Thursday, 26 February 2015

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

Via E-Lodgement

Dear Sir/Madam

Mayne Pharma Group Limited
Interim Results

Please find attached the Appendix 4D Half Year Report, Directors' Report, the Financial Report and Auditor's Independent Review Report relating to the results for the half-year ended 31 December 2014.

This information should be read in conjunction with Mayne Pharma Group Limited's 2014 Annual Report.

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

Yours faithfully,
Mayne Pharma Group Limited

Mark Cansdale
Group CFO & Company Secretary

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

	% Change	Dec 2014 $'000	Dec 2013 $'000
Revenue from ordinary activities	(15%)	**59,549**	69,955
Profit from ordinary activities before income tax expense	(44%)	**5,948**	10,638
Profit from ordinary activities after income tax expense	(53%)	**3,991**	8,429
Net profit attributable to members	(53%)	**3,991**	8,429
Other comprehensive income attributable to members after income tax expense		**15,892**	2,484
Total comprehensive income attributable to members after income tax expense		**19,883**	10,913

Net tangible assets per ordinary share	**($0.008)**	$0.007

	2014 Cents	2013 Cents
Basic earnings per share	**0.68**	1.50
Diluted earnings per share	**0.66**	1.45
Final dividend in respect of the financial year ended 30 June per share	**Nil**	Nil
Interim dividend in respect of the period ended 31 December per share	**Nil**	Nil

No dividend has been declared in relation to the period ended 31 December 2014.

Refer to the Directors' Report and the accompanying ASX announcement dated 26 February 2015 for a brief commentary on the results.

The Company's investment in associates is detailed in Note 7 of the Half Year Financial Report.

The Company formed the following entities during the period – Swan Pharmaceuticals LLC (formed 25 July 2014), Tiger Pharmaceuticals LLC (formed 4 August 2014) and the Mayne Pharma Group Employee Share Trust (formed 14 November 2014). These entities did not transact during the period.

MAYNE PHARMA GROUP LIMITED

ABN 76 115 832 963

HALF-YEAR FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2014

(Prior comparable period: Half-year ended 31 December 2013)

CONTENTS

CORPORATE INFORMATION

DIRECTORS:	Mr Roger Corbett, AO (Chairman) Mr Scott Richards (Managing Director and CEO) Hon. Ron Best Mr William (Phil) Hodges Mr Bruce Mathieson Prof Bruce Robinson, AM Mr Ian Scholes
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:	Ernst & Young 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)

DIRECTORS' REPORT

The Directors of Mayne Pharma Group Limited ("the Company" or "Mayne Pharma") submit their report for the half-year ended 31 December 2014.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise noted.

Mr Roger Corbett, AO, Chairman
Mr Scott Richards, Managing Director and CEO
The Hon Ron Best
Mr William (Phil) Hodges
Mr Bruce Mathieson
Prof Bruce Robinson, AM, (appointed 26 August 2014)
Mr Ian Scholes

RESULTS AND REVIEW OF OPERATIONS

The consolidated entity's net profit attributable to members of the Company for the half-year ended 31 December 2014 was a profit of $3,991,000 (half-year ended 31 December 2013: profit of $8,429,000).

In December, Mayne Pharma entered into agreements to acquire the BAC capsule ANDA and full ownership of the Methamphetamine tablet ANDA for combined consideration of up to US$15.7m. Both products are currently sold by Mayne Pharma and had legacy profit share arrangements with third parties – which for BAC has been amended and for Methamphetamine has been terminated. The effect of these transactions is to increase the economic benefit that flows to Mayne Pharma giving the Company maximum control over these products and full residual rights to the profits generated.

Operating performance

US Products

The US Products operating segment manufactures and distributes generic pharmaceutical products in the United States of America. Revenue was $27,273,000 ($27,529,000 prior comparative period or "pcp") and gross profit was $17,265,000 ($16,963,000 pcp) for the period.

Metrics Contract Services

The Metrics Contract Services segment provides contract pharmaceutical development services to third party customers principally in the USA. Revenue was $15,124,000 ($13,688,000 pcp) and gross profit was $7,374,000 ($6,034,000 pcp) for the period.

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. Revenue was $19,105,000 ($28,099,000 pcp) and gross profit was $7,337,000 ($13,712,000 pcp) for the period. Revenue and gross profit for this segment were well down on the pcp due to the decline in US Doryx® sales.

Gross margin

Gross margin as a percentage of sales revenue was 52%, compared to 53% in the pcp.

Expenses

Net research and development expense after qualifying capitalisation was $1,962,000 a decrease of $1,868,000 on the pcp. A significant part of the reduction was due to one paragraph iv project (generic Tikosyn®) being expensed in the pcp and capitalised in the current period.

Marketing expenditure increased by $69,000 to $2,861,000.

Amortisation of intangible assets was $2,443,000, which was a small decrease on the pcp.

Finance costs of $2,135,000 decreased by $69,000 on the pcp.

Administration costs were $13,013,000, an increase of $907,000 on the pcp.

Other expenses increased due to the inclusion of the US Speciality Brands division set-up costs.

Other financial liabilities

The total carrying value of the Other financial liabilities as at 31 December 2014 increased by a net $21,098,000 as a result of:

- An increase resulting from new asset acquisitions of $19,298,000 relating to ANDAs and marketing rights;
- An increase of $558,000 recognised as a notional non-cash interest charge on the earn-out associated with the various acquisitions less a $479,000 decrease for changes in the underlying assumptions;
- Payment of $658,000 associated with the Libertas earn-out liability; and
- An increase due to exchange rate changes of $2,379,000.

Tax

The tax expense of $1,957,000 comprised:

- Current period income tax for the six months to 31 December 2014 of $3,007,000;
- A reduction in current income tax in respect of prior years of $59,000; and
- A reduction of $991,000 relating to the movement in net tax deferred tax assets and liabilities.

Cash flow

Net operating cash flow before tax was $8,713,000 and total net cash flows from operating activities was an inflow of $8,456,000 after including $257,000 of tax payments.

Cash on hand at 31 December 2014 (net of restricted cash held as security for letters of credit on issue) was $19,147,000, representing an increase of $4,334,000 from 30 June 2014. Notable cash flows during the period included:

- $1,479,000 in capital expenditure across the Group;
- $6,732,000 in capitalised development expenditure;
- Floating rate bill facility drawdown $4,950,000;
- Loan repayments of $1,487,000.

Dividend

The Directors have not declared an interim dividend in relation to the period ended 31 December 2014.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollar ($'000) (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration is included on page 7 of the Financial Report.

EVENTS SUBSEQUENT TO REPORTING DATE

On 10 February 2015, Mayne Pharma announced it had signed an agreement to acquire the Doryx® brand and related assets in the United States from its distribution partner, Actavis. Under the terms of the agreement, Mayne Pharma will acquire the Doryx® trademark, marketing materials, select product inventory and related medical and technical data. Consideration for the acquisition, US$50 million, was paid on the completion date 23 February 2015 (US time).

Doryx® will be distributed by a new division of Mayne Pharma, the US Specialty Brands division.

Mayne Pharma has funded the US Doryx®, the BAC capsule ANDA and the Methamphetamine tablet ANDA acquisitions via a fully underwritten equity raising of approximately A$117.5.0 million comprising:

- an accelerated non-renounceable entitlement offer ("Entitlement Offer") to raise approximately A$105.0 million; and
- an institutional placement ("Placement") has raised approximately A$12.5 million.

The balance of the proceeds of the equity raising will be used to fund the start up costs of the Specialty Brands Division and for incremental working capital and product / business development purposes. The majority of the capital raising funds were received February 19, 2015 with the balance of the funds ("Retail Offer") to be received March 10, 2015.

On 25 February 2015, Mayne Pharma announced that it has reached an agreement with Pfizer Inc. to end litigation with regard to the Company's generic version of Tikosyn® (Dofetilide capsules). Pfizer has withdrawn its legal action against Mayne Pharma, enabling the Company to enter the US market with a generic version of Tikosyn® once approval is granted by the US Food and Drug Administration (FDA). Mayne Pharma's abbreviated new drug application (ANDA) for generic Tikosyn® is currently under a priority review with the FDA.

Note 15 also details matters that arose subsequent to 31 December 2014.

Signed in accordance with a resolution of the Directors.

Dated at Melbourne, this 26th day of February 2015.

Scott Richards
Director

AUDITOR'S INDEPENDENCE DECLARATION

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

In relation to our review of the financial report of Mayne Pharma Group Limited for the half-year ended 31 December 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 February 2015

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 $'000	31 December 2013 $'000
Sale of goods		38,686	51,276
Services revenue		19,862	18,197
License fee revenue		494	-
Royalties revenue		507	482
Revenue		**59,549**	**69,955**
Cost of sales		(28,613)	(33,039)
Gross profit		**30,936**	**36,916**
Other income	3	1,444	793
Research and development expenses		(1,962)	(3,830)
Distribution expenses		(1,098)	(1,483)
Marketing expenses		(2,861)	(2,792)
Regulatory affairs expenses		(616)	(579)
Amortisation expense		(2,443)	(2,461)
Administrative expenses		(13,013)	(12,106)
Finance costs	4	(2,135)	(2,204)
Other expenses	4	(1,462)	(582)
Fair value movement in earn-out liability	4	(79)	(832)
Acquisition costs	4	-	(202)
Share of associate loss	7	(763)	-
Profit before income tax		5,948	10,638
Income tax expense	5	(1,957)	(2,209)
Net profit for the period		3,991	8,429
Other comprehensive income			
Items which may be reclassified to profit/loss			
Exchange differences on translation		14,884	2,484
Income tax effect		-	-
Share of associate exchange differences on translation	7	1,008	-
Total comprehensive income for the period		19,883	10,913
Earnings per share for profit attributable to the ordinary equity holders of the parent:			
Basic earnings per share		0.68 cents	1.50 cents
Diluted earnings per share		0.66 cents	1.45 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	31 December 2014 $'000	30 June 2014 $'000
Current assets			
Cash and cash equivalents	6	19,147	14,813
Trade and other receivables		29,640	29,805
Inventories		19,975	17,236
Income tax receivable		-	1,023
Other financial assets		735	1,172
Other current assets		1,937	1,846
Total current assets		71,434	65,895
Non-current assets			
Property, plant and equipment		57,028	53,409
Deferred tax assets	5	2,637	1,325
Investment in associate	7	4,321	4,076
Intangible assets and goodwill	8	184,521	141,115
Total non-current assets		248,507	199,925
Total assets		319,941	265,820
Current liabilities			
Trade and other payables		14,655	17,076
Interest-bearing loans and borrowings	9	8,195	2,374
Income tax payable		1,743	395
Other financial liabilities	10	24,859	3,953
Provisions		5,134	6,581
Total current liabilities		54,586	30,379
Non-current liabilities			
Interest-bearing loans and borrowings	9	50,684	45,656
Other financial liabilities	10	7,498	7,306
Deferred tax liabilities	5	25,882	21,785
Provisions		1,287	1,420
Total non-current liabilities		85,351	76,167
Total liabilities		139,937	106,546
Net assets		180,004	159,274
Equity			
Contributed equity	11	137,726	137,498
Reserves		21,871	5,360
Retained Earnings		20,407	16,416
Total equity		180,004	159,274

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Contributed Equity $'000	Share-Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings / (Accumulated Losses) $'000	Total $'000
Balance at 1 July 2014	137,498	1,922	3,438	16,416	159,274
Profit for the period	-	-	-	3,991	3,991
Other comprehensive income					
Foreign exchange translation	-	-	15,892	-	15,892
Total comprehensive income	-	-	15,892	3,991	19,883
Transactions with owners in capacity as owners					
Shares issued (net of issue costs)	228	-	-	-	228
Share-based payments	-	619	-	-	619
Balance at 31 December 2014	137,726	2,541	19,330	20,407	180,004
Balance at 1 July 2013	118,302	618	6,843	(4,874)	120,889
Profit for the period	-	-	-	8,429	8,429
Other comprehensive income					
Foreign exchange translation	-	-	2,484	-	2,484
Total comprehensive income	-	-	2,484	8,429	10,913
Transactions with owners in capacity as owners					
Shares issued (net of issue costs)	217	-	-	-	217
Tax effect of previously recognised share issue costs	1,198	-	-	-	1,198
Share-based payments	-	582	-	-	582
Balance at 31 December 2013	119,717	1,200	9,327	3,555	133,799

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

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 $'000	31 December 2013 $'000
Cash flows from operating activities			
Receipts from customers		63,146	72,158
Payments for research and non capitalised development expenditure		(1,962)	(3,350)
Payments to suppliers and employees		(50,550)	(49,946)
Interest received		84	121
Interest paid		(2,005)	(1,941)
Tax paid		(257)	(2,205)
Net operating cash flows before transaction costs		8,456	14,837
Transaction costs	4	-	(202)
Net cash flows from operating activities		8,456	14,635
Cash flows from investing activities			
Payments for plant and equipment		(1,479)	(1,518)
Payments for intangible assets		(72)	(536)
Acquisition of subsidiary		-	(1,038)
Payments for capitalised development costs		(6,732)	(7,436)
Earn-out payments		(431)	(11,312)
Net cash flows used in investing activities		(8,714)	(21,840)
Cash flows from financing activities			
Proceeds from issue of shares		-	217
Repayment of borrowings		(1,487)	(2,041)
Proceeds from borrowings (net of fees)		4,950	8,904
Net cash flows from financing activities		3,463	7,080
Net (decrease)/increase in cash and cash equivalents		3,205	(125)
Cash and cash equivalents at beginning of period		15,110	20,128
Effect of foreign exchange changes on cash held in foreign currencies		1,174	120
Cash and cash equivalents at end of period		19,489	20,123
Less restricted cash		342	316
Cash and cash equivalents at end of period	6	19,147	19,807

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2014 and considered together with any public announcements made by Mayne Pharma Group Limited during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the *ASX Listing Rules*.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

From 1 July 2014 the Group has adopted the relevant standards and interpretations mandatory for annual reports beginning on or after 1 July 2014. Adoption of the standards and interpretations did not have any effect on the financial position or performance of the Group.

(i) AASB 1031 Materiality (effective for the group 1 July 2014).

(ii) AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (effective for the group 1 July 2014).

(iii) AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting (effective for the group 1 July 2014).

(iv) AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (effective for the group 1 July 2014).

New accounting policy

From 1 July 2014, Mayne Pharma has adopted the accounting policy of not recognising an equity share (41.5%) of the share-based payments reserve for its equity accounted investment in Hedgepath Pharmaceuticals Inc (HPPI). The share-based payments reserve of HPPI relates to an employee share scheme and hence if/when the shares vest, Mayne will have no interest in the new shares and as such, its equity share will be adjusted at that time. HPPI did not have a share-based payments reserve at 30 June 2014 and hence this policy has no impact on previous periods.

New accounting standards and interpretations

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 on or after 1 January 2018).

(ii) AASB 15 Revenue from Contracts with Customers (effective on or after 1 January 2017).

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

(iv) IFRS 5, IRFS 7, IAS 19 and IAS 34 amendments (effective on or after 1 January 2016). These IFRS amendments have not yet been adopted by the AASB.

With the exception of AASB 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.

2. SEGMENT REPORTING

The Group 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, being Mayne Pharma International (MPI), US Products (USP) and Metrics Contract Services (MCS).

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

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 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	Elimination and Adjustments $'000	Total Consolidated $'000
Half Year ended 31 December 2014						
Sale of goods	27,273	-	13,365	40,638	(1,953)	38,685
Services income	-	15,124	4,739	19,863	-	19,863
License fee income	-	-	494	494	-	494
Royalty income	-	-	507	507	-	507
Revenue	27,273	15,124	19,105	61,502	(1,953)	59,549
Cost of sales	(10,008)	(7,750)	(11,768)	(29,526)	913	(28,613)
Gross profit	17,265	7,374	7,337	31,976	(1,040)	30,936
Other income						1,444
Amortisation of intangible assets						(2,443)
Fair value movement in earn-out liability						(79)
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)						(23,910)
Profit before income tax						5,948
Income tax expense						(1,957)
Net profit for the period						3,991

	US Products $'000	Metrics Contract Services $'000	MPI $'000	Total Segments $'000	Elimination and Adjustments $'000	Total Consolidated $'000
Half Year ended 31 December 2013						
Sale of goods	27,529	-	23,585	51,114	162	51,276
Services income	-	13,688	4,032	17,720	477	18,197
License fee income	-	-	-	-	-	-
Royalty income	-	-	482	482	-	482
Revenue	27,529	13,688	28,099	69,316	639	69,955
Cost of sales	(10,566)	(7,654)	(14,387)	(32,607)	(432)	(33,039)
Gross profit	16,963	6,034	13,712	36,709	207	36,916
Other income						793
Amortisation of intangible assets						(2,461)
Fair value movement in earn-out liability						(832)
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)						(23,778)
Profit before income tax						10,638
Income tax expense						(2,209)
Net profit for the period						8,429

Geographical segment information

Revenue from external customers	31 December 2014 $'000	31 December 2013 $'000
Australia	11,643	10,886
United States	44,341	55,495
Korea	2,006	2,064
Other	1,559	1,510
Total external revenue	59,549	69,955

Product information

Revenue by product group / service	31 December 2014 $'000	31 December 2013 $'000
Contract manufacturing	4,739	4,032
Analytical and formulation	15,124	14,165
Oral and other pharmaceuticals	39,179	51,276
Other revenue	507	482
Total external revenue	59,549	69,955

3. OTHER INCOME

Revenue by product group / service	31 December 2014 $'000	31 December 2013 $'000
R&D income	-	195
Interest income	84	121
Net gain on foreign exchange	1,260	394
Other income	100	83
	1,444	793

4. EXPENSES

	31 December 2014 $'000	31 December 2013 $'000
Finance costs		
Interest expense	1,953	1,941
Amortisation of borrowing costs	182	263
	2,135	2,204
Depreciation[1]	2,510	2,489
Employee benefits expense[2]		
Wages and salaries	20,837	18,606
Superannuation expense	1,289	1,026
Other employee benefits expense	685	3,587
Total employee benefits expense	22,811	23,219
Other expenses		
Share-based payments	619	582
Establishment costs for US Speciality Brands division	843	-
	1,462	582
Fair value movement in earn-out liability		
Movement in undiscounted fair value of earn-out liabilities	(479)	297
Change in fair value attributable to the unwinding of the discounting of the earn-out liabilities	558	535
	79	832

Acquisition costs

In the comparison period, acquisition costs of $202,000 mainly relating to Libertas and Zebutal™ were expensed.

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.

5. INCOME TAX

A. The major components of income tax expense are:

	31 December 2014 $'000	31 December 2013 $'000
Current income tax		
Current income tax	(3,007)	(3,381)
Adjustment in respect of current income tax of previous years	59	1,347
Deferred income tax		
Relating to movement in net tax deferred tax assets and liabilities	991	(175)
Income tax expense in the consolidated statement of profit or loss and other comprehensive income	(1,957)	(2,209)

B. Numerical reconciliation between aggregate tax expense recognised in the consolidated statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate

	31 December 2014 $'000	31 December 2013 $'000
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:		
Profit before income tax	5,948	10,638
Prima facie tax (expense)/benefit at 30%	(1,784)	(3,191)
Effect of R&D concessions	241	388
Over provision in respect of prior years	59	1,347
Recognition of deferred tax asset relating to share-based payments	491	-
Non-deductible expenses for tax purposes		
Share-based payments	(11)	(99)
Adjustment relating to earn-out liability	(13)	(43)
Other non-deductible expenses	(44)	(54)
Share of associate's loss	(229)	-
Effect of higher tax rate in USA	(301)	(279)
US State taxes	(381)	(278)
Restatement of DTA & DTL re US state tax rate changes	15	-
Income tax expense	(1,957)	(2,209)

C. Recognised deferred tax assets and liabilities

	31 December 2014 $'000	30 June 2014 $'000
Deferred tax assets		
Intangible assets	2,164	2,164
Provisions	1,633	2,096
Payables	1,275	949
Unrealised foreign exchange losses	-	61
Inventory	1,044	649
Investment in associate	873	873
Employee share options	827	246
Carried forward tax losses and R&D credits	2,076	-
US state taxes	328	270
Earn-out liability	92	81
Equity raising costs	740	880
Other	2	2
	11,054	**8,271**
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Assets	11,054	8,271
Set off of Deferred Tax Liabilities	(8,417)	(6,946)
Net Deferred Tax Assets[1]	**2,637**	**1,325**
Deferred tax liabilities		
Property, plant and equipment	4,479	4,309
Intangible assets	26,808	22,252
Inventory	110	12
US State taxes	2,569	2,158
Unrealised foreign exchange gains	333	-
	34,299	**28,731**
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Liabilities	34,299	28,731
Set off against Deferred Tax Assets	(8,417)	(6,946)
Net Deferred Tax Liabilities[2]	**25,882**	**21,785**

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

6. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	31 December 2014 $'000	30 June 2014 $'000
Cash at bank and in hand	19,147	14,813

7. INVESTMENT IN ASSOCIATE

The Group has a 41.5% interest in Hedgepath Pharmaceuticals Inc ("HPPI") which is pursuing clinical development, registration and commercialisation in the United States of Mayne Pharma's patented formulation of itraconazole, known as SUBA™-Itraconazole, for treatment of a variety of cancers. 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:

	31 December 2014 $'000	30 June 2014 $'000
Current assets	566	1,484
Non-current assets	18,198	15,815
Current liabilities	(490)	(481)
Non-current liabilities	-	-
Equity	18,274	16,818

Proportion of Group's ownership 41.5%

	31 December 2014 $'000	30 June 2014 $'000
Group's share of associate's equity	7,584	6,988
Less elimination of unrealised profit on transfer of intellectual property	(2,912)	(2,912)
Less share of share based payments reserve not recognized	(351)	-
Carrying amount of investment	4,321	4,076

Share of associate's profit / (loss) for six months	31 December 2014 $'000	31 December 2013 $'000
Revenue	-	-
Expenses	(1,839)	-
(Loss) before income tax	(1,839)	-
Income tax	-	-
Net (loss) after income tax	(1,839)	-
Group's share of associate's (loss) for the period (41.5%)	(763)	-
Group's share of other comprehensive income/(loss) for the period (Exchange differences on translation)	1,008	-

A reconciliation of the movements in the carrying value of the HPPI investment is summarised below:

	2014 $'000
Opening carrying value 1 July 2014	4,076
Share of associates loss for the six months to 31 December 2014	(763)
Share of associates other comprehensive income for the six months to 31 December 2014	1,008
Closing carrying value 31 December 2014	4,321

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. 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.

8. INTANGIBLE ASSETS AND GOODWILL

	Goodwill $'000	Customer Contracts, Relationships & Intellectual Property $'000	Development Expenditure $'000	Marketing & Distribution Rights $'000	Trade Names $'000	Other $'000	Total $'000
Six months ended 31 December 2014							
Balance at beginning of the period net of accumulated amortisation	47,476	29,450	33,438	27,078	3,673	-	141,115
Additions [(1)]	-	-	6,733	-	-	19,370	26,103
Amortisation		(2,188)	(147)	-	(108)	-	(2,443)
Exchange differences	7,213	4,219	4,018	2,031	555	1,710	19,746
Balance at end of period net of accumulated amortisation	54,689	31,481	44,042	29,109	4,120	21,080	184,521
As at 31 December 2014							
Cost	54,689	58,081	44,482	29,109	4,618	21,080	212,059
Accumulated amortisation	-	(26,600)	(440)	-	(498)	-	(27,538)
Net carrying amount	54,689	31,481	44,042	29,109	4,120	21,080	184,521

[(1)] Additions classified as Other Intangibles include the ANDA's and Marketing rights acquired in December 2014. These additions are provisional in classification as no reasonable classification could be performed due to the timing of the acquisitions. The split between intangible asset categories for these additions will be determined by an independent valuation prior to 30 June 2015.

9. INTEREST-BEARING LOANS AND BORROWINGS

	31 December 2014 $'000	30 June 2014 $'000
Current		
Floating rate bill facility	4,950	-
MidCap term loan	3,642	2,807
Borrowing costs (net of amortisation)	(397)	(433)
	8,195	2,374
Non-current		
Revolving loan (USD 1.0m)	1,222	1,059
MidCap term loan	50,960	45,946
Borrowing costs (net of amortisation)	(1,498)	(1,349)
	50,684	45,656

MidCap facilities

The facility provided by MidCap Financial LLC (Midcap) as the primary lender is a five year loan effective 14 November 2012 for the initial amount of USD 44,500,000. In September 2013, in accordance with provision of the facility agreement, an additional USD 8,500,000 was drawn down to partially fund the earn-out payment to the former shareholders of Metrics. The revolving loan is a facility of USD 4,000,000 provided for a term of five years. The loans are subject to certain covenants and Metrics was in compliance throughout the period.

The Company has guaranteed the obligations of Metrics under the Credit Agreement with MidCap, 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 Directors believe there is no risk of default at reporting date.

Floating rate facility

The Floating rate facility is provided by the Group's Australian bank. The facility can be used for any corporate purpose excluding payment of dividends. The facility is secured by a Registered Mortgage Debenture over the assets of the Australian operations and a registered mortgage over the property situated at 1538 Main North Road, Salisbury South, South Australia.

10. OTHER FINANCIAL LIABILITIES

	31 December 2014 $'000	30 June 2014 $'000
Current		
Earn-out liability - Hospira	6,586	2,868
Earn-out liability – Libertas' former shareholder	1,025	587
Earn-out liability - Zebutal™	283	168
Earn-out liability – ESGIC™ and LORCET™ acquisition	623	330
Deferred consideration payable for ANDAs and marketing rights	16,342	-
	24,859	3,953

	31 December 2014 $'000	30 June 2014 $'000
Non-current		
Earn-out liability - Hospira	-	3,675
Earn-out liability - Libertas' former shareholder	1,184	1,909
Earn-out liability – Zebutal™	371	400
Earn-out liability – ESGIC™ and LORCET™ acquisition	1,283	1,322
Deferred consideration payable for ANDAs and marketing rights	4,660	-
	7,498	7,306

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 includes a charge representing the unwinding of the discounting of the earn-out liabilities of $558,000 (31/12/13: $535,000) 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 of $6,586,000 in relation to the earn-out liability incurred as part consideration on the acquisition of MPI on 30 October 2009. The amount payable to Hospira amounts to a maximum $41,600,000 payable over a six-year period. At reporting date, the cumulative payments made since the acquisition total $15,163,000. The earn-out payment is based on the level of revenue recognised by MPI in relation to products existing at the time of the acquisition greater than $40,000,000 in a calendar year period and capped at $65,000,000 in a calendar year period, 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 using an assumed foreign exchange rate of A$1:US$0.80 for the balance of the earn-out period.

The consolidated entity has recognised a balance of $2,209,000 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. The maximum amount payable (US$580,000) in relation to the 2014 year was settled in October 2014 with a combination of cash (US$380,000) and shares (value US$200,000). As at 31 December 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 US$2,480,000.

The consolidated entity has recognised at reporting date a total of $654,000 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 $1,906,000 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.

The consolidated entity has recognised at reporting date a total of $21,002,000 payable in relation to the acquisition of the two product ANDA's and related marketing rights. The amounts payable are largely fixed (in USD) although an estimated $1,600,000 (discounted value) is included relating to an earn-out for one of the products payable over three years and based on sales of the product. The ANDA's and marketing rights relate to products currently distributed by the Group and these asset acquisitions will mean the Company no longer pays royalty (other than the earn-out) or profit share for these products to third parties.

11. CONTRIBUTED EQUITY

(a) Issued capital

	31 December 2014 $'000	30 June 2014 $'000
Ordinary shares, fully paid	137,726	137,498

(b) Movements in share capital

	31 December 2014	
	Number	$'000
Balance at beginning of period	586,651,477	137,498
Shares issued to employees under non-recourse loan funded arrangement	4,915,592	-
Shares issued as partial payment of Libertas earn-out liability	314,002	228
Balance at end of period	**591,881,071**	**137,726**

12. DIVIDENDS

The Board has decided to preserve the Company's capital and no interim dividend has been declared.

13. COMMITMENTS AND CONTINGENCIES

There were no material changes in commitments and 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.

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 is in a dispute with a former distributor who is claiming loss of profits from an alleged breach of contract. The dispute is going 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 is vigorously defending 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.

14. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short term deposits, held by the Group as at 31 December 2014:

	Loans and Receivables $'000
Financial assets	
Current	
Trade and other receivables	29,640
	29,640
Financial liabilities	
Current	
Earn-out liabilities	24,859
Trade and other payables	14,654
Floating rate bill facility	4,950
MidCap term loan	3,245
	47,708
Non-current	
Earn-out liabilities	7,498
Revolving loan (USD 1.0m)	1,222
MidCap term loan	49,462
	58,182

Fair Value

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

	Carrying Amount		Fair Value	
	31 Dec 2014 $'000	30 June 2014 $'000	31 Dec 2014 $'000	30 June 2014 $'000
Assets				
Warrants (options) - HPPI	392	392	392	392
Cash and short-term deposits	19,147	14,813	19,147	18,813
Liabilities				
Earn-out liability – Hospira	6,586	6,543	6,586	6,543
Earn-out liability - Libertas' former shareholder	2,209	2,496	2,209	2,496
Earn-out liability - Zebutal™	654	568	654	568
Earn-out liability – ESGIC™ and LORCET™	1,906	1,652	1,906	1,652
Deferred consideration payable for ANDAs and distribution rights	21,002	-	21,002	-
Bank bill facility	4,950	-	4,950	-
Interest-bearing term loan	52,707	46,971	54,602	48,753
Interest-bearing revolving loan	1,222	1,059	1,222	1,059

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 Hedgepath Pharmaceuticals Ltd ('HPPI') at an exercise price of 8.78 US cents per share.

The Group enters into forward exchange contracts with financial institutions with investment grade credit ratings. No contracts were outstanding at reporting date.

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

	Level 2		Level 3	
	31 December 2014 $'000	30 June 2014 $'000	31 December 2014 $'000	30 June 2014 $'000
Financial Assets				
Warrants (options) - HPPI	-	-	392	392
Financial Liabilities				
Earn-out liability – Hospira	-	-	6,586	6,543
Earn-out liability - Libertas' former shareholder	-	-	2,209	2,496
Earn-out liability - Zebutal™	-	-	654	568
Earn-out liability – ESGIC™ and LORCET™	-	-	1,906	1,652
Deferred consideration payable for ANDAs and distribution rights	-	-	21,002	-
Interest-bearing loans	58,879	48,030	-	-

Reconciliation of fair value measurements of Level 3 financial instruments

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

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

	2014 $'000
Opening balance	11,259
Fair value movement (refer Note 4)	79
New acquisitions	19,298
Currency fluctuations	2,379
Payments	(658)
Closing Balance	32,357

During the six month period ended 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements. The fair value increase of $79,000 was recorded as an expense in determining profit before tax.

15. EVENTS SUBSEQUENT TO REPORTING DATE

On 10 February 2015, Mayne Pharma announced it had signed an agreement to acquire the Doryx® brand and related assets in the United States from its distribution partner, Actavis. Under the terms of the agreement, Mayne Pharma will acquire the Doryx® trademark, marketing materials, select product inventory and related medical and technical data. Consideration for the acquisition, US$50 million, was paid on the completion date 23 February 2015 (US time).

Doryx® will be distributed by a new division of Mayne Pharma, the US Specialty Brands division.

Mayne Pharma has funded the US Doryx®, the Butalbital and Methamphetamine asset related acquisitions via a fully underwritten equity raising of approximately A$117.5 million comprising:

- an accelerated non-renounceable entitlement offer ("Entitlement Offer") to raise approximately A$105.0 million; and
- an institutional placement ("Placement") to raise approximately A$12.5 million.

The balance of the proceeds of the equity raising will be used to fund the start up costs of the US Specialty Brands Division and for incremental working capital and product / business development purposes. The majority of the capital funds were received February 19, 2015 with the balance of the funds ("Retail Offer") to be received March 10, 2015.

On 25 February 2015, Mayne Pharma announced that it has reached an agreement with Pfizer Inc. to end litigation with regard to the Company's generic version of Tikosyn® (Dofetilide capsules). Pfizer has withdrawn its legal action against Mayne Pharma, enabling the Company to enter the US market with a generic version of Tikosyn® once approval is granted by the US Food and Drug Administration (FDA). Mayne Pharma's abbreviated new drug application (ANDA) for generic Tikosyn® is currently under a priority review with the FDA.

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

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

  (i) giving a true and fair view of the financial position as at 31 December 2014 and the performance for the half-year ended on that date of the consolidated entity; and

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

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

On behalf of the Board

Scott Richards
Director

Melbourne, 26 February 2015

AUDITOR'S INDEPENDENT REVIEW REPORT

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Independent review report to members of Mayne Pharma Group Limited

To the members of Mayne Pharma Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mayne Pharma Group Limited, which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Mayne Pharma Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, 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.

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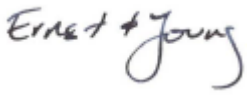
Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

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



Ernst & Young

Ashley C. Butler
Partner
Melbourne
26 February 2015

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