201)
Net debt	173,763	62,535

The Group is subject to capital requirements under the terms of the syndicated loan facility.

NOTE 21 – RESERVES

	2016 $'000	2015 $'000
Share-based payments reserve	7,950	3,230
Cash flow hedge reserve	(864)	-
Other reserve	1,180	-
Foreign currency translation reserve	30,792	27,631
	39,058	30,861

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.

	2016 $'000	2015 $'000
Balance at beginning of year	3,230	1,922
Share-based payments expense	5,109	1,822
Transfer to contributed equity on exercise of options	(389)	(514)
Balance at end of year	7,950	3,230

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.

	2016 $'000	2015 $'000
Balance at beginning of year	-	-
Mark to Market unrealised loss on interest rate swap contracts	(864)	-
Balance at end of year	(864)	-

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Other equity reserve

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

	2016 $'000	2015 $'000
Balance at beginning of year	-	-
Change to equity investment in HPPI	1,180	-
Balance at end of year	1,180	-

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 with the exception of cumulative exchange differences relating to non-controlling interests.

	2016 $'000	2015 $'000
Balance at beginning of year	27,631	3,438
Foreign exchange translation differences	3,161	24,193
Balance at end of year	30,792	27,631

NOTE 22 – RETAINED EARNINGS

	2016 $'000	2015 $'000
Retained earnings at the beginning of the period	24,175	16,416
Net profit attributable to members	37,355	7,759
Retained earnings at the end of the period	61,530	24,175

NOTE 23 – NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

A. Cash and cash equivalents

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

	2016 $'000	2015 $'000
Cash at bank and in hand	47,481	59,201

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

	2016 $'000	2015 $'000
Net profit after income tax	34,525	7,537
Adjustments for:		
Depreciation	5,042	4,975
Amortisation of intangibles and borrowing costs	16,544	10,536
Share-based payments	5,109	1,822
Movement in earn-out liability	(4,086)	3,023
Asset impairments	1,756	1,278
Book value of intangible product rights disposed	563	-
Gain on restatement of HPPI investment and/or warrants	(470)	(3,951)
Share of associate loss	-	990
Net foreign exchange differences	(5)	(2,254)
Changes in assets and liabilities		
(Increase in receivables	(58,595)	(30,265)
(Increase) in inventories	(16,680)	(2,458)
(Increase) in prepayments	(5,697)	(3,244)
(Increase) in deferred tax assets	(25,684)	(6,358)
Increase in creditors	83,761	38,955
Increase/(decrease) in provisions	2,919	(657)
Increase in current and deferred tax liabilities	14,502	2,491
Net cash from operating activities	53,504	22,420

NOTE 24 – RELATED PARTY DISCLOSURES

A. Subsidiaries

The consolidated financial statements include the financial statements of Mayne Pharma Group Limited and the subsidiaries listed in the following table:

	COUNTRY OF INCORPORATION	% EQUITY INTEREST		INVESTMENT $'000	
		2016	2015	2016	2015
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[2]	United States	100	100	68,802	63,585
Libertas Pharma, Inc[2]	United States	-	100	-	3,528
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	-	-
Tiger Pharmaceuticals LLC[1]	United States	100	100	-	-
HedgePath Pharmaceuticals Inc	United States	49.4	49.4	13,567	10,778
Mayne Pharma SIP Pty Ltd[3]	Australia	100	-	-	-
Mayne Pharma LLC[3]	United States	100	-	-	-
				121,574	117,096

Notes:
1. Dormant subsidiaries
2. Metrics Inc and Libertas Pharma Inc merged effective 31 October 2015 and the surviving entity changed its name to Mayne Pharma Inc
3. Mayne Pharma SIP Pty Ltd and Mayne Pharma LLC were incorporated during the period.

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

Portion of equity interest held by non-controlling interest:

	COUNTRY OF INCORPORATION	% EQUITY INTEREST	
		2016	2015
HedgePath Pharmaceuticals LLC	United States	50.6	50.6

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Summarised statement of profit or loss for period ended 30 June 2016

	HPPI 2016 $'000	HPPI 2015 $'000
Revenue	-	-
Cost of sales	-	-
Interest income	1	-
Research and development expenses	(2,222)	(168)
Administration expenses	(1,872)	(127)
Depreciation and amortisation	(904)	(98)
Share-based payments expenses	(944)	(82)
Loss before tax	(5,941)	(475)
Income tax benefit	344	37
Loss after tax	(5,597)	(438)
Other Comprehensive income	613	1,024
Total Comprehensive income	(4,984)	586
Attributable to non-controlling interests	(2,522)	293

The comparative period in the above statement of profit and loss is for the period from 15 May 2015 to 30 June 2015.

Summarised statement of financial position as at 30 June 2016

	2016 $'000	PROVISIONAL HPPI 2015 $'000
Cash at bank	6,202	2,473
Other current assets	403	387
Intangible assets	32,579	32,523
Trade and other payables	(831)	(539)
Deferred tax liabilities	(12,380)	(12,359)
Total equity	25,973	22,485
Attributable to equity holders of Mayne Pharma	12,008	11,153
Attributable to non-controlling interests	12,472	11,332

B. Ultimate parent

Mayne Pharma Group Limited is the ultimate parent entity.

C. KMP

Details relating to KMP, including remuneration paid, are included in Note 27.

D. Transactions with related parties

The Company had no other transactions with KMP or other related parties during the financial years ended 30 June 2016 or 30 June 2015.

Amounts owing to Directors, Director-related parties and other related parties at 30 June 2016 and 30 June 2015 were nil.

NOTE 25 – KMP DISCLOSURES

A. Directors and other KMP

The Directors of Mayne Pharma Group Limited during the financial year were:

- Mr Roger Corbett, AO – Chairman
- Mr Scott Richards – Managing Director and Chief Executive Officer
- Hon Ron Best – Non-Executive Director
- Mr William (Phil) Hodges – Non-Executive Director
- Mr Bruce Mathieson – Non-Executive Director
- Mr Ian Scholes – Non-Executive Director
- Prof Bruce Robinson, AM - Non-Executive Director

Other KMP consisted of:

- Mr Mark Cansdale – Group Chief Financial Officer and Company Secretary
- Mr Stefan Cross – President Mayne Pharma USA
- Dr Ilana Stancovski – Chief Scientific Officer
- Ms Kate Rintoul – Executive Vice President and General Counsel (considered to be KMP from 1 July 2015)
- Mr Eric Evans – Chief Financial Officer Mayne Pharma USA (appointed 3 August 2015)
- Mr Peter Paltoglou – Chief Development Officer and Head of M&A (appointed 22 August 2015)
- Ms Lisa Pendlebury – Vice President Investor Relations and Communications (appointed 11 November 2015)
- Mr Andrew Van Breugel – Executive Vice President Operations (appointed 11 January 2016)

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B. Compensation of KMP

	2016 $'000	2015 $'000
Short-term employee benefits	4,755	2,656
Post-employment benefits	250	132
Long-term benefits	45	28
Share-based payments	2,020	810
	7,070	3,626

NOTE 26 – AUDITOR'S REMUNERATION

	2016 $	2015 $
Amounts received or due and receivable by EY Australia for		
Audit and review of financial statements	372,500	372,800
Non-audit services		
Tax compliance services	140,930	61,367
Tax advisory services		-
Acquisition and other services	49,600	30,750
Other Assurance	31,025	31,000
	221,555	123,117
	594,045	495,917

	2016 $	2015 $
Non-audit services amounts received or due and receivable from member firms related to EY Australia		
Tax compliance and advisory services	253,746	129,017
Acquisition and other services	164,531	-

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

	2016 $	2015 $
Non EY Auditors		
Audit and review of financial statements	339,810	215,625
Other assurance	-	27,775
	339,810	243,400

The above non EY auditor services are invoiced in USD to Mayne Pharma Inc, and are subject to foreign currency translation.

NOTE 27 - SHARE-BASED PAYMENT PLANS

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

	2016 $'000	2015 $'000
Expense arising from equity-settled share-based payment transactions	5,109	1,626
Option modifications	-	196
	5,109	1,822

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). In the event that an employee leaves the Group prior to the vesting of any share-based payment previously granted to the employee, the share-based payment will normally be forfeited (subject to the discretion of the Board) . Where an employee leaves the Group subsequent to the vesting but prior to the expiry of share-based payments granted, the Board has absolute discretion to determine whether or not such share-based payments will lapse. In the event that 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.

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

Significant accounting estimates and assumptions

Share-based payment transactions

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

Share Options granted to employees

	EXERCISE PRICE[1]	EXPIRY DATE	BALANCE AT BEGINNING OF YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	OTHER MOVEMENTS DURING THE YEAR	BALANCE AT END OF YEAR	OPTIONS EXERCISABLE AT END OF YEAR
Year ended 30 June 2016			Number	Number	Number	Number	Number	Number
Unlisted options	$0.2435	13/02/19	7,500,000	-	-	-	7,500,000	7,500,000
Unlisted options	$0.2327	15/03/16	1,000,000	-	(1,000,000)	-	-	-
Unlisted options	$0.3127	12/01/19	10,180,000	-	(1,850,000)	(1,110,000)[2]	7,220,000	3,420,000
Unlisted options	$0.3127	26/01/19	6,440,000	-	(600,000)	-	5,840,000	2,040,000
Unlisted options	$0.3927	7/03/19	800,000	-	-	-	800,000	300,000
Unlisted options	$0.4127	1/07/19	1,000,000	-	-	-	1,000,000	200,000
Unlisted options	$0.6866	21/10/19	400,000	-	-	-	400,000	80,000
Unlisted options	$0.7590	11/11/19	1,000,000	-	-	-	1,000,000	200,000
Unlisted options	$0.7697	30/11/19	1,000,000	-	-	-	1,000,000	200,000
Unlisted options	$0.8946	28/03/19	600,000	-	-	-	600,000	300,000
Unlisted options	$0.8644	19/06/19	600,000	-	-	-	600,000	300,000
Unlisted options	$0.9131	30/06/19	1,000,000	-	-	-	1,000,000	500,000
Unlisted options	$0.9052	2/07/19	400,000	-	-	-	400,000	200,000
Unlisted options	$0.8380	1/08/19	200,000	-	-	-	200,000	-
Unlisted options	$0.8625	28/08/19	600,000	-	-	-	600,000	120,000
Unlisted options	$0.7390	17/12/19	600,000	-	-	-	600,000	120,000
Unlisted options	$0.6290	1/02/20	2,700,000	-	-	-	2,700,000	540,000
			36,020,000	-	(3,450,000)	(1,110,000)	31,460,000	16,020,000

Notes:
1. Original exercise price was adjusted down by $0.0173 under ASX Listing Rule 6.22 following the entitlement issue announced on 10 February 2015. The exercise prices for all outstanding options were subsequently reduced by 9.43 cents each effective 22 July 2016 under ASX Listing Rule 6.22 following the entitlement issue announced 28 June 2016. The above exercise price was the exercise price at 30 June 2016 and hence does not reflect the reduction.
2. Options were forfeited on the termination of employment.

No options were issued to executives under ESOP during the year ended 30 June 2016.

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	EXERCISE PRICE[1]	EXPIRY DATE	BALANCE AT BEGINNING OF YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	OTHER MOVEMENTS DURING THE YEAR	BALANCE AT END OF YEAR	OPTIONS EXERCISABLE AT END OF YEAR
Year ended 30 June 2015			Number	Number	Number	Number	Number	Number
Unlisted options	$0.2505	27/01/16	950,000	-	(950,000)	-	-	-
Unlisted options	$0.2435	13/02/19	7,500,000	-	-	-	7,500,000	4,000,000
Unlisted options	$0.2327	15/03/16	2,000,000	-	(1,000,000)	-	1,000,000	1,000,000
Unlisted options	$0.3127	12/01/19	13,200,000	-	(420,000)	(2,600,000)[2]	10,180,000	2,120,000
Unlisted options	$0.3127	26/01/19	7,600,000	-	(1,160,000)	-	6,440,000	360,000
Unlisted options	$0.3927	7/03/19	1,000,000	-	(200,000)	-	800,000	-
Unlisted options	$0.4127	1/07/19	1,000,000	-	-	-	1,000,000	-
Unlisted options	$0.6866	21/10/19	400,000	-	-	-	400,000	-
Unlisted options	$0.7590	11/11/19	1,000,000	-	-	-	1,000,000	-
Unlisted options	$0.7697	30/11/19	1,000,000	-	-	-	1,000,000	-
Unlisted options	$0.8946	28/03/19	-	600,000	-	-	600,000	-
Unlisted options	$0.8644	19/06/19	-	600,000	-	-	600,000	120,000
Unlisted options	$0.9131	30/06/19	-	1,000,000	-	-	1,000,000	200,000
Unlisted options	$0.9052	2/07/19	-	400,000	-	-	400,000	80,000
Unlisted options	$0.8380	1/08/19	-	200,000	-	-	200,000	-
Unlisted options	$0.8625	28/08/19	-	600,000	-	-	600,000	-
Unlisted options	$0.7390	17/12/19	-	600,000	-	-	600,000	-
Unlisted options	$0.6290	1/02/20	-	2,700,000	-	-	2,700,000	-
			35,650,000	6,700,000	(3,730,000)	(2,600,000)	36,020,000	7,880,000

Notes: 1. Original exercise price was adjusted down by $0.0173 under ASX Listing Rule 6.22 following the entitlement issue announced on 10 February 2015.
2. Options were forfeited on the termination of employment.

Options issued to executives under the ESOP during the year ended 30 June 2015

- 600,000 granted on 19 August 2014 with an exercise price of $0.9119 and an expiry date of 28 March 2019.
- 600,000 granted on 19 August 2014 with an exercise price of $0.8817 and an expiry date of 19 June 2019.
- 1,000,000 granted on 19 August 2014 with an exercise price of $0.9304 and an expiry date of 30 June 2019.
- 400,000 granted on 19 August 2014 with an exercise price of $0.9225 and an expiry date of 2 July 2019.
- 200,000 granted on 19 August 2014 with an exercise price of $0.8553 and an expiry date of 1 August 2019.
- 600,000 granted on 19 August 2014 with an exercise price of $0.8798 and an expiry date of 28 August 2019.
- 600,000 granted on 29 January 2015 with an exercise price of $0.7563 and an expiry date of 17 December 2019.
- 2,700,000 granted on 29 January 2015 with an exercise price of $0.6463 and an expiry date of 1 February 2020.

Tax Exempt Share Plan (TESP)

374,344 shares were issued under the Tax Exempt Share Plan to long-term employees on 18 October 2011 for nil consideration at an effective issue price of $0.39 per share based on price at close of trade for that day. They were restricted for a period of three years but are now unrestricted.

There were no issues under the TESP during the year ended 30 June 2016 (2015: nil).

Employee share option plan (ESOP)

An employee share option plan is in place where Directors and employees of the Company may be issued with options over the ordinary shares of Mayne Pharma Group Limited. 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 Mayne Pharma Group Limited.

Each employee share option converts to one ordinary share in Mayne Pharma Group Limited 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.

No options were issued during the 2016 year under the ESOP and the plan is not expected to be utilised going forward. A total of 6,700,000 options were issued during the year ended 30 June 2015.

	2016 NUMBER OF OPTIONS	2016 WEIGHTED AVERAGE EXERCISE VALUE $	2015 NUMBER OF OPTIONS	2015 WEIGHTED AVERAGE EXERCISE VALUE $
Balance at beginning of year	28,520,000	0.4599	28,150,000	0.3660
Granted during the year	-	-	6,700,000	0.7871
Exercised during financial year	(3,450,000)	0.2895	(3,730,000)	0.2853
Forfeitures	(1,110,000)	0.3127	(2,600,000)	0.3267
Balance at end of year	23,960,000	0.4127	28,520,000	0.4599

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Option modification

The exercise price for all options on issue under the ESOP were changed in accordance with ASX Listing Rule 6.22 following the Company's pro-rata entitlement issue announced in June 2016. The exercise price change was effective 22 July 2016 and hence any adjustment the expense will be reflected is subsequent reporting periods. The accounting expense adjustment has not been determined at the date of this report.

Chief Executive Officer Share Option Plan (CEOSOP)

A share option plan is in place where the CEO of the Company may be issued with options over the ordinary shares of Mayne Pharma Group Limited. Shareholders approved the plan at the Extraordinary General Meeting held on 27 January 2012. The options, issued for nil consideration, were issued in accordance with guidelines established by the Directors of Mayne Pharma Group Limited.

Each CEO share option converts to one ordinary share in Mayne Pharma Group Limited 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 seven years after the Grant Date (13 February 2019) subject to the terms and conditions outlined in the plan, including Share Price hurdles ranging from $0.74 to $1.19 (previously share price hurdles were $0.74 to $1.29); Share Gateway conditions also apply.

The options were issued in three tranches:

	NUMBER OF OPTIONS	GRANT DATE	VESTING DATE
Tranche 1	1,500,000	13 February 2012	13 February 2015
Tranche 2	2,500,000	13 February 2012	13 February 2015
Tranche 3	3,500,000	13 February 2012	13 February 2016

	2016 NUMBER OF OPTIONS	2016 WEIGHTED AVERAGE EXERCISE PRICE $	2015 NUMBER OF OPTIONS	2015 WEIGHTED AVERAGE ERERCISE PRICE $
Balance at beginning of year	7,500,000	0.2435[1]	7,500,000	0.2435[1]
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Balance at end of year	7,500,000	0.2435	7,500,000	0.2435

Note: 1. The exercise price of the CEOSOP options changed during the prior year as a result of the application of ASX Listing Rule 6.22 following the Company's entitlement offer announced in February 2015. The exercise price for all outstanding options was subsequently reduced by 9.43 cents each effective 22 July 2016 under ASX Listing Rule 6.22 following the entitlement issue announced 28 June 2016. The above exercise price was the exercise price at 30 June 2016 and hence does not reflect the reduction.

There were no option issues under the CEOSOP during the year (2015: nil) and the CEOSOP is not expected to be utilised going forward.

Option modification

The exercise price for all options on issue under the CEOSOP were changed in accordance with ASX Listing Rule 6.22 following the Company's pro-rata entitlements issue announced in June 2016. The exercise price change was effective 22 July 2016 and hence any adjustment the expense will be reflected is subsequent reporting periods. The accounting expense adjustment has not been determined at the date of this report.

Shares granted to employees

Under the LTI program, eligible employees acquire shares in Mayne Pharma funded by a non-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 recognized in the financial statements.

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

	GRANT DATE	EXPIRY DATE	LOAN VALUE PER SHARE	NUMBER HELD AT 1 JULY 2015	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED OR FORFEITED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2016	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Year ended 30 June 2016										
Unlisted shares	8 Sep 14	8 Sep 19	$0.7636	1,092,063	-	-	-	1,092,063	344,000	68,800
Unlisted shares	4 Dec 14	4 Dec 19	$0.6815	3,823,529	-	-	-	3,823,529	845,000	169,000
Unlisted shares	2 Feb 15	2 Feb 20	$0.6163	833,003	-	-	-	833,003	210,000	42,000
Unlisted shares	3 Aug 15	31 Aug 20	$1.1000	-	12,578,136	-	(100,000)	12,478,136	5,516,584	1,686,517
Unlisted shares	5 Aug 15	31 Aug 20	$1.1538	-	974,997	-	-	974,997	432,996	131,487
Unlisted shares	24 Aug 15	31 Aug 20	$1.1297	-	2,231,344	-	-	2,231,344	633,032	187,505
Unlisted shares	11 Nov 15	31 Aug 20	$1.0200	-	1,079,772	-	-	1,079,772	423,811	91,662
Unlisted shares	11 Nov 15	31 Aug 20	$1.0460	-	524,070	-	-	524,070	200,771	48,155
Unlisted shares	4 Dec 15	31 Aug 20	$1.2300	-	2,553,496	-	-	2,553,496	1,237,169	274,875
				5,748,595	19,941,815	-	(100,000)	25,590,410	9,843,363	2,700,001

	GRANT DATE	EXPIRY DATE	LOAN VALUE PER SHARE	NUMBER HELD AT 1 JULY 2014	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2015	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Year ended 30 June 2015										
Unlisted shares	8 Sep 14	8 Sep 19	$0.7636	-	1,092,063	-	-	1,092,063	344,000	55,794
Unlisted shares	4 Dec 14	4 Dec 19	$0.6815	-	3,823,529	-	-	3,823,529	845,000	96,770
Unlisted shares	2 Feb 15	2 Feb 20	$0.6163	-	833,003	-	-	833,003	210,000	17,145
					5,748,595	-	-	5,748,595	1,399,000	169,709

Under the LTI plan, eligible senior management are provided with non-recourse loans from the Group for the sole purpose of acquiring shares in the Group. 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 and while the loan remains outstanding, with any unvested/unexercised shares lapsing after 49 months after the initial testing date.

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

The shares issued during the current period have a common testing/vest date with the testing/vesting date being 1 July each year. Shares issued in the prior period are tested on the anniversaries of the grant date.

The shares generally vest over three years with 20% vesting after the first testing date, 30% after the second testing date and 50% vesting after the third testing date, other than those issued to the CEO during the year ended 30 June 2015, of which 100% only vest after 36 months if the hurdles are met.

The number/proportion of shares that vest is based on the absolute Total Shareholder Return (TSR) over the period, with 50% vesting if a TSR of 5% Compound Annual Growth (CAGR) is achieved, rising to 100% vesting for achievement of a TSR CAGR of 10%. For shares issued under the plan during the year ended 30 June 2015, vesting is based on the absolute Total Shareholder Return (TSR) over the period, with 50% vesting if a TSR of 10% Compound Annual Growth (CAGR) is achieved, rising to 100% vesting for achievement of a TSR CAGR of 15%.If the hurdles are not met at the date of the initial test, the unvested shares are re-tested at the next test date. If any shares remain unvested after the 36-month period, they are able to be re-tested six monthly for a further two years, at which point they will lapse if unvested.

For share options 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 (refer to Note 1R). The following inputs were used in the valuations:

	LTI SHARES GRANTED 3 AUG 2015			LTI SHARES GRANTED 5 AUG 2015			LTI SHARES GRANTED 24 AUG 2015		
	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)	2,495,627	3,743,441	6,239,068	194,999	292,499	487,499	446,269	669,403	1,115,672
Monte Carlo Simulation model fair value	$0.3840	$0.4420	$0.4654	$0.3810	$0.4433	$0.4698	$0.2090	$0.2797	$0.3160
Share price at grant date	$1.20	$1.20	$1.20	$1.23	$1.23	$1.23	$0.995	$0.995	$0.995
Exercise price	$1.10	$1.10	$1.10	$1.1538	$1.1538	$1.1538	$1.13	$1.13	$1.13
Expected volatility	45%	45%	45%	45%	45%	45%	45%	45%	45%
Expected option life	2.5yrs	2.8yrs	3.3yrs	2.5yrs	2.8yrs	3.3yrs	2.3yrs	2.7yrs	3.2yrs
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	2.10%	2.10%	2.10%	2.19%	2.19%	2.19%	1.92%	1.92%	1.92%

	LTI SHARES GRANTED 21 OCT 2015			LTI SHARES GRANTED 11 NOV 2015			LTI SHARES GRANTED 4 DEC 2015		
	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 3	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of shares (treated as options for accounting)	215,954	323,932	539,886	104,814	157,221	262,035	510,699	766,049	1,276,748
Monte Carlo Simulation model fair value	$0.3355	$0.3917	$0.4158	$0.3230	$0.3817	$0.4080	$0.4165	$0.4833	$0.5124
Share price at grant date	$1.11	$1.11	$1.11	$1.11	$1.11	$1.11	$1.36	$1.36	$1.36
Exercise price	$1.02	$1.02	$1.02	$1.046	$1.046	$1.046	$1.23	$1.23	$1.23
Expected volatility	45%	45%	45%	45%	45%	45%	45%	45%	45%
Expected option life	2.1yrs	2.5yrs	3.0yrs	2.1yrs	2.5yrs	3.0yrs	2.0yrs	2.5yrs	2.9yrs
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%	2.38%	2.38%	2.38%

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 also takes into account 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.

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NOTE 28 – PARENT ENTITY DISCLOSURES

Financial position

	2016 $'000	2015 $'000
Assets		
Current assets	19,977	31,968
Non-current assets	297,110	258,679
Total assets	317,087	290,647
Liabilities		
Current liabilities	17,926	9,257
Non-current liabilities	76,885	63,539
Total liabilities	94,811	72,796
Net assets	222,276	217,851
Equity		
Issued capital	263,161	255,834
Reserves	6,134	3,148
Accumulated losses	(47,019)	(41,131)
Total equity	222,276	217,851

Financial performance

	2016 $'000	2015 $'000
Loss for the year	(5,888)	(3,832)
Other comprehensive income	(864)	-
Total comprehensive income	(6,752)	(3,832)

The parent entity has lease commitments of $1,280,000 at 30 June 2016 (2015: $1,415,000).

NOTE 29 – COMMITMENTS AND CONTINGENCIES

A. Commitments

Leasing commitments

The Group has entered into operating leases on warehouse and office space as well as equipment leases. Future minimum rentals payable under these operating leases are as follows:

	2016 $'000	2015 $'000
Within one year	982	800
After one year but not more than five years	1,860	1,446
After five years	235	337
Total minimum lease payments	3,077	2,583

Capital Commitments

The Group had $3,870,000 of contractual obligations for the purchase of capital equipment as at 30 June 2016 (2015: $158,000).

The Company announced plans to spend US$65m on the upgrade and expansion of its US manufacturing facilities. This work commenced in FY16 and will continue during FY17 and FY18.

B. Contingencies

The Company previously reported a contingency relating to a dispute with a former distributor who claimed loss of profits from an alleged breach of contract. The dispute went through a dispute resolution process as outlined in the contract and was finalised through arbitration in Hong Kong. The Company has reflected the outcome in this report (refer note 6).

Mayne Pharma is one of numerous generic pharmaceutical companies to receive a subpoena from the Antitrust Division of the US Department of Justice ("DOJ") in the last two years seeking information relating to the marketing, pricing and sales of select generic products. Mayne Pharma has more recently received a subpoena from the Office of the Attorney General in the State of Connecticut seeking similar information. The investigations are ongoing. External counsel have been engaged and the Directors' current assessment is that, these investigations will not have a material impact on Mayne Pharma's future earnings.

Based on currently available information, no reserves for costs associated with any anticipated litigation have been provided for in these financial statements, as management does not believe that such anticipated litigation meets the criteria for recognition.

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On 29 July 2016, Mayne announced it had entered into a settlement agreement with Forest Laboratories, LLC ("Forest") relating to Mayne Pharma's US Patent No. 6,194,000. In December 2013, Mayne Pharma filed a patent infringement lawsuit against Forest over Forest's Namenda XR product, which was launched in the USA in June 2013. The settlement is expected to result in Mayne Pharma recording additional income of up to US$19.5m in FY17. This amount represented a contingent asset at 30 June 2016 however it did not meet the criteria to recognise as an asset at 30 June 2016.

NOTE 30 – DIVIDENDS

No dividends were paid or declared in the year ended 30 June 2016 (2015: nil).

Franking credit balance

	2016 $'000	2015 $'000
Opening balance	3,384	2,769
Franking credits arising from payments	4,846	615
Franking credits that will arise from the payment of income tax as at the end of the financial year	12,319	1,811
Franking credits available for future reporting periods	20,549	5,195

NOTE 31 – BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the Group policy is to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139; *Financial Instruments Recognition and Measurement* in profit or loss.

No business combinations were undertaken during FY16.

Control gained over entity during the prior year

Effective 15 May 2015, the Group gained control (for accounting purposes) of HPPI. The Group previously accounted for HPPI under the equity accounting rules (refer note 14). At reporting date the Group hold 49.4% of the issued capital of HPPI. The Group also hold warrants to acquire additional shares which potentially could increase Mayne Pharma's interest to 57%.

As a result of gaining control, the Group consolidated HPPI from 15 May 2015.

The total cost of the acquisition included the following:

	$'000
Book value of the HPPI equity accounted investment	4,615
Gain on restating the book value of the equity investment to fair value	4,043
Additional capital invested	2,120
Total value of consideration	10,778

The Group recognised the fair values of the identifiable assets and liabilities acquired based on the information available at reporting date. The intangible assets include intellectual property.

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The provisional business combination accounting recognised in the prior year was as follows:

	PROVISIONAL RECOGNISED ON ACQUISITION $'000
Cash and cash equivalents	3,116
Other current assets	52
Intangible assets	31,123
Total identifiable assets acquired	34,291
Payables – current	(647)
Deferred tax liabilities	(11,827)
Total identifiable liabilities assumed	(12,474)
Fair value of identifiable net assets	21,817
Non-controlling interests	(11,039)
Total consideration	10,778
Cost of the combination:	
Cash paid	2,120
Net cash acquired with the subsidiary	(3,116)
	(996)

Note: The values above are based on the USD: AUD exchange rate applying at the date of acquisition.

The provisional accounting was subsequently finalised and no changes to the values above were made.

The value of the investment in HPPI at 30 June 2015 plus the value of the warrants held totalled $12,045,000. The value of the investment (and warrants) is dependent on the outcome of on-going clinical trials and subsequent FDA approvals.

From the date of gaining control to 30 June 2015, HPPI contributed nil revenue and $438,000 of expenses to continuing operations of the Group. If HPPI had been controlled for the whole of FY15, the contributed revenue would have been nil and the expenses would have been $3,548,000.

The strategic rationale for gaining control of HPPI was to accelerate HPPI's clinical development program using Mayne Pharma's patented oral formulation of Itraconazole, known as SUBA-itraconazole to treat certain cancers.

The Group gained control of HPPI (from an accounting perspective) by contributing cash in exchange for additional shares and by the Group having more influence (by agreement) over the operational activities of HPPI.

NOTE 32 – DEED OF CROSS GUARANTEE

As an entity subject to Class Order 98/1418, 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, Mayne Pharma Group Limited 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 in the event that 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/accumulated losses for the year ended 30 June 2016 of the closed group consisting of the Company and MPIPL.

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

	CONSOLIDATED	
	2016 $'000	2015 $'000
Continuing operations		
Sale of goods	103,242	49,353
Services revenue	10,284	9,721
License fee income	391	494
Royalties revenue	1,090	1,096
Revenue	**115,007**	**60,664**
Cost of sales	(33,359)	(26,468)
Gross profit	**81,648**	**34,196**
Other income	14,511	6,822
Research and development expenses	(3,625)	(2,199)
Marketing expenses and distribution expenses	(3,929)	(5,465)
Amortisation expenses	(7,845)	(3,865)
Administration expenses and other expenses	(25,855)	(10,491)
Finance costs	(2,438)	(68)
Fair value movement in earn-out liability	1,001	(2,829)
Acquisition costs	(280)	(658)
Profit before income tax	**53,189**	**15,455**
Income tax (expense)/benefit	(18,312)	(5,256)
Net profit from continuing operations after income tax	**34,877**	**10,199**
Other comprehensive income for the period, net of tax	(864)	-
Total comprehensive income for the period attributable to owners of the parent	**34,013**	**10,199**

	2015 $'000	2014 $'000
Retained earnings/(accumulated losses) at the beginning of the financial year	13,149	2,950
Profit for the period	34,877	10,199
Retained earnings at the end of the financial year	**48,026**	**13,149**

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B. Consolidated Statement of Financial Position

Set out below is a Consolidated Statement of Financial Position as at 30 June 2016 of the closed group consisting of the Company and MPIPL.

	CONSOLIDATED	
	2016 $'000	2015 $'000
Current assets		
Cash and cash equivalents	27,036	39,043
Trade and other receivables	7,100	5,187
Inventories	12,406	9,684
Other current assets	660	409
Total current assets	**47,202**	**54,323**
Non-current assets		
Related party receivables	188,556	120,666
Investment in subsidiaries	68,790	67,112
Property, plant and equipment	26,149	22,595
Deferred tax assets	3,465	508
Intangible assets and goodwill	85,978	89,467
Total non-current assets	**372,938**	**300,348**
Total assets	**420,140**	**354,671**
Current liabilities		
Trade and other payables	9,325	6,833
Income tax payable	12,308	1,978
Other financial liabilities	1,344	7,659
Provisions	3,273	2,985
Total current liabilities	**26,250**	**19,275**
Non-current liabilities		
Interest-bearing loans and borrowings	76,163	60,776
Other financial liabilities	-	1,244
Provisions	1,451	1,245
Total non-current liabilities	**77,814**	**63,265**
Total liabilities	**103,864**	**82,540**
Net assets	**316,276**	**272,131**
Equity		
Contributed equity	262,191	255,834
Reserves	6,059	3,148
Retained earnings/(accumulated losses)	48,026	13,149
Total equity	**316,276**	**272,131**

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NOTE 33 – EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 28 June 2016, the Company announced it had entered into an agreement to acquire 37 approved and 5 FDA filed products from Teva Pharmaceutical Industries Limited ("Teva") and Allergan plc ("Allergan") for cash consideration of US$652m.

This asset purchase was completed on 3 August 2016.

The Company funded the acquisition via an extension of its existing debt facility (increased limit to US$400m), and a fully underwritten A$601m. 1-for-1.725 accelerated non-renounceable entitlement offer and A$287m placement. (Refer Note 8 for details of contributed equity changes).

Prior to settling the Teva transaction, the Company drew down the syndicated loan facility for an amount of US$150m which included rolling over the existing loan balance.

On 29 July 2016, the Company announced it had entered into a settlement agreement with Forest Laboratories, LLC ("Forest") relating to Mayne Pharma's US Patent No. 6,194,000. In December 2013, Mayne Pharma filed a patent infringement lawsuit against Forest over Forest's Namenda XR product, which was launched in the USA in June 2013.The settlement is expected to result in Mayne Pharma recording additional income of up to US$19.5m in FY17. This amount represented a contingent asset at 30 June 2016 as it did not meet the criteria to be recognised as an asset at 30 June 2016.

On 18 August 2016 the Company acquired a portfolio of on-market dermatology Foam Assets from GSK for US$50.1m. Under the terms of the agreement Mayne Pharma will acquire the approved regulatory filings, trademarks, marketing materials, select product inventory, related medical and technical data and will acquire or obtain licenses for related patents.

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

NOTE 34 – 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, the following relevant Standards and Interpretations were issued but not yet effective:

(i) AASB 15 Revenue from Contracts with Customers (effective 1 January 2017).

(ii) AASB 9 Financial Instruments, AASB 2009-11 (effective 1 January 2018).

(iii) IAS 16, IAS 27 and IAS 38 amendments (effective 1 January 2016). These IFRS amendments have not yet been adopted by the AASB.

(iv) AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016).

(v) AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016).

(vi) AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective 1 January 2016).

(vii) AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle (effective 1 January 2016).

(viii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (effective 1 January 2016).

(ix) AASB 16 Leases (effective 1 January 2019)

With the exceptions of AASB 15 and AASB 16 which are yet to be assessed, it is anticipated that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Group.

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DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:

   (a) The financial statements and notes of Mayne Pharma Group Limited for the financial year ended 30 June 2016 are in accordance with the Corporations Act 2001, including:

      (i) Giving a true and fair view of its financial position as at 30 June 2016 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.

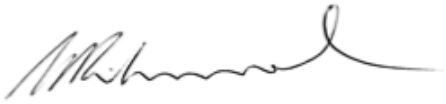
   (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   (c) There are reasonable grounds to believe that the members of the Closed Group identified in note 32 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 1B.

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 2016.

On behalf of the Board



Mr Scott Richards
Managing Director and CEO

Dated at Melbourne, Australia this 25th day of August 2016.

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INDEPENDENT AUDITOR'S REPORT

Building a better working world

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

Report on the financial report

We have audited the accompanying financial report of Mayne Pharma Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Opinion

In our opinion:

a. the financial report of Mayne Pharma Group Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 27 to 34 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Mayne Pharma Group Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

Ashley C Butler
Partner
Melbourne
25 August 2016

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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 7 September 2016.

DISTRIBUTION OF ORDINARY SHAREHOLDERS AND SHAREHOLDINGS

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS		NUMBER OF SHARES		NUMBER OF OPTION HOLDERS	NUMBER OF OPTIONS
1 to 1,000	1,332	13.77%	680,743	0.05%	-	-
1,001 to 5,000	2,633	27.21%	8,080,621	0.54%	-	-
5,001 to 10,000	1,715	17.72%	13,240,491	0.89%	-	-
10,001 to 100,000	3,209	33.16%	104,319,289	7.00%	18	1,619,000
100,001 and over	787	8.13%	1,364,506,872	91.53%	45	28,155,000
Total	9,676	100%	1,490,828,016	100%	63	29,774,000

Included in the above total are 427 shareholders holding less than a marketable parcel of 271 shares.

OPTIONS

There are 29,774,000 options on issue held by 63 individual option holders. Options do not carry a right to vote.

TWENTY LARGEST HOLDERS OF QUOTED ORDINARY SHARES

	SHARES	% OF TOTAL
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	287,933,494	19.31
J P MORGAN NOMINEES AUSTRALIA LIMITED	204,549,657	13.72
CITICORP NOMINEES PTY LIMITED	113,979,058	7.65
NATIONAL NOMINEES LIMITED	113,002,163	7.58
MR BRUCE MATHIESON AND RELATED ENTITIES	90,269,499	6.05
INVESTMENT HOLDINGS PTY LTD	83,424,599	5.60
BNP PARIBAS NOMS PTY LTD <DRP>	52,268,416	3.51
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	20,361,238	1.37
R & JS SMITH HOLDINGS PTY LTD <R & JS SMITH SUPER FUND A/C>	15,995,041	1.07
IVL GROUP PTY LTD	14,776,627	0.99
MR SCOTT RICHARDS AND RELATED ENTITIES	15,745,589	1.06
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	12,886,957	0.86
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	11,239,403	0.75
MR ROGER CORBETT AND RELATED ENTITIES	10,284,769	0.69
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	9,861,006	0.66
WAL ASSETS PTY LTD <THE L A WILSON PROPERTY A/C>	9,193,503	0.62
MR WILLIAM HODGES AND RELATED ENTITIES	8,406,554	0.56
AMP LIFE LIMITED	7,519,394	0.50
UBS NOMINEES PTY LTD	7,510,045	0.50
MIEKE INVESTMENTS PTY LTD	5,528,985	0.37

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:

Mr Bruce Mathieson and related entities	6.1%
Westpac Banking Corporation	5.0%

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INTELLECTUAL PROPERTY & GLOSSARY

Astrix, Doryx, Eryc, Esgic, Kadian, Kapanol, Magnoplasm, Lozanoc, SUBA-Itraconazole and Zebutal are registered trademarks of the Consolidated Entity.

For further information on Mayne Pharma's products, refer to the product section of the Company's website, http://www.maynepharma.com/products/us-products/ or http://www.maynepharma.com/products/australian-products/.

Itragerm™ is a registered trade mark of ISDIN, S.A.

Tikosyn™ is a registered trade mark of Pfizer Inc.

GLOSSARY

ANDA – Abbreviated New Drug Application. An application to market a generic drug in the USA. 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 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 Drugs. Drugs that are considered safe and effective by the FDA and TGA for use by the general public without a doctor's prescription.

PIV - Paragraph 4 filing. A type of ANDA submitted during the patent term of the originator product. 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 persons 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

DIRECTORS:	Mr Roger Corbett, AO (Chairman) Mr Scott Richards (Managing Director and CEO) Hon. Ron Best Mr Bruce Mathieson Mr Ian Scholes Mr William (Phil) Hodges Prof Bruce Robinson Nancy Dolan
COMPANY SECRETARY:	Mr Mark Cansdale
REGISTERED OFFICE:	1538 Main North Road, Salisbury South South Australia 5106
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 Rialto Towers 525 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 National Australia Bank Limited 500 Bourke 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)

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