27 August 2014

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

Via E-Lodgement

Dear Sir/Madam

Mayne Pharma Group
Full Year Results – Financial Year Ended 30 June 2014

Please find attached the following documents relating to the results for the year ended 30 June 2014.

1. Appendix 4E
2. Annual Report

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

Yours faithfully,
Mayne Pharma Group Limited

Mark Cansdale
Group CFO and Company Secretary

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

	% CHANGE	JUNE 2014 $'000	JUNE 2013[1] $'000
Revenue from ordinary activities	72%	143,254	83,431
Profit/(loss) from ordinary activities before income tax expense	NM	28,022	(703)
Profit/(loss) from ordinary activities after income tax expense	NM	21,290	(2,843)
Net profit/(loss) attributable to members	NM	21,290	(2,843)
Other comprehensive profit/(loss) attributable to members after income tax expense		(3,405)	6,843
Total comprehensive income attributable to members after income tax expense		17,885	4,000
Net tangible assets per ordinary share		$0.03	$0.01

	2014 Cents	2013 Cents
Basic earnings per share	3.72	(0.70)
Diluted earnings per share[2]	3.60	(0.70)
Final dividend in respect of the financial year ended 30 June per share	Nil	Nil

Notes: 1. Includes the contribution of Metrics, Inc for the period 14 November 2012 to 30 June 2013.

2. Diluted earnings per share is the same as basic earnings per share for June 2013 due to the result being a loss.

No dividend has been declared in relation to the period ended 30 June 2014.

Refer to the Commentary on Operating Performance and the accompanying ASX announcement dated 27 August 2014 for a brief commentary on the results.

mayne pharma

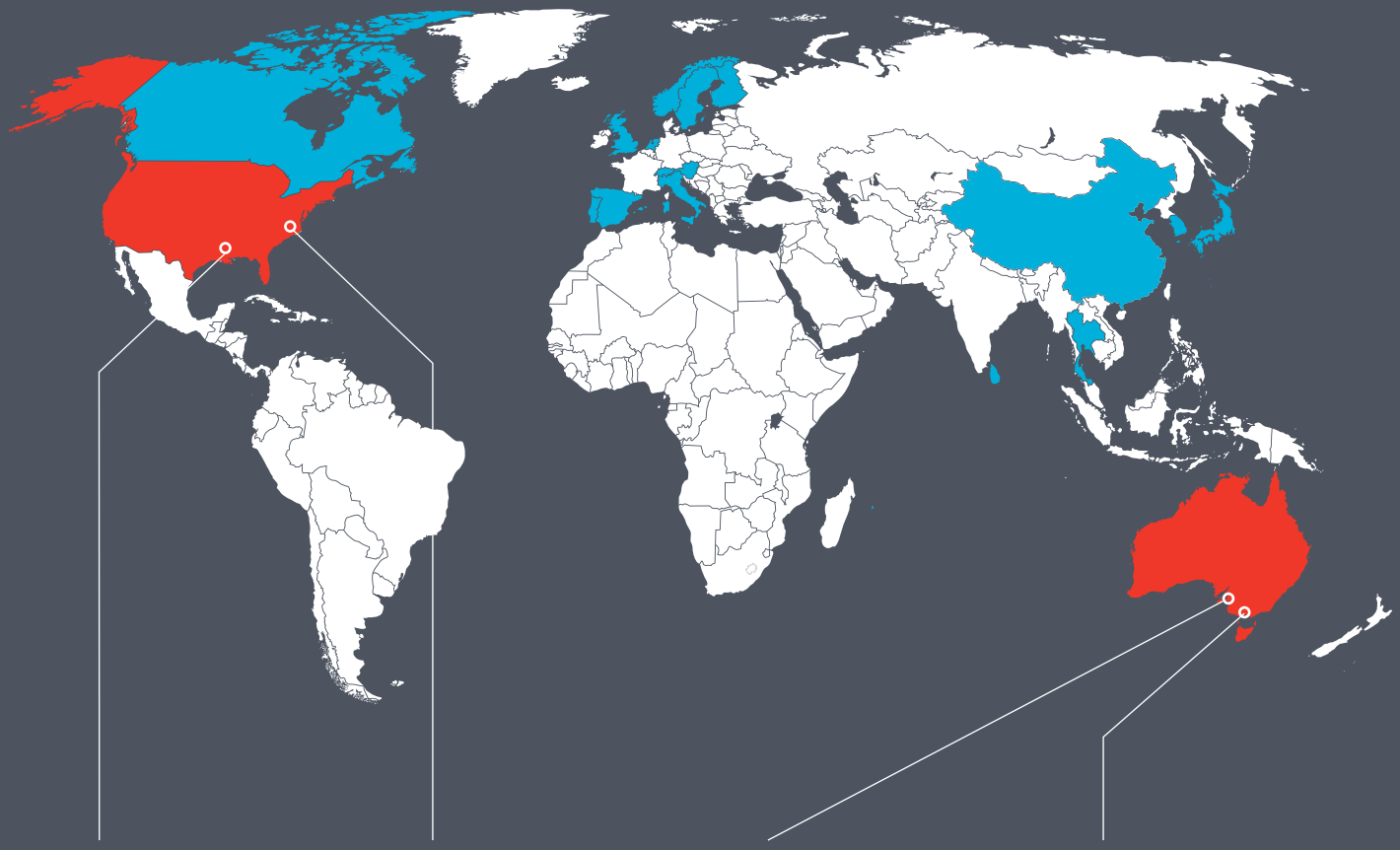
You deserve tomorrow

Annual Report 2014

maynepharma.com

Mayne Pharma's International footprint

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



Distribution centre

2,000m^2 commercial and distribution facility and customer service in Montgomery, Alabama

Product development and manufacturing facility

14.6 hectare facility at Greenville, North Carolina has 9,200m^2 of manufacturing space. FDA approved. Annual production capacity of :

- ~1 billion capsules
- Segregated potent drug development facility

Head office and manufacturing facility

13 hectare facility at Salisbury, South Australia has 12,000m^2 of manufacturing space. FDA, MHRA and TGA approval. Annual production capacity of:

- ~2.5 billion capsules/tablets
- 100 tonnes of bulk product
- 16 million units of liquids and creams

Corporate registered office

Melbourne, Victoria

Contents

About Mayne Pharma

Mayne Pharma is an ASX-listed specialty pharmaceutical company that develops and manufactures branded and generic products, which it distributes globally; either directly or through distribution partners and also provides contract development and manufacturing services.

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 drug development and manufacturing facilities based in Salisbury, Australia and Greenville, USA with expertise in formulating complex oral dose forms including highly potent compounds, controlled substances, modified release products and inherently unstable compounds.

Business Segments

	Mayne Pharma International (MPI) *(formerly MPA & MP Global)* *Develops, manufactures, markets and distributes branded and generic products globally (principally Australian-manufactured product)*	**US Products (USP)** *Develops, manufactures, markets and distributes branded and generic products in the US (principally US-manufactured product)*	**Metrics Contract Services (MCS)** *Provides contract pharmaceutical development services to third parties globally*
Key current products and services	• Branded Specialty – Doryx™, Eryc™, Kapanol™, Lozanoc™, Urocarb™ • Branded OTC/Pharmacy – Astrix™, Licener™, Magnoplasm™, Percutane™ • Generic – Doxycycline, Erythromycin, Aspirin, Doxorubicin, Ondansetron • Commercial contract manufacturing	• Branded – ESGIC™, LORCET™, ZEBUTAL™ • Generic – Amiodarone, Bromfenac, Butalbital/APAP/Caffeine, Doxycycline Hyclate, Erythromycin, Hydrocodone/APAP, Liothyronine, Methamphetamine, Nystatin, Oxycodone, Oxycodone/APAP	• Analytical services • Formulation development • Clinical trial batch manufacture • Potent and cytotoxic services • Commercial contract manufacturing
Pipeline products	• 30+ products in pipeline – 16 products pending with the TGA	• 30+ products in pipeline – 17 products pending with the FDA	N/A

Key Business Facts

A$143m
in revenue in FY14

A$500m
market capitalisation at 30 June 2014

A$20m
invested in research and development in FY14

10
patent families with **34** patents granted/ pending globally

Growing product portfolio with 27 molecules and **80** different presentations sold globally

17
products pending approval at the US FDA and **16** products pending approval at the Australian TGA

Products sold in **10+** countries

100+
contract service clients

Global manufacturing capacity of approximately **3.5 Billion doses**

500+
employees

FY14 Milestones

July 2013

- Acquisition of Libertas Pharma
- Launched Doxycycline Hyclate Delayed-Release (DR) 75mg and 100mg tablets and Erythromycin DR 250mg capsules in the USA

August 2013

- Out-licensed Lozanoc™ to ISDIN in Spain, Italy and Portugal

September 2013

- Mayne Pharma joins S&P Dow Jones ASX300 Index
- Signed an exclusive US license and supply agreement with HedgePath Pharmaceuticals for SUBA™-Itraconazole in cancer

December 2013

- Acquired ZEBUTAL™ trademark from Shionogi, reformulated and relaunched in the US
- Signed in-licensing agreement with a European specialty pharmaceutical company to market a modified release opioid pain product in Australia

January 2014

- First Mayne Pharma injectable approved by the TGA - Doxorubicin
- Out-licensed Lozanoc™ to Boryung in South Korea

February 2014

- Acquisition of ESGIC™ and LORCET™ trademarks from Forest Laboratories
- Launched Doxycycline Hyclate DR 150mg tablets in the US

April 2014

- Lozanoc™ capsules approved by the TGA

May 2014

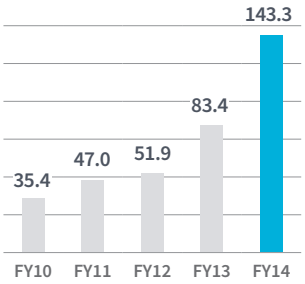
- Launched Licener™ head lice treatment in Australia
- Signed two in-licensing agreements for six products from Gland Pharma and Demo S.A.

June 2014

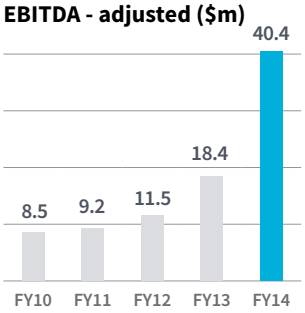
- FDA approval of Oxycodone HCl 100mg/5ml Oral Solution – first generic ANDA approval following Metrics, Inc. acquisition in November 2012
- Mayne Pharma joins S&P Dow Jones ASX200 All Australian Index
- First sales of Lozanoc™ capsules in Spain
- In-licensed a generic product from Wanbang Biopharmaceuticals to launch in Australia

Key Financials

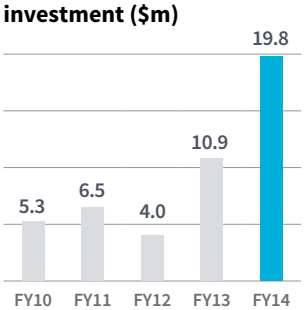
Revenue ($m)



EBITDA - adjusted ($m)



Research & development cash investment ($m)



Growth Strategy

1. US retail generics maximisation

- *Approval and launch of FDA filed products*
- *Optimisation of market penetration of product portfolio*
- *Portfolio expansion through growing product pipeline*
- *Efficient and reliable product sourcing, manufacturing and supply*

2. Doxycycline franchise optimisation

- *Leverage patent and data exclusivity*
- *Optimisation of market penetration of US product portfolio*

3. Research and development execution

- *Portfolio selection that leverages drug delivery expertise in complex generics and branded products*
- *Selective paragraph IV filings in the US*
- *Development of SUBA™-Itraconazole in cancer in alliance with HedgePath Pharmaceuticals*

4. Strategic acquisitions, licensing & partnerships

- *Licensing niche generic or specialty products in Australia and 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*
- *Development of the injectable and pain portfolio in Australia*

Five Year Financial Summary

The Company has had another solid financial year with revenue, gross profit and earnings all up on the prior corresponding year.

	Notes	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
		$m	$m	$m	$m	$m
Sales and profit						
Revenue		143.3	83.4	51.9	47.0	35.4
Gross profit		75.1	39.0	22.6	20.1	17.5
EBITDA - adjusted		40.4	18.4	11.5	9.2	8.5
Adjustments	1	2.7	(9.1)	2.8	(1.3)	-
EBITDA - reported		43.1	9.3	14.3	7.9	8.5
Depreciation / Amortisation		(9.9)	(7.4)	(5.6)	(7.9)	(6.6)
PBIT		33.2	1.9	8.7	-	1.9
Net Interest	2	(5.2)	(2.6)	(0.9)	(1.5)	(1.3)
Income tax expense		(6.7)	(2.1)	(1.6)	3.2	2.6
Reported NPAT		21.3	(2.8)	6.1	1.7	3.3
Balance sheet extract						
Cash		14.8	18.9	11.6	5.8	19.7
Inventory & receivables		47.0	38.2	11.1	12.1	12.5
PP&E		53.4	55.0	22.2	21.5	21.0
Intangibles		141.1	115.5	4.2	8.2	14.2
Total assets		265.8	233.4	53.9	53.7	71.2
Interest-bearing debt		48.0	46.7	-	2.3	8.6
Other financial liabilities		11.3	28.2	9.3	15.1	21.0
Total liabilities		106.5	112.5	23.3	29.5	45.6
Equity		159.3	120.9	30.6	24.2	25.5
Ratios						
EBITDA margin - adjusted (%)	1	28	22	22	20	24
Gross profit margin (%)		52	47	44	43	49
EPS (cents)		3.7	(0.7)	4.1	1.1	2.6

Notes to financial summary table: The financial information contained in this document is directly extracted or calculated from the audited Financial Statements. Some non-IFRS financial information is stated excluding certain specified expenses. Results excluding such expenses are considered by Directors to be a meaningful comparison from period to period. The non-IFRS financial information has not been reviewed by the Group's auditors.

1. Refer to reconciliation table in our earnings releases dated 27 August 2014, 27 August 2013, 21 August 2012, 31 August 2011 for adjustment details
2. Includes finance expenses, notional non-cash interest expense representing the charge for the unwind of the discount on earn-out liabilities less interest revenue.

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 2014 annual report.

The Company has had another strong financial year with revenue, gross profit and earnings all up on the prior corresponding year. Revenue increased 72% to $143m and gross profit was up 92% to $75m. Reported earnings before interest, tax, depreciation and amortization (EBITDA) was $43.1m and adjusted EBITDA (excluding certain expenses) was $40.4m, up 120%. The reported net profit after tax was $21.3m, up from a reported loss in the prior period and net operating cash flow was $34.3m up 130%.

The business continues to focus on increasing the breadth of its product portfolio, technologies and footprint. Mayne Pharma is committed to become a leading global specialty pharmaceutical company focused on the development of niche and complex generic products as well as proprietary pharmaceuticals that utilize the Company's world class oral drug delivery technologies.

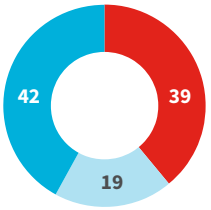
The business has grown both organically and via acquisition over the last year with the acquisition of Libertas Pharma Inc. and the acquisitions of the ESGIC™, LORCET™ and ZEBUTAL™ products contributing to the growth.

It is pleasing to report that we have had US FDA inspections at both of our manufacturing sites in Salisbury and Greenville over the past 12 months and both have been successfully completed. The Company has an excellent track record in Quality and Compliance and continues to invest heavily in this area.

The Company significantly increased its investment in research and development to almost $20m, up 82% on the prior year. The majority of this investment was directed towards the development of generic products for the US market. The Company now has more than 60 products in its pipeline of which 17 products are pending approval at the US FDA and 16 products are pending approval at the TGA. This is a significant change from two years ago when the Company had no products pending approval in the US or Australia.

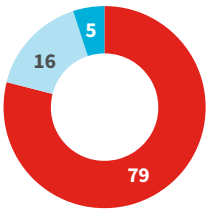
During the year, the Company received approval for and launched a number of new products globally. A major milestone was reached with the first sales of Lozanoc™ to our distribution partner ISDIN in Spain. This is a fantastic achievement and was the result of a great deal of work by many people over the years to bring this product to market. Lozanoc™ is our improved formulation of Itraconazole that has approximately

Revenue by segment (%)



- *US Products*
- *Metrics Contract Services*
- *Mayne Pharma International*

Revenue by region (%)



- *USA*
- *Australia*
- *Rest of World*

The business continues to focus on increasing the breadth of its product portfolio, technologies and footprint. Mayne Pharma is committed to become a leading global specialty pharmaceutical company

twice the bioavailability and significantly reduced variability when compared to conventional oral Itraconazole. It is pleasing that several European regulators, and now the TGA, have approved this product.

As part of the Company's on-going out-licensing strategy, we acquired an equity stake of 41.5% in US listed HedgePath Pharmaceuticals Inc. following the granting of an exclusive US license and supply agreement for SUBA™-Itraconazole in cancer. HedgePath will pursue the clinical development, registration and commercialisation of the Company's patented formulation of Itraconazole for the treatment of a variety of cancers in the US.

We have also gained TGA approval for our first injectable product, Doxorubicin Hydrochloride. In the US, the Company received approval for its generic Oxycodone Hydrochloride Oral solution and also launched generic Doxycycline Hyclate Delayed Release tablets and Erythromycin Delayed Release capsules during the year which were the first revenue synergies to materialise from the Metrics acquisition in November 2012. Metrics Contract Services, our fee for service business, delivered a solid result and is positioned well in the coming year with its key performance indicators such as the number quotes written and signed as well as committed business pipeline trending strongly.

On behalf of the Board, I would like to thank all of our employees for their hard work and dedication over the last year and commitment to our strategic goals.

The Board is grateful to you, our shareholders for your continued support. I am confident that Mayne Pharma can continue to deliver shareholder value into the future.

Roger Corbett, AO
Chairman

The business has grown both organically and via acquisition over the last year with the acquisition of Libertas Pharma Inc. and the acquisitions of the ESGIC™, LORCET™ and ZEBUTAL™ products contributing to the growth

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 2014 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 21 to 27 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
Mr Ian Scholes
Prof Bruce Robinson (appointed 26 August 2014)

Particulars of the Directors' qualifications, other listed company directorships, experience and special responsibilities are detailed on pages 18 and 19 of the Annual Report. Particulars of the qualifications and experience of the Company Secretary are detailed on page 19 of the Annual 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 2014 financial year are:

	BOARD		AUDIT 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	12	12	-	-	-	-	2	2
Mr S Richards	12	12	-	-	-	-	2[3]	1
Mr I Scholes	12	12	6	6	-	-	2	2
Hon R Best	12	12	6	6	-	-	2[3]	2
Mr B Mathieson	12	11	6	2	-	-	2	1
Mr P Hodges	12	12	-	-	-	-	-	-

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. Hon R Best and Mr Scott Richards are not members of the Remuneration and People Committee however they attended the meetings at the Chairman's invitation.

The Nomination Committee did not meet separately during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Following on from the acquisition of Metrics, Inc. during the previous financial year, the Company made a number of smaller acquisitions in the current year with Libertas Pharma, Inc. (Libertas) joining the group on 1 July 2013 and the brand name acquisitions of ZEBUTAL™, ESGIC™ and LORCET™ occurring later in the financial year. On 25 June 2014 the Group also announced that it had completed out-licensing arrangements with Hedgepath Pharmaceuticals, Inc ('HPPI') in return for an equity stake of 41.5% in HPPI. These changes are discussed in the Principal Activities, Results of Operations and Likely Developments section of this report.

PRINCIPAL ACTIVITIES

The Company is a specialty pharmaceutical company that develops, manufactures and markets branded and generic products globally – either directly or through distribution partners, while applying its drug delivery expertise for contract development and manufacturing services. 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 drug development and manufacturing facilities based in Salisbury, South Australia and Greenville, North Carolina, United States of America ('USA' or 'US') with expertise in formulating complex oral dose forms including highly potent compounds, controlled substances, modified release products and inherently unstable compounds. The business is supported by over 500 staff globally.

During the year the Company continued to expand and diversify its operations through acquisitions and licensing arrangements:

- On 2 July 2013, Mayne Pharma announced the acquisition of Libertas, a US-based generic pharmaceutical company that distributes and markets a range of niche products in the US. Libertas was acquired by way of an upfront payment (US$1m) comprising cash and a small scrip component and a three-year performance-based earn-out which will be funded from operating cash (up to US$2.48m over three years).
- On 12 February 2014 Mayne Pharma completed the acquisition of the ESGIC™, ESGIC PLUS™, LORCET™ and LORCET PLUS™ brands and related assets from Forest Laboratories, Inc in the USA.
- On 25 June 2014 Mayne Pharma announced it had completed out-licensing arrangements with HPPI in return for an equity stake of 41.5% in HPPI.

Readers should note that the results for the previous 12 months to 30 June 2013 only include the revenue and expenses for Metrics for the period from 14 November 2012 to 30 June 2013.

RESULTS OF OPERATIONS AND LIKELY DEVELOPMENTS

Financial performance

Set out below is a summary of financial performance for FY14 compared to the prior corresponding period (pcp). This summary includes non-IFRS financial information that is stated excluding certain specified expenses. 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 by Directors as a key measure of earnings considered by Management in operating the business and assessing performance.

				CHANGE ON PCP	
SALES AND PROFIT	NOTES	2014	2013	$M	%
Revenue		**143.3**	**83.4**	**59.9**	**71.7**
Gross profit		**75.1**	**39.0**	**36.1**	**92.5**
Gross profit %		*52.4%*	*46.7%*		
Adjusted EBITDA		40.4	18.4	22.0	120.0
Adjustments	1	2.7	(9.1)	11.8	nm
EBITDA		43.1	9.3	33.8	363.7
Depreciation / Amortisation		(9.9)	(7.4)	(2.5)	(33.8)
PBIT		33.2	1.9	31.3	1647.4
Net Interest	2	(5.2)	(2.6)	(2.6)	100.0
Income tax expense		(6.7)	(2.1)	(4.6)	(219.0)
Reported NPAT		**21.3**	**(2.8)**	**24.1**	**nm**

1. Adjustments in FY14 include $0.8m of acquisition costs, $4.3m non-cash credit arising from the decrease in the fair value of the Hospira earn-out liability, $0.4m provision for the settlement of the Doryx anti-trust action and $0.3m expense arising from the revaluation of KMP options as a result of the impact of the rights issue made as part of the funding for the Metrics acquisition.
2. Includes finance expenses of $4.3m, notional non-cash interest expense of $1.1m representing the charge for the unwinding of the discount on earn-out liabilities less interest revenue $0.3m.

The non IFRS financial information is unaudited.

The Group recorded revenue of $143.3m, up 72% on pcp and gross profit was up 93% to $75.1m. Revenue included licensing fee income of $4.9m as a result of the out-licensing of SUBA™-Itraconazole ($4.5m) to Hedgepath Pharmaceuticals (in return for an equity stake in HPPI) and Lozanoc™ ($0.4m) to ISDIN, Boryung and Glenmark.

Gross profit margin as a percentage of revenue was 52.4% up from 46.7% reflecting a significant rebound in MPI margins (GM: 51% versus 39% in pcp).

Reported EBITDA was $43.1m and adjusted EBITDA (excluding certain specified expenses) was $40.4m, up 120% on pcp. The reported profit before tax was $28.0m and the net profit after tax was $21.3m.

Expenses

Net research and development expenses were up $0.6m to $4.6m and $16.3m of expenditure was capitalised during the period as it related to qualifying products under development in accordance with Australian Accounting Standards.

Marketing expenditure increased by $3.2m to $5.8m reflecting the inclusion of a full year for the Metrics business, increased marketing personnel and promotion of the MPI branded portfolio.

Amortisation of intangible assets was $4.9m for the year, which was an increase of $1.2m on the prior year reflecting a full year of amortisation relating to the Metrics and Libertas acquisitions offset by reduced amortisation relating to the Mayne Pharma International Pty Ltd (MPIPL) acquisition.

Finance costs of $4.3m represent the interest expense on the USD loan facility taken out for the Metrics acquisition and the amortisation of related borrowing costs.

Administration costs increased by $9.8m reflecting a full year inclusion of Metrics and Libertas acquisitions and additional corporate, legal and commercial expenses in the Australian business.

The acquisition costs of $0.8m reflect transaction costs connected with the Libertas, ZEBUTAL™, ESGIC™ & LORCET™ acquisitions and the HPPI equity interest acquired during the period.

Tax

The tax expense of $6.7m comprised:

- Current period income tax for the year to 30 June 2014 of $6.1m;
- A reduction in current income tax in respect of prior years of $1.4m; and
- A charge of $2.0m 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 2014 compared to the position as at 30 June 2013.

BALANCE SHEET EXTRACT	NOTES	2014	2013	CHANGE ON PCP $M	CHANGE ON PCP %
Cash		14.8	18.9	(4.1)	(21.7)
Inventory & receivables		47.0	38.2	8.8	23.1
PP&E		53.4	55.0	(1.6)	(3.0)
Intangibles		141.1	115.5	25.6	22.2
Other assets		9.5	5.7	3.8	66.7
Total assets		**265.8**	**233.4**	**32.4**	**13.9**
Interest-bearing debt		48.0	46.7	1.3	2.9
Other financial liabilities		11.3	28.2	(16.9)	(60.1)
Other liabilities		47.2	37.6	9.6	25.6
Total liabilities		**106.5**	**112.5**	**(6.0)**	**(5.3)**
Equity		**159.3**	**120.9**	**38.4**	**31.8**

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

Intangible assets and goodwill

Intangible assets increased by $25.6m from 30 June 2013 reflecting:

- $16.3m of development costs;
- $4.3m for acquisition of Libertas;
- $13.6m for marketing and distribution rights associated with ZEBUTAL™, ESGIC™ AND LORCET™;
- $4.9m of amortisation; and
- $3.6m foreign currency translation.

Other financial liabilities

Other liabilities as at 30 June 2014 include the earn-out liabilities for the ZEBUTAL™, ESGIC™ & LORCET™ branded products, Libertas and MPIPL acquisitions. Other financial liabilities decreased by $16.9m from 30 June 2013 as a result of:

- A decrease of $11.4m (including foreign exchange impact) for the earn-out paid associated with the Metrics acquisition;
- An increase of $2.4m associated with the Libertas acquisition;
- An increase of $0.5m associated with the ZEBUTAL™ acquisition;
- An increase of $1.6m associated with the ESGIC™ & LORCET™ acquisition;
- A decrease of $4.3m due to a non-cash change in the fair value of the earn-out liability associated with the MPIPL acquisition following the reassessment of the underlying assumptions (including movements in expected future sales revenues and foreign exchange movements) used in the calculation;
- An increase of $1.1m due to the non-cash unwinding of discount for the various earn-out liabilities;
- A payment of $3.4m in February 2014 to GlaxoSmithKline (GSK) for purchase of Kapanol™;
- A payment of $3.3m in February 2014 representing the instalment for the MPIPL acquisition earn-out for the 2013 calendar year; and
- A reduction of other financial liabilities of $0.1m.

Cash flow

Net operating cash flow before interest, tax and transaction costs was $34.3m. Total net cash flows from operating activities was an inflow of $26.1m after including $0.8m of transaction costs, $3.7m of tax payments and $3.6m of net interest payments.

Cash on hand at 30 June 2014 was $14.8m representing a decrease of $4.1m from 30 June 2013.

The Company had bank debt of $48.0m with headroom under its gearing and interest cover covenants.

Notable cash flows during the period included:

- The inflow of $17.5m from the issue of new shares to fund the ESGIC™, ESGIC PLUS™, LORCET™ and LORCET PLUS™ brands acquisition;
- An inflow of $8.8m representing the net proceeds from new borrowings used to fund the earn-out payment to former Metrics shareholders;
- $0.8m payment to acquire Libertas on 1 July 2013;
- Payments of $11.4m to acquire the ZEBUTAL™, ESGIC™, ESGIC PLUS™, LORCET™ and LORCET PLUS™ brands;
- $19.8m in payments for research and development;
- Earn-out payments totalling $14.7m relating to the Metrics acquisition ($11.4m) and the MPIPL acquisition ($3.3m)
- The $3.3m deferred payment for the Kapanol™ acquisition;
- An outflow of $0.8m for acquisition related expenses;
- $6.4m in loan repayments; and
- $4.2m in capital expenditure across the Group.

Research and development

During the period, the Company increased its investment in research and development by 82% to $19.8m (including both expensed and capitalised expenditure) reflecting the on-going commitment to the expansion and diversification of the product portfolio. The Company capitalised 82% of the investment over the period in accordance with Australian Accounting Standards. The investment in developing generic products accounted for 90% of this spend with the remainder allocated to the continued development of branded products. At the end of the financial year, the Company had seventeen products pending FDA approval, which is a significant change from a year ago when the Company had just seven. In Australia, the Company has sixteen products pending approval at the TGA. In addition the company has a growing pipeline of further branded and generic products under active development in both Australia and the US.

Operating Segments

The Company has three operating segments:

- Mayne Pharma International (MPI)
- US Products (USP) (formerly US Generic Products)
- Metrics Contract Services (MCS)

Refer to Note 24 for further information about the operating segments

US Products (formerly US Generic Products)

$MILLION	2014	2013[1]	CHANGE %
Revenue	56.9	25.2	125.5
Gross profit	32.0	15.8	102.7
Gross profit %	56.3%	62.6%	

1. 2013 results include Metrics for 7.5 months from the acquisition date to 30 June 2013.

Nature of operations

The US Products operating segment's revenues and gross profit are derived principally from the manufacture and distribution of generic and branded pharmaceutical products in the US.

FY14 performance

The USP segment revenue was $56.9m, up 126% on pcp and gross profit was $32.0m up 103% on pcp. The key drivers of growth were the full year contribution from the Metrics acquisition as the prior year included Metrics for 7.5 months, the acquisition of Libertas in July 2013, ZEBUTAL™ brand acquisition and the launch of generic Doxycycline Hyclate Delayed-Release (DR) and Erythromycin DR capsules and further market penetration of directly distributed products such as Oxycodone HCl.

In US dollar terms, USP had sales of US$52.2m for FY14 which was up 30% on the full 12 month period to 30 June 2013. Direct sales through USP's own distribution operations continue to increase and represent 56% of USP sales, up from 33% in FY13.

Gross profit margin was down significantly from 63% to 56%, which was impacted by the addition of the Libertas products, which are third party sourced and reduced royalties from products distributed by third parties.

The US marketed portfolio continues to grow as more products are approved and launched. USP currently markets 20 different molecules across more than 60 different dose presentations.

Metrics Contract Services (MCS)

$MILLION	2014	2013[1]	CHANGE %
Revenue	28.4	14.8	92.1
Gross profit	13.0	6.4	101.2
Gross profit %	45.6%	43.6%	

1. 2013 results includes Metrics for 7.5 months from the acquisition date to 30 June 2013.

Nature of operations

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

FY14 performance

The Metrics Contract Services (MCS) segment revenue was $28.4m up 92% on pcp and gross profit was $13.0m up 101% on the pcp. In US dollar terms, MCS sales were US$26.0m up 6% on the 12 months to 30 June 2013.
MCS has delivered a solid result under new leadership and reinvigorated sales efforts. Key performance measures improved over the corresponding full 12 month period in FY13 with the number of quotes signed up 30%, quote conversion rate (the number of quotes signed as a percentage of quotes written) improved to 65%, up from 56% in prior period and MCS has introduced seventeen new clients in FY14 up from eleven in the prior period.

During the year, the Company made a number of investments in new formulation and analytical service-related equipment, which has supported growth of this segment.

Mayne Pharma International (MPI)

$MILLION	2014	2013	CHANGE %
Revenue	61.2	44.4	37.8
Gross profit	31.3	17.2	81.7
Gross profit %	51.2%	38.8%	

Nature of operations

The MPI operating segment'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.

FY14 performance

MPI's revenue was $61.2m up 38% on the pcp and gross profit was up 82% to $31.3m reflecting the launch of the 200mg Doryx™ tablet in the US and SUBA™-Itraconazole licensing fee income.

The largest product in this segment is branded Doryx™, which is sold in the US through the Company's marketing and distribution partner, Warner Chilcott (acquired by Actavis in October 2013). US branded Doryx™ sales to Warner Chilcott were up 60% on pcp to US$21m due to inventory build and the launch of the 200mg which was approved by the FDA in April 2013. The 200mg dose strength now represents more than 97% of prescriptions written and weekly volumes are averaging around 5,000 TRx per week.

The first commercial sales of Lozanoc™ occurred in Spain during the year, with ISDIN, the Company's marketing and distribution partner promoting the product through its 200+ dermatology-focused sales force. Lozanoc™ launched in Australia in August and will launch in additional European countries during the coming year.

The Company received licensing fee income during the year from the out-licensing of SUBA™-Itraconazole to Hedgepath and Lozanoc™ to Boryung, ISDIN and Glenmark. The agreement with Glenmark was subsequently terminated and Mayne Pharma is in the process of identifying an alternate path to market in the UK.

The other parts of the MPI segment had mixed results with morphine (Kapanol™ and Kadian™) sales up 37% on pcp to $7.1m and aspirin (Astrix™ and generic aspirin) sales up 5% to $8.1m and contract manufacturing revenue was down 15% to $9.8m.

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.

Corporate strategic priorities

The Company's core strategic priorities include the following:

KEY GROWTH DRIVER	ACTIVITIES
US retail generics maximisation	• Approval and launch of FDA filed products • Optimisation of market penetration of product portfolio • Portfolio expansion through growing product pipeline • Efficient and reliable product sourcing, manufacturing and supply
Doxycycline franchise optimisation	• Build doxycycline generic portfolio • Optimisation of market penetration of product portfolio • Leverage patent and data exclusivity
Research and development execution	• Strategic portfolio selection • Leverage drug delivery expertise in complex generics and branded products • Disciplined regulatory and quality assurance processes • Selective paragraph IV[1] filings in the US • Development of SUBA™-Itraconazole in cancer in alliance with Hedgepath Pharmaceuticals
Strategic acquisitions, licensing and partnership arrangements	• Execution of licensing arrangements for niche generic or specialty products • 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 • Development of the injectable and pain portfolio in Australia

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 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
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	• 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
Product registration and compliance	• Delays in regulatory approval of products • Increasing cost to maintain product registrations • New government policies, regulations and legislation introduced • Ability to obtain and maintain licenses and product registrations	• Recruitment of experienced regulatory personnel • Input from regulatory authorities before and during the development process • Active participation in relevant industry associations • 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
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.

Material customer contracts

Mayne Pharma currently contracts with third parties to distribute its products. We expect to continue to rely on our third party customers such as Actavis for Doryx™, Perrigo for Liothyronine and Mylan for Oxycodone, Bromfenac and Methamphetamine. The key customer contract due to expire in the coming two years is detailed below with the related customer contract expiration date:

CUSTOMER	PRODUCT	EXPIRATION
Actavis (formerly Warner Chilcott)	Doryx™	Dec 2015

Outlook

The Company expects to grow its revenue and underlying earnings in the coming year with US Products and Metrics Contract Services being the key contributors to the growth, whilst the MPI segment is expected to decline.

The US Products segment is expected to benefit from the recent product acquisitions (ESGIC™, LORCET™ and ZEBUTAL™), further growth in the generic doxycycline franchise, new product launches including Oxycodone HCl Oral Solution and increased market penetration of select generic products. The Company remains confident that the FDA will approve some of the seventeen filed products in the coming 12 months, although timing remains uncertain.

Metrics Contract Services is positioned well for the year ahead with key performance indicators such as the number of quotes written and signed as well as the committed business pipeline trending strongly.

The MPI segment is expected to be down year on year driven by reduced branded US Doryx™ sales reflecting the recent lower underlying prescription volumes and anticipated resultant destocking at Actavis and lower licensing fee income. Excluding Doryx™ and licensing fees, the MPI segment sales and gross profit is expected to be up driven by Kapanol™, Lozanoc™ and the launch of additional injectable products in Australia.

The Company will continue to diversify its business globally and investment in research and development is expected to drive the business in the medium term.

DIVIDENDS

The Directors have not declared an interim or final dividend for the 2014 financial year.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 25 August 2014, the Company announced the appointment of Dr Ilana Stancovski as Executive Vice President and Chief Scientific Officer with effect from 1 September 2014. Dr Stancovski will be responsible for leading the Group's research and development operations world-wide and will report directly to the Chief Executive Officer.

On 26 August 2014, the Company announced the appointment of Professor Bruce Robinson as a Non-Executive Director of the Company. Professor Robinson's remuneration will be in accordance with the remuneration policy for Non-Executive Directors as outlined in the Remuneration Report.

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

DIRECTORS' EXPERIENCE AND SPECIAL RESPONSIBILITIES

MR ROGER CORBETT AO, BCom, FAIM, FRMIA

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 is currently the Chairman of Fairfax Media Limited, one of Australia's largest diversified media companies, a director of the Reserve Bank of Australia, a director of Wal-Mart Stores and was previously the Chairman of PrimeAg Australia Limited.

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 25 years' experience in the pharmaceutical industry and has worked in Europe, the US and Asia. Prior to joining Mayne Pharma, he was President, European Operations of Intas Pharmaceutical Limited. Mr Richards was also Executive Vice President at Actavis Group responsible for the Hospital Business Operations worldwide and spent 18 years with Mayne Pharma Limited and F H Faulding & Co Limited in various roles including President, EMEA (Europe, Middle East and Africa) and President, Global Commercial Operations where he was responsible for US$600m in sales and over 600 employees. 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 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 currently a director of the ASX listed companies Western Desert Resources Limited and Isonea Limited.

Mr Mathieson is a member of the Remuneration and People, Audit 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 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

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 more than 20 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	NUMBER OF OPTIONS OVER ORDINARY SHARES
Mr R Corbett	5,047,499	-
Mr S Richards	2,500,000	7,500,000
Hon R Best	2,173,244	-
Mr B Mathieson	43,774,748	-
Mr I Scholes	1,010,328	-
Mr P Hodges	5,302,738	-
Prof B Robinson	-	-

UNISSUED SHARES UNDER OPTION

As at the date of this Directors' Report there were 38,250,000 unissued ordinary shares under option (35,650,000 at the reporting date). Details of these options are as follows:

DATE OPTIONS GRANTED	EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER OPTION
25 July 2011	27 January 2016	$0.2678	950,000
13 February 2012	13 February 2019	$0.2608	7,500,000
1 January 2013	15 March 2016	$0.2500	2,000,000
11 January 2013	12 January 2019	$0.3300	12,400,000[1,3]
25 January 2013	26 January 2019	$0.3300	7,600,000[2]
1 July 2013	1 July 2019	$0.4300	1,000,000
2 July 2013	6 May 2019	$0.4100	1,000,000
21 April 2014	11 November 2019	$0.7763	1,000,000
1 May 2014	21 October 2019	$0.7039	400,000
1 May 2014	30 November 2019	$0.7870	1,000,000
19 August 2014	28 March 2019	$0.9119	600,000
19 August 2014	19 June 2019	$0.8817	600,000
19 August 2014	30 June 2019	$0.9304	1,000,000
19 August 2014	2 July 2019	$0.9225	400,000
19 August 2014	1 August 2019	$0.8553	200,000
19 August 2014	28 August 2019	$0.8798	600,000
Total			38,250,000

1. 1,100,000 options were forfeited prior to year-end and are excluded from the outstanding options.
2. 600,000 options were forfeited prior to year-end and are excluded from the outstanding options.
3. 800,000 options were forfeited subsequent to year-end and are excluded from the outstanding options.

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

SHARE OPTIONS GRANTED

The following option issues were made during and since the end of the year ended 30 June 2014:

- 1,000,000 options over ordinary shares were granted to the VP, US Sales & Marketing on 1 July 2013;
- 1,000,000 options over ordinary shares were granted to the VP and General Counsel on 2 July 2013;

- 1,000,000 options over ordinary shares were granted to the President of Mayne Pharma USA on 21 April 2014;
- 1,000,000 options over ordinary shares were granted to the Executive VP of Metrics Contract Services on 1 May 2014; and
- 400,000 options over ordinary shares were granted to the Director of Business Development on 1 May 2014
- 3,400,000 options over ordinary shares were granted to members of the US management team on 19 August 2014.

Further details of options granted during the financial year are contained in Note 28 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 550,000 fully paid ordinary shares in Mayne Pharma Group Limited at a weighted average exercise price of $0.2678 per share.

NON-AUDIT SERVICES

The Company's auditor, EY Australia (EY), provided the following non-audit services. The Directors are satisfied that the provision of 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:

	2014 $	2013 $
Taxation services	202,082	267,450
Other Assurance	36,000	70,300
Total	238,082	337,750

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, it 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 Independent Directors and the Company Secretary. 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 the officer's term of office and for 7 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, Ernst & Young, 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 Ernst & Young during or since the financial year. Such an indemnity is permitted under rule 11.1(a) of the Company's constitution.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are subject to various environmental laws and regulations and where required the Group maintains environmental licenses and registrations in compliance with applicable regulatory requirements. These environmental laws and regulations control the use of land, the erection of buildings and structures on land, the emission of substances to water, land and atmosphere, the emission of noise and odours, the treatment and disposal of waste, and the investigation and remediation of soil and groundwater contamination.

The Group has procedures in place designed to ensure compliance with all environmental regulatory requirements. In particular, it has developed an environmental management system to enable identification and assessment of environmental hazards which arise from its activities. This management system provides processes for effectively managing environmental risks by applying sound practices for the prevention of pollution and disposal and minimisation of waste.

The Australian business reports test results, emissions and energy usage data to various environmental regulators including the National Pollutant Inventory every year. The Metrics business is subject to compliance inspections primarily by the North Carolina Department of Environment and Natural Resources (NCDENR). Several inspections occurred during the year by the relevant authorities with no violations or citations recorded. The Group has recycling initiatives in place for paper/cardboard, soft plastics, metals, wood, metal, plastic drums, oil and polystyrene.

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

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable and where noted ($'000) under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration has been received from the Auditor and is included on page 28 of this report.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for the key management personnel ("KMP") who are defined as those persons 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.

1. KEY MANAGEMENT PERSONNEL DETAILS

Non-Executive Directors:

- Mr Roger Corbett AO – Independent Chairman
- Hon Ron Best – Independent Non-Executive Director
- Mr Bruce Mathieson – Independent Non-Executive Director
- Mr Ian Scholes – Independent Non-Executive Director
- Mr Phil Hodges – Non-Executive Director (formerly Executive Director and President of Metrics until 31 December 2013)

Executive Directors:

- Mr Scott Richards – Executive Director and Chief Executive Officer

Other executive KMPs:

- Mr Mark Cansdale – Group CFO and Company Secretary
- Mr Stefan Cross – President of Mayne Pharma USA from 11 November 2013 (formerly Vice President, Business and Corporate Development).

There have been no changes to KMP, other than as disclosed in events subsequent to the reporting period, after the reporting date and before the date the financial report was authorised for issue.

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.

The Remuneration and People Committee is made up of three Non-Executive Directors and the CEO attends meetings as required at the invitation of the Committee Chair.

The Remuneration and People Committee 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 Remuneration and People Committee 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 Remuneration and People Committee sought advice from 3 degrees consulting Pty Ltd (3dc) during the year.

The fees paid to 3dc for the remuneration advice were $84,000.

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

Remuneration Report approval at the FY13 Annual General Meeting

The FY13 Remuneration Report received strong shareholder support at the FY13 AGM with a vote of 98% in favour.

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 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. This assessment is undertaken with reference to published information provided by various executive search firms operating in the sector.

Fixed remuneration

Executive directors and executive 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 the employees' personal development, achievement of key performance objectives for the year, industry benchmarks wherever possible and CPI data.

As a result of the annual review this year which considered:

- the increasing scale and complexity of the operations of Mayne Pharma as the company grows;
- the remuneration payable to recent senior executives who have been recruited internationally;
- the remuneration payable to comparable roles amongst the companies comprising the ASX151-200 (benchmarking these roles below the median); and
- the elimination of the annual short term incentive as a component of remuneration for the Australian based key management personnel of Mayne Pharma for the 2015 financial year,

the Board resolved to increase fixed remuneration of the CEO and Group CFO by approximately 30% and 10% respectively. No change was made to the fixed remuneration of the President Metrics for the coming year. These changes were effective from 13 February 2014 for the CEO (the anniversary of his commencement) and 1 July 2014 for the Group CFO.

Key performance indicators (KPIs) are individually tailored for the Chief Executive Officer by the Board and the other executive members of the KMP by the Chief Executive Officer, and reflect an assessment of how that employee can fulfil their particular responsibilities in a way that best contributes to Group performance and the creation of shareholder value in that year.

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 2010 Annual General Meeting is $500,000. Non-executive directors do not receive retirement benefits other than a superannuation guarantee contribution required by government regulation, which is currently 9.25% of their fees, except where a non-executive director elects to have their directors' fees paid as contributions to a superannuation fund.

The annual fees paid to the Chairman and other non-executive directors were reviewed for market competitiveness by 3dc during the year. Following this review, which took into account:

- the increasing scale and complexity of the operations of Mayne Pharma as the company grows and the resultant increase in the workload of directors; and
- the fees payable to directors of the companies comprising the ASX151-200 (again benchmarking the Chairman and directors below the median of this comparator group);

the fees were adjusted with the Chairman's fee rising from $110,000pa to $140,000pa (excluding superannuation) and the other non-executive directors fees increased from $70,000pa to $77,500pa (excluding superannuation). The changes were effective 1 June 2014.

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

In relation to the 2014 financial year, KMP and other senior executives may receive short-term incentives in the form of bonuses and/or share options based on achievement of specific goals related to performance against individual KPIs and to the performance of the Group as a whole as determined by the Directors based on a range of factors. These factors can include traditional financial considerations such as financial operating performance, transactions concluded, increases in the market capitalisation of the Company and successful capital raisings and also industry-specific factors relating to the advancement of the Company's research and development activities and intellectual property portfolio, operational performance, collaborations and relationships with scientific institutions, third parties and internal employees. These measures are chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value. Refer to the Employment Contracts section of this report for further information.

Options over ordinary shares may be awarded to the Chief Executive Officer under the Chief Executive Officer Share Option Plan (CEO SOP) subject to various vesting conditions and to other executives under the Employee Share Option Plan (ESOP) with various vesting conditions such as the individuals' performance against milestones, the level of involvement in achieving corporate milestones and goals, including, but not limited to, growth in the share price and/or earnings per share. The CEO SOP was structured with advice from Egan Associates.

Non-executive directors may also participate in the Company's ESOP (subject to shareholder approval), given the Company's size and stage of development and the necessity to attract the highest calibre of professionals to the role, whilst maintaining the Company's cash reserves. The Non-Executive Directors do not currently hold any options over ordinary shares.

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.

2015 changes

As indicated above, the Remuneration and People Committee engaged the services of 3dc to review the remuneration of KMP. Changes recommended included:

- a review of KMP fixed remuneration bench-marked against ASX 151 – 200 companies, resulting in the fixed remuneration increases for the CEO, Group CFO and non-executive directors outlined above;
- elimination of the STI entitlements for the CEO and Group CFO from the 2015 financial year onwards; and
- changing certain Australian based executive LTI's to take the form of shares issued under a share loan scheme, with the quantum based on a percentage of fixed remuneration. Under this change, the CEO and Group CFO will receive shares under a loan funded arrangement with vesting subject to achievement of absolute shareholder return targets and continued service with the Group. The recommendations were implemented from 1 July 2014, but no shares have been issued under the new LTI arrangement at the date of this report pending the receipt of shareholder approval for the grant of shares to the CEO at the 2014 Annual General Meeting.

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 awarded as part of their remuneration package.

4. ELEMENTS OF KMP REMUNERATION

Remuneration packages may contain the following key 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 as disclosed in Note 28 to the financial statements;
- Long-term benefits – long service leave; and
- Termination payments

The following table discloses key management personnel remuneration during the year ended 30 June 2014:

	SHORT-TERM BENEFITS					POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE- BASED PAYMENTS		
	DIRECTORS' FEES $	SALARY $	ANNUAL LEAVE $	BONUS[1] $	OTHER BENEFITS[2] $	SUPER-ANNUATION $	OTHER[3] $	OPTIONS $	TOTAL $	PROPORTION RELATED TO PERFORMANCE %
Non-Executive Directors										
Mr R Corbett	112,500	-	-	-	-	10,406	-	-	122,906	-
Hon R Best	71,042	-	-	-	-	6,571	-	-	77,613	-
Mr B Mathieson	66,042	-	-	-	-	6,109	-	-	72,151	-
Mr I Scholes	71,042	-	-	-	-	6,571	-	-	77,613	-
Mr P Hodges[4]	33,750	-	-	-	-	-	-	-	33,750	-
Executive Directors										
Mr S Richards	-	539,152	43,884	62,192	-	17,775	9,577	298,615	971,195	39.3
Mr P Hodges[4]	-	194,026	-	81,360	4,392	8,090	-	-	287,868	28.0
Other KMP										
Mr M Cansdale	-	309,514	17,830	93,522	46,799	17,775	9,000	161,503	655,943	38.9
Mr S Cross	-	287,819	36,898	81,610	98,582	28,926	1,296	48,784	583,915	22.3
Total	354,376	1,330,511	98,612	318,684	149,773	102,223	19,873	508,902	2,882,954	

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.
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. Mr Hodges became a Non-Executive Director on 1January 2014.

The following table discloses key management personnel remuneration during the year ended 30 June 2013:

	SHORT-TERM BENEFITS				POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE- BASED PAYMENTS	TERMINATION PAYMENTS		
	DIRECTORS' FEES $	SALARY $	BONUS[1] $	OTHER BENEFITS[2] $	SUPER-ANNUATION $	OTHER[3] $	OPTIONS $	$	TOTAL $	PROPORTION RELATED TO PERFORMANCE %
Non-Executive Directors										
Mr R Corbett	110,000	-	-	-	9,900	-	-	-	119,900	-
Hon R Best	51,708	-	-	-	24,592	-	25,115	-	101,415	24.7
Mr B Mathieson	70,000	-	-	-	6,300	-	25,115	-	101,415	24.7
Mr I Scholes	70,000	-	-	-	6,300	-	25,115	-	101,415	24.7
Executive Directors										
Mr S Richards	-	459,259	85,000	4,840	24,120	3,175	102,817	-	679,211	27.7
Mr P Hodges	-	207,416	1,462	28,317	-	-	-	-	237,195	-
Other KMP										
Mr M Cansdale	-	312,600	85,020	46,799	16,470	3,838	60,897	-	525,624	27.8
Mr S Cross[4]	-	149,344	31,505	-	15,137	-	12,284	-	208,270	21.0
Mr V Caretti[5]	-	78,587	10,730	1,998	6,881	7,160	-	-	105,356	10.2
Mr P Truelove[5]	-	76,265	17,677	-	7,642	-	-	-	101,584	17.4
Total	301,708	1,283,471	231,394	81,954	117,342	14,173	251,343	-	2,281,385	

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.
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. Mr Cross commenced employment on 11 December 2012.
5. Mr Caretti and Mr Truelove ceased to be classified as KMP upon acquisition of Metrics Inc. and hence their remuneration disclosed is for the period to 14 November 2012.

5 VALUE OF OPTIONS ISSUED TO KEY MANAGEMENT PERSONNEL

The number and value of options granted to Key Management Personnel is set out below;

	GRANT DATE	NUMBER HELD AT 1 JULY 2013	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2014	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Year ended 30 June 2014								
Mr R Corbett	-	-	-	-	-	-	-	-
Mr S Richards	13 Feb 12	7,500,000	-	-	-	7,500,000	1,680,000[1]	298,615
Hon R Best		-	-	-	-	-	-	-
Mr B Mathieson		-	-	-	-	-	-	-
Mr I Scholes		-	-	-	-	-	-	-
Mr P Hodges	-	-	-	-	-	-	-	-
Mr M Cansdale	25 Jul 11	1,500,000	-	550,000	-	950,000	278,694[2]	161,503
Mr S Cross	25 Jan 13	1,000,000	-	-	-	1,000,000	101,600	28,379
Mr S Cross	21 Apr 14	-	1,000,000	-	-	1,000,000	332,500	20,405
Mr S Cross - total		1,000,000	1,000,000	-	-	2,000,000	434,100	48,784
		10,000,000	1,000,000	550,000	-	10,450,000	2,392,794	508,902

1. As a result of the underwritten pro-rata accelerated non-renounceable entitlement offer announced on 4 October 2012 to part-fund the Metrics acquisition, the hurdle prices of unquoted options issued to the Managing Director and Chief Executive Officer were reduced on 26 November 2013 in accordance with a resolution passed at the AGM. The fair value of the options prior to the change were as follows: tranche one $0.539, tranche two $0.472, tranche three $0.350 per option and the fair value of the options after the change were as follows: tranche one $0.560, tranche two $0.537, tranche three $0.506 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 hurdle price changes.
2. As a result of the underwritten pro-rata accelerated non-renounceable entitlement offer announced on 4 October 2012 to part-fund the Metrics acquisition, the exercise price of unquoted options issued to the Group CFO and Company Secretary was reduced by $0.0842 on 26 November 2013 in accordance with a resolution passed at the AGM. The fair value of the options prior to the change was $0.3896 per option and the fair value of the options after the change was $0.5334 per option. 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.

	GRANT DATE	NUMBER HELD AT 1 JULY 2012	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2013	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Year ended 30 June 2013								
Mr R Corbett	-	-	-	-	-	-	-	-
Mr S Richards	13 Feb 12	7,500,000	-	-	-	7,500,000	940,000	102,817
Hon R Best	29 Oct 09	350,000	-	350,000	-	-	83,117[1]	25,115
Mr B Mathieson	29 Oct 09	350,000	-	350,000	-	-	83,117[1]	25,115
Mr I Scholes	29 Oct 09	350,000	-	350,000	-	-	83,117[1]	25,115
Mr I Scholes	30 Nov 07	250,000	-	-	250,000	-	65,420	-
		600,000		350,000	250,000	-	148,537	25,115
Mr P Hodges	-	-	-	-	-	-	-	-
Mr M Cansdale	25 Jul 11	1,500,000	-	-	-	1,500,000	152,994	60,897
Mr S Cross	25 Jan 13		1,000,000	-	-	1,000,000	101,600	12,284
		10,300,000	1,000,000	1,050,000	250,000	10,000,000	1,509,365	251,343

1. As a result of the underwritten pro-rata accelerated non-renounceable entitlement offer announced on 4 October 2012 to part-fund the Metrics acquisition, the exercise price of unquoted options issued to certain directors was reduced by $0.0842 on 17 December 2012 in accordance with ASX Listing Rule 6.22. At grant date the value of the options was $58,002. This value was increased by $25,115 as a result of the exercise price change.

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 $1.29 (2013: share price hurdles were $1.00 to $2.50), Service and Share Gateway conditions.

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 2016
Tranche 3	3,500,000	13 February 2012	13 February 2017

	2014 NUMBER OF OPTIONS	2014 WEIGHTED AVERAGE EXERCISE PRICE $	2013 NUMBER OF OPTIONS	2013 WEIGHTED AVERAGE ERERCISE PRICE $
Balance at beginning of year	7,500,000	0.2608	7,500,000	0.2608[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 October 2012.

There were no option issues under the CEOSOP during the year (2013: nil).

Option modification

The terms of the options issued in February 2012 under the CEOSOP were modified during the year. Following the issue of shares under an underwritten pro-rata accelerated non-renounceable entitlement offer of new ordinary shares, as announced in October 2012, the hurdle price of the options was subsequently adjusted following the passing of a special resolution at the Company's AGM on 26 November 2013.

As a result, the options were revalued as follows:

	OPTIONS ISSUED FEBRUARY 2012, REVALUED		
	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of options over shares	1,500,000	2,500,000	3,500,000
Pre-modification Monte Carlo Simulation model fair value	$0.539	$0.472	$0.350
Post-modification Monte Carlo Simulation model fair value	$0.560	$0.537	$0.506
Share price at revaluation date	$0.80	$0.80	$0.80
Vesting hurdle - original	$1.00	$1.50	$2.50
Vesting hurdle - modified	$0.74	$0.98	$1.29
Exercise price	$0.2608	$0.2608	$0.2608
Expected volatility	50%	50%	50%
Expected option life	3.7yrs	4.2yrs	4.7yrs
Dividend yield	0%	0%	0%
Risk-free rate	3.45%	3.45%	3.45%

The modification resulted in an expense value greater than the pre-modification expense value of $740,000 and as such the expense amount was changed with this additional amount to be expensed over the remaining life of the options.

6 OPTIONS GRANTED SUBSEQUENT TO REPORTING DATE

No options were issued to KMP subsequent to report date.

7 SHARES ISSUED ON EXERCISE OF OPTIONS BY KMP

	SHARES ISSUED NUMBER	PAID PER SHARE $	UNPAID PER SHARE $
30 June 2014			
Mr M Cansdale	550,000	0.2678	-
Total	550,000		-

	SHARES ISSUED NUMBER	PAID PER SHARE $	UNPAID PER SHARE $
30 June 2013			
Hon R Best	350,000	0.1858	-
Mr B Mathieson	350,000	0.1858	-
Mr I Scholes	350,000	0.1858	-
Total	1,050,000		-

8 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, is as follows:

	HELD AT 30 JUNE 2012	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	HELD AT 30 JUNE 2013	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	HELD AT 30 JUNE 2014
Directors	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
Mr R Corbett	**1,676,319**	-	3,371,180	**5,047,499**	-	-	**5,047,499**
Mr S Richards	**-**	-	2,500,000	**2,500,000**	-	-	**2,500,000**
Hon R Best	**957,244**	350,000	866,000	**2,173,244**	-	-	**2,173,244**
Mr B Mathieson	**13,411,622**	350,000	30,013,126	**43,774,748**	-	-	**43,774,748**
Mr I Scholes	**311,622**	350,000	348,706	**1,010,328**	-	-	**1,010,328**
Mr P Hodges	**-**	-	5,302,738	**5,302,738**	-	-	**5,302,738**
	16,356,807	1,050,000	42,401,750	**59,808,557**	-	-	**59,808,557**
Other key management personnel							
Mr M Cansdale	**14,705**	-	216,005	**230,710**	550,000	(550,000)	**230,710**
Mr S Cross[1]	**-**	-	-	**-**	-	-	**-**
	14,705	-	216,005	**230,710**	550,000	(550,000)	**230,710**
	16,371,512	1,050,000	42,617,755	**60,039,267**	550,000	(550,000)	**60,039,267**

1. Mr S Cross began employment with the Group effective 11 December 2012.

9 EMPLOYMENT CONTRACTS

Remuneration and other key terms of employment for the Chief Executive Officer, Group Chief Financial Officer and the 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 executive KMP service agreements:

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	$650,000	12 months	Entitlement to participate in LTI option plan[2]	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.
Mr M Cansdale *Group CFO & Company Secretary*	On-going commencing 27 January 2011	$374,000	3 months	STI @ 25% of package[2]; plus entitlement to participate in LTI option plan	Nil if for serious mis-conduct. Otherwise, up to 3 months' pay in lieu of notice.
Mr S Cross *President Metrics*	On-going commencing 11 December 2012	$347,775	6 months	STI @ 25% of package; plus entitlement to participate in LTI option plan	Nil if for serious mis-conduct. Otherwise, up to 6 months' pay in lieu of notice.

1. Base salaries quoted are for a 12 month period and are current for the year ended 30 June 2014 and are reviewed annually by the Remuneration and People Committee.
2. Effective 1 February 2014, Mr Richards and effective 1 July 2014 Mr Cansdale agreed to amend their contracts to remove entitlements to an STI.

10 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 Remuneration and People Committee) 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.

During the 2013 financial year, the Company implemented a broader based long-term incentive (LTI) plan for senior management. This plan places a greater percentage of remuneration at risk and more closely aligns employee remuneration with the earnings growth of the Company. The LTI plan was rolled out to 68 senior managers in Australia and the US and vesting is subject to the achievement of service conditions and share price hurdles ranging from $0.60 to $1.00. During the 2014 financial year, newly appointed senior managers were also included in the LTI plan with similar vesting and service conditions and share hurdle prices ranging from $0.60 to $1.50.

The following table outlines Mayne Pharma Group Limited's results over the last five years to 30 June 2014:

	2014 $000'S	2013 $000'S	2012 $000'S	2011 $000'S	2010 $000'S
Total revenue ($000)	143,254	83,431	52,546	50,101	36,713
NPAT ($000)	21,290	(2,843)	6,153	1,679	3,253
Basic EPS (cents)	3.72	(0.70)	4.05	1.12	2.64
Dividends per share (cents)	-	-	-	1.0	2.0

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

Dated at Melbourne, Australia this 26th day of August 2014.

Mr Scott Richards
Managing Director and CEO

AUDITOR'S INDEPENDENCE DECLARATION

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

In relation to our audit of the financial report of Mayne Pharma Group Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ashley C. Butler
Partner
Melbourne
26 August 2014

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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 early adopted the ASX Corporate Governance Council 3rd Edition Corporate Governance Principles and Recommendations. The revised 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 Committee, Remuneration and People Committee 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	NOTE	CONSOLIDATED 2014 $'000	2013[1] $'000
Continuing operations			
Sale of goods		99,083	56,448
Services revenue		38,194	25,814
License fee revenue		4,904	-
Royalties revenue		1,073	1,169
Revenue		**143,254**	**83,431**
Cost of sales		(68,203)	(44,441)
Gross profit		**75,051**	**38,990**
Other income	4	425	640
Research and development expenses		(4,552)	(3,985)
Distribution expenses		(3,398)	(1,802)
Marketing expenses		(5,806)	(2,618)
Regulatory affairs expenses		(1,154)	(1,030)
Amortisation expenses		(4,934)	(3,698)
Administration expenses		(24,170)	(14,398)
Finance costs	6	(4,349)	(2,306)
Other expenses	6	(1,406)	(923)
Fair value movement in earn-out liabilities	5	3,135	(5,151)
Acquisition costs	6	(814)	(4,422)
Share of associate loss	15	(6)	-
Profit/(Loss) before income tax		**28,022**	**(703)**
Income tax expense	8	(6,732)	(2,140)
Net profit/(loss) from continuing operations after income tax		**21,290**	**(2,843)**
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation		(3,392)	6,843
Income tax effect		-	-
Share of associate exchange differences on translation	15	(13)	-
Total comprehensive income/(loss) for the period attributable to owners of the parent		**17,885**	**4,000**
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the parent:			
Basic earnings per share	9	3.72 cents	(0.70) cents
Diluted earnings per share	9	3.60 cents	(0.70) cents

Note: 1. Includes the results of Metrics, Inc for the period 14 November 2012 to 30 June 2013.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	NOTE	CONSOLIDATED 2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	25	14,813	18,938
Trade and other receivables	10	29,805	24,622
Inventories	11	17,236	13,593
Income tax receivable		1,023	1,596
Other financial assets	12	1,172	1,825
Other current assets	13	1,846	1,335
Total current assets		**65,895**	**61,909**
Non-current assets			
Property, plant and equipment	14	53,409	55,036
Deferred tax assets	8	1,325	976
Investment in an associate	15	4,076	-
Intangible assets and goodwill	16	141,115	115,470
Total non-current assets		**199,925**	**171,482**
Total assets		**265,820**	**233,391**
Current liabilities			
Trade and other payables	17	17,076	10,504
Interest-bearing loans and borrowings	18	2,374	7,471
Income tax payable		395	-
Other financial liabilities	19	3,953	18,346
Provisions	20	6,581	5,790
Total current liabilities		**30,379**	**42,111**
Non-current liabilities			
Interest-bearing loans and borrowings	18	45,656	39,227
Other financial liabilities	19	7,306	9,842
Deferred tax liabilities	8	21,785	20,570
Provisions	20	1,420	752
Total non-current liabilities		**76,167**	**70,391**
Total liabilities		**106,546**	**112,502**
Net assets		**159,274**	**120,889**
Equity			
Contributed equity	21	137,498	118,302
Reserves	22	5,360	7,461
Retained earnings/(Accumulated losses)	23	16,416	(4,874)
Total equity		**159,274**	**120,889**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	NOTE	CONSOLIDATED 2014 $'000	2013[1] $'000
Cash flows from operating activities			
Receipts from customers		140,910	81,674
Payments to suppliers and employees		(103,081)	(63,434)
Interest received		255	394
Interest paid		(3,905)	(1,979)
Tax paid		(3,697)	(3,874)
Tax received		-	1,885
Net operating cash flows before research and non capitalised development expenditure and transaction costs		**30,482**	**14,666**
Payments for research and non capitalised development expenditure		(3,532)	(3,399)
Transaction costs		(814)	(4,422)
Net cash flows from operating activities	25	**26,136**	**6,845**
Cash flows from investing activities			
Payments for property, plant and equipment		(4,203)	(3,151)
Payments for intangible assets		(11,439)	-
Payments for the purchase of Kapanol™		(3,375)	(10,445)
Acquisition of subsidiary		(821)	(103,145)
Payments for capitalised development costs		(16,279)	(7,463)
Earn-out payments		(14,697)	(1,340)
Net cash flows used in investing activities		**(50,814)**	**(125,544)**
Cash flows from financing activities			
Proceeds from issues of shares		18,147	89,577
Transaction costs on issue of shares		(669)	(3,995)
Repayment of borrowings		(6,394)	(1,084)
Proceeds from borrowings (net of fees)		8,802	41,685
Proceeds from the acquisition process to be refunded		-	2,298`
Proceeds from the acquisition process refunded		-	(2,298)
Net cash flows from/(used in) financing activities		**19,886**	**126,183**
Net (decrease) / increase in cash and cash equivalents		**(4,792)**	**7,484**
Cash and cash equivalents at the beginning of the period		20,128	11,596
Effect of exchange rate fluctuations on cash held		(226)	1,048
Cash at the end of the period		**15,110**	**20,128**
Less restricted cash	12	**(297)**	**(1,190)**
Cash at the end of the period (unrestricted)	25	**14,813**	**18,938**

Note: 1. Includes the cash flows of Metrics, Inc for the period 14 November 2012 to 30 June 2013.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	CONTRIBUTED EQUITY $'000	SHARE-BASED PAYMENTS RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	RETAINED EARNINGS / ACCUMULATED LOSSES $'000	TOTAL EQUITY $'000
Balance at 1 July 2013	**118,302**	**618**	**6,843**	**(4,874)**	**120,889**
Profit for the period	-	-	-	21,290	21,290
Other comprehensive income					
Foreign exchange differences	-	-	(3,405)	-	(3,405)
Total comprehensive income for the period	**-**	**-**	**(3,405)**	**21,290**	**17,885**
Transactions with owners in their capacity as owners					
Shares issued	18,364	-	-	-	18,364
Share issue costs (net of tax)	(468)	-	-	-	(468)
Tax effect of previously recognised share issue costs	1,198	-	-	-	1,198
Share-based payments	-	1,406	-	-	1,406
Share options exercised	102	(102)	-	-	-
Lapsed / expired options reclassified to retained earnings	-	-	-	-	-
Balance at 30 June 2014	**137,498**	**1,922**	**3,438**	**16,416**	**159,274**
Balance at 1 July 2012	**32,016**	**1,087**	**-**	**(2,503)**	**30,600**
Loss for the period	-	-	-	(2,843)	(2,843)
Other comprehensive income					
Foreign exchange differences	-	-	6,843	-	6,843
Total comprehensive income for the period	**-**	**-**	**6,843**	**(2,843)**	**4,000**
Transactions with owners in their capacity as owners					
Shares issued	89,577	-	-	-	89,577
Share issue costs	(3,995)	-	-	-	(3,995)
Share-based payments	-	707	-	-	707
Share options exercised	704	(704)	-	-	-
Lapsed / expired options reclassified to retained earnings	-	(472)	-	472	-
Balance at 30 June 2013	**118,302**	**618**	**6,843**	**(4,874)**	**120,889**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Mayne Pharma Group Limited ('Company') 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 2014 was authorised for issue by the directors on 26 August 2014.

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

A. Basis of preparation

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

B. Compliance with IFRS

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.

C. New accounting standards and interpretations

In the current year, the Group has adopted all of the following 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:

(i) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments.

(ii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.

(iii) Revised AASB 119 Employee Benefits and, AASB 2012-10 Amendments to Australian Accounting Standards arising from AASB 119.

(iv) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.

(v) AASB 2012-2 Amendments to Australian Accounting Standards - Disclosure - Offsetting Financial Assets and Financial Liabilities.

(vi) AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements from 2009-2011 Cycle.

The Company has early adopted the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations for the current annual reporting period:

(i) AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets.

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 have impacted the disclosures presented in the financial statements. The adoption of AASB 10 Consolidated Financial Statements has also resulted in the updating of the Group's principles of consolidation accounting policy (note 1D) to reflect the new guidance contained in the updated standard however this has had no impact on the financial statements of the Group.

At the date of authorisation of the financial report, the following relevant Standards and Interpretations were issued but not yet effective:

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB9, AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), and AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (Part C - Financial Instruments) (effective 1 January 2018).

(ii) AASB 1031 Materiality (effective 1 January 2014).

(iii) AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014).

(iv) AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014).

(v) AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (effective 1 January 2014).

(vi) IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017). These IFRS amendments have not yet been adopted by the AASB.

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

With the exception of IRFS 15 which is 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.

D. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. 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.

E. 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 acquirer measures the non-controlling interest in the acquiree either at fair value or 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.

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.

F. 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.

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 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.

G. Foreign currency translation

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

Transactions and balances

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 which settlement 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 that 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.

Group companies

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.

H. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position 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.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

I. 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.

J. 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; and

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.

K. 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.

L. 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 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.

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 (ie, 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 acquisition are amortised on a straight line basis while intangibles relating to the MPIPL acquisition continue to be amortised using the reducing balance method. 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.

M. 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.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases.

N. 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.

O. 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.

P. 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.

Q. 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 national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

R. Share-based payment transactions

The Group provides benefits to its employees (including key management personnel) 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 Group engaged an accredited independent valuer, to determine the fair value of options issued at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the vesting period.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (refer to Note 9).

S. 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.

T. 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.

Operating segments have been identified based on the internal reports that are reviewed and used by the chief operating decision maker (being the CEO) in assessing performance and in determining the allocation of resources.

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

The consolidated entity operates in three operating segments, being MPI, USP and MCS.

The MPI (formerly MP Global and MPA) operating segment'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 US Products (formerly US Generic Products) segment's revenue and gross profit are derived from the manufacturing and distribution of generic and branded pharmaceutical products in the United States.

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

U. Revenue recognition

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.

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 outlicensing 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.

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.

V. Income tax and other taxes

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

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

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

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

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

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

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

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

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.

Other taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST recoverable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

W. 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 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.

X. 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;
- 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.

Y. 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.

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, commodity prices 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.

Z. Reclassification of comparatives

Where required, items in the 2013 comparative period have been reclassified to reflect the current treatment and enable better comparison between periods, including:

- Reclassification in Statement of Profit or Loss and Other Comprehensive Income of "Other Revenue" as "Other Income".
- Change from four operating segments to three operating segments (refer note 24).

NOTE 2 – 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.

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

	2014 $'000	2013 $'000
Interest bearing loans and borrowings	49,915	48,532

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

	2014 $'000	2013 $'000
Cash at bank and in hand	14,813	18,938

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) HIGHER / (LOWER)		EQUITY HIGHER / (LOWER)	
	2014 $'000	2013 $'000	2014 $'000	2012 $'000
US interest rates +0.5% (50 basis points)	(142)	(128)	-	-
AUD interest rates +0.5% (50 basis points)	31	43	-	-

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 79% of the Group's revenues and 56% of the Group's costs are denominated in currencies other than the functional currency.

It is the Group's 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 the mark-to-market valuation (2014: $nil 2013: $216,000 loss) for the contracts is recognised in the Statement of Profit or Loss and Other Comprehensive Income at 30 June 2014.

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

At balance date the Group had the following exposures to foreign currency:

	USD $'000	GBP $'000	EUR $'000	CAD $'000	JPY $'000
As at 30 June 2014					
Cash at bank	6,043	-	-	-	-
Other financial assets	1,172	-	-	-	-
Trade and other receivables	25,508	-	-	56	469
Trade and other payables	(12,681)	(49)	-	-	-
Other financial liabilities	(4,717)	-	-	-	-
Interest-bearing borrowings	(49,812)	-	-	-	-
Net exposure	(34,487)	(49)	-	56	469
As at 30 June 2013					
Cash at bank	7,625	-	-	-	-
Other financial assets	1,825	-	-	-	-
Trade and other receivables	21,244	-	-	318	492
Trade and other payables	(18,370)	(4)	(56)	-	(10)
Interest-bearing borrowings	(47,093)	-	-	-	-
Net exposure	(34,769)	(4)	(56)	318	482

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the reporting date.

At reporting date, if foreign exchange rates had moved, as illustrated in the table below, with all other variables held constant, net profit/(loss) and equity would have been affected as follows:

	NET PROFIT / (LOSS) HIGHER / (LOWER)		EQUITY HIGHER / (LOWER)	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
AUD/USD +5%	(59)	(141)	(4,639)	1,222
AUD/ JPY +10%	(30)	(31)	-	-
AUD / (GBP,EUR,CAD) +10%	3	(16)	-	-
AUD/USD -10%	138	326	10,828	(2,830)
AUD/JPY -5%	18	18	-	-
AUD/ (GBP, EUR, CAD) -5%	(2)	9	-	-

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 trade receivables and payables and includes the impact of translating foreign operations.

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 38% of the Group's 2014 revenue was derived from the three largest customers. The Group had four customers who comprised approximately 39% of the total trade receivables balance at reporting date. All of these customers were operating within agreed trading terms at the end of the 2014 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.

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 2014 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:

	2014 $'000	2013 $'000
Cash and cash equivalents[1]	14,813	18,938
Trade and other receivables[2]	29,805	24,622
	44,618	43,560

Notes:
1. Minimum of S&P AA rated counterparty with which deposits are held
2. At period end 2014 Trade receivables comprise $26,555,000 of the total $29,805,000, with 85% of trade receivables within trading terms. A further $2,255,000 is profit share receivable with payment terms of 90 days.

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 2014					
Liquid financial assets					
Cash and cash equivalents	14,813	-	-	-	14,813
Trade and other receivables	29,805	-	-	-	29,805
	44,618	-	-	-	44,618
Financial liabilities					
Trade and other payables	(17,076)	-	-	-	(17,076)
Interest-bearing loans and borrowings	(1,404)	(1,403)	(47,005)	-	(49,812)
Other financial liabilities	(846)	(3,272)	(8,901)	(173)	(13,192)
	(19,326)	(4,675)	(55,906)	(173)	(80,080)
Net inflow/(outflow)	25,292	(4,675)	(55,906)	(173)	(35,462)

	Less THAN 6 MONTHS $'000	6 TO 12 MONTHS $'000	1 TO 5 YEARS $'000	GREATER THAN 5 YEARS $'000	TOTAL $'000
30 June 2013					
Liquid financial assets					
Cash and cash equivalents	18,938	-	-	-	18,938
Trade and other receivables	24,622	-	-	-	24,622
	43,560	-	-	-	43,560
Financial liabilities					
Trade and other payables	(10,504)	-	-	-	(10,504)
Interest-bearing loans and borrowings	(5,471)	(2,432)	(40,629)	-	(48,532)
Other financial liabilities	(11,672)	(6,674)	(11,586)	-	(29,932)
	(27,647)	(9,106)	(52,215)	-	(88,968)
Net inflow/(outflow)	15,913	(9,106)	(52,215)	-	(45,408)

The Group has undrawn facilities of $5,000,000 plus the undrawn portion of the revolving loan US$3,000,000 available at reporting date. Refer note 17.

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

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 2014, 33 development projects met the requirements for capitalisation (2013: 16 development projects).

Chargebacks and returns

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 its original estimate.

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 unrecouped 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.

Investment in associate

The Group has performed an analysis of "control" and "significant influence" to determine the accounting treatment for the Group's investment in HPPI and concluded that the equity method of accounting should be used as Mayne Pharma has significant influence and not control of HPPI.

Significant accounting estimates and assumptions

Earn-out liabilities

The Group has recognised an earn-out liability to the former owners of MPIPL payable over the period to 31 October 2015. The earn-out liability has been determined based on contracted royalty rates payable on expected future cash flows earned on certain products in calendar years across different geographic markets.

The Group has recognised an earn-out liability incurred as part of the consideration on the acquisition of Libertas. The earn-out is payable based upon margin contribution targets for the 2014-16 financial years. An earn-out cap is specified in relation to each financial year. The maximum earn-out payable is US2.48m.

The Group has recognised an earn-out liability incurred as part of the acquisition of the ZEBUTAL™ brand and related assets. The earn-out is payable quarterly over five years based upon net sales of the relevant products.

The Group has also recognised an earn-out liability incurred as part of the acquisition of the ESGIC™ and LORCET™ brands and related assets. The earn-out is payable quarterly based upon net sales and is payable until the earn-out cap of U$2 million is reached.

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.

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 Note 28. 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.

Restoration provision

A provision has been made 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.

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.

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.

Impairment of intangible assets

The Group determines whether intangible assets are impaired in accordance with the accounting policies stated in Note 1L. This process requires an estimation to be made of the recoverable amount of future cash flows of the assets.

NOTE 4 – OTHER INCOME

	2014 $'000	2013 $'000
Interest received	251	394
Rental from excess office space	167	161
R&D income	-	69
Net gain on foreign exchange	7	8
Other	-	8
	425	640

NOTE 5 – FAIR VALUE MEASUREMENT

	2014 $'000	2013 $'000
Movement in undiscounted fair value of earn-out liabilities	(4,276)	4,430
Change in fair value attributable to the unwinding of the discounting of the earn-out liabilities	1,141	721
	(3,135)	5,151

The movement in the undiscounted fair value of earn-out liabilities of $4,276,000 is a non-cash (credit)/charge associated with the MPIPL acquisition following the reassessment of the underlying assumptions (including movements in expected future sales revenues and foreign exchange movements) used in the calculation. No changes to the undiscounted fair value of the Libertas, ZEBUTAL™ and ESGIC™/LORCET™ earn-outs have been made since acquisition.

The non-cash unwinding of the discount relates to all earn-out liabilities.

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

	CARRYING AMOUNT		FAIR VALUE	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Assets				
Warrants (options) - HPPI	392	-	392	-
Cash and short-term deposits	14,813	18,938	14,813	18,938
Liabilities				
Earn-out liability - Hospira	6,543	13,141	6,543	13,141
Earn-out liability - Metrics former shareholders	-	11,449	-	11,449
Earn-out liability - Libertas' former shareholder	2,496	-	2,496	-
Earn-out liability - ZEBUTAL™	568	-	568	-
Earn-out liability – ESGIC™ & LORCET™	1,652	-	1,652	-
Forward exchange contracts	-	216		216
Interest-bearing term loan	46,971	45,605	48,753	47,439
Interest-bearing revolving loan	1,059	1,093	1,059	1,093

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

Warrants represent options to purchase an additional 10,250,569 shares in HPPI at an exercise price of 8.78 US cents per share.

The payment to GSK for the purchase of Kapanol™ was a contracted amount and the earn-out payable to former shareholders of Metrics was calculated using final and known parameters.

The earn-out liabilities payable utilise present value calculation techniques that are not based on observable market data.

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 2014, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	LEVEL 2		LEVEL 3	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial Assets				
Warrants (options)	-	-	392	-
Financial Liabilities				
Earn-out liability – Hospira	-	-	6,543	13,141
Earn-out liability - Metrics' former shareholders	-	11,449	-	-
Earn-out liability - Libertas' former shareholder	-	-	2,496	-
Earn-out liability - ZEBUTAL™	-	-	568	-
Earn-out liability – ESGIC™ & LORCET™	-	-	1,652	-
Forward exchange contracts	-	216	-	-
Interest-bearing loans	48,030	48,532	-	-

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:

	2014 $'000	2013 $'000
Opening balance	13,141	9,331
Additional earn-out liabilities recognised for acquisitions made during current year	4,544	-
Fair value movement (refer Note 5)	(3,135)	5,151
Payments	(3,291)	(1,341)
Closing Balance	11,259	13,141

Description of significant unobservable inputs to valuations

ASSET / LIABILITY	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVERAGE)	SENSITIVITY OF THE INPUT TO THE FAIR VALUE
Warrants	Black-Scholes	Share Price Volatility	63%	8% increase / (decrease) in share price volatility would result in increase / (decrease) in fair value by $44,000
		Share price	7.5 cents	5% increase / (decrease) in share price would result in increase / (decrease) in fair value by $30,000.
Earn-out liability Hospira	DCF method	Forecast sales of relevant products		5% increase / (decrease) in net sales would result in increase / (decrease) in fair value by $1,265,000 / ($312,000)
		Exchange rate USD/AUD	0.90	1% increase / (decrease) in exchange rate would result in (decrease) / increase in fair value by $28,000
		Discount rate	8%	1% increase / (decrease) in discount rate would result in (decrease) / increase in fair value by $62,000
Earn-out liability Libertas	DCF method	Forecast margin compared to target		Increase in Libertas margin would have nil impact on fair value as fair value based on maximum payments.
		Discount rate	8%	1% increase / (decrease) in discount rate would result in (decrease) / increase in fair value by $57,000
Earn-out liability ZEBUTAL™	DCF method	Net sales		5% increase / (decrease) in net sales would result in increase / decrease in fair value by $24,000
		Discount rate	8%	1% increase / (decrease) in discount rate would result in (decrease) / increase in fair value by $16,000
Earn-out liability ESGIC™ & LORCET™	DCF method	Net sales		5% increase / (decrease) in net sales would result in increase / (decrease) in fair value by $16,000
		Discount rate	8%	1% increase / (decrease) in discount rate would result in (decrease) / increase in fair value by $53,000

NOTE 6 – EXPENSES

	2014 $'000	2013 $'000
Finance costs		
Interest expense	3,905	1,979
Amortisation of borrowing costs	444	327
	4,349	2,306
Depreciation[1]	4,925	3,632
Employee benefits expense[2]		
Wages and salaries	38,565	21,981
Superannuation expense	2,171	1,381
Other employee benefits expense	5,018	4,492
Total employee benefits	45,754	27,854
Other expenses		
Share-based payments	1,406	707
Foreign exchange losses	-	216
	1,406	923

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.

Acquisition costs

In the current financial period $814,000 of acquisition costs relating to the Libertas, HPPI, ZEBUTAL™ and ESGIC™ & LORCET™ acquisitions were expensed. In the prior period, expenditure of $4,032,000 relating to the acquisition of Metrics Inc and $390,000 relating to the acquisition of the Australian rights for Kapanol® from GSK was expensed.

NOTE 7 – AUDITOR'S REMUNERATION

	2014 $	2013 $
Amounts received or due and receivable by EY for		
Audit and review of financial statements	341,000	309,000
Tax compliance services	123,594	133,450
Tax advisory services	78,488	134,000
Acquisition accounting audit	6,000	100,000
Other Assurance	36,000	70,300
	585,082	746,750

	2014 $	2013 $
Non EY Auditors		
Audit and review of financial statements	180,869	269,000
Tax compliance services	-	35,000
Other Assurance	14,751	-
	195,620	304,000

NOTE 8 – INCOME TAX

A. The major components of income tax expense are:

	2014 $'000	2013 $'000
Income tax expense		
Current income tax	(6,067)	(1,769)
Adjustment in respect of current income tax of previous years	1,388	73
Deferred income tax	(2,053)	(444)
Income tax expense in the consolidated statement of profit or loss and other comprehensive income	(6,732)	(2,140)
Deferred income tax benefit/(expense) included in income tax expense comprises		
Increase/(decrease) in deferred tax assets	1,457	855
Decrease/(increase) in deferred tax liabilities	(3,510)	(1,299)
	(2,053)	(444)

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

	2014 $'000	2013 $'000
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:		
Profit/(loss) before income tax	28,022	(703)
Prima facie tax benefit/(expense) at 30%	(8,408)	211
Effect of R&D concessions	824	299
Over/(under) provision in respect of prior years	1,388	(20)
Non-deductible expenses for tax purposes		
Share-based payments	(268)	(144)
Acquisition costs	(244)	(1,325)
Adjustments relating to earn-out liabilities	120	(599)
Other non-deductible expenses	(9)	(37)
Restatement of deferred tax balances due to change in US tax rate	582	-
Effect of higher tax rate in USA	(429)	(342)
US State taxes	(476)	(268)
US Domestic production activity deduction	188	85
Income tax expense	(6,732)	(2,140)

C. Recognised deferred tax assets and liabilities

	2014 $'000	2013 '000
Deferred tax assets		
Intangible assets	2,164	2,305
Provisions	2,096	1,795
Other		
Payables	949	108
Unrealised foreign exchange losses	61	86
Inventory	649	143
Investment in associate	873	-
US employee share options	246	-
Carried forward R&D credits	-	26
Equity raising costs	880	-
US state taxes	270	64
Earn-out liability	81	902
Other	2	-
	4,011	1,329
	8,271	5,429

	2014 $'000	2013 '000
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Assets	8,271	5,429
Set off of Deferred Tax Liabilities that are expected to reverse in the same period	(6,946)	(4,453)
Net Deferred Tax Assets [1]	1,325	976

	INTANGIBILE ASSETS $'000	PROVISIONS $'000	OTHER $'000	TOTAL $'000
Deferred tax asset movements				
Balance at 1 July 2012	2,526	1,650	84	4,260
Charge to profit/loss	(221)	(124)	1,200	855
Restatement of foreign currency balances	-	43	7	50
Acquisition of subsidiary	-	226	38	264
Balance at 30 June 2013	2,305	1,795	1,329	5,429
Credit / (charge) to profit/loss	(141)	313	1,284	1,456
Credit direct to equity	-	-	1,399	1,399
Restatement of foreign currency balances	-	(12)	(1)	(13)
Acquisition of subsidiary	-	-	-	-
Balance at 30 June 2014	2,164	2,096	4,011	8,271

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

	2013 $'000	2013 '000
Deferred tax liabilities		
Property, plant and equipment	4,309	4,739
Intangible assets	22,252	18,518
Other		
Inventory	12	16
US State taxes	2,158	1,750
	2,170	1,766
	28,731	25,023
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Liabilities	28,731	25,023
Set off of Deferred Tax Assets that are expected to reverse in the same period	(6,946)	(4,453)
Net Deferred Tax Liabilities[1]	21,785	20,570

	PROPERTY PLANT EQUIPMENT $'000	INTANGIBLE ASSETS $'000	OTHER $'000	TOTAL $'000
Deferred tax liability movements				
Balance at 1 July 2012	2,306	1,195	229	3,730
Charge to profit/loss	283	1,339	(323)	1,299
Restatement of foreign currency balances	287	2,048	218	2,553
Acquisition of subsidiary	1,863	13,936	1,642	17,441
Balance at 30 June 2013	4,739	18,518	1,766	25,023
Charge / (credit) to profit/loss	(365)	3,401	474	3,510
Restatement of foreign currency balances	(65)	(605)	(70)	(740)
Acquisition of subsidiary	-	938	-	938
Balance at 30 June 2014	4,309	22,252	2,170	28,731

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

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

D. Tax consolidation

Members of the tax consolidated group and the tax sharing arrangement

Mayne Pharma Group Limited and its 100%-owned Australian resident subsidiaries are part of an income tax consolidated group. Mayne Pharma Group Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

The measurement method has been adopted under AASB Interpretation 1052 Tax Consolidation Accounting.

The head entity 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 members of the income tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

In addition to its own current and deferred tax amounts, the head entity also recognises 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.

Nature of tax funding agreement

The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable/(payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiary.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

NOTE 9 – EARNINGS PER SHARE

	2014	2013
Earnings per share for profit attributable to the ordinary equity holders of the parent:		
Basic earnings per share	3.72 cents	(0.70) cents
Diluted earnings per share	3.60 cents	(0.70) 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.

Diluted earnings per share is the same as basic earnings per share for the prior year due to the result for the prior year being a loss.

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

	2014 $'000	2013 $'000
For basic earnings per share		
Net profit/(loss)	21,290	(2,843)
For diluted earnings per share		
Net profit/(loss)	21,290	(2,843)

	2014 '000	2013 '000
Weighted average number of ordinary shares for basic earnings/(loss) per share	571,893	406,081
Effect of dilution:		
Share options	19,465	4,378
Weighted average number of ordinary shares adjusted for the effect of dilution	591,358	410,459

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:

	2014 '000	2013 '000
Number of potential ordinary shares	2,000	-

Options

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

NOTE 10 – TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Current		
Trade receivables	26,555	20,612
Trade receivables – profit share	2,256	3,304
Provision for impairment	(59)	(44)
Other receivables	1,053	750
	29,805	24,622

Provision for impairment loss

The movements in the impairment provision were as follows:

Balance acquired on acquisition of subsidiary	44	44
Additions /(reductions) booked to profit/loss	16	(5)
Foreign currency restatement	(1)	5
Balance at end of year	59	44

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

	0-30 DAYS $'000	31-60 DAYS $'000	61-90 DAYS $'000	+91 DAYS $'000	TOTAL $'000
Trade receivables 30 June 2014	22,689	3,512	289	65	26,555
Trade receivables 30 June 2013	15,427	3,436	564	1,185	20,612

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, $59,000 (2013; $44,000) of receivables were considered to be impaired.

Trade receivables – profit share are payable 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.

NOTE 11 – INVENTORIES

	2014 $'000	2013 $'000
Raw materials and stores at cost	8,726	8,181
Work in progress at cost	1,823	1,640
Finished goods at lower of cost and net realisable value	6,687	3,772
	17,236	13,593

NOTE 12 – OTHER FINANCIAL ASSETS

	2014 $'000	2013 $'000
Current		
Restricted cash	297	1,190
Unbilled client service fees	483	635
Warrants	392	-
	1,172	1,825

Restricted cash represents cash held as security for letters of credit. At 30 June 2013 in addition to cash held as security for letters of credit, restricted cash also included cash held by US legal counsel awaiting settlement of the Libertas Inc. acquisition on July 2, 2013.

Warrants are options to acquire 10,250,569 common shares in HPPI, the Group's associate investment, at an exercise price of 8.78 US cents per share. The options are exercisable within five years. The warrants have been recognised at fair value using the Black-Scholes method.

NOTE 13 – OTHER ASSETS

	2014 $'000	2013 $'000
Current		
Pre-payments	1,846	1,335
	1,846	1,335

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	LAND[1] $'000	BUILDINGS[1] $'000	PLANT AND EQUIPMENT $'000	CAPITAL UNDER CONSTRUCTION $'000	TOTAL $'000
Year ended 30 June 2014					
Balance at beginning of year net of accumulated depreciation	8,400	23,881	19,621	3,134	55,036
Additions	-	1,227	5,052	-	6,279
Acquisition of subsidiary	-	-	3	-	3
Disposals	-	-	(69)	-	(69)
Transfer [2]	-	-	-	(1,920)	(1.920)
Depreciation charge for year	-	(821)	(4,104)	-	(4,925)
Foreign currency restatement	(120)	(529)	(346)	-	(995)
Balance at end of year net of accumulated depreciation	8,280	23,758	20,157	1,214	53,409
At 30 June 2014					
At cost	8,280	25,908	31,370	1,214	66,772
Accumulated depreciation	-	(2,150)	(11,213)	-	(13,363)
Net carrying amount	8,280	23,758	20,157	1,214	53,409
Year ended 30 June 2013					
Balance at beginning of year net of accumulated depreciation	4,540	7,520	7,438	2,726	22,224
Additions	-	243	2,985	2,581	5,809
Acquisition of subsidiary	3,388	14,654	10,966	-	29,008
Disposals	-	-	(123)	-	(123)
Transfer [2]	-	-	-	(2,173)	(2,173)
Depreciation charge for year	-	(538)	(3,094)	-	(3,632)
Foreign currency restatement	472	2,002	1,449	-	3,923
Balance at end of year net of accumulated depreciation	8,400	23,881	19,621	3,134	55,036
At 30 June 2013					
At cost	8,400	25,237	26,909	3,134	63,680
Accumulated depreciation	-	(1,356)	(7,288)	-	(8,644)
Net carrying amount	8,400	23,881	19,621	3,134	55,036

Notes:
1. A first registered mortgage over property situated at 1538 Main North Rd, Salisbury South, South Australia is held by the Group's Australian banker.
2. Transfer as additions to the respective completed class of property, plant and equipment.
3. Certain US-based assets are pledged as security – refer Note 18.

NOTE 15 – INVESTMENT IN ASSOCIATE

The Group has a 41.5% interest in Hedgepath Pharmaceuticals Inc ("HPPI") which will pursue 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 its 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 is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in HPPI:

	2014 $'000	2013 $'000
Current assets	1,484	-
Non-current assets	15,815	-
Current liabilities	(481)	-
Non-current liabilities	-	-
Equity	16,818	-
Proportion of Group's ownership	41.5%	-

	2014 $'000	2013 $'000
Group's share of associate's equity	6,988	-
Less elimination of unrealised profit on transfer of intellectual property	(2,912)	-
Carrying amount of investment	4,076	-

The Group acquired its interest in HPPI on 25 June 2014 and hence the following statement reflects HPPI results from operations from 25 June 2014 to 30 June 2014.

		2014 $'000	2013 $'000
Revenue		-	-
Expenses		(16)	-
Loss before income tax		(16)	-
Income tax		-	-
Net Loss after tax		(16)	-
Group's share of profit/(loss) for the period	**41.5%**	(6)	-
Group's share of other comprehensive income/(loss) for the period		(13)	-

The Group acquired its 41.5% interest in HPPI (plus warrants for an additional 10,250,569 HPPI shares with an exercise price of 8.78 US cents per share) in return for granting HPPI an exclusive right to SUBA™-Itraconazole ('SUBA') for anti-cancer applications in the US. Under this agreement At acquisition date, the value of the HPPI shares ($4.1m) and the value of the warrants ($0.4m) received for granting HPPI an exclusive right to SUBA™-Itraconazole have been recognised as (non cash) license fee revenue. Mayne Pharma has appointed one director to the HPPI board and two members to the Joint Development Committee. Mayne Pharma will also supply HPPI with SUBA™-Itraconazole for use in clinical trials and for exclusive commercial supply if FDA approval is granted. This agreement is independent of Mayne's commitment to progress the commercialisation of SUBA™-Itraconazole globally for the treatment of fungal infections.

NOTE 16 – INTANGIBLE ASSETS AND GOODWILL

	GOODWILL	CUSTOMER CONTRACTS, RELATIONSHIPS AND INTELLECTUAL PROPERTY	DEVELOPMENT EXPENDITURE	MARKETING & DISTRIBUTION RIGHTS	TRADE NAMES	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2014						
Balance at beginning of year net of accumulated amortisation	47,197	32,490	18,005	13,820	3,958	115,470
Additions	-	-	16,279	13,635	-	29,914
Acquisition of subsidiary	1,788	2,427	-	-	44	4,259
Amortisation	-	(4,539)	(185)	-	(209)	(4,933)
Foreign currency restatement	(1,509)	(928)	(661)	(377)	(120)	(3,595)
Balance at end of year net of accumulated amortisation	47,476	29,450	33,438	27,078	3,673	141,115
As at 30 June 2014						
Cost	47,476	52,916	33,730	27,078	4,004	165,204
Accumulated amortisation	-	(23,466)	(292)	-	(331)	(24,089)
Net carrying amount	47,476	29,450	33,438	27,078	3,673	141,115
Year ended 30 June 2013						
Balance at beginning of year net of accumulated amortisation	391	3,803	-	-	-	4,194
Additions	-	-	7,400	13,820	-	21,220
Acquisition of subsidiary	43,160	28,416	8,983	-	3,589	84,148
Amortisation	-	(3,478)	(103)	-	(117)	(3,698)
Foreign currency restatement	3,646	3,749	1,725	-	486	9,606
Balance at end of year net of accumulated amortisation	47,197	32,490	18,005	13,820	3,958	115,470
As at 30 June 2013						
Cost	47,197	51,570	18,121	13,820	4,089	134,797
Accumulated amortisation	-	(19,080)	(116)	-	(131)	(19,327)
Net carrying amount	47,197	32,490	18,005	13,820	3,958	115,470

Customer contracts, relationships and intellectual property

Arising on the acquisition of MPIPL

Following the business combination in October 2009, the Consolidated Entity recognised $19,195,000 in relation to customer contracts, relationships and intellectual property. The customer contracts' initial carrying value of $11,443,000 was fully amortised by 30 June 2013.

The Consolidated Entity also recognised a total of $6,067,000 in relation to customer relationships that are being amortised over six years through to the period ending 30 June 2015. This value was determined in relation to expected future cash flows relating to customer relationships acquired on the acquisition of MPIPL.

The balance of $1,643,000 represents the value attributed to an intellectual property royalty arrangement that is being amortised over six years through to 30 June 2015. Cash flows were estimated based on the sales levels of products to existing customer relationships and costs of production, raw materials and overhead attributable to those products. A discount rate of 17.5% was applied following a corporate tax rate of 30% and a 7% contributory asset charge.

These assets are carried at cost less accumulated amortisation and any accumulated impairment losses. These intangible assets have been assessed as having finite useful lives and are amortised over their useful lives on a diminishing value basis. As at 30 June 2014, the value to be amortised over the remaining life is $902,000.

Arising on the acquisition of Metrics

Following the business combination in November 2012, customer contracts and relationships of $32,375,000 were recognised attributed to the MCS and USP segments. The valuations were undertaken using the multi-period excess earnings method (MEEM). Key parameters included a discount rate of 15%, a corporate tax rate of 38.9% and a contributory asset charge of 8.5% for MCS and 5.1% for USP. These intangible assets have been assessed as having finite useful lives and are amortised over their useful lives on a straight line basis. The useful lives of these assets vary from ten to fifteen years.

The amortisation charge has been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the line item "Amortisation expense". If an impairment indicator arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Arising on the acquisition of Libertas

Following the business combination in July 2013, trademarks, customer contracts and relationships of $2,471,000 were recognised and attributed to the USP segment. The valuations were undertaken using discounted cash flow (DCF) models. Key parameters included a discount rate of 17.5% and a corporate tax rate of 38%. These intangible assets have been assessed as having finite useful lives and are amortised over their useful lives on a straight line basis. The useful lives of the majority of these assets are ten years.

The amortisation charge has been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the line item "Amortisation expense". If an impairment indicator arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

The pre-tax, risk-adjusted discount rate applied to these asset specific cash flow projections is 16%.

Goodwill to the value of $46,806,000, arising from the acquisition of Metrics, has been allocated between two CGUs operating in the USA. The two CGUs are the USP and MCS segments. The allocation of the $46,806,000 is split 65% ($30,424,000) to USP and the balance ($16,382,000) to MCS.

Goodwill to the value of $1,788,000, arising on the acquisition of Libertas has been allocated to the USP 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.

- *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 19.6%, 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 USP was 15% for the first three years, 9% for the next three years and a long-term rate of 3% for future periods.
  - The average growth rate used for the MCS CGU was 10% for the first three years 8% 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.

Development expenditure

Arising on the acquisition of Metrics

Following the business combination in November 2012, development expenditure of $10,234,000 was recognised for products in the process of development (In process R&D) in the USA.

The valuation for the development expenditure of $2,515,000 was undertaken using the multi-period excess earnings method (MEEM). Key parameters included a discount rate of 15%, a corporate tax rate of 38.9% and a contributory asset charge of 6.0%**.** This intangible asset has been assessed as having a finite useful life and will be amortised over that useful life on a straight line basis.

The valuation of the intellectual property for the products under development ($7,719,000) is based on the replacement cost method. The useful life of the In-process R&D will be determined on a product-by-product basis. The value will be amortised based on one of the following scenarios:

- If the products gain FDA approval, amortisation of the value will commence when the product is ready for sale and will be amortised over the useful life of the product.
- If the product is not approved, then an impairment event will occur and the specific product value expensed.

Expenditure on selected products which qualify for capitalisation under AASB 138 totalling $16,279,000 has been capitalised during the 2014 financial year:

- Thirty three projects are under development across the Australian and US sites.
- Selected projects within this group should reach final development in the 2015 financial year and amortisation of the capitalised value over the useful life will commence when the product enters the market.

Trade Names

Arising on the acquisition of Metrics

Following the business combination in November 2012, a trade name intangible of $4,089,000 was recognised. The valuation was undertaken using the relief from royalty (RFR) method. Key assumptions included a royalty rate of 3%, a corporate tax rate of 38.9% and a discount rate of 15%. This intangible asset has been assessed as having a finite useful life (20 years) and is amortised over that useful life on a straight line basis.

Marketing and Distribution rights

Kapanol™
On 1 February 2013, Mayne Pharma acquired the Kapanol*™* trademark, marketing authorisations, product dossier, technical data product inventory and rights to sell Kapanol*™* in Australia from GlaxoSmithKline (GSK).

The total value of intangible assets acquired was $13,820,000. The assets have been assessed to have an indefinite life as the product has had a strong presence in the market for many years, has a lack of competitors and has continued growth prospects. The assets will be subject to impairment testing using a value in use calculation using approved five year cash flow projections with terminal values.

Consideration of $10,445,000 was paid during the prior year with the balance of $3,375,000 paid in February 2014. Refer Note 19.

The initial parameters used for assessment which resulted in no impairment were an average earnings growth rate of 21.3% over the first 5 years with a zero rate for future periods, WACC of 14% and a corporate tax rate of 30%.

ZEBUTAL™
On 22 November 2013, the Group acquired the ZEBUTAL*™* brand and related assets from Shionogi, Inc in the USA.

The total value of intangible assets acquired was $1,104,000. The assets have been assessed to have an indefinite life as the product has had a strong presence in the market for many years and has continued growth prospects. The assets will be subject to impairment testing using a value in use calculation using approved five year cash flow projections with terminal values.

Consideration of $544,000 was paid on completion. At acquisition date, the fair value of the contingent consideration (earn-out) was estimated to be $560,000. The fair value was determined using the DCF method. The earn-out is to be paid on a quarterly basis over five years. Refer Note 19.

The initial parameters used for assessment which resulted in no impairment were an average earnings growth rate of 6% over the first five years with a 6% for future periods, WACC of 15.8% and a corporate tax rate of 35%.

ESGIC™ ***and LORCET***™
On 12 February 2014, the Group acquired the ESGIC™, ESGIC PLUS™, LORCET™ and LORCET PLUS™ brands and related assets from Forest Laboratories, Inc in the USA.

The total value of intangible assets acquired was $12,529,000. The assets have been assessed to have an indefinite life as the products have had a strong presence in the market for many years and have continued growth prospects. The assets will be subject to impairment testing using a value in use calculation using approved five year cash flow projections with terminal values.

Consideration of $10,894,000 (US$10,000,000) was paid on completion. At acquisition date, the fair value of the contingent consideration (earn-out) was estimated to be $1,635,000. The fair value was determined using the DCF method. The earn-out is to be paid on a quarterly basis up to a cap of US$2,000,000. Refer Note 19.

The initial parameters used for assessment which resulted in no impairment were an average earnings growth rate of 5% over the first five years with 5% growth for future periods, WACC of 18.5% and a corporate tax rate of 35%.

NOTE 17 – TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Current		
Trade payables	7,131	6,832
Other payables	9,945	3,672
	17,076	10,504

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid (>88%) within 30 days of recognition. Due to the short-term nature of these payables, their carrying value is their fair value.

Information regarding liquidity risk exposure is set out in Note 2.

NOTE 18 – INTEREST-BEARING LOANS AND BORROWINGS

	2014 $'000	2013 $'000
Current		
MidCap term loan	2,807	7,903
Borrowing costs (net of amortisation)	(433)	(432)
	2,374	7,471
Non-current		
Revolving loan (USD 1.0m)	1,059	1,093
MidCap term loan	45,946	39,536
Borrowing costs (net of amortisation)	(1,349)	(1,402)
	45,656	39,227

The term loan facility provided by MidCap Funding V LLC as the primary lender is a five year loan effective 14 November 2012 for an initial amount of US$44,500,000. The revolving loan is a facility of US$4,000,000 also provided for a term of five years. The loans are subject to certain covenants and Metrics was in compliance with these at period end.

The term loan and revolving facility are secured by a first priority perfected lien upon all of the personal and real property of Metrics and the parent company has guaranteed the obligations of Metrics under the Credit Agreement with MidCap Funding V LLC, via provision of a first priority perfected security interest in all and outstanding capital stock and all of its rights under the Merger Agreement. The facility agreement also restricts Metrics from making specified distributions to Mayne. The Directors believe there is no risk of default at reporting date.

The term loan bears interest payable monthly based on LIBOR (with a minimum rate of 1%) plus the applicable margin. The applicable margin is based on total debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) ratio (of Metrics) as defined and ranges from 4.75% for a total debt to EBITDA ratio of less than 3:1 to 6.25% for a total debt to EBITDA ratio greater than 4:1. From the closing date until two business days after the first Compliance Certificate is delivered, the applicable margin is 5.5% and may not be less than 5.5% for the first year after the closing date. At 30 June 2014, the interest rate was 7.75%.

Interest on the revolving loan is payable monthly based on LIBOR (with a minimum rate of 1%) and the applicable margin is as defined for the term loan. In addition, an unused line fee is payable monthly in arrears based on the unused portion of the facility at the rate of 0.75% per annum.

In September 2013, in accordance with provision of the facility agreement, an additional US$ 8,500,000 was drawn down to partially fund the earn-out payment to the former shareholders of Metrics.

The Midcap agreement restricts certain distributions by Metrics to the Parent, such as dividends, during the term of the agreement.

The term loan is repayable in quarterly instalments and the revolving loan facility terminates 14 November 2017. The loan maturities are summarised as follows:

	2014 $'000	2013 '000
Current	2,807	7,903[1]
Non-current	47,005	40,629
	49,812	48,532
Due by 30 June 2014	-	7,903[1]
Due by 30 June 2015	2,807	6,690
Due by 30 June 2016	3,860	9,123
Due by 30 June 2017	5,265	11,556
Due by 30 June 2018	37,880	13,260
	49,812	48,532

Note: 1. As at 30 June 2013, this includes a mandatory prepayment of $3,647,000 based on the excess cash flow at 30 June as defined. Subsequent to reporting date, MidCap Funding V LLC removed the mandatory prepayment for the year ended 30 June 2013. Had this been in place at the prior period reporting date, the current amount outstanding in the prior period would have been $4,257,000 and the non-current amount $44,275,000.

The Metrics assets pledged as security for the term loan and revolving facility are as follows:

	2014 $'000	2013 '000
Cash	5,242	6,779
Receivables	19,376	17,326
Inventory	8,537	6,596
Other financial assets	779	941
Other assets	986	755
Property, Plant & Equipment	30,772	32,742
	65,692	65,139

There were no defaults or breaches on any loans during the year ended 30 June 2014.

Floating Rate Bill Facility

A $5,000,000 Floating Rate Bill facility was in place during the period with the Group's Australian banker. The facility can be used for any corporate purpose excluding payment of dividends. The facility was undrawn at 30 June 2014.

Security

A Registered Mortgage Debenture over the Closed Group's assets including goodwill has been provided to the Group's Australian banker. A first registered mortgage over property situated at 1538 Main North Rd, Salisbury South, South Australia is also held by the Group's Australian banker.

NOTE 19 – OTHER FINANCIAL LIABILITIES

	2014 $'000	2013 $'000
Current		
Earn-out liability – Hospira	2,868	3,299
Earn-out liability - Metrics' former shareholders	-	11,449
Earn-out liability - Libertas' former shareholder	587	-
Earn-out liability – ZEBUTAL™ acquisition	168	-
Earn-out liability – ESGIC™ and LORCET™ acquisition	330	-
Payment to GSK for purchase of Kapanol™	-	3,375
Foreign exchange forward contracts	-	216
Other	-	7
	3,953	18,346
Non-current		
Earn-out liability – Hospira	3,675	9,842
Earn-out liability - Libertas' former shareholder	1,909	-
Earn-out liability – ZEBUTAL™ acquisition	400	-
Earn-out liability – ESGIC™ and LORCET™ acquisition	1,322	-
	7,306	9,842

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 $1,141,000 (2013: $721,000) for the period representing the change in fair value as a result of the unwinding of the discounting.

The consolidated entity has recognised a total remaining balance of $6,543,000 in relation to the earn-out liability incurred as part consideration on the acquisition of MPIPL on 30 October 2009. The maximum amount payable to Hospira is $41,600,000 payable over a six-year period. To date the cumulative payments made total $15,163,000 including $3,291,000 made in the current period. The earn-out payment is based on the level of gross revenue recognised by MPIPL in relation to products existing at the time of the acquisition, greater than $40,000,000 but capped at $65,000,000 in a calendar year, with a maximum $7,800,000 payable in the first two years to 31 December 2011 and $6,500,000 for each of the subsequent four years.

The value of the earn-out has been determined in relation to expected future cash flows required to be paid on the earn-out utilising a discount rate of 8% and an assumed average foreign exchange rate of US$0.90:A$1.00 for the balance of the earn-out period.

The earn-out has been re-assessed during the financial year with a reduction to the fair value for the net present value of estimated future payments of $4,276,000 recognised in the statement of profit or loss and other comprehensive income (2013: increase in fair value $4,430,000).

The consolidated entity has recognised a balance of $2,496,000 in relation to the earn-out liability incurred as part of the consideration on the acquisition of Libertas. The earn-out is payable based upon margin contribution targets for the 2014-16 financial years. As at 30 June 2014 it is considered highly probable that the margin contribution targets will be achieved for each financial year and hence the fair value

of the earn-out liability is based on the maximum amount payable for each financial year. The earn-out was re-assessed at 30 June 2014 with no change to the fair value for the net present value of estimated future payments recognised since acquisition. The maximum payable is U$2,480,000.

The consolidated entity has recognised at reporting date a total of $568,000 in relation to the earn-out liability incurred as part of the acquisition of the ZEBUTAL™ brand and related assets. The earn-out is payable over five years based upon net sales of the relevant products. The earn-out was re-assessed at 30 June 2014 with no change to the fair value for the net present value of estimated future payments recognised since acquisition.

The consolidated entity has recognised at reporting date a total of $1,652,000 in relation to the earn-out liability incurred as part of the acquisition of the ESGIC™ and LORCET™ brands and related assets. The earn-out is payable quarterly based upon net sales of the relevant products up to a maximum of US$2,000,000. The earn-out was re-assessed at 30 June 2014 with no change to the fair value for the net present value of estimated future payments recognised since acquisition.

In the prior year, the consolidated entity recognised a total $11,449,000 in relation to the earn-out liability incurred as part consideration on the acquisition of Metrics. The earn-out was paid in September 2013.

NOTE 20 – PROVISIONS

	2014 $'000	2013 $'000
Current		
Employee benefits	6,581	5,790
Non-Current		
Employee benefits	984	287
Restoration	436	465
	1,420	752

Restoration provision

The restoration provision represents the present value of anticipated costs for the future restoration of the Salisbury site.

Balance at beginning of year	465	491
Utilised during the year	(29)	(26)
Balance at end of year	436	465

The outflows are expected to occur over twenty years.

NOTE 21 – CONTRIBUTED EQUITY

A. Movements in contributed equity

	2014 NUMBER	2013 NUMBER	2014 $'000	2013 $'000
Balance at beginning of year	562,956,475	152,153,044	118,302	32,016
Issued during the year:				
ESGIC™ and LORCET™ acquisition funding[1]	22,641,509	-	17,532	-
Libertas acquisition consideration	503,493	-	217	-
Tax effect of previously recognised share issue costs	-	-	1,198	-
Metrics acquisition funding[2]	-	329,364,354	-	62,636
Kapanol™ acquisition funding[3]	-	61,016,950	-	17,293
Options exercised	550,000	2,950,000	249	1,252
Share purchase plan (SPP)[4]	-	16,968,161	-	4,955
Placement to shareholders ineligible to participate in the SPP	-	460,901	-	136
Group CFO STI bonus entitlement (restricted)[5]	-	43,065	-	14
Balance at end of year	586,651,477	562,956,475	137,498	118,302

Notes:
1. Shares issued are net of $468,000 of equity raising costs (net of income tax).
2. Shares issued are net of $3,214,000 of equity raising costs.
3. Shares issued are net of $730,000 of equity raising costs.
4. Shares issued are net of $51,000 of equity raising costs.
5. The shares are restricted for a period of three years and are forfeited if the holder's employment is terminated within that three-year period.

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, as occurred during the year ended 30 June 2014. No changes were made in the objectives, policies or processes during the years ended 30 June 2014 and 30 June 2013.

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.

	2014 $'000	2013 $'000
Trade and other payables	17,076	10,504
Interest-bearing borrowings	48,030	46,698
Less cash and cash equivalents	(14,813)	(18,938)
Net debt	50,293	38,264

The net debt position excludes earn-out liabilities as they are funded from future gross revenue.

The Group is not subject to any externally-imposed capital requirements.

NOTE 22 – RESERVES

	2014 $'000	2013 $'000
Share-based payments reserve	1,922	618
Foreign currency translation reserve	3,438	6,843
	5,360	7,461

Share-based payments reserve

The share-based payments reserve is used to record the value of share-based payments provided to employees, including key management personnel, as part of their remuneration.

	2014 $'000	2013 $'000
Balance at beginning of year	618	1,087
Share-based payments expense	1,406	707
Transfer to contributed equity on exercise of options	(102)	(704)
Lapsed/expired options reclassified to retained earnings	-	(472)
Balance at end of year	1,922	618

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in Note 1G 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.

	2014 $'000	2013 $'000
Balance at beginning of year	6,843	-
Foreign exchange translation differences	(3,405)	6,843
Balance at end of year	3,438	6,843

NOTE 23 – RETAINED EARNINGS / (ACCUMULATED LOSSES)

	2013 $'000	2013 $'000
Accumulated losses at the beginning of the period	(4,874)	(2,503)
Net profit/(loss) attributable to members	21,290	(2,843)
Lapsed/expired options reclassified to retained earnings	-	472
Retained earnings/(Accumulated losses) at the end of the period	16,416	(4,874)

NOTE 24 – OPERATING SEGMENTS

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 three operating segments Mayne Pharma International (MPI), US Products and Metrics Contract Services segments.

Mayne Pharma International (MPI)

The MPI operating segment'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.

US Products

The US Products (formerly known as US Generic Products) segment's revenue and gross profit are derived from the manufacturing and distribution of generic and branded pharmaceutical products in the United States.

Metrics Contract Services

The Metrics Contract Services segment's revenue and gross profit are derived from providing contract pharmaceutical development services to third-party customers principally in the United States.

The segments identified in this report are different from previous reports where data was presented for four segments on a Consolidated Entity basis namely Mayne Pharma Australia (MPA), MP Global, US Products and Metrics Contract Services. This change in reportable segments has arisen as the chief operating decision maker has changed the way they manage and review the business operations. Comparatives have been restated.

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

	US PRODUCTS $'000	METRICS CONTRACT SERVICES $'000	MPI $'000	TOTAL SEGMENTS $'000	ELIMINATIONS AND ADJUSTMENTS $'000	TOTAL CONSOLIDATED $'000
Year ended 30 June 2014						
Sale of goods	56,871	-	45,382	102,253	(3,170)	99,083
Services income	-	28,398	9,796	38,194	-	38,194
License fee revenue	-	-	4,904	4,904	-	4,904
Royalty income	-	-	1,073	1,073	-	1,073
Revenue	56,871	28,398	61,155	146,424	(3,170)	143,254
Cost of sales	(24,858)	(15,436)	(29,850)	(70,144)	1,941	(68,203)
Gross profit	32,013	12,962	31,305	76,280	(1,229)	75,051
Other income						425
Amortisation of intangible assets						(4,934)
Fair value movement in earn-out liability						3,135
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)						(45,655)
Profit before income tax						28,022
Income tax expense						(6,732)
Net Profit for the period						21,290

Revenue from the three largest customers (one from each segment) contributed total revenue of $55,025,000 for the year ended 30 June 2014.

	US PRODUCTS $'000	METRICS CONTRACT SERVICES $'000	MPI $'000	TOTAL SEGMENTS $'000	ELIMINATIONS AND ADJUSTMENTS $'000	TOTAL CONSOLIDATED $'000
Year ended 30 June 2013						
Sale of goods	25,220	-	31,688	56,908	(460)	56,448
Services income	-	14,783	11,509	26,292	(478)	25,814
Royalty income	-	-	1,169	1,169	-	1,169
Revenue	25,220	14,783	44,366	84,369	(938)	83,431
Cost of sales	(9,426)	(8,340)	(27,135)	(44,901)	460	(44,441)
Gross profit	15,794	6,443	17,231	39,468	(478)	38,990
Other income						640
Amortisation of intangible assets						(3,698)
Fair value movement in earn-out liability						(5,151)
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)						(31,484)
Loss before income tax						(703)
Income tax expense						(2,140)
Net loss for the period						(2,843)

Geographical information

Revenue from external customers	2014 $'000	2013 $'000
Australia	23,071	24,135
United States	112,565	52,245
Korea	4,338	3,356
Other	3,280	3,695
Total external revenue	143,254	83,431

Non-current assets	2014 $'000	2013 $'000
Australia	47,438	42,027
United States	147,082	128,479
Total non-current assets	194,520	170,506

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

Product information

Revenue by product group / service	2014 $'000	2013 $'000
Contract Services	9,796	11,509
Analytical & Formulation	28,394	14,305
Oral & Other Pharmaceuticals	103,991	56,448
Other revenue	1,073	1,238
Total external revenue	143,254	83,500

NOTE 25 – NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

A. Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks (excluding restricted cash).

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

	2014 $'000	2013 $'000
Cash at bank and in hand	14,813	18,938

Cash at bank attracts floating interest at current market rates.

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

	2014 $'000	2013 $'000
Net profit after income tax	21,290	(2,843)
Adjustments for:		
Depreciation	4,925	3,632
Amortisation of intangibles and borrowing costs	5,378	4,025
Share-based payments	1,406	707
Movement in earn-out liability	(3,135)	5,151
Asset disposals	-	31
Forward exchange contract mark to market adjustments	(216)	-
Net foreign exchange differences	26	15
Changes in assets and liabilities		
(Increase)/decrease in receivables	(4,013)	(5,496)
(Increase) in inventories	(3,407)	(1,349)
(Increase) in prepayments	(698)	(228)
(increase) in investment in associate and related warrants	(4,482)	-
(Increase)/decrease in deferred tax assets	(374)	(731)
Increase in creditors	5,036	2,648
Increase in provisions	1,072	331
Increase in current and deferred tax liabilities	3,328	952
Net cash from operating activities	26,136	6,845

NOTE 26 – 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	
		2014	2013	2014	2013
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	-	-
Metrics, Inc	United States	100	100	62,707	62,196[2]
Libertas Pharma, Inc[2]	United States	100	-	3,528[2]	-
Mayne Pharma Ventures Pty Ltd	Australia	100	-	-	-
Mayne Pharma Ventures LLC[1]	United States	100	-	-	-
				105,440	101,401

Notes: 1. Dormant subsidiaries.
2. Refer note 31 for details of the business combination.

B. Ultimate parent

Mayne Pharma Group Limited is the ultimate parent entity.

C. Key management personnel

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 2014 or 30 June 2013.

Amounts owing to Directors, Director-related parties and other related parties at 30 June 2014 and 30 June 2013 were nil.

NOTE 27 – KEY MANAGEMENT PERSONNEL DISCLOSURES

i. Directors and other key management personnel

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 (Executive Director and President of Metrics until 31 December 2013, Non-Executive Director from 1 January 2014)
- Mr Bruce Mathieson – Non-Executive Director
- Mr Ian Scholes – Non-Executive Director

Other key management personnel consisted of:

- Mr Mark Cansdale – Group Chief Financial Officer and Company Secretary
- Mr Stefan Cross – President of Metrics from 1 January 2014, previously Vice President, Business and Corporate Development.

ii. Compensation of key management personnel

	2014 $'000	2013 $'000
Short-term employee benefits	2,235,654	1,898,527
Post-employment benefits	102,223	117,342
Long-term benefits	19,873	14,173
Share-based payments	609,692	251,343
Termination payments	-	-
	2,967,442	2,281,385

NOTE 28 - SHARE-BASED PAYMENT PLANS

Recognised share-based payments expense

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

	2014 $'000	2013 $'000
Expense arising from equity-settled share-based payment transactions	1,065	490
Option modifications	341	217
	1,406	707

Share Options granted to employees

	EXERCISE PRICE	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 2014			Number	Number	Number	Number	Number	Number
Unlisted options	$0.2678[1]	27/01/16	1,500,000	-	(550,000)	-	950,000	950,000
Unlisted options	$0.2608[2]	13/02/19	7,500,000	-	-	-	7,500,000	-
Unlisted options	$0.2500	15/03/16	2,000,000	-	-	-	2,000,000	-
Unlisted options	$0.3300	12/01/19	14,300,000	-	-	(1,100,000)[3]	13,200,000	-
Unlisted options	$0.3300	26/01/19	8,200,000	-	-	(600,000)[3]	7,600,000	-
Unlisted options	$0.4100	6/05/19	-	1,000,000	-	-	1,000,000	-
Unlisted options	$0.4300	1/07/19	-	1,000,000	-	-	1,000,000	-
Unlisted options	$0.7039	21/10/19	-	400,000	-	-	400,000	-
Unlisted options	$0.7763	11/11/19	-	1,000,000	-	-	1,000,000	-
Unlisted options	$0.7870	30/11/19	-	1,000,000	-	-	1,000,000	-
			33,500,000	4,400,000	(550,000)	(1,700,000)	35,650,000	950,000

Notes:
1. Original exercise price of $0.3520 adjusted down to $0.2678 as approved by special resolution at the AGM on 26 November 2013.
2. Original exercise price of $0.345 adjusted down to $0.2608 under ASX Listing Rule 6.22 following the entitlement issue announced on 4 October 2012.
3. Options were forfeited on the termination of employment.

Options issued to executives under the ESOP during the year ended 30 June 2014

- 1,000,000 granted on 1 July 2013 with an exercise price of $0.43 and an expiry date of 1 July 2019.
- 1,000,000 granted on 2 July 2013 with an exercise price of $0.41 and an expiry date of 6 May 2019.
- 400,000 granted on 1 May 2014 with an exercise price of $0.7039 and an expiry date of 21 October 2019.
- 1,000,000 granted on 21 April 2014 with an exercise price of $0.7763 and an expiry date of 11 November 2019.
- 1,000,000 granted on 1 May 2014 with an exercise price of $0.7870 and an expiry date of 30 November 2019.

	EXERCISE PRICE	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 2013			Number	Number	Number	Number	Number	Number
Unlisted options	$0.6000	30/11/12	250,000	-	-	(250,000)[1]	-	-
Unlisted options	$0.1858[2]	31/12/12	2,950,000	-	(2,950,000)	-	-	-
Unlisted options	$0.3520	27/01/16	1,500,000	-	-	-	1,500,000	-
Unlisted options	$0.2608[3]	13/02/19	7,500,000	-	-	-	7,500,000	-
Unlisted options	$0.2500	15/03/16	-	2,000,000	-	-	2,000,000	-
Unlisted options	$0.3300	12/01/19	-	15,300,000	-	(1,000,000)[4]	14,300,000	-
Unlisted options	$0.3300	26/01/19	-	8,200,000	-	-	8,200,000	-
			12,200,000	25,500,000	(2,950,000)	(1,250,000)	33,500,000	-

Notes:
1. Options lapsed 30 November 2012. The exercise price was $0.60 whereas the share price was $0.31.
2. Original exercise price of $0.27 adjusted down to $0.1858 under ASX Listing Rule 6.22 following the entitlement issue announced on 4 October 2012.
3. Original exercise price of $0.345 adjusted down to $0.2608 under ASX Listing Rule 6.22 following the entitlement issue announced on 4 October 2012.
4. Options were forfeited on the termination of employment.

Options issued to executives under the ESOP during the year ended 30 June 2013

- 2,000,000 granted on 1 January 2013 with an exercise price of $0.25 and an expiry date of 15 March 2016.
- 15,300,000 granted on 11 January 2013 with an exercise price of $0.33 and an expiry date of 12 January 2019.
- 8,200,000 granted on 25 January 2013 with an exercise price of $0.33 and an expiry date of 26 January 2019.

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 are restricted for a period of three years but are retained by employees who leave the Company within that period.

There were no issues under the TESP during the year ended 30 June 2014.

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 re-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.

For share options granted during the financial year the fair value of the options granted was determined by valuation specialists, using the Monte Carlo Simulation option pricing model (refer to Note 1R). The following inputs were used in the valuations:

	OPTIONS GRANTED 1 JULY 2013			OPTIONS GRANTED 2 JULY 2013			OPTIONS GRANTED 21 APRIL 2014		
	TRANCHE 1	TRANCHE 2	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of options over shares	200,000	300,000	500,000	200,000	300,000	500,000	200,000	300,000	500,000
Monte Carlo Simulation model fair value	$0.1501	$0.1486	$0.1370	$0.1628	$0.1629	$0.1475	$0.333	$0.343	$0.326
Share price at grant date	$0.435	$0.435	$0.435	$0.435	$0.435	$0.435	$0.885	$0.885	$0.885
Exercise price	$0.4300	$0.4300	$0.4300	$0.4100	$0.4100	$0.4100	$0.7763	$0.7763	$0.7763
Expected volatility	50%	50%	50%	50%	50%	50%	50%	50%	50%
Expected option life	2.12yrs	3.12yrs	4.12yrs	2.12yrs	3.12yrs	4.12yrs	1.73yrs	2.73yrs	3.73yrs
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	3.13%	3.13%	3.13%	3.13%	3.13%	3.13%	3.01%	3.01%	3.01%

	OPTIONS GRANTED 1 MAY 2014			OPTIONS GRANTED 1 MAY 2014		
	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of options over shares	200,000	300,000	500,000	80,000	120,000	200,000
Monte Carlo Simulation model fair value	$0.302	$0.315	$0.297	$0.331	$0.342	$0.327
Share price at grant date	$0.840	$0.840	$0.840	$0.840	$0.840	$0.840
Exercise price	$0.7870	$0.7870	$0.7870	$0.7039	$0.7039	$0.7039
Expected volatility	50%	50%	50%	50%	50%	50%
Expected option life	1.74yrs	2.74yrs	3.74yrs	1.64yrs	2.64yrs	3.64yrs
Dividend yield	0%	0%	0%	0%	0%	0%
Risk-free rate	2.94%	2.94%	2.94%	2.94%	2.94%	2.94%

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 in 2012. 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.

A total of 4,400,000 options were issued during the 2014 year under the ESOP. A total of 25,500,000 options were issued during the year ended 30 June 2013.

	2014 NUMBER OF OPTIONS	2014 WEIGHTED AVERAGE EXERCISE VALUE $	2013 NUMBER OF OPTIONS	2013 WEIGHTED AVERAGE EXERCISE VALUE $
Balance at beginning of year	26,000,000	0.3251	1,500,000	0.3520
Granted during the year	4,400,000	0.6102	25,500,000	0.3240
Exercised during financial year	(550,000)	0.2678	-	-
Forfeitures	(1,700,000)	0.3300	(1,000,000)	0.3300
Balance at end of year	28,150,000	0.3660	26,000,000	0.3251

The weighted average fair value of options granted during the year was $0.6102 (2013: $0.3240).

All option plans have no cash settlement for options.

Option modification

The terms of the options issued in July 2011 to the Group CFO and Company Secretary were modified during the year. Following the issue of shares under an underwritten pro-rata accelerated non-renounceable entitlement offer of new ordinary shares, as announced in October 2012, the exercise price of the options was subsequently adjusted following the passing of a special resolution at the Company's AGM on 26 November 2013.

As a result, the options were revalued as follows:

	OPTIONS ISSUED JULY 2011, REVALUED
Number of options over shares	1,500,000
Pre-modification Black-Scholes Simulation model fair value	$0.3996
Post-modification Black-Scholes Simulation model fair value	$0.4834
Share price at revaluation date	$0.80
Vesting hurdle	EPS
Exercise price- original	$0.3520
Exercise price- modified	$0.2678
Expected volatility	50%
Expected option life	0.2yrs
Dividend yield	0%
Risk-free rate	2.75%

The modification resulted in an expense value greater than the pre-modification expense value of $125,700 and as such the expense amount was changed with this additional amount to be expensed over the remaining life of the options.

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 $1.29 (previously share price hurdles were $1.00 to $2.50), Service and Share Gateway conditions.

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 2016
Tranche 3	3,500,000	13 February 2012	13 February 2017

	2014 NUMBER OF OPTIONS	2014 WEIGHTED AVERAGE EXERCISE PRICE $	2013 NUMBER OF OPTIONS	2013 WEIGHTED AVERAGE ERERCISE PRICE $
Balance at beginning of year	7,500,000	0.2608	7,500,000	0.2608[1]
Granted during the year	-	-	-	-
Balance at end of year	7,500,000		7,500,000	

Note: 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 October 2012.

There were no option issues under the CEOSOP during the year (2013: nil).

Option modification

The terms of the options issued in February 2012 under the CEOSOP were modified during the year. Following the issue of shares under an underwritten pro-rata accelerated non-renounceable entitlement offer of new ordinary shares, as announced in October 2012, the hurdle price of the options was subsequently adjusted following the passing of a special resolution at the Company's AGM on 26 November 2013.

As a result, the options were revalued as follows:

	OPTIONS ISSUED FEBRUARY 2012, REVALUED		
	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of options over shares	1,500,000	2,500,000	3,500,000
Pre-modification Monte Carlo Simulation model fair value	$0.539	$0.472	$0.350
Post-modification Monte Carlo Simulation model fair value	$0.560	$0.537	$0.506
Share price at revaluation date	$0.80	$0.80	$0.80
Vesting hurdle - original	$1.00	$1.50	$2.50
Vesting hurdle - modified	$0.74	$0.98	$1.29
Exercise price	$0.2608	$0.2608	$0.2608
Expected volatility	50%	50%	50%
Expected option life	3.7yrs	4.2yrs	4.7yrs
Dividend yield	0%	0%	0%
Risk-free rate	3.45%	3.45%	3.45%

The modification resulted in an expense value greater than the pre-modification expense value of $740,000 and as such the expense amount was changed with this additional amount to be expensed over the remaining life of the options.

Options not within the ESOP plan

Options issued outside of the ESOP are at the discretion of the Directors, subject to the necessary shareholder approval. All share options granted under this plan (in 2009) vested immediately. Share options were not subject to vesting conditions as it was the Board's intention to incentivise KMP and other executives to achieve the target performance of the Group from the business combination transaction in October 2009 and not based on total shareholders' return. There were no options granted outside of the ESOP during the year.

	2014 NUMBER OF OPTIONS	2014 WEIGHTED AVERAGE EXERCISE PRICE $	2013 NUMBER OF OPTIONS	2013 WEIGHTED AVERAGE EXERCISE PRICE $
Balance at beginning of year	-	-	3,200,000	0.36
Granted during the year	-	-	-	-
Exercised during financial year	-	-	(2,950,000)	0.1858[1]
Other movements[2]	-	-	(250,000)	0.60
Balance at end of year	-	-	-	-

Notes: 1. The exercise price of the previously vested options that were issued outside of the ESOP 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 October 2012. The previous exercise price was $0.27.
2. These options lapsed as the share price was below the exercise price.

NOTE 29 – PARENT ENTITY DISCLOSURES

Financial position

	2014 $'000	2013 $'000
Assets		
Current assets	12,573	9,675
Non-current assets	108,504	102,337
Total assets	121,077	112,012
Liabilities		
Current liabilities	3,466	4,207
Non-current liabilities	15,490	24,346
Total liabilities	18,956	28,553
Net assets	102,121	83,459
Equity		
Issued capital	137,498	118,302
Reserves	1,922	618
Accumulated losses	(37,299)	(35,461)
Total equity	102,121	83,459

Financial performance

	2014 $'000	2013 $'000
Loss for the year	(1,837)	(12,573)
Other comprehensive income	-	-
Total comprehensive income	(1,837)	(12,573)

The parent entity has guaranteed the borrowings of a subsidiary. Refer Note 18.
The parent entity has lease commitments of $121,000 (30 June 2013: $221,000).

NOTE 30 – 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:

	2014 $'000	2013 $'000
Within one year	709	642
After one year but not more than five years	828	1,114
Total minimum lease payments	1,537	1,756

Capital Commitments

The Group had $195,000 of contractual obligations for the purchase of capital equipment as at 30 June 2014 (2013: $555,000).

B. Contingencies

From time to time, the Company seeks to develop generic versions of patent-protected pharmaceuticals for sale prior to patent expiration in various territories. In the US, to obtain approval for most generics prior to the expiration of the originator's patent, the Company must challenge the patent under the procedures set forth in the Hatch-Waxman Act of 1984, as amended. To the extent that the Company seeks to utilise patent challenge procedures, the Company expects to be involved in patent litigation regarding the validity, enforceability or infringement of the originator's patent.

During the year ending 30 June 2014, the Company filed Abbreviated New Drug Applications (ANDA) which resulted in litigation under the Hatch-Waxman Act:

- In November 2013, the Company filed an ANDA for PROLENSA™ and patent infringement proceedings have been brought against the Company in New Jersey and North Carolina by the innovator. The Company has also filed an inter partes review challenging the validity of the relevant patents. These proceedings are ongoing.

The Company has received a dispute notice from a former distributor who is claiming loss of profits from an alleged breach of contract. The dispute will go through an alternative dispute resolution process as outlined in the contract and is ultimately expected to be resolved through arbitration in Hong Kong. The Company intends to vigorously defend the claim.

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.

NOTE 31 – DIVIDENDS

No dividends were paid or declared in the year ended 30 June 2014 (2013: nil).

Franking credit balance

	2014 $'000	2013 $'000
Opening balance	1,758	233
Franking credits arising from payments	-	1,525
Refunds from ATO	(145)	-
Franking credits/(debits) that will arise from the payment/(refund) of income tax as at the end of the financial year	1,613	(145)
Franking credits available for future reporting periods	3,226	1,613

NOTE 32 – BUSINESS COMBINATIONS

Acquisition of Libertas

Effective 2 July 2013, the Company acquired Libertas Pharma, Inc a privately-owned, US based generics business.

Under the terms of the Purchase Agreement, the Group must pay the former shareholders of Libertas an additional cash payment based upon margin contribution targets for the 2014-16 financial years. The estimate of future payments of $2.49m has been included in the determination of the purchase consideration. Future changes in estimates of this amount may be recorded directly in the consolidated statement of profit or loss and other comprehensive income in the period in which they occur. Refer Note 5 for sensitivity analysis of changes to the earn-out.

The total cost of the acquisition was $3,528,000.

The Group has recognised the fair values of the identifiable assets and liabilities acquired based on the information available at reporting date. The process of valuing separately identifiable intangible assets and the property, plant and equipment, has been completed as required under Australian accounting standards. The intangible assets include customer relationships and intellectual property.

The business combination accounting recognised is as follows:

	RECOGNISED ON ACQUISITION $'000
Receivables – current	1,657
Inventories	623
Other current assets	74
Intangible assets	2,471
Property, plant and equipment	3
Total identifiable assets acquired	4,828
Payables – current	(2,150)
Deferred tax liabilities	(938)
Total identifiable liabilities assumed	(3,088)
Fair value of identifiable net assets	1,740
Goodwill	1,788
	3,528
Cost of the combination:	
Cash paid	821
Shares Issued as consideration	217
Earn-out estimate	2,490
	3,528
Cash flow on acquisition:	
Transaction costs of acquisition expensed	109
Cash paid	821
	930

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

From the date of acquisition, Libertas has contributed $9,972,000 of revenue and $1,773,000 to the profit before tax from continuing operations of the Group. The goodwill is the fair value of expected synergies arising from acquisition.

The strategic rationale for acquiring Libertas included:

- Access to a range of complementary US generic in market products and pipeline products;
- Enhanced network of manufacturing and development partners;
- Provides stronger US commercial capability to support growing product portfolio; and
- Complementary to the Mayne Pharma business with positive combination opportunities.

The acquisition was completed by acquiring the shares of Libertas.

Acquisition of Metrics year ended 30 June 2013

Effective 14 November 2012, Mayne Pharma acquired Metrics a privately-owned, US-based provider of contract development services to the pharmaceutical industry that also develops and manufactures niche generic pharmaceuticals.

The total cost of the acquisition at 14 November 2012 was $113,194,000, comprising of a cash payment of $61,969,000 (paid out of proceeds raised from an equity raising and surplus cash), a loan facility with MidCap Funding V LLC of $41,176,000 and the earn-out payment of $10,049,0000.

The Group recognised the fair values of the identifiable assets and liabilities acquired. The process of valuing separately identifiable intangible assets and the property, plant and equipment, has been completed as permitted under Australian Accounting Standards. The intangible assets include research and development projects that qualify for capitalisation, customer relationships and intellectual property.

The business combination accounting recognised is as follows:

	RECOGNISED ON ACQUISITION $'000
Receivables – current	15,238
Inventories	4,355
Current tax receivable	2,511
Intangible assets	40,988
Property, plant and equipment	29,008
Total identifiable assets acquired	92,100
Payables – current	(3,504)
Provisions – current	(1,385)
Deferred tax liabilities	(17,177)
Total identifiable liabilities assumed	(22,066)
Fair value of identifiable net assets	70,034
Goodwill	43,160
	113,194
Cost of the combination:	
Cash paid	103,145
Earn-out	10,049
Total cost of the combination	113,194
Cash flow on acquisition:	
Transaction costs of acquisition	4,032
Cash paid	103,145
Net consolidated cash outflow	107,177

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

The goodwill comprises the fair value of expected synergies arising from acquisition.
The strategic rationale behind the acquisition included:

- Provided Mayne Pharma with direct access to largest pharmaceutical market and participants.
- Strengthened and diversified revenue streams.
- Expanded and diversified new product pipeline.
- Strong and complementary management team. and
- Complementary to the Mayne Pharma business with significant combination opportunities.

The acquisition was completed by acquiring the shares of Metrics and merging the Metrics entity into a special purpose acquisition entity owned by Mayne Pharma.

NOTE 33 – DEED OF CROSS GUARANTEE

As an entity subject to Class Order 98/1418, relief has been granted to 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 accumulated losses for the year ended 30 June 2014 of the closed group consisting of the Company and MPIPL.

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

	CONSOLIDATED	
	2014 $'000	2013 $'000
Continuing operations		
Sale of goods	45,381	31,688
Services revenue	9,796	11,509
License fee income	416	-
Royalties revenue	1,073	1,169
Revenue	**56,666**	**44,366**
Cost of sales	(29,850)	(27,135)
Gross profit	**26,816**	**17,231**
Other income	2,657	639
Research and development expenses	(2,175)	(2,804)
Distribution expenses	(1,202)	(658)
Marketing expenses	(2,964)	(1,682)
Regulatory affairs expenses	(1,154)	(1,030)
Amortisation expenses	(1,155)	(1,747)
Administration expenses	(10,177)	(6,955)
Finance costs	(11)	(56)
Other expenses	(1,588)	(697)
Fair value movement in earn-out liability	3,223	(5,150)
Acquisition costs	(814)	(4,422)
Profit/(loss) before income tax	**11,456**	**(7,331)**
Income tax (expense)/benefit	(1,791)	379
Net profit/(loss) from continuing operations after income tax	**9,665**	**(6,952)**
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period attributable to owners of the parent	**9,665**	**(6,952)**

	2014 $'000	2013 $'000
Accumulated losses at the beginning of the financial year	(8,983)	(2,503)
Profit/(loss) for the period	9,665	(6,952)
Lapsed/expired options reclassified to retained earnings	-	472
Retained earnings/(accumulated losses) at the end of the financial year	**682**	**(8,983)**

(b) Consolidated Statement of Financial Position

Set out below is a Consolidated Statement of Financial Position as at 30 June 2014 of the closed group consisting of the Company and MPIPL.

	CONSOLIDATED	
	2014 $'000	2013 $'000
Current assets		
Cash and cash equivalents	8,978	12,159
Trade and other receivables	12,943	9,360
Inventories	9,373	7,403
Income tax receivable	-	202
Other financial assets	-	884
Other current assets	697	978
Total current assets	**31,991**	**30,986**
Non-current assets		
Related party receivables	14,954	-
Investment in subsidiaries	66,234	62,196
Property, plant and equipment	22,637	22,294
Deferred tax assets	-	832
Intangible assets and goodwill	24,801	19,733
Total non-current assets	**128,626**	**105,055**
Total assets	**160,617**	**136,041**
Current liabilities		
Trade and other payables	5,272	4,608
Income tax payable	379	-
Other financial liabilities	3,455	6,890
Provisions	4,295	4,012
Total current liabilities	**13,401**	**15,510**
Non-current liabilities		
Other financial liabilities	5,584	9,842
Deferred tax liabilities	110	-
Provisions	1,420	752
Total non-current liabilities	**7,114**	**10,594**
Total liabilities	**20,515**	**26,104**
Net assets	**140,102**	**109,937**
Equity		
Contributed equity	137,498	118,302
Reserves	1,922	618
Retained earnings/(accumulated losses)	682	(8,983)
Total equity	**140,102**	**109,937**

NOTE 34 – EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 25 August 2014, the Company announced the appointment of Dr Ilana Stancovski as Executive Vice President and Chief Scientific Officer with effect from 1 September 2014. Dr Stancovski will be responsible for leading the Group's research and development operations world-wide and will report directly to the Chief Executive Officer.

On 26 August 2014, the Company announced the appointment of Professor Bruce Robinson as a Non-Executive Director of the Company. Professor Robinson's remuneration will be in accordance with the remuneration policy for Non-Executive Directors as outlined in the Remuneration Report.

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

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Mayne Pharma Group Limited, 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 2014 are in accordance with the Corporations Act 2001, including:

      (i) Giving a true and fair view of its financial position as at 30 June 2014 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.

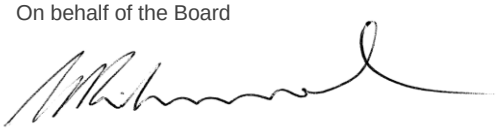
   (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   (c) There are reasonable grounds to believe that the members of the Closed Group identified in note 33 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 2014.

On behalf of the Board



Mr Scott Richards
Managing Director and CEO

Dated at Melbourne, Australia this 26th day of August 2014.

INDEPENDENT AUDITOR'S REPORT

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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 2014, the consolidated statement of 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, 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 follows 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 2014 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.

Report on the remuneration report

We have audited the Remuneration Report included in pages 21 to 27 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ashley C. Butler
Partner
Melbourne
26 August 2014

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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 16 July 2014.

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	523	12.9%	186,228	0.0%	-	-
1,001 to 5,000	876	21.7%	2,551,792	0.4%	-	-
5,001 to 10,000	584	14.5%	4,589,972	0.8%	-	-
10,001 to 100,000	1,645	40.7%	57,502,849	9.8%	22	2,200,000
100,001 and over	413	10.2%	521,820,636	88.9%	43	33,450,000
Total	4,041	100.0%	586,651,477	100.0%	65	35,650,000

Included in the above total are 329 shareholders holding less than a marketable parcel of 589 shares.

OPTIONS

There are 35,650,000 options on issue held by 65 individual option holders. Options do not carry a right to vote.

TWENTY LARGEST ORDINARY FULLY-PAID SHAREHOLDERS

	SHARES	% OF TOTAL
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	99,476,426	16.96
NATIONAL NOMINEES LIMITED	66,036,916	11.26
J P MORGAN NOMINEES AUSTRALIA LIMITED	48,634,722	8.29
MR BRUCE MATHIESON AND RELATED ENTITIES	43,774,748	7.46
UBS NOMINEES PTY LTD	22,837,645	3.89
CITICORP NOMINEES PTY LIMITED	14,089,963	2.40
R & JS SMITH HOLDINGS PTY LTD	12,007,000	2.05
BNP PARIBAS NOMS PTY LTD	10,459,663	1.78
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	10,186,556	1.74
MR WILLIAM P HODGES AND RELATED ENTITIES	5,302,738	0.90
MR ROGER CORBETT AND RELATED ENTITIES	5,047,499	0.86
DILAN CORP PTY LTD	5,018,000	0.86
THORNEY HOLDINGS PTY LTD	4,800,000	0.82
ROSHERVILLE PTY LTD	4,500,000	0.77
INSYNC INVESTMENTS PTY LTD	4,280,000	0.73
WAL ASSETS PTY LTD	4,243,542	0.72
SANDHURST TRUSTEES LTD	4,205,580	0.72
DR ROGER ASTON	4,000,000	0.68
CITICORP NOMINEES PTY LIMITED	3,516,298	0.60
HARLIN PTY LTD	3,200,000	0.55

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 B L Mathieson and related entities	7.5%
TIGA Trading Pty Ltd	6.3%
BT Investment Management Limited	5.1%
Westpac Banking Corporation	5.1%

INTELLECTUAL PROPERTY & GLOSSARY

Astrix™, Doryx™, Eryc™, Kadian™, Kapanol™, Magnoplasm™, Lozanoc™, SUBA™-Itraconazole, ZEBUTAL™, ESGIC™, ESGIC PLUS™, LORCET™ and LORCET PLUS™ 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, www.maynepharma.com/products.

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.

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
COMPANY SECRETARY:	Mr Mark Cansdale
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS:	Level 14 474 Flinders Street Melbourne VIC 3000 Telephone: (03) 8614 7777 Facsimile: (03) 9614 7022
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:	National Australia Bank Limited Level 2 151 Rathdowne Street Carlton VIC 3053 Midcap Financial, LLC 7255 Woodmont Ave Suite 200 Bethesda, MD 20814 USA
ABN:	76 115 832 963
DOMICILE AND COUNTRY OF INCORPORATION:	Australia
LEGAL FORM OF ENTITY:	Public company listed on the Australian Securities Exchange (MYX)

Mayne Pharma Group Limited
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