28 August 2015

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

Via E-Lodgement

Dear Sir/Madam

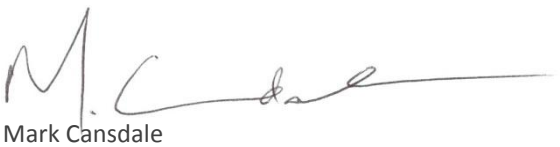
Mayne Pharma Group
Full Year Results – Financial Year Ended 30 June 2015

Please find attached the following documents relating to the results for the year ended 30 June 2015.

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

mayne pharma

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

	% CHANGE	JUNE 2015 $'000	JUNE 2014 $'000
Revenue from ordinary activities	(1%)	141,420	143,254
Profit/(loss) from ordinary activities before income tax expense	(60%)	11,243	28,022
Profit/(loss) from ordinary activities after income tax expense	(65%)	7,537	21,290
Net profit/(loss) attributable to members	(64%)	7,759	21,290
Other comprehensive profit/(loss) attributable to members after income tax expense	NM	24,193	(3,405)
Total comprehensive income attributable to members after income tax expense	79%	31,952	17,885
Net tangible assets per ordinary share		$0.03	$0.03

	2015 Cents	2014 Cents
Basic earnings per share	1.18	3.72
Diluted earnings per share	1.15	3.60
Final dividend in respect of the financial year ended 30 June per share	Nil	Nil

No dividend has been declared in relation to the period ended 30 June 2015.

Refer to the Commentary on Operating Performance and the accompanying ASX announcement dated 28 August 2015 for a brief commentary on the results.

The Group gained control of HedgePath Pharmaceuticals LLC during the reporting period. Refer Note 32 of the Annual Report for details.


maynepharma
You deserve tomorrow
Annual Report 2015
maynepharma.com

In this report

About Mayne Pharma

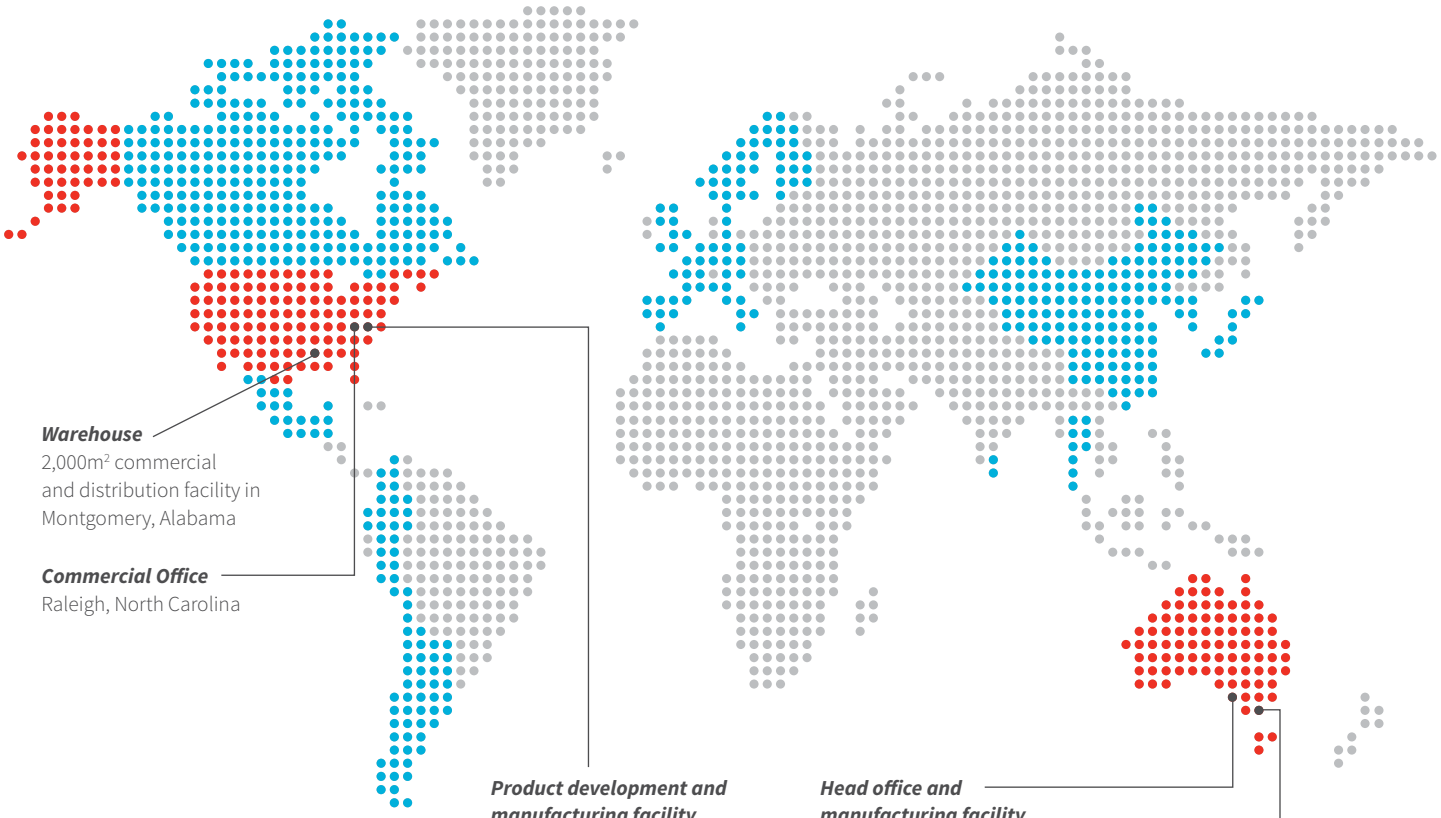
Mayne Pharma is an ASX-listed specialty pharmaceutical company focused on applying its drug delivery expertise to commercialise branded and generic pharmaceuticals. Mayne Pharma also provides contract development and manufacturing services to more than 100 clients worldwide.

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

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

Our international footprint

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



Warehouse
2,000m² commercial and distribution facility in Montgomery, Alabama

Commercial Office
Raleigh, North Carolina

Product development and manufacturing facility
14.6 hectare facility at Greenville, North Carolina has 9,200m² of manufacturing space. FDA approved

Head office and manufacturing facility
13 hectare facility at Salisbury, South Australia has 12,000m² of manufacturing space. FDA, MHRA and TGA approval

Commercial office
Melbourne, Victoria

Our Business Units[1]

	UNITED STATES			*REST OF WORLD*
Overview	**US Generic Products (GPD)** *Develops, manufactures, markets and distributes generic products in the US*	**US Specialty Brands (SBD)** *Responsible for the marketing and distribution of branded pharmaceuticals in the US*	**Metrics Contract Services (MCS)** *Provides contract pharmaceutical development services to third parties globally*	**Mayne Pharma International (MPI)** *Develops, manufactures, markets and distributes branded and generic products globally*
Key current products & services	• *Dermatology/anti-infectives:* Doxycycline Hyclate, Erythromycin, Nystatin • *Pain:* Butalbital/APAP/ Caffeine, Hydrocodone/APAP, Oxycodone, Oxycodone/ APAP, Oxycodone/Aspirin • *Other:* Amiodarone, Bromfenac, Liothyronine, Methamphetamine	• *Dermatology:* Doryx™	• Analytical services • Formulation development • Clinical trial batch manufacture • Potent and cytotoxic services • Commercial contract manufacturing	• *Dermatology/anti-infectives:* Doryx™, Eryc™, Lozanoc™ • *Pain:* Kapanol™, Percutane™ • *Other:* Licener™, Magnoplasm™, Range of injectable products

1. From FY16, Mayne Pharma is expected to adopt new reporting segments in line with this structure.

FY15 Business Highlights

JULY 2014

- In-licensed three generic injectable products from Genfarma Laboratorio (Spain) to launch in Australia
- Out-licensed Lozanoc™ to NovoTek Therapeutics in China
- New US Patent No 8,771,739 "Pharmaceutical compositions for poorly soluble drugs" issued
- Acquired the rest of world rights to Kapanol™ from GSK

AUGUST 2014

- Launch of Oxycodone oral solution in the US
- Launch of Selegiline tablets in the US
- First Australian sales of Lozanoc™

SEPTEMBER 2014

- First Australian sales of an injectable product - Doxorubicin

OCTOBER 2014

- Out-licensed Kapanol™ to Zuellig in Thailand

NOVEMBER 2014

- Announced first-to-file opportunity for its Dofetilide capsule ANDA
- Signed agreement with Flinders University, South Australia to license intellectual property surrounding research relating to the use of Kapanol™ for the treatment of refractory dyspnoea (chronic breathlessness)
- In-licensed generic Hydrocodone-Homatropine syrup for the US; filed with FDA

DECEMBER 2014

- Doryx™ 50mg tablets approved by US FDA
- Acquisition of Butalbital/APAP/Caffeine (BAC) capsule ANDA
- Acquired full ownership of Methamphetamine tablet ANDA
- Out-licensed Lozanoc™ to ISDIN in Belgium, France, Germany, Argentina, Chile, Columbia, Mexico and Peru
- New US Patent No 8,921,374 "Itraconazole compositions and dosage forms, and methods of using the same" issued
- Launch of Hydrocodone/APAP tablets in the US

FEBRUARY 2015

- Acquisition of Doryx™ brand and related assets in the US from Actavis
- Pfizer withdrew US Tikosyn™ patent litigation

MARCH 2015

- Began recruitment of new 60+ person sales team to market Doryx™ in the US
- Won four CMO leadership awards recognising Metrics Contract Services innovation and regulatory track record

APRIL 2015

- Commencement of new 60+ person sales team to market Doryx™ in the US
- Opened new commercial office in Raleigh, North Carolina to support US Specialty Brands and Generic Products divisions

MAY 2015

- Join S&P Dow Jones ASX200
- Doryx™ 200mg launched by Mayne Pharma's new US Specialty Brands Division
- Invest US$2.5m in HedgePath Pharmaceuticals to accelerate development of Suba™-Itraconazole in cancer
- Brought in-house the distribution of Methamphetamine tablets, Oxycodone/APAP tablets, Oxycodone tablets and Oxycodone /Aspirin tablets from Mylan
- In-licensed two injectable products from SALF (Italy) to launch in Australia
- In-licensed a specialty branded product to launch in Australia

JUNE 2015

- Completed US$125m debt refinancing
- TGA approval of Oxycodone Immediate Release tablets – first original Metrics product approved in Australia

Key Business Facts

30+ pipeline products *in the US*

>180 scientists *employed globally*

A$140 million *in sales revenue in FY15*

20+ pipeline products *in Australia*

30 molecules marketed globally *across 100 different presentations*

>A$750 million *market capitalisation at 30 June 2015*

125 *Contract service* ***customers***

A$90 million *invested in product acquisitions and marketing rights in FY15*

A$17 million *invested in research and development in FY15*

Products ***sold in 10+ countries***

>600 *staff*

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 2015 annual report.

Your board and management are focused on becoming a leading global specialty pharmaceutical company and we will achieve this by continuing to invest in new product pipeline, facilities, drug delivery technologies and our people. In particular we are focused on gaining greater scale in the US, the world's largest pharmaceutical market, broadening our global footprint via specialty products and leveraging our world-class oral drug delivery technologies in complex generics, branded products and contract services.

The past year has been transformational for our Company following the acquisition of the Doryx™ brand and distribution rights which diversified the US business platform into an integrated pharmaceutical business with growth platforms in generics, contract services and now specialty brands. After manufacturing Doryx™ for the past 30 years, Mayne Pharma is now also marketing and distributing the product through its 60+ person sales team in the US.

We also added new leadership talent, launched new products, brought in-house distribution of key product franchises and signed and completed a number of other deals to broaden our global footprint and product portfolio and pipeline. A key strategy of the Company has been to fully exploit its product portfolio through controlling the manufacture, distribution and sales and marketing of key product franchises to improve their performance through greater management focus.

Financial performance

The Company reported FY15 revenue of $141.4m, underlying EBITDA of $36.4m and reported NPAT of $7.8m. These results were down on the prior year due to the underperformance of products sold via third party US distributors. The lack of Doryx™ and Oxycodone sales in the first half reflected sustained poor performance of our distributors and the Company has subsequently taken full control of these products by bringing distribution in-house during the second half.

As a result, it is pleasing to report that second half performance was significantly stronger than the first half, with revenue up 37% to $81.9m, underlying EBITDA[2] up 49% to $21.8m and underlying NPAT[2] up 49% to $8.0m reflecting the improved contribution from US Doryx™, key generic product franchises and Metrics Contract Services. However, the reported NPAT for the second half was down $0.2m to $3.8m as it was impacted by the one-off costs that have been excluded from the underlying result.

Financial position

The Company ended the year in a solid financial position with cash of $59.2m and outstanding borrowings of $61.8m. Following the debt refinancing successfully completed in June, the Company has materially reduced its cost of funds, with more flexible terms and conditions. The business now has more financial flexibility to use alternate sources of capital to fund its growth.

Investing for growth

During August, the Company announced strategic investments in its two manufacturing facilities in Greenville, NC, USA and Salisbury, South Australia. These investments will strengthen the organisation's capability and capacity to expand development, manufacturing and packaging operations for its products business as well as expand its offering to contract service clients.

The US$65m investment in Greenville will fund a new greenfield 126,000sqft oral-dose commercial manufacturing facility on land owned and adjacent to our existing facility which will more than double manufacturing capacity plus repurposing existing space to expand contract services capacity. The increase in capacity and introduction of commercial scale manufacturing of modified-release and highly potent products will support on-market products as well as the advanced pipeline of products under development.

2. Underlying result excludes certain specified expenses as outlined in the FY15 Results Presentation dated 28 August 2015

Mayne Pharma will also considerably strengthen its industry-leading position in oral drug delivery systems as a result of these investments. With a tripling of fluid bed processing capability across our manufacturing network, the Company will have greater flexibility to expand its modified release product line and support key existing product franchises including Doxycycline, Morphine Sulphate and Erythromycin.

Board changes

During the year, the Board welcomed Professor Bruce Robinson to the Board, who brings valuable clinical and medical research experience.

Outlook

The Company is well established for a period of strong earnings growth driven by recent product acquisitions, new product launches, increased market penetration of key product franchises and accelerated growth of the contract service business.

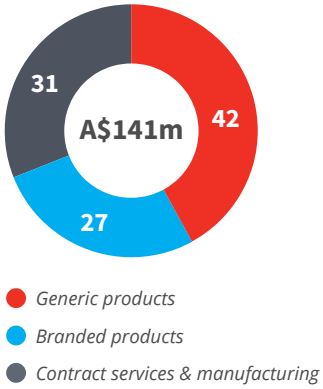
On behalf of the Board, we would like to thank all of our staff for their hard work and dedication over the last year and commitment to our strategic goals. The outlook is positive for the year ahead and we are confident we have the right strategy, leadership and plans to continue to develop and grow this business.

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

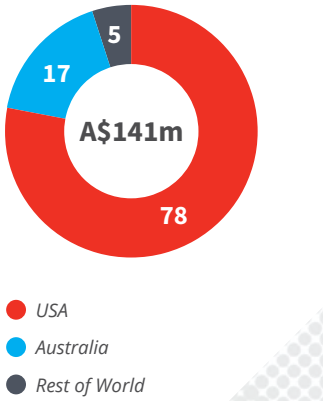
Roger Corbett, AO
Chairman

Mayne Pharma remains focused on becoming a leading global specialty pharmaceutical company and will achieve this by continuing to invest in its pipeline, facilities, drug delivery technologies and people

Revenue by channel (%)



Revenue by geography (%)



Chief Executive Officer's Review

Scott Richards, CEO

Dear Fellow Investors

It is a pleasure to present the Chief Executive Officer's Review for 2015.

Mayne Pharma's strength lies in our integrated operations from product development, through manufacturing and commercialisation of our products and services targeting the United States, the world's largest pharmaceutical market. Our priorities over 2015 have been on developing new products, expanding and growing our directly marketed portfolio, reducing our reliance on third party distributors in the US, establishing a US specialty brands division to promote branded products, and accelerating the growth of contract services.

Our achievements in FY15 were many and include:

- 2H15 underlying EBITDA performance up 49% on 1H15 with Doryx™, directly-distributed US generic products and Metrics Contract Services (MCS) driving this growth
- US Doryx™ acquisition completed for US$50m
- New business created – US Specialty Brands (SBD) - with a 60+ person sales team to promote specialty brands in dermatology in the US
- Brought US distribution in-house for generic Methamphetamine and the Oxycodone product family
- FDA approval of 50mg Doryx™ tablets
- TGA approval of 12 products
- Launched three new products in the US (Hydrocodone/APAP tablet, Selegiline tablet and Oxycodone oral solution) and seven in Australia including Lozanoc ™ and a range of injectable products
- Out-licensed Lozanoc™ into nine further countries (Argentina, Belgium, Chile, China, Columbia, France, Germany, Mexico and Peru)
- 30+ pipeline products targeting US markets with sales >US$7bn[3] of which 17 pending FDA approval
- 20+ pipeline products targeting AU markets with sales >A$150m[3] of which seven pending TGA approval
- Significant first-to-file opportunity for Tikosyn™ generic capsules and resolution of patent litigation with Pfizer
- Invested US$2.5m in HedgePath Pharmaceuticals to accelerate development of Suba™-Itraconazole in cancer
- Balance sheet strengthened with net debt of $2.6m at 30 June 2015, down from $39.7m at 31 December 2014
- Management team strengthened across the organization including key hires in the US and Australia to drive further growth

Our US business, which represented almost 80% of Group sales in FY15, remains the key driver of growth and now has three complementary pillars - contract services, a retail generics business and a specialty brands business. The US remains the largest pharmaceutical market representing 35% of global sales. Over the last year, the US pharmaceutical market grew 12% to over US$400bn[3] in sales with the branded segment growing at a faster rate than the generic segment. Participating in both market segments diversifies our business model and enables us to leverage growth opportunities more fully.

Doryx™ acquisition

The successful acquisition of the US Doryx™ brand and related assets in February 2015 has allowed Mayne Pharma to now market and distribute the product in addition to manufacturing it. We are very attracted to the underlying fundamentals of the dermatology market and the acquisition has enabled us to establish a specialty brands division which we believe can reinvigorate the Doryx™ brand, improve market share and the contribution of this franchise to the Company through renewed leadership focus and on-going patient-centric innovation.

We are pleased to have recently launched a new 50mg Doryx™ tablet in August 2015, which is the lowest delayed-release enteric-coated dose of doxycycline for the adjunctive treatment of severe acne available in the United States. Launch timing coincides with the "back to school" period when use of acne medications traditionally increase.

3. IMS Health, MAT June 2015

Operating performance

At a segment level, Metrics Contract Services delivered a very pleasing result year on year demonstrated by its outperformance of industry sector growth rates. MCS revenue was up 19% on FY14 to $33.8m and gross profit was up 31% to $17m. US Products also grew year on year with both sales and gross profit up driven primarily by the part-year contribution of Doryx™ and growth in the key generic product franchises including BAC, Methamphetamine, Doxycycline, Amiodarone and Erythromycin. US Products revenue was up 19% on FY14 to $67.7m and gross profit was up 13% to $36.2m. Mayne Pharma International revenue was steady at $60.7m but gross profit increased 9% to $34.2m reflecting US Doryx™ transition profit and higher margin intercompany sales.

Pipeline

The Company continues to commit substantial resources to advancing its pipeline as research and development is a key pillar for delivering long-term growth. We are very focused on developing higher value and higher barrier-to-entry products.

The Company has 30+ products in various stages of development in the US and a further 20+ pipeline products in Australia. The pipeline covers a range of branded and generic products, including many controlled substances, high potent molecules requiring specialised handling, and difficult to formulate products requiring complex drug delivery technology.

In the US the Company has 17 products pending approval at the FDA targeting markets with sales greater than US$1.8bn[3]. The most significant filed product is the generic version of Tikosyn™, an anti-arrhythmic agent to treat irregular heartbeat.

In November 2014, a patent infringement lawsuit was filed against the Company by Pfizer, one of the world's largest pharmaceutical companies. An expeditious resolution of this patent litigation was concluded in February 2015 when Pfizer withdrew its legal action in respect of this product. This agreement allows Mayne Pharma to launch its generic version of Tikosyn™ following FDA approval and prior to the October 2018 expiration of Pfizer's patent. The Company also expects to be awarded 180-day exclusivity period upon approval as it is a First-to-File paragraph IV ANDA.

Management changes

Senior leadership changes during FY15 included the appointment of Dr Ilana Stancovski as Chief Scientific Officer who brings to Mayne Pharma a rare mix of strong generic and proprietary development expertise, and Mr Andy McClenaghan joined the Company to lead our US Specialty Brands Division. In August 2015, Mr Peter Paltoglou joined the Company to lead our Corporate and Business Development efforts world-wide.

The year ahead

I am looking forward with much anticipation to the coming year – there are many exciting growth strategies already yielding results, and significant potential upside from the execution of the various additional growth opportunities we have around the world.

I also want to take this opportunity to thank the 600+ staff who are part of the Mayne Pharma business for their passion and commitment to our growth.

Scott Richards,
Chief Executive Officer

Global Leadership Group

Scott Richards
CEO & Managing Director

Scott was appointed as the Chief Executive Officer and Managing Director in February 2012. Scott 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 and Global Hospital Business of Intas Pharmaceutical Limited where he was responsible for managing their operations in Europe as well as developing the global hospital business with a focus on commercialisation of biosimilar and oncology products. He was also Executive Vice President of the Global Hospital Generics Business at Actavis and spent four years with Mayne Pharma Limited and 14 years with F H Faulding & Co Limited in various roles.

Mark Cansdale
Group CFO & Company Secretary

Mark was appointed Chief Financial Officer in 2011. He is a chartered accountant and company secretary with more than 20 years' experience in the accounting and finance profession. Mark was formerly the CFO and Company Secretary at McMillan Shakespeare Limited and prior to that, Vision Systems Limited. He has extensive experience in the areas of business development, mergers and acquisitions, corporate strategy, tax, financial planning and analysis, risk management, treasury and investor relations. Prior to joining Vision Systems in 2002, Mark held senior finance positions in the insurance and financial services industry at Norwich Union Australia and KPMG.

Ilana Stancovski
Executive Vice President & Chief Scientific Officer

Dr Ilana Stancovski joined Mayne Pharma as Chief Scientific Officer in September 2014 and has over 20 years' of international experience in the pharmaceutical industry and academia. Prior to joining Mayne Pharma, Ilana was Vice President Research & Development for Actavis Group's global Hospital Division where she made a significant contribution to expanding the company's portfolio of complex generic and long-acting injectables, including a number of potential first-to-file projects. Prior to Actavis, Ilana was the Vice President Scientific Affairs at Intas Pharmaceuticals and also held senior management roles at other multinational pharmaceutical and biotech companies.

Kate Rintoul
Executive Vice President & General Counsel

Kate has over 15 years' of varied legal experience and joined Mayne Pharma as General Counsel in 2013. She is responsible for worldwide legal operations, including intellectual property (IP). She has extensive corporate, commercial, IP and litigation experience, spanning multiple jurisdictions. Before joining Mayne Pharma, Kate spent much of her career in private practice at Minter Ellison Lawyers, one of the largest Australian-based international law firms. She also spent three years working for Shell International in its headquarters in The Hague as IP Counsel.

Peter Paltoglou
Executive Vice President, Corporate & Business Development

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

Stefan Cross
President, Mayne Pharma USA

Stefan joined Mayne Pharma in 2012 and was appointed President of Mayne Pharma USA in September 2013. Stefan brings more than 20 years' of pharmaceutical industry experience to his role. Prior to joining Mayne Pharma, Stefan was Head of Marketing (Asia Pacific) for Hospira Inc., a leading global provider of pharmaceuticals and medical devices, where he was responsible for expansion of the new product portfolio and on-market product growth across all markets in the region. Prior to joining Hospira, Stefan worked for six years with Mayne Pharma Limited in Europe and Australia and eight years with F H Faulding & Co across strategy, business development/M&A, sales and marketing, HR and finance/IT.

Andy McClenaghan
Executive Vice President, US Specialty Brands

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

Chris Schneider
Executive Vice President, US Generic Products

Chris has over 25 years' of experience in the pharmaceutical industry across sales and marketing, trade operations and business development. Prior to joining Mayne Pharma in 2013, Chris started his own pharmaceutical business (Libertas Pharma) and was also the Vice President of Commercial Operations, Glades Pharmaceuticals, a division of Stiefel, now a GSK Company.

John Ross
Executive Vice President, Metrics Contract Services

John has more than 20 years' of experience in the pharmaceutical industry across finance, sales, operations and supply chain. Prior to joining Mayne Pharma in 2013, John was a Principal at Tunnell Consulting a leading US biotech and pharmaceutical consulting organisation. He has also held a number of leadership roles including Chief Operating Officer of Contract Pharmaceuticals Limited, a provider of outsourced third-party contract development, manufacturing and testing of pharmaceuticals.

Significant opportunities to drive growth

1	*US retail generics maximisation*	• Optimise market penetration of product portfolio • Approval and launch of filed FDA products • Control manufacture, distribution and sales and marketing of key franchises • Efficient and reliable product sourcing, manufacturing and supply • Portfolio expansion through growing product pipeline
2	*Expand US branded specialty franchise portfolio*	• Develop US specialty dermatology franchise by leveraging Doryx™ and pipeline of future products • Build new specialty therapeutic platforms that leverage the Company's development and manufacturing capabilities
3	*R&D maximisation*	• Portfolio selection that leverages drug delivery expertise in complex generics and specialty products • Selective paragraph IV filings in the US • Development of Suba™-Itraconazole in cancer through alliance with HedgePath
4	*Strategic acquisitions, licensing and partnerships*	• In-licensing niche generic or specialty products in Australia and the US • Commercialise specialty products such as Lozanoc™ through out-licensing arrangements in key markets to broaden global footprint • Product and enterprise acquisitions with strong growth potential, complementary assets and technologies • Build an injectable portfolio and branded specialty franchise in Australia
5	*Optimise and grow Metrics Contract Services*	• Enhance operational efficiencies and client experience • Globalise customer base • Introduce high value manufacturing services following Greenville, NC site expansion

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 2015 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 23 to 30 which forms part of this Directors' Report.

DIRECTORS

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

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

Particulars of the Directors' qualifications, other listed company directorships, experience and special responsibilities are detailed on pages 19 and 20 of the Annual Report. Particulars of the qualifications and experience of the Company Secretary are detailed on page 20 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 2015 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	-	-	-	-	1[3]	1
Mr I Scholes	12	12	4	4	-	-	2	2
Hon R Best	12	12	4	4	-	-	2[3]	2
Mr B Mathieson	12	10	4	4	-	-	-	-
Mr P Hodges	12	11	-	-	-	-	-	-
Prof Bruce Robinson	11	11	-	-	-	-	-	-

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

The Nomination Committee did not meet separately during the year

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 18 May 2015, the Company announced it had agreed with HedgePath Pharmaceuticals LLP (HPPI) to invest US$2.5m in return for additional shares and warrants in HPPI.

In February 2015, the Company acquired the US Doryx™ brand and related assets (the Doryx acquisition) from Actavis, plc for US$50m.

In December 2014, Mayne Pharma entered into agreements to acquire the Butalbital/APAP/Caffeine (BAC) capsule Abbreviated New Drug Application (ANDA) and full ownership of the Methamphetamine tablet ANDA for combined consideration of up to US$15.7m.

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

PRINCIPAL ACTIVITIES

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

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

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

As noted above, during the year the Company continued to expand its operations through acquisitions and licensing arrangements:

- On 24 February 2015 Mayne Pharma announced it completed the acquisition of the Doryx™ US brand and related assets from its distribution partner, Actavis, plc for US$50m which enabled Mayne Pharma to establish the Speciality Brands Division (SBD) with a 60 plus person sales team to market specialty brands in the US.In December 2014, 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 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.

- On 18 May 2015, the Company announced it had agreed with HedgePath Pharmaceuticals LLP (HPPI) to invest US$2.5m in return for additional shares and warrants in HPPI. This increased Mayne Pharma's equity stake in HPPI from 41.5% to 49.4%. The funding will enable HPPI to accelerate HPPI's clinical development program using Mayne Pharma's patented oral formulation of itraconazole, known as SUBA-itraconazole, to treat certain cancers. As a result of this and other changes, from an accounting perspective, Mayne is considered to control HPPI and hence Mayne Pharma has consolidated HPPI in these financial statements from the date control was established.

- Refer to FY15 Business Highlights for other licensing arrangements.

RESULTS OF OPERATIONS AND LIKELY DEVELOPMENTS

Financial performance

Set out below is a summary of financial performance for the 2015 Financial Year (FY15) compared to the prior corresponding period (pcp). This summary includes non-IFRS financial information that is stated excluding certain specified income and 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 as a key measure of the earnings considered by Management in operating the business and assessing performance.

				CHANGE ON PCP	
SALES AND PROFIT	NOTES	2015 $M	2014 $M	$M	%
Revenue		**141.4**	**143.3**	**(1.9)**	**(1.3)**
Gross profit		**80.0**	**75.1**	**4.9**	**6.5**
Gross profit %		*56.6%*	*52.4%*		
Adjusted EBITDA		36.4	40.4	(4.0)	(10.0)
Adjustments	1	(5.1)	2.7	(7.8)	Nm
EBITDA		31.3	43.1	(11.8)	(27.4)
Depreciation / Amortisation		(13.5)	(9.9)	(3.6)	(36.4)
PBIT		17.6	33.2	(15.6)	(47.0)
Net Interest	2	(6.4)	(5.2)	(1.2)	23.1
Income tax expense		(3.7)	(6.7)	3.0	(44.7)
NPAT attributable to Mayne Pharma shareholders		**7.8**	**21.3**	**(13.5)**	**(63.4)**

1. Adjustments in FY15 include $0.7m of acquisition costs, $2.2m non-cash expense arising from the increase in the fair value of the Hospira earn-out liability, $4.5m of costs relating to the establishment of the Speciality Brands Division, a non cash credit resulting from the restatement of the HPPI investment of $4.0m, restructuring costs of $0.5m and $1.2m of expenses relating to HPPI activities.
2. Includes finance expenses of $5.9m, notional non-cash interest expense of $0.8m representing the charge for the unwinding of the discount on earn-out liabilities less interest revenue $0.4m.

The non IFRS financial information is unaudited.

The Group recorded revenue of $141.4m, a small decrease on pcp while gross profit was $80.0m up $4.9m on pcp.

Gross profit margin as a percentage of revenue was 56.6% up from 52.4% driven by inclusion of earnings from the Doryx acquisition.

Reported EBITDA attributable to members of Mayne Pharma was $31.3m and adjusted EBITDA (excluding certain specified expenses) was $36.4m. The reported profit before tax attributable to members of Mayne Pharma was $11.5m and the net profit after tax was $7.8m.

Expenses

Net research and development expenses were up $1.0m to $5.6m and $13.5m 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 $5.8m to $11.6m with the majority of the increase relating to the inclusion of the Speciality Brands Division sales force.

Amortisation of intangible assets was $8.5m for the year, which was an increase of $3.6m on the prior year. The current year includes a $2.9m charge relating to the amortisation of intangible assets recognised following the Doryx acquisition.

Finance costs of $5.9m represent the interest expense on the USD loan facility taken out for the Metrics acquisition and the amortisation of related borrowing costs, including the write-off the remaining unamortised borrowing costs of $1.6m as a result of Mayne repaying the MidCap facility before the maturity date..

Administration costs increased by $3.0m reflecting increased legal costs and an increase in corporate costs.

The acquisition costs of $0.7m reflect transaction costs connected with the Doryx™ US brand, acquisition and the additional HPPI interest acquired during the period.

Tax

The tax expense of $3.7m comprised:

- Current period income tax for the year to 30 June 2015 of $7.1m;
- A reduction in current year tax in respect of prior years of $0.2m; and
- A credit of $3.2m 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 2015 compared to the position as at 30 June 2014.

				CHANGE ON PCP	
BALANCE SHEET EXTRACT	NOTES	2015 $M	2014 $M	$M	%
Cash		59.2	14.8	44.4	300.0
Inventory & receivables		87.1	47.0	40.1	85.3
PP&E		59.6	53.4	6.2	11.6
Intangibles		303.0	141.1	161.9	114.7
Other assets		20.0	9.5	10.5	110.5
Total assets		**528.9**	**265.8**	**263.1**	**99.0**
Interest-bearing debt		61.8	48.0	13.8	28.8
Other financial liabilities		34.1	11.3	22.8	201.8
Other liabilities		110.8	47.2	63.6	134.7
Total liabilities		**206.7**	**106.5**	**100.2**	**94.1**
Equity		**322.2**	**159.3**	**162.9**	**102.3**

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

Cash

Cash increased by $44m compared to 30 June 2014.

Inventory, receivables and other liabilities

Inventory, receivables and payables increases reflect the inclusion of US Doryx.

Intangible assets and goodwill

Intangible assets increased by $161.9m compared to the balance at 30 June 2014. The increase comprised of:

- $63.8m for the acquisition of the US Doryx™ brand and related intangible assets;
- $13.5m of development costs;
- $32.2m for ANDAs and marketing and distribution rights associated with methamphetamine, Oxycodone and BAC;
- $31.1m relating to HPPI intangibles;
- $8.5m of amortisation;
- $1.3m of impairments; and
- $31.0m from foreign currency translation as a result of the weaker Australian dollar against the US dollar.

Other financial liabilities

Other liabilities as at 30 June 2015 include the earn-out liabilities and deferred consideration for the BAC and Methamphetamine ANDAs and distribution rights, Oxycodone distribution rights, ZEBUTAL™, ESGIC™ & LORCET™ branded products, Libertas and MPIPL acquisitions. Other financial liabilities increased by $22.8m from 30 June 2014 as a result of:

- An increase of $2.2m 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 $0.8m due to the non-cash unwinding of the discount for the various earn-out liabilities;
- An increase of $29.3m resulting from new asset acquisitions relating to ANDAs and marketing rights
- Cash payments of $11.9m and non cash settlements utilising Mayne Pharma shares of $1.2m; and
- An increase relating to foreign currency translation of $3.6m.

Cash flow

Net operating cash flow before interest, tax, SBD set up and transaction costs was $39.1m up $4.8m. Total net cash flows from operating activities was an inflow of $22.4m after including $0.7m of transaction costs, $4.5m of SBD set up costs, $7.6m of tax payments and $3.9m of net interest payments.

Cash on hand at 30 June 2015 was $59.2m representing an increase of $44.4m from 30 June 2014.

The Company had bank debt of $60.8m with significant headroom under its financial covenants.

Notable cash flows during the period included:

- The inflow of $114.0m from the issue of new shares to fund the Doryx™ and other acquisitions;
- An inflow of $60.8m representing the net proceeds from new borrowings;
- An outflow of $64.3m for the Doryx acquisition;
- $16.7m in payments for research and development;
- Earn-out and deferred settlement payments totalling $11.9m relating to the MPIPL acquisition ($2.9m), Methamphetamine acquisition ($5.9m) and various other acquisitions ($3.1m);
- An outflow of $0.7m for acquisition related expenses;
- $59.7m in loan repayments; and
- $4.2m in capital expenditure across the Group.

Research and development

The Company continues to commit substantial resources in terms of people and research and development spend to developing and advancing its pipeline globally. In FY15, the Company invested $17m in research and development of which 80% was capitalised over the period to be amortised in the future in accordance with Accounting Standards.

The Company now has more than thirty pipeline products in the US, of which seventeen are pending FDA approval. In Australia, the Company has more than twenty pipeline products of which six have been recently approved by the TGA and expected to launch in 1H16 and a further seven products are pending approval at the TGA.

The Company also continues to advance the pipeline of branded products, which are an important part of the strategy to diversify the business across both branded and generic products. Commercialisation of Lozanoc is continuing with the out-licensing of the product in a further nine countries: Argentina, Belgium, China, Chile, Columbia, France, Germany, Mexico and Peru. The next launch of Lozanoc will be into Germany later this calendar year via ISDIN, the Company's marketing and distribution partner. In the US, the Company is finalising the regulatory filing and expects to lodge the dossier during FY16.

Operating Segments

The Company has three operating segments:

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

Refer to Note 24 for further information about the operating segments

US Products (USP)

$MILLION	2015	2014	CHANGE %
Revenue	67.7	56.9	18.8
Gross profit	36.2	32.0	13.1
Gross profit %	53.5%	56.3%	

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.

FY15 performance

The US Products operating segment (USP) performed strongly with sales at $67.7m, up $10.8m or 19% on FY14 and gross profit was $36.2m up 13% on FY14.

The key drivers of growth were the part-year contribution from the Doryx acquisition (US$7.9m from re-launch in May 2015) and growth in the key generic product franchises. This was offset by the performance of third party distributed generic products, several of which were brought in-house late in the second half.

In May 2015, the Company brought the distribution of Methamphetamine and Oxycodone products in-house and also acquired full ownership of the Methamphetamine and BAC capsule ANDAs during FY15 enabling the Company to control the manufacture, distribution and sales of these products. It is expected these products will be key drivers of growth going forward.

In US dollar terms, USP revenue was up 9% to US$56.6m with sales of directly-distributed products (excluding Doryx) up 21% to US$35.1m and third party-distributed products were down 41% to US$13.6m. The Oxycodone franchise was responsible for the majority of the third party decline year on year.

Gross profit margin was down from 56% to 53%, which reflects the fact that the margin on the branded Doryx and authorised generic sales in the US is split between USP which records the distribution margin and MPI which records the manufacturing margin. If USP captured all the margin on a vertically integrated segment basis, the gross profit margin would have been 70%.

Metrics Contract Services (MCS)

$MILLION	2015	2014	CHANGE %
Revenue	33.8	28.4	19.0
Gross profit	17.0	13.0	30.8
Gross profit %	50.4%	45.6%	

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.

FY15 performance

The Metrics Contract Services segment (MCS) outperformed industry growth, with revenue of $33.8m up $5.4m or 19% on FY14 and gross profit was $17.0m up 31% on FY14. Revenue and gross profit margin increases are the result of improved pricing, operational efficiencies and a higher proportion of higher margin formulation development work in FY15. In US dollar terms, MCS sales were US$28.3m up 9% on pcp.

Key performance measures continue to improve with the number of quotes signed up 9% and the amount of signed work in dollar terms up 19% on pcp. The quote conversion rate (the number of quotes signed as a percentage of quotes written) was 66% and MCS has introduced 19 new clients in FY15 up from 17 in the prior period. The committed business pipeline also continues to grow at double digits. In the last two years, the customer base of MCS has increased 25% to 125 active clients.

Mayne Pharma International (MPI)

$MILLION	2015	2014	CHANGE %
Revenue	60.7	61.2	(0.8)
Gross profit	34.2	31.3	9.3
Gross profit %	56.3%	51.2%	

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.

FY15 performance

The Mayne Pharma International (MPI) segment revenue was steady at $60.7m down just 1% on pcp and gross profit improved 9% to $34.2m.
This segment captured US Doryx third party revenue to February 2015, as well as profit that arose during the transition period from Actavis to Mayne Pharma, and the manufacturing margin on in-market sales and intercompany sales.

Excluding US Doryx and licensing fee income, MPI revenue increased 6% driven by increased sales of Erythromycin into the US, Kapanol™/Kadian™ into international markets following the acquisition of rest of world rights in July 2014 from GSK, and Suba™-Itraconazole into Spain. In Australia, the on-market product portfolio increased from 8 to 15 products over the year with the first sales of Lozanoc and six injectable products. In Spain, Itragerm (the local name for Lozanoc) became the market leader in the Itraconazole market with 17% market share by volume in the 2H15.

Strategy and material business risks

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

The Company's core strategic priorities include the following:

KEY GROWTH DRIVER	ACTIVITIES
US retail generics maximisation	• Optimisation of market penetration of product portfolio • Approval and launch of FDA filed products • Control manufacture, distribution and sales and marketing of key franchises • Efficient and reliable product sourcing, manufacturing and supply • Portfolio expansion through growing product pipeline
Expand US branded specialty franchise portfolio	• Develop US specialty dermatology franchise by leveraging Doryx, existing product portfolio and pipeline of future products • Build new specialty therapeutic platforms that leverage the Company's development and manufacturing capabilities
Research and development maximisation	• Portfolio selection that leverages drug delivery expertise in complex generics and specialty products • Selective paragraph IV[1] filings in the US • Development of SUBA-Itraconazole in cancer through alliance with HedgePath Pharmaceuticals
Strategic acquisitions, licensing and partnerships	• In-licensing niche generic or specialty products in Australia and the US • Commercialisation of specialty products such as Lozanoc throughout-licensing arrangements in key markets to broaden global footprint • Product and enterprise acquisitions with strong growth potential, complementary assets and technologies • Build an injectable portfolio and branded specialty franchise in Australia
Optimise and grow Metrics Contract Services	• Operational efficiencies • Globalise customer base • Leverage combined business expertise • Introduce high value manufacturing services following Greenville, NC site expansion

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

Material business risks

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

RISK	NATURE OF THE RISK	ACTIONS / PLANS TO MITIGATE
Internal product development	• Failure to establish bioequivalence and meet end points in clinical trials • Development of new intellectual property and products takes longer and is more expensive than forecast • Product development projects may not be commercialised, requiring capitalised spend to be written off The balance of capitalised development costs at 30 June 2015 was $52m covering 43 projects for products in-market and under development	• Recruitment of experienced product development personnel • Disciplined and risk-balanced product selection process • Robust business cases developed for selected products • Regular monitoring of product development progress • Input from regulatory authorities before and during the development process
Other product development - HPPI	• Application of Suba™-itraconazole in Gorlin's Syndrome cancer fails to meet underlying valuation assumptions, including risk-adjusted assessments of expected clinical trial program outcomes, resulting in full or partial write-off of investment in HPPI • The carrying value of the investment in HPPI plus the value of warrants held at 30 June 2015 was provisionally $12.0m	• Recruitment of experienced regulatory personnel • Input from US FDA before and during the development process • Active engagement with Gorlin's Syndrome Patient Association • Engagement with independent regulatory and quality experts
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

RISK	NATURE OF THE RISK	ACTIONS / PLANS TO MITIGATE
Legal	• Litigation and other proceedings taken against the Company	• Recruitment of experienced legal personnel • Limit liability in contractual relationships where possible • Provide for resolution of international disputes through mediation and arbitration where possible

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

Outlook

The Company is now set for a period of strong earnings growth driven by recent product acquisitions, new product launches, increased market penetration of key product franchises and accelerated growth of the contract service business.

The new SBD division is now established and actively promoting Doryx 50mg and 200mg tablets to dermatologists. This segment will capture a full-year contribution of Doryx in FY16. As outlined in the Doryx acquisition presentation on 10 February 2015, the Company expects the monthly EBITDA contribution of the Doryx franchise to approximate US$2.7m on average during FY16.

MCS has started FY16 in a solid position with all key performance indicators trending favourably. With an enlarged customer base and a solid pipeline of committed business MCS is positioned well for the future.

Growth of the US products division is expected to accelerate with Methamphetamine, the Oxycodone franchise, BAC, Hydrocodone/APAP and Erythromycin being the key drivers.

Locally, MPI will benefit from growth in the Australian-marketed portfolio including a stronger contribution from the growing injectable product offering, further growth in the OTC portfolio and the launch of oxycodone immediate release tablets, the first Metrics-acquired product approved in Australia.

In addition, the Company maintains an active program to identify potential acquisition targets to further expand the product portfolio and will continue to look at opportunities through FY16 to diversify the product portfolio and business.

DIVIDENDS

The Directors have not declared an interim or final dividend for the 2015 financial year.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 5 August 2015 the Company announced the appointment of Peter Paltoglou as Executive Vice President of Corporate and Business Development. Mr Paltoglou commenced on 24 August and is considered to be part of key management personnel.

On 28 August 2015 the Company announced a major expansion of its operations in Greenville, NC, USA to support projected growth of US Products and Metrics Contract Services.

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

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 has been the Chairman of Fairfax Media Limited, one of Australia's largest diversified media companies since October 2009, but it has been announced that he will step down from that position on 31 August 2015. Mr Corbett is also a Director of the Reserve Bank of Australia, and 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 a director of Western Desert Resources Limited and was a director of Isonea Limited (resigned 28 November 2014).

Mr Mathieson is a member of the Audit 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	RESTRICTED ORDINARY SHARES ISSUED UNDER LONG TERM INCENTIVE PLAN WITH NON RECOURSE LOANS	NUMBER OF OPTIONS OVER ORDINARY SHARES
Mr R Corbett	6,510,542	-	-
Mr S Richards	3,590,367	3,823,529	7,500,000
Hon R Best	2,492,338	-	-
Mr B Mathieson	56,463,080	-	-
Mr I Scholes	1,303,174	-	-
Mr P Hodges	6,839,667	-	-
Prof B Robinson	257,971	-	-

UNISSUED SHARES UNDER OPTION

As at the date of this Directors' Report there were 35,620,000 unissued ordinary shares under option (36,020,000 at the reporting date). Details of these options are as follows:

DATE OPTIONS GRANTED	EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER OPTION
13 February 2012	13 February 2019	$0.2435	7,500,000
1 January 2013	15 March 2016	$0.2327	1,000,000
11 January 2013	12 January 2019	$0.3127	9,980,000[1]
25 January 2013	26 January 2019	$0.3127	6,240,000
1 July 2013	1 July 2019	$0.4127	1,000,000
2 July 2013	7 March 2019	$0.3927	800,000
21 April 2014	11 November 2019	$0.7590	1,000,000
1 May 2014	21 October 2019	$0.6866	400,000
1 May 2014	30 November 2019	$0.7697	1,000,000
19 August 2014	28 March 2019	$0.8946	600,000
19 August 2014	19 June 2019	$0.8644	600,000
19 August 2014	30 June 2019	$0.9131	1,000,000
19 August 2014	2 July 2019	$0.9052	400,000
19 August 2014	1 August 2019	$0.8380	200,000
19 August 2014	28 August 2019	$0.8625	600,000
29 January 2015	17 December 2019	$0.7390	600,000
29 January 2015	1 February 2020	$0.6290	2,700,000
Total			35,620,000

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

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

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

SHARE OPTIONS GRANTED

The following option issues were made during and since the end of the year ended 30 June 2015:

- 3,400,000 options over ordinary shares were granted to US management on 19 August 2014:
- 3,300,000 options over ordinary shares were granted to US management on 29 January 2015;

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 3,730,000 fully paid ordinary shares in Mayne Pharma Group Limited at a weighted average exercise price of $0.2853 per share.

NON-AUDIT SERVICES

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

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

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

	2015 $	2014 $
Taxation services	61,367	128,000
Acquisition accounting services	30,750	6,000
Other Assurance	31,000	36,000
Total	123,117	170,000

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, or is in the process of entering 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 US 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 98/100. 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 31 of this report.

REMUNERATION REPORT (AUDITED)

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

1. KEY MANAGEMENT PERSONNEL DETAILS

Non-Executive Directors:

- Mr Roger Corbett AO – Independent Chairman
- Hon Ron Best – Independent Non-Executive Director
- Mr Phil Hodges – Non-Executive Director
- Mr Bruce Mathieson – Independent Non-Executive Director
- Prof Bruce Robinson – Independent Non-Executive Director (appointed 26 August 2014)
- Mr Ian Scholes – Independent Non-Executive Director

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
- Dr Ilana Stancovski – Chief Scientific Officer (appointed 1 September 2014)

Any changes to KMP after the reporting date and before the date the financial report was authorised for issue are disclosed in the events subsequent to the reporting period.

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 continued to engage 3 degrees consulting Pty Ltd (3dc) during the year.

The fees paid to 3dc for the remuneration advice were $99,000 (2014: $84,000) which included remuneration recommendations as defined under the *Corporations Act 2001*.

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 FY14 Annual General Meeting

The FY14 Remuneration Report received strong shareholder support at the FY14 AGM with a vote of 87% in favour. Additional remuneration related resolutions covering the introduction of a new LTI in the form of share loan scheme, the issue of shares under the scheme to the Managing Director and an increase in the fee pool for Non-Executive directors also received strong support.

3. REMUNERATION POLICY

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

Remuneration paid to the Company's Directors and senior executives is also determined with reference to the market level of remuneration for other listed development, pharmaceutical and manufacturing companies in Australia and the US. Specific roles are also benchmarked against similar roles in other listed companies in the ASX 151-200. This assessment is undertaken with reference to published information provided by various executive search firms operating in the sector.

4. ELEMENTS OF KMP REMUNERATION

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

- Short-term benefit – salary/fees, annual leave, bonuses and other benefits such as novated lease payments;
- Post-employment benefits – superannuation;
- Share-based payments – share options granted under the Company's approved option plans and LTI shares granted under the non-recourse loan arrangements as disclosed in Note 28 to the financial statements;
- Long-term benefits – long service leave; and
- Termination payments

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 personal development, achievement of key performance objectives for the year, internal relativities, and industry benchmarks wherever possible and CPI data.

During the year the Board considered the increasing scale and complexity of the operations of Mayne Pharma as the company continues to grow and the senior executive team expands, the remuneration payable to recent senior executives who have been recruited internationally and the remuneration payable to comparable roles amongst the companies comprising the ASX151-200. Together with these considerations, and the elimination of the annual short-term incentive for the CEO in the 2015 financial year, the Board resolved to increase the fixed remuneration of the CEO from $650,000 to $800,000 effective 13 February 2015 (being the anniversary of his commencement). The Board is very comfortable that this increase is appropriate having regard to Mayne Pharma's continued growth and strong performance during the year under Mr Richards' leadership.

Non-executive directors

Total remuneration for non-executive directors is determined by resolution of shareholders. The maximum available aggregate cash remuneration approved for non-executive directors at the 2014 Annual General Meeting is $700,000. 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. The review took into account the following:

- the increasing scale and complexity of the operations of Mayne Pharma as the company grows and the resultant increase in the workload of directors;
- the fees payable to directors of the companies comprising the ASX151-200; and
- the need for Mayne Pharma directors' fees to be market competitive to be able to attract and retain directors with the appropriate international experience to help guide the Company,

the fees were adjusted with the Chairman's fee rising from $140,000pa to $250,000pa (excluding superannuation) and the other non-executive directors fees increased from $77,500pa to $120,000pa (excluding superannuation). In addition to the non-executive director fees, the Chairman and members of the Audit Committee will also receive an additional fee of $25,000 and $10,000 respectively, reflecting the significant additional work of the Committee.

The changes were effective 1 July 2015.

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

Performance-linked remuneration

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

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

The ESLS allows the issue of shares to participants based on a percentage of fixed remuneration funded by a non-recourse loan. The shares vest over three years subject to the achievement of hurdles based on increases in shareholder wealth created over the period. Once vested, the shares remain restricted until the participant repays the loan. Issues will be made annually to KMP and other senior executives who have foregone their STI entitlement.

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.

5. KMP REMUNERATION TABLES

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

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

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

The following table discloses KMP 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 1 January 2014.

6. VALUE OF EQUITY INTRUMENTS GRANTED TO KEY MANAGEMENT PERSONNEL

Options

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

	GRANT DATE	NUMBER HELD AT 1 JULY 2014	NUMBER GRANTED DURING YEAR	NUMBER EXERCISED DURING YEAR	NUMBER LAPSED DURING THE YEAR	NUMBER HELD AT 30 JUNE 2015	VALUE OF OPTIONS AT GRANT DATE $	VALUE OF OPTIONS INCLUDED IN COMPENSATION FOR THE YEAR $
Year ended 30 June 2015								
Mr R Corbett	-	-	-	-	-	-	-	-
Mr S Richards	13 Feb 12	7,500,000	-	-	-	7,500,000	1,842,300[1]	461,540
Hon R Best		-	-	-	-	-	-	-
Mr B Mathieson		-	-	-	-	-	-	-
Mr I Scholes		-	-	-	-	-	-	-
Mr P Hodges	-	-	-	-	-	-	-	-
Prof B Robinson	-	-	-	-	-	-	-	-
Mr M Cansdale	25 Jul 11	950,000	-	950,000	-	-	295,129[2]	16,435
Mr S Cross	25 Jan 13	1,000,000	-	200,000	-	800,000	110,800	32,886
Mr S Cross	21 Apr 14	1,000,000	-	-	-	1,000,000	336,850	129,580
Mr S Cross - total		2,000,000	-	200,000	-	1,800,000	447,650[3]	162,466
Dr Ilana Stancovski		-	-	-	-	-	-	-
		10,450,000	-	1,150,000	-	9,300,000	2,585,079	640,441

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

	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.

Chief Executive Officer Share Option Plan (CEOSOP)

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

Each CEO share option converts to one ordinary share in Mayne Pharma Group Limited upon exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to seven years after the Grant Date (13 February 2019) subject to the terms and conditions outlined in the plan, including Share Price hurdles ranging from $0.74 to $1.19 (2014: share price hurdles were $0.74 to $1.29), 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 2015
Tranche 3	3,500,000	13 February 2012	13 February 2016

	2014 NUMBER OF OPTIONS	2015 WEIGHTED AVERAGE EXERCISE PRICE $	2014 NUMBER OF OPTIONS	2014 WEIGHTED AVERAGE ERERCISE PRICE $
Balance at beginning of year	7,500,000	0.2435[1]	7,500,000	0.2608
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 year as a result of the application of ASX Listing Rule 6.22 following the Company's entitlement offer announced in February 2015.

Tranche 1 and Tranche 2 options vested during the reporting period.

There were no option issues under the CEOSOP during the year (2014: 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 February 2015, the exercise price was changed in accordance with ASX Listing Rule 6.22 and the hurdle price of the options was subsequently adjusted in accordance with the special resolution passed at the Company's 2013 AGM. The exercise price was reduced by 1.73 cents and the hurdle prices were changed as follows – tranche two hurdle changed from $0.98 to $0.92 and the tranche three hurdle changed from $1.29 to $1.19.

As a result, the options were revalued as follows:

	OPTIONS ISSUED FEBRUARY 2012, REVALUED
	TRANCHE 3
Number of options over shares	3,500,000
Pre-modification Monte Carlo Simulation model fair value	$0.5820
Post-modification Monte Carlo Simulation model fair value	$0.6086
Share price at revaluation date	$0.9350
Vesting hurdle - original	$1.29
Vesting hurdle - modified	$1.19
Exercise price - original	$0.2608
Exercise price - modified	$0.2435
Expected volatility	50%
Expected option life	2.9yrs
Dividend yield	0%
Risk-free rate	2.05%

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

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

LTI Shares

As noted above, under the new LTI program ("Executive Share Loan Scheme" or "ESLS"), eligible KMP (and other select senior executives) are invited to acquire shares in the Company funded by a non-recourse loan from the Group. Although the shares are acquired under the plan for legal and taxation purposes, Australian Accounting Standards require the shares be treated as options for accounting purposes. As a result the amounts receivable from KMP in relation to these loans are not recognized in the financial statements.

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

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

Under the ESLS plan, eligible senior management are provided with non-recourse loans from the Group for the sole purpose of acquiring shares in the Group. The shares are granted upfront based on the five day volume weighted average price, and remain restricted and subject to risk of forfeiture until the end of the vesting/performance period and while the loan remains outstanding, with any unvested/unexercised shares lapsing after 61 months after grant.

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

The shares generally vest over three years with 20% vesting after 12 months, 30% after 24 months and 50% vesting after 36 months, other than those issued to the CEO, of which 100% only vest after 36 months if the hurdles are met. This provides a rolling benefit to senior executives over the three year period in the absence of a short term incentive. The number / proportion of shares (granted prior to reporting date) that vest is based on the absolute Total Shareholder Return (TSR) over the period, with 50% vesting if a TSR of 10% Compound Annual Growth (CAGR) is achieved, rising to 100% vesting for achievement of a TSR CAGR of 15%. If the hurdles are not met at the date of the initial test, the unvested shares are re-tested at the next test date. If any shares remain unvested after the 36 month period, they are able to be re-tested six monthly for a further two years, at which point they will lapse if unvested. The Board has determined that the opportunity for re-testing of the absolute TSR hurdle is appropriate at this time given the uncertain timing of product approvals.

7. OPTIONS AND SHARES GRANTED SUBSEQUENT TO REPORTING DATE

No options were issued to KMP subsequent to report date.

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

NAME	Date granted	Number of shares issued	Exercise Price / loan value	Expiry date
Mr M Cansdale	3 August 2015	1,173,682	$1.10	31 August 2020
Mr S Cross	3 August 2015	1,257,153	$1.10	31 August 2020
Dr Ilana Stancovski	3 August 2015	791,789	$1.10	31 August 2020
Mr P Paltoglou	24 August 2015	2,231,344	$1.13	31 August 2020

The Board took advice from 3d on the appropriate TSR targets for the issues made since reporting date given the significant growth in the Company's share price. Given this, the Board set the TSR target range at a CAGR of 5% to 10%.

8. SHARES ISSUED ON EXERCISE OF OPTIONS BY KMP

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

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

9. SHARES HELD BY KMP

Movements in shares

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

	HELD AT 30 JUNE 2013	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	HELD AT 30 JUNE 2014	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS AND / OR LTI SHARES GRANTED	OTHER CHANGES DURING THE YEAR	HELD AT 30 JUNE 2015
Directors	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
Mr R Corbett	**5,047,499**	-	-	**5,047,499**	-	1,463,043	**6,510,542**
Mr S Richards	**2,500,000**	-	-	**2,500,000**	3,823,529	1,090,367	**7,413,896**
Hon R Best	**2,173,244**	-	-	**2,173,244**	-	319,094	**2,492,338**
Mr B Mathieson	**43,774,748**	-	-	**43,774,748**	-	12,688,332	**56,463,080**
Mr I Scholes	**1,010,328**	-	-	**1,010,328**	-	292,846	**1,303,174**
Mr P Hodges	**5,302,738**	-	-	**5,302,738**	-	1,536,929	**6,839,667**
Prof B Robinson	**-**	-	-	**-**	-	257,971	**257,971**
	59,808,557	-	-	**59,808,557**	3,823,529	17,648,582	**81,280,668**
Other key management personnel							
Mr M Cansdale	**230,710**	550,000	(550,000)	**230,710**	2,042,063	(566,588)	**1,706,185**
Mr S Cross	**-**	-	-	**-**	200,000	-	**200,000**
Dr I Stancovski	**-**	-	-	**-**	833,003	40,000	**873,003**
	230,710	550,000	(550,000)	**230,710**	3,075,066	(526,588)	**2,779,188**
	60,039,267	550,000	(550,000)	**60,039,267**	6,898,595	17,121,994	**84,059,856**

10. 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	$800,000	12 months	Entitlement to participate in LTI option plan. The value of the LTI is based on 130% of fixed remuneration.	Nil if for serious mis-conduct. Otherwise, up to 12 months' pay in lieu of notice. If employment is terminated within six months of a change of control, entitled to a payment equal to 12 months' pay.

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

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

In order to align the executive interests with shareholder interests, all executive KMP have a minimum shareholder requirement.

11. GROUP PERFORMANCE

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

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

The Board (through the 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.

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

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

The Company now has 98 senior members of staff participating in the LTI programme, either though previous option issues, or more recently through the share loan scheme, including 9 senior executives who have agreed to forgo their contracted STI entitlements. The Board considers this a strong indication of the alignment of the shareholders' and employees' interests.

The following table outlines key statistics reported by the Company over the last five years to 30 June 2015:

	2015 $000'S	2014 $000'S	2013 $000'S	2012 $000'S	2011 $000'S
Total revenue ($000)	141,420	143,254	83,431	52,546	50,101
NPAT ($000) attributable to Mayne Pharma shareholders	7,759	21,290	(2,843)	6,153	1,679
Basic EPS (cents)	1.18	3.72	(0.70)	4.05	1.12
Share price (30 June)	$0.985	$0.850	$0.430	$0.350	$0.520
Dividends per share (cents)	-	-	-	-	1.0

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

Dated at Melbourne, Australia this 28th day of August 2015.

Mr Scott Richards
Managing Director and CEO

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Building a better working world

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 2015, 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
28 August 2015

CORPORATE GOVERNANCE WEBSITE

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

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

The following documents are available on the Mayne Pharma website:

- Corporate Governance Statement;
- Board Charter;
- Audit 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 2015

	NOTE	CONSOLIDATED 2015 $'000	2014 $'000
Continuing operations			
Sale of goods		96,316	99,083
Services revenue		43,514	38,194
License fee revenue		494	4,904
Royalties revenue		1,096	1,073
Revenue		**141,420**	**143,254**
Cost of sales		(61,433)	(68,203)
Gross profit		**79,987**	**75,051**
Other income	4	6,920	425
Research and development expenses		(5,588)	(4,552)
Distribution expenses		(4,623)	(3,398)
Marketing expenses		(11,637)	(5,806)
Regulatory affairs expenses		(1,289)	(1,154)
Amortisation expenses		(8,527)	(4,934)
Administration expenses		(27,052)	(24,170)
Finance costs	6	(5,945)	(4,349)
Other expenses	6	(6,332)	(1,406)
Fair value movement in earn-out liabilities	5	(3,023)	3,135
Acquisition costs	6	(658)	(814)
Share of associate loss	15	(990)	(6)
Profit before income tax		**11,243**	**28,022**
Income tax expense	8	(3,706)	(6,732)
Net profit from continuing operations after income tax		**7,537**	**21,290**
Attributable to:			
Equity holders of the Parent		7,759	21,290
Non-controlling interests		(222)	-
		7,537	**21,290**
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified to profit or loss in future periods			
Exchange differences on translation		22,665	(3,392)
Income tax effect			-
Share of associate exchange differences on translation	15	1,528	(13)
Items that will not be reclassified to profit or loss in future periods			
Exchange differences on translation		515	**-**
Income tax effect		**-**	**-**
Total comprehensive income for the period		**32,245**	**17,885**
Attributable to:			
Equity holders of the Parent		31,952	17,885
Non-controlling interests		293	-
		32,245	**17,885**
Basic earnings per share	9	1.18 cents	3.72 cents
Diluted earnings per share	9	1.15 cents	3.60 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	NOTE	CONSOLIDATED 2015 $'000	2014 $'000
Current assets			
Cash and cash equivalents	25	59,201	14,813
Trade and other receivables	10	64,657	29,805
Inventories	11	22,444	17,236
Income tax receivable		2,956	1,023
Other financial assets	12	2,229	1,172
Other current assets	13	5,333	1,846
Total current assets		**156,820**	**65,895**
Non-current assets			
Property, plant and equipment	14	59,597	53,409
Deferred tax assets	8	9,569	1,325
Investment in an associate	15	-	4,076
Intangible assets and goodwill	16	302,960	141,115
Total non-current assets		**372,126**	**199,925**
Total assets		**528,946**	**265,820**
Current liabilities			
Trade and other payables	17	59,980	17,076
Interest-bearing loans and borrowings	18	-	2,374
Income tax payable		1,764	395
Other financial liabilities	19	26,811	3,953
Provisions	20	6,523	6,581
Total current liabilities		**95,078**	**30,379**
Non-current liabilities			
Interest-bearing loans and borrowings	18	61,756	45,656
Other financial liabilities	19	7,312	7,306
Deferred tax liabilities	8	41,353	21,785
Provisions	20	1,245	1,420
Total non-current liabilities		**111,666**	**76,167**
Total liabilities		**206,744**	**106,546**
Net assets		**322,202**	**159,274**
Equity			
Contributed equity	21	255,834	137,498
Reserves	22	30,861	5,360
Retained earnings	23	24,175	16,416
Equity attributable to equity holders of the Parent		**310,870**	**159,274**
Non-controlling interests		11,332	-
Total equity		**322,202**	**159,274**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	NOTE	CONSOLIDATED 2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers		111,156	140,910
Payments to suppliers and employees		(68,898)	(103,081)
Interest received		355	255
Interest paid		(4,264)	(3,905)
Tax paid		(7,587)	(3,697)
Net operating cash flows before research and non capitalised development expenditure and transaction costs		**30,762**	**30,482**
Payments for research and non capitalised development expenditure		(3,174)	(3,532)
Payments to establish Specialty Brands Division		(4,510)	-
Transaction costs		(658)	(814)
Net cash flows from operating activities	25	**22,420**	**26,136**
Cash flows from investing activities			
Payments for property, plant and equipment		(4,174)	(4,203)
Payments for intangible assets		(65,917)	(11,439)
Payments for the purchase of Kapanol™		-	(3,375)
Acquisition of subsidiary (net of cash acquired)	32	996	(821)
Acquisition of warrants		(966)	-
Payments for capitalised development costs		(13,512)	(16,279)
Earn-out payments		(11,931)	(14,697)
Net cash flows used in investing activities		**(95,504)**	**(50,814)**
Cash flows from financing activities			
Proceeds from issues of shares		118,596	18,147
Transaction costs on issue of shares		(4,581)	(669)
Repayment of borrowings		(59,682)	(6,394)
Proceeds from borrowings (net of fees)		60,776	8,802
Net cash flows from financing activities		**115,109**	**19,886**
Net increase / (decrease) in cash and cash equivalents		**42,025**	**(4,792)**
Cash and cash equivalents at the beginning of the period		15,110	20,128
Effect of exchange rate fluctuations on cash held		2,432	(226)
Cash at the end of the period		**59,567**	**15,110**
Less restricted cash	12	**(366)**	**(297)**
Cash at the end of the period (unrestricted)	25	**59,201**	**14,813**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	CONTRIBUTED EQUITY $'000	SHARE-BASED PAYMENTS RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	RETAINED EARNINGS / ACCUMULATED LOSSES $'000	TOTAL $'000	NON-CONTROLLING INTERESTS $'000	TOTAL EQUITY $'000
Balance at 1 July 2014	**137,498**	**1,922**	**3,438**	**16,416**	**159,274**	**-**	**159,274**
Profit/(loss) for the period	-	-	-	7,759	7,759	(222)	7,537
Other comprehensive income							
Foreign exchange differences	-	-	24,193	-	24,193	515	24,708
Total comprehensive income for the period	**-**	**-**	**24,193**	7,759	**31,952**	**293**	**32,245**
Transactions with owners in their capacity as owners							
Shares issued	119,768	-	-	-	119,768	-	119,768
Share issue costs (net of tax)	(3,207)	-	-	-	(3,207)	-	(3,207)
Tax effect of employee share options	1,261	-	-	-	1,261	-	1,261
Share-based payments	-	1,822	-	-	1,822		1,822
Share options exercised	514	(514)	-	-	-	-	-
Non-controlling interest arising on a business combination (note 32)	-	-	-	-	-	11,039	11,039
Balance at 30 June 2015	**255,834**	**3,230**	**27,631**	**24,175**	**310,870**	**11,332**	**322,202**
Balance at 1 July 2013	**118,302**	**618**	**6,843**	**(4,874)**	**120,889**	**-**	**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**	**-**	**17,885**
Transactions with owners in their capacity as owners							
Shares issued	18,364	-	-	-	18,364	-	18,364
Share issue costs (net of tax)	(468)	-	-	-	(468)	-	(468)
Tax effect of previously recognised share issue costs	1,198	-	-	-	1,198	-	1,198
Share-based payments	-	1,406	-	-	1,406	-	1,406
Share options exercised	102	(102)	-	-	-	-	-
Balance at 30 June 2014	**137,498**	**1,922**	**3,438**	**16,416**	**159,274**	**-**	**159,274**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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 2015 was authorised for issue by the directors on 28 August 2015.

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 1031 Materiality.

(i) AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities.

(ii) AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting.

(iii) AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments.

(iv) AASB 2014-1 Amendments to Australian Accounting Standards - Annual Improvements to IFRSs 2010–2012 Cycle

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.

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). Consequential amendments were also made to other standards as a result of AASB 9: AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.

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

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

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

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

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

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

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

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.

D. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2015. 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 Group policy is to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

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

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

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

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. As a result of changes which occurred during the year, HPPI became a controlled entity effective 15 May 2015 and hence the Group has consolidated HPPI from that date and ceased equity accounting its investment in HPPI.

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

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

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

loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

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

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

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

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

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

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, Libertas and HPPI acquisitions are amortised on a straight line basis while intangibles relating to the MPIPL acquisition were 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 high quality corporate 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 cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense.

The Group engaged an accredited independent valuer, to determine the fair value of options issued at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the vesting period.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (refer to Note 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 Mayne Pharma International (MPI), US Products (USP) and Metrics Contract Services (MCS).

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.

The USP 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.

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

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

Services revenue

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

Royalties revenue

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

Research and development income

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

License fee revenue

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

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 2014 comparative period have been reclassified to reflect the current treatment and enable better comparison between periods.

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:

	2015 $'000	2014 $'000
Interest bearing loans and borrowings	61,756	49,915

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

	2015 $'000	2014 $'000
Cash at bank and in hand	59,201	14,813

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)	
	2015 $'000	2014 $'000	2015 $'000	2012 $'000
US interest rates +0.5% (50 basis points)	(161)	(142)	-	-
AUD interest rates +0.5% (50 basis points)	166	31	-	-

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 76% of the Group's revenues and 62% of the Group's costs are denominated in currencies other than the functional currency.

It is the Group's general policy to enter into simple Forward Exchange Contracts or Participating Forward Exchange Contracts over a set percentage of the forecast net receipts of US dollars. The percentages used vary depending on the length of the forecast period (0-3 months and 4-6 months). The Group has not applied the hedge accounting rules and the mark-to-market valuation (2014: $nil) for the contracts is recognised in the Statement of Profit or Loss and Other Comprehensive Income at 30 June 2015.

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 2015					
Cash at bank	25,937	-	-	-	-
Other financial assets	2,229	-	-	-	-
Trade and other receivables	62,833	129	-	291	-
Trade and other payables	(53,627)	(10)	-	-	-
Other financial liabilities	(27,623)	-	-	-	-
Interest-bearing borrowings	(62,753)	-	-	-	-
Net exposure	(53,004)	119	-	291	-
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

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The pre-tax impact on the Group's equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Group's exposure to foreign currency changes for all other currencies is not material.

	NET PROFIT / (LOSS) HIGHER / (LOWER)		EQUITY HIGHER / (LOWER)	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
AUD/USD +5%	(2,130)	(329)	-	-
AUD/USD -5%	2,354	365	-	-

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

Credit risk

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

The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Management of credit risk:

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

Approximately 40% of the Group's 2015 revenue was derived from the six largest customers. The Group had three customers who comprised approximately 71% of the total trade receivables balance at reporting date. All of these customers were operating within agreed trading terms at the end of the 2015 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 2015 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:

	2015 $'000	2014 $'000
Cash and cash equivalents[1]	59,201	14,813
Trade and other receivables[2]	64,657	29,805
	123,858	44,618

Notes: 1. Minimum of S&P AA rated counterparty with which deposits are held
2. At period end 2015 Trade receivables comprise $62,537,000 of the total $64,657,000, with 87% of trade receivables within trading terms.

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility 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 2015					
Liquid financial assets					
Cash and cash equivalents	59,201	-	-	-	59,201
Trade and other receivables	64,657	-	-	-	64,657
	123,858	-	-	-	123,858
Financial liabilities					
Trade and other payables	(59,980)	-	-	-	(59,980)
Interest-bearing loans and borrowings	-	-	(61,774)	-	(61,774)
Other financial liabilities	(13,861)	(12,966)	(8,473)	-	(35,300)
	(73,841)	(12,966)	(70,247)	-	(157,054)
Net inflow/(outflow)	50,017	(12,966)	(70,247)	-	(33,196)

	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)

The Group has undrawn loan facilities of U$77.7m plus the undrawn working capital facility of A$10m available at reporting date. Refer note 18.

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 2015, 43 development projects met the requirements for capitalisation (2014: 33 development projects).

Chargebacks, rebates, returns and customer loyalty programs

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

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 was appropriate in the prior period as, at that time, Mayne Pharma had significant influence and not control of HPPI. During the current year, an updated analysis was performed as a result of Mayne's additional investment and changes to the management function of HPPI. This updated analysis concluded that Mayne had gained control of HPPI with effect from 15 May 2015.

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 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 Group has recognised an earn-out liability incurred as part of the acquisition of the BAC capsule distribution rights. The earn-out is payable quarterly based upon net sales and is payable for a period of three years.

The Group has also recognised an earn-out liability incurred as part of the acquisition of the Oxycodone distribution rights. The earn-out is payable quarterly based upon net sales and is payable for a period of two years.

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

Since the MPIPL acquisition, a provision has been reflected in the statement of financial position for the present value of anticipated costs for future restoration of the Salisbury site. The calculation of this provision requires assumptions such as application of environmental legislation, timing of restoration and cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

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

	2015 $'000	2014 $'000
Interest received	355	251
Rental from excess office space	174	167
Provisional gain on restatement of HPPI investment and warrants	3,951	-
Net gain on foreign exchange	2,257	7
Other	183	-
	6,920	425

NOTE 5 – FAIR VALUE MEASUREMENT

	2015 $'000	2014 $'000
Movement in undiscounted fair value of earn-out liabilities	2,235	(4,276)
Change in fair value attributable to the unwinding of the discounting of the earn-out liabilities	788	1,141
	3,023	(3,135)

The movement in the undiscounted fair value of earn-out liabilities of $2,235,000 is a non-cash charge / (credit) 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™, ESGIC™/LORCET™, BAC capsule and Oxycodone 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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Assets				
Warrants (options) - HPPI	1,267	392	1,267	392
Cash and short-term deposits	59,201	14,813	59,201	14,813
Liabilities				
Earn-out liability - Hospira	6,500	6,543	6,500	6,543
Earn-out liability - Libertas' former shareholder	2,402	2,496	2,402	2,496
Earn-out liability - ZEBUTAL™	610	568	610	568
Earn-out liability – ESGIC™ & LORCET™	1,985	1,652	1,985	1,652
Earn-out liability – BAC capsule	1,536	-	1,536	-
Earn-out liability – Oxycodone	9,479	-	9,479	-
Interest-bearing syndicated loan	60,776	-	61,774	-
Interest-bearing term loan	-	46,971	-	48,753
Interest-bearing revolving loan	-	1,059	-	1,059

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

Warrants, at reporting date, represent options to purchase an additional 10,250,569 shares in HPPI at an exercise price of 8.78 US cents per share and options to purchase an additional 33,333,333 shares in HPPI at an exercise price of 7.5 US cents per share. In 2014 warrants represented options to purchase an additional 10,250,569 shares in HPPI at an exercise price of 8.78 US cents per share.

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 2015, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	LEVEL 2		LEVEL 3	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Financial Assets				
Warrants (options)	-	-	1,267	392
Financial Liabilities				
Earn-out liability – Hospira	-	-	6,500	6,543
Earn-out liability - Libertas' former shareholder	-	-	2,402	2,496
Earn-out liability - ZEBUTAL™	-	-	610	568
Earn-out liability – ESGIC™ & LORCET™	-	-	1,985	1,652
Earn-out liability – BAC capsule		-	1,536	-
Earn-out liability – Oxycodone		-	9,479	-
Deferred consideration – Methamphetamine ANDA and distribution rights	-	-	9,142	-
Interest-bearing loans	60,776	48,030	-	-

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:

	2015 $'000	2014 $'000
Opening balance	11,259	13,141
Additional earn-out liabilities recognised for acquisitions made during current year	27,053	4,544
Fair value movement (refer Note 5)	3,023	(3,135)
Amounts settled	(13,076)	(3,291)
Restatement of foreign currency balances	3,395	-
Closing Balance	31,654	11,259

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%	7% increase / (decrease) in share price volatility would result in increase / (decrease) in fair value by $95,000
		Share price	5.15 cents	5% increase / (decrease) in share price would result in increase / (decrease) in fair value by $101,000.
Earn-out liability Hospira	DCF method	Forecast sales of relevant products		The maximum payable for the final year of the Hospira earn-out has been accrued. It is unlikely any future changes to sales, the exchange rate or discount rate will impact the amount payable.
		Exchange rate USD/AUD	0.78	
		Discount rate	8%	
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 $21,000
Earn-out liability ZEBUTAL™	DCF method	Net sales		5% increase / (decrease) in net sales would result in increase / (decrease) in fair value by $18,000
		Discount rate	8%	1% increase / (decrease) in discount rate would result in (decrease) / increase in fair value by $7,000
Earn-out liability ESGIC™ & LORCET™	DCF method	Net sales		As the earn-out is subject to a dollar cap with no time limit, an increase / (decrease) in net sales only impacts the timing of payments, not the amount which will be paid.
		Discount rate	8%	1% increase / (decrease) in discount rate would result in (decrease) / increase in fair value by $39,000

NOTE 6 – EXPENSES

	2015 $'000	2014 $'000
Finance costs		
Interest expense	3,936	3,905
Amortisation of borrowing costs	411	444
Write-off of unamortised borrowing costs related to borrowing facilities repaid during the period	1,598	-
	5,945	4,349
Depreciation[1]	4,975	4,925
Employee benefits expense[2]		
Wages and salaries	46,015	38,565
Superannuation expense	2,564	2,171
Other employee benefits expense	2,821	5,018
Total employee benefits	51,400	45,754
Other expenses		
Share-based payments	1,822	1,406
Establishment costs for Speciality Brands Division	4,510	-
	6,332	1,406

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 $658,000 of acquisition costs relating to the US Doryx™ and HPPI acquisitions were expensed. In the prior period, expenditure of $814,000 relating to the Libertas, HPPI, ZEBUTAL™ and ESGIC™ & LORCET™ acquisitions were expensed.

NOTE 7 – AUDITOR'S REMUNERATION

	2015 $	2014 $
Amounts received or due and receivable by EY Australia for		
Audit and review of financial statements	372,800	341,000
Non-audit services		
Tax compliance services	61,367	92,000
Tax advisory services	-	36,000
Acquisition accounting audit	30,750	6,000
Other Assurance	31,000	36,000
	495,917	511,000

	2015 $	2014 $
Non-audit services services amounts received or due and receivable from member firms related to EY Australia		
Tax compliance and advisory services	129,017	74,082

	2015 $	2014 $
Non EY Auditors		
Audit and review of financial statements	215,625	180,869
Tax compliance services	-	-
Other Assurance	27,775	14,751
	243,400	195,620

NOTE 8 – INCOME TAX

A. The major components of income tax expense are:

	2015 $'000	2014 $'000
Income tax expense		
Current income tax	(7,130)	(6,067)
Adjustment in respect of current income tax of previous years	235	1,388
Deferred income tax	3,189	(2,053)
Income tax expense in the consolidated statement of profit or loss and other comprehensive income	(3,706)	(6,732)
Deferred income tax benefit/(expense) included in income tax expense comprises		
Increase in deferred tax assets	6,358	1,457
(Increase) in deferred tax liabilities	(3,169)	(3,510)
	3,189	(2,053)

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

	2015 $'000	2014 $'000
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:		
Profit/(loss) before income tax	11,243	28,022
Prima facie tax benefit/(expense) at 30%	(3,373)	(8,408)
Effect of R&D concessions	401	824
(Under) / over provision in respect of prior years	(141)	1,388
Recognition of DTA for share based payments	377	-
Non-deductible expenses for tax purposes		
Share-based payments	(51)	(268)
Acquisition costs	(176)	(244)
Adjustments relating to earn-out liabilities	(121)	120
Share of associate loss	(297)	(2)
Amortisation intangibles	(861)	-
Other non-deductible expenses	(64)	(7)
Non assessable income	312	-
Tax loss not recognised	(113)	-
Restatement of deferred tax balances due to change in US tax rate	39	582
Effect of higher tax rate in USA	477	(429)
US State taxes	(138)	(476)
US Domestic production activity deduction	23	188
Income tax expense	(3,706)	(6,732)

C. Recognised deferred tax assets and liabilities

	2015 $'000	2014 $'000
Deferred tax assets		
Intangible assets	2,023	2,164
Provisions	2,138	2,096
Other		
Payables	5,344	949
Unrealised foreign exchange losses	-	61
Inventory	3,466	649
Investment in associate	-	873
Employee share options	1,952	246
Equity raising costs	1,699	880
US state taxes	731	270
Earn-out liability	766	83
	13,958	4,011
	18,119	8,271

	2015 $'000	2014 $'000
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Assets	18,119	8,271
Set off of Deferred Tax Liabilities that are expected to reverse in the same period	(8,550)	(6,946)
Net Deferred Tax Assets [1]	9,569	1,325

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

	INTANGIBILE ASSETS $'000	PROVISIONS $'000	OTHER $'000	TOTAL $'000
Deferred tax asset movements				
Balance at 1 July 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)
Balance at 30 June 2014	2,164	2,096	4,011	8,271
Credit / (charge) to profit/loss	(141)	(183)	6,682	6,358
Credit direct to equity	-	-	2,635	2,635
Restatement of foreign currency balances	-	225	630	855
Acquisition of subsidiary	-	-	-	-
Balance at 30 June 2015	2,023	2,138	13,958	18,119

	2015 $'000	2014 '000
Deferred tax liabilities		
Property, plant and equipment	4,680	4,309
Intangible assets	40,340	22,252
Other		
Unrealised foreign exchange gains	601	-
Inventory	19	12
US State taxes	4,171	2,158
	92	-
	4,883	2,170
	49,903	28,731
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Liabilities	49,903	28,731
Set off of Deferred Tax Assets that are expected to reverse in the same period	(8,550)	(6,946)
Net Deferred Tax Liabilities[1]	41,353	21,785

	PROPERTY PLANT EQUIPMENT $'000	INTANGIBLE ASSETS $'000	OTHER $'000	TOTAL $'000
Deferred tax liability movements				
Balance at 1 July 2013	4,739	18,518	1,766	25,023
Charge 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
Charge / (credit) to profit/loss	(103)	1,138	2,133	3,169
Restatement of foreign currency balances	474	5,123	580	6,177
Acquisition of subsidiary	-	11,827	-	11,827
Balance at 30 June 2015	4,680	40,340	4,883	49,903

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

	2015	2014
Earnings per share for profit attributable to the ordinary equity holders of the Parent:		
Basic earnings per share	1.18 cents	3.72 cents
Diluted earnings per share	1.15 cents	3.60 cents

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

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

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

	2015 $'000	2014 $'000
For basic earnings per share		
Net profit attributable to equity holders of Mayne Pharma	7,759	21,290
For diluted earnings per share		
Net profit attributable to equity holders of Mayne Pharma	7,759	21,290

	2015 '000	2014 '000
Weighted average number of ordinary shares for basic earnings/(loss) per share	655,016	571,893
Effect of dilution:		
Share options and LTI shares	19,871	19,465
Weighted average number of ordinary shares adjusted for the effect of dilution	674,887	591,358

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:

	2015 '000	2014 '000
Number of potential ordinary shares	3,200	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

	2015 $'000	2014 $'000
Current		
Trade receivables	60,993	26,555
Trade receivables – profit share	1,544	2,256
Provision for impairment	(22)	(59)
Other receivables	2,143	1,053
	64,657	29,805

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

	NOT PAST DUE NOR IMPAIRED WITHIN TERMS $'000	OVERDUE AND NOT IMPAIRED 0-30 DAYS OVERDUE $'000	OVERDUE AND NOT IMPAIRED 30+ DAYS OVERDUE $'000	TOTAL $'000
Trade receivables 30 June 2015	54,135	8,025	355	62,515
Trade receivables 30 June 2014	26,201	289	6	26,496

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, $22,000 (2014; $59,000) of receivables were considered to be impaired.

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

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

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

NOTE 11 – INVENTORIES

	2015 $'000	2014 $'000
Raw materials and stores at cost	6,512	8,726
Work in progress at cost	2,901	1,823
Finished goods at lower of cost and net realisable value	13,031	6,687
	22,444	17,236

NOTE 12 – OTHER FINANCIAL ASSETS

	2015 $'000	2014 $'000
Current		
Restricted cash	366	297
Unbilled client service fees	596	483
Warrants	1,267	392
	2,229	1,172

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

At 30 June 2015, the balance for warrants represents options to acquire 10,250,569 common shares and 33,333,333 common shares in HPPI at exercise prices of 8.78 US cents per share and 7.5 US cents per share respectively. In the prior year, the warrants related solely to the options to acquire 10,250,569 common shares in HPPI 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

	2015 $'000	2014 $'000
Current		
Pre-payments	5,333	1,846
	5,333	1,846

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	LAND[1]	BUILDINGS[1]	PLANT AND EQUIPMENT	CAPITAL UNDER CONSTRUCTION	TOTAL
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2015					
Balance at beginning of year net of accumulated depreciation	8,280	23,758	20,157	1,214	53,409
Additions	-	291	3,143	713	4,147
Disposals	-	-	(66)	-	(66)
Depreciation charge for year	-	(898)	(4,078)	-	(4,976)
Foreign currency restatement	870	3,762	2,403	47	7,083
Balance at end of year net of accumulated depreciation	9,150	26,913	21,559	1,974	59,597
At 30 June 2015					
At cost	9,150	30,247	37,943	1,974	79,314
Accumulated depreciation	-	(3,333)	(16,384)	-	(19,717)
Net carrying amount	9,150	26,914	21,559	1,974	59,597
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 [1]	-	-	-	(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

Notes: 1. Transfer as additions to the respective completed class of property, plant and equipment.

NOTE 15 – INVESTMENT IN ASSOCIATE

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

	2015 $'000	2014 $'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%

	2015 $'000	2014 $'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 gained control of HPPI effective 15 May 2015. The results from operations below reflect the period from the beginning of the period up to the date control was gained. Results post gaining control are included in the appropriate line items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The prior period data only reflects the period from 25 June 2014 to 30 June 2014 as the Group acquired its interest in HPPI on 25 June 2014.

		2015 $'000	2014 $'000
Revenue		-	-
Expenses		(2,384)	(16)
Loss before income tax		(2,384)	(16)
Income tax		-	-
Net Loss after tax		(2,384)	(16)
Group's share of profit/(loss) for the period	**41.5%**	(990)	(6)
Group's share of other comprehensive income/(loss) for the period		1,528	(13)

At 30 June 2015 the Group holds 49.4% of the issued capital of HPPI (plus a total of 43,583,902 options) as well as having an active role in the operational activities of HPPI. From an accounting perspective, the Group is considered to control HPPI and therefore the Group has consolidated HPPI effective 15 May 2015. Refer note 32.

The assessment that the Group controls HPPI was based on changes to the function and form of HPPI's Joint Development Committee (JDC) and the Group providing a cash injection of U$2.5m in return for additional shares (and warrants) in HPPI.

As required by accounting standards, the Group restated the value of its investment in HPPI to its fair value with the difference between the book value and the fair value being recognised as a (non cash) gain ($4m) in the Statement of Profit or Loss and Other Comprehensive income.

In the prior period, the Group acquired its 41.5% interest in HPPI (as well as 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 was recognised in the prior year as (non-cash) license fee revenue ($4.5m in total).

Mayne Pharma has appointed one director to the HPPI board and two members to the JDC including the Chairperson who holds the casting vote on Committee matters. The HPPI CEO is a member of the JDC but acts in accordance with instructions from the JDC on clinical and product development activities. Development and clinical trial activities are currently the major activity of HPPI and the results of these activities will influence future returns. 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 Phama'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, CUSTOMER RELATIONSHIPS, PRODUCT RIGHTS AND INTELLECTUAL PROPERTY	DEVELOPMENT EXPENDITURE	MARKETING & DISTRIBUTION RIGHTS	TRADE NAMES	OTHER	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2015							
Balance at beginning of year net of accumulated amortisation	47,476	29,450	33,438	27,078	3,673	-	141,115
Additions	-	6,824	13,461	25,497	63,775	-	109,557
Acquisition of subsidiary[1] (refer note 32)	-	-	-	-	-	31,122	31,122
Amortisation	-	(4,602)	(442)	(289)	(3,098)	(98)	(8,529)
Impairments	-	-	(1,278)	-	-	-	(1,278)
Foreign currency restatement	10,960	6,937	6,383	4,360	834	1,499	30,973
Balance at end of year net of accumulated amortisation	58,436	38,609	51,562	56,646	65,183	32,523	302,960
As at 30 June 2015							
Cost	58,436	68,226	53,712	56,962	68,711	32,630	338,677
Accumulated amortisation	-	(29,617)	(832)	(316)	(3,527)	(107)	(34,399)
Accumulated impairments	-	-	(1,318)	-	-	-	(1,318)
Net carrying amount	58,436	38,609	51,562	56,646	65,184	32,523	302,960
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

1. The acquisition of subsidiary amount is classified as Other Intangibles. These additions are provisional in amount and classification as no reasonable classification could be performed due to the timing of the acquisition. The split between intangible asset categories for these additions will be determined prior to 30 June 2016.

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 was amortised over six years through to 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 represented the value attributed to an intellectual property royalty arrangement that was amortised over the six years 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 were amortised over their useful lives on a diminishing value basis. As at 30 June 2015, these assets have been fully amortised.

Arising on the acquisition of Metrics, Inc

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 Pharma, Inc

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.

Arising on the acquisition of HPPI

Following the business combination in May 2015, intellectual property of $31,123,000 has been provisionally recognised.. The valuation was undertaken using discounted cash flow (DCF) models. Key parameters included a discount rate of 20% and a corporate tax rate of 38%. The cash flows have also been risk adjusted. These intangible assets have been preliminary assessed as having finite useful lives and are being amortised over their useful lives which has been assessed as ten years.

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 11% (2014: 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 $13,461,000 has been capitalised during the 2015 financial year:

- Forty 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.

Several development projects were assessed to be impaired during the year due to changes in market conditions for the relevant products. The total value of the impairments recorded was $1,278,000 and this amount is included in Research and development expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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.

Arising on the Doryx acquisition

On 23 February 2015, Mayne Pharma acquired the Doryx tradename and related assets from Actavis plc for $63,775,000. The assets have been assessed to have a finite life even though the product has had a strong presence in the market for many years and has continued growth prospects. These assets are being amortised over 10 years and will be subject to impairment testing using a value in use calculation using approved five year cash flow projections with terminal values.

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.

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%.

BAC and Methamphetamine
In December 2014, the Group entered into agreements to acquire the BAC capsule ANDA and full ownership of the Methamphetamine tablet ANDA. 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.

The total value of intangible assets acquired was $20,643,000. 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 included upfront payments, deferred and contingent consideration (earn-out). The fair value was determined using the DCF method. The earn-out is to be paid on a quarterly basis over three years. Refer Note 19.

The initial parameters used for assessment which resulted in no impairment were an average earnings growth rate of 3% over the first five years with 3% growth for future periods, WACC of 14.5% and a corporate tax rate of 35%.

Oxycodone
Effective 1 May 2015, the Group effectively cancelled a third party's distribution rights for three Oxycodone products. The distribution agreement had various termination dates based on ten years from the product launch date. The average life of the product distribution rights was approximately five years.

The total value of intangible assets acquired was $9,478,000. The assets have been assessed to have a finite life based on the distribution agreement of five years. 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 US$1,870,000 was paid in July 2015. At acquisition date, the fair value of the contingent consideration (earn-out) was estimated to be $7,036,000. The fair value was determined using the DCF method. The earn-out is to be paid on a quarterly basis over two years and is determined as a percentage of net sales. 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, WACC of 14.0% and a corporate tax rate of 35%.

NOTE 17 – TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Current		
Trade payables	51,572	7,131
Other payables	8,408	9,945
	59,980	17,076

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

	2015 $'000	2014 $'000
Current		
MidCap term loan	-	2,807
Borrowing costs (net of amortisation)	-	(433)
	-	2,374

	2015 $'000	2014 $'000
Non-current		
Syndicated loan	61,774	-
Borrowing costs (net of amortisation)	(998)	-
Lease liabilities	980	-
Revolving loan (USD 1.0m)	-	1,059
MidCap term loan	-	45,946
Borrowing costs (net of amortisation)	-	(1,349)
	61,756	45,656

The syndicated loan facility provided by Westpac and National Australia Bank (NAB) is a five year loan effective from 24 June 2015 for an initial amount of US$47.3m. This facility has a limit of US$125 million and can be drawn down in either USD or AUD with USD expected to be the major currency drawn down.

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

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

At 30 June 2015, the interest rate was 1.94405%.

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

In the prior year, 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 was a facility of US$4,000,000 and also provided for a term of five years. The loans were subject to certain covenants.

The term loan and revolving facility were 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 restricted Metrics from making specified distributions to Mayne.

The term loan interest was payable monthly based on LIBOR (with a minimum floor rate of 1%) plus the applicable margin. The applicable margin was based on total debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) ratio (of Metrics) as defined. At the date of repayment, the interest rate was 6.75%.Interest on the revolving loan was payable monthly based on LIBOR (with a minimum floor rate of 1%) and the applicable margin is as defined for the term loan. In addition, an unused line fee was payable monthly in arrears based on the unused portion of the facility at the rate of 0.75% per annum.

Loan maturities are summarised as follows:

	2015 $'000	2014 '000
Current	-	2,807
Non-current	61,774	47,005
	61,774	49,812
Due by 30 June 2015	-	2,807
Due by 30 June 2016	-	3,860
Due by 30 June 2017	-	5,265
Due by 30 June 2018	-	37,880
Due by 30 June 2019	-	-
Due by 30 June 2020	61,774	-
	61,774	49,812

In the prior year, Metrics assets were pledged as security for the term loan and revolving facility. This security was released on repayment of the facility in the current year.

There were no defaults or breaches on any loans during the year ended 30 June 2015.

A $5,000,000 Floating Rate Bill facility was in place during the previous period. The facility was terminated and replaced with the working capital facility.

In the prior year, a Registered Mortgage Debenture over the Closed Group's assets including goodwill had been provided to the one of the Group's Australian banker. A first registered mortgage over property situated at 1538 Main North Rd, Salisbury South, South Australia was also held. This security was discharged 24 June 2015.

NOTE 19 – OTHER FINANCIAL LIABILITIES

	2015 $'000	2014 $'000
Current		
Earn-out liability – Hospira	6,500	2,868
Earn-out liability - Libertas' former shareholder	1,159	587
Earn-out liability – ZEBUTAL™ acquisition	148	168
Earn-out liability – ESGIC™ and LORCET™ acquisition	442	330
Earn-out liability – Alphagen	854	-
Earn-out liability – Oxycodone	6,095	-
Deferred consideration - BAC ANDA	2,471	-
Deferred consideration – Methamphetamine ANDA and distribution rights	9,142	-
	26,811	3,953
Non-current		
Earn-out liability – Hospira	-	3,675
Earn-out liability - Libertas' former shareholder	1,244	1,909
Earn-out liability – ZEBUTAL™ acquisition	462	400
Earn-out liability – ESGIC™ and LORCET™ acquisition	1,543	1,322
Earn-out liability – Alphagen	682	-
Earn-out liability – Oxycodone	3,381	-
	7,312	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 include a charge representing the unwinding of the discounting of the earn-out liabilities of $789,000 (2014: $1,141,000) 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 $6,500,000 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 $17,962,000 including $2,799,000 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$0.78:A$1.00 for the balance of the earn-out period.

The earn-out has been re-assessed during the financial year with an increase to the fair value for the net present value of estimated future payments of $2,235,000 recognised in the statement of profit or loss and other comprehensive income (2014: reduction to the fair value $4,276,000).

The consolidated entity has recognised a balance of $2,402,000 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 2015 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 2015 with no change to the fair value for the net present value of estimated future payments recognised since acquisition. The maximum payable over the term of the earn-out is U$2,480,000.

The consolidated entity has recognised at reporting date a total of $610,000 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 2015 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 $1,985,000 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 2015 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 $1,536,000 in relation to the earn-out liability incurred as part of the acquisition of the BAC capsules distribution and related assets. The earn-out is payable quarterly based upon net sales for a period of three years. The earn-out was re-assessed at 30 June 2015 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 $9,479,000 in relation to the earn-out liability incurred as part of the acquisition of the Oxycodone distribution rights. The earn-out is payable quarterly based upon net sales for a period of two years. The earn-out has not been re-assessed since acquisition in May 2015.

The consolidated entity has recognised at reporting date a total of $9,142,000 in relation to the deferred consideration as part of the acquisition of the Methamphetamine distribution rights. The deferred consideration is payable in two instalments due in September 2015 (U$ 4 million) and February 2016 (U$ 3 million) with the last instalment contingent on market factors. The Group expects the full amount to be paid.

NOTE 20 – PROVISIONS

	2015 $'000	2014 $'000
Current		
Employee benefits	6,523	6,581
Non-Current		
Employee benefits	815	984
Restoration	430	436
	1,245	1,420

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	436	465
Utilised during the year	(6)	(29)
Balance at end of year	430	436

The outflows are expected to occur over twenty years.

NOTE 21 – CONTRIBUTED EQUITY

A. Movements in contributed equity

	2015 NUMBER	2014 NUMBER	2015 $'000	2014 $'000
Balance at beginning of year	586,651,477	562,956,475	137,498	118,302
Issued during the year:				
US Doryx™ and selected generic product acquisition funding[1]	188,890,338	-	114,352	-
ESGIC™ and LORCET™ acquisition funding[2]	-	22,641,509	-	17,532
Libertas acquisition consideration	-	503,593	-	217
Libertas earn-out consideration	314,002	-	227	-
Product rights acquisition consideration	1,420,119	-	918	-
Tax effect of previously recognized share issue costs	-	-		1,198
Tax effect of employee share options	-	-	1,261	-
Options exercised	3,730,000	550,000	1,578	249
Shares issued to KMP (restricted)[3]	5,748,595	-	-	-
Balance at end of year	786,754,531	586,651,477	255,834	137,498

Notes:
1. Shares issued are net of $3,207,000 of equity raising costs (net of income tax).
2. Shares issued are net of $468,000 of equity raising costs.
3. The shares were granted under the LTI arrangement (and are subject to risk of forfeiture)

B. Terms and conditions of contributed equity

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

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

C. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the Company's strategy. To maintain or adjust the capital structure, the Company may return capital to shareholders or issue new shares. During the year ended 30 June 2015 the Company issued new shares and refinanced the available debt facilities. No changes were made in the objectives, policies or processes during the years ended 30 June 2015 and 30 June 2014.

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

	2015 $'000	2014 $'000
Trade and other payables	59,980	17,076
Interest-bearing borrowings	61,756	48,030
Less cash and cash equivalents	(59,201)	(14,813)
Net debt	62,535	50,293

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

NOTE 22 – RESERVES

	2015 $'000	2014 $'000
Share-based payments reserve	3,230	1,922
Foreign currency translation reserve	27,631	3,438
	30,861	5,360

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.

	2015 $'000	2014 $'000
Balance at beginning of year	1,922	618
Share-based payments expense	1,822	1,406
Transfer to contributed equity on exercise of options	(514)	(102)
Balance at end of year	3,230	1,922

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

	2015 $'000	2014 $'000
Balance at beginning of year	3,438	6,843
Foreign exchange translation differences	24,193	(3,405)
Balance at end of year	27,631	3,438

NOTE 23 – RETAINED EARNINGS / (ACCUMULATED LOSSES)

	2015 $'000	2014 $'000
Retained earnings/(Accumulated losses) at the beginning of the period	16,416	(4,874)
Net profit/(loss) attributable to members	7,759	21,290
Retained earnings at the end of the period	24,175	16,416

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, 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 (USP)

The US 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 (MCS)

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	ELIMINATIONS AND ADJUSTMENTS $'000	TOTAL CONSOLIDATED $'000
Year ended 30 June 2015						
Sale of goods	67,665	-	49,353	117,018	(20,702)	96,316
Services income	-	33,793	9,721	43,514	-	43,514
License fee revenue	-	-	494	494	-	494
Royalty income	-	-	1,096	1,096	-	1,096
Revenue	67,665	33,793	60,664	162,122	(20,702)	141,420
Cost of sales	(31,490)	(16,760)	(26,469)	(74,719)	13,286	(61,433)
Gross profit	36,175	17,033	34,195	87,403	(7,416)	79,987
Other income						6,920
Amortisation of intangible assets						(8,527)
Fair value movement in earn-out liability						(3,023)
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)						(64,114)
Profit before income tax						11,243
Income tax expense						(3,706)
Net Profit for the period						7,537

The combined revenue from the largest customer from each segment was $27,927,000 for the year ended 30 June 2015.

	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

Geographical information

Revenue from external customers	2015 $'000	2014 $'000
Australia	23,369	23,071
United States	109,932	112,565
Korea	4,014	4,338
Europe	1,837	648
Other	2,268	2,632
Total external revenue	141,420	143,254

Non-current assets	2015 $'000	2014 $'000
Australia	111,671	47,438
United States	250,886	147,082
Total non-current assets	362,557	194,520

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

Product information

Revenue by product group / service	2015 $'000	2014 $'000
Contract Services	9,721	9,796
Analytical & Formulation	33,793	28,394
Oral & Other Pharmaceuticals	96,810	103,991
Other revenue	1,096	1,073
Total external revenue	141,420	143,254

NOTE 25 – NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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:

	2015 $'000	2014 $'000
Cash at bank and in hand	59,201	14,813

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

	2015 $'000	2014 $'000
Net profit after income tax	7,537	21,290
Adjustments for:		
Depreciation	4,975	4,925
Amortisation of intangibles and borrowing costs	10,536	5,378
Share-based payments	1,822	1,406
Movement in earn-out liability	3,023	(3,135)
Asset impairments	1,278	-
Forward exchange contract mark to market adjustments	-	(216)
Provisional gain on restatement of HPPI investment and warrants	(3,951)	-
Share of associate loss	990	6
Net foreign exchange differences	(2,254)	20
Changes in assets and liabilities		
(Increase in receivables	(30,265)	(4,013)
(Increase) in inventories	(2,458)	(3,407)
(Increase) in prepayments	(3,244)	(698)
(increase) in investment in associate and related warrants	-	(4,482)
(Increase)/decrease in deferred tax assets	(6,358)	(374)
Increase in creditors	38,955	5,036
(Decrease) / increase in provisions	(657)	1,072
Increase in current and deferred tax liabilities	2,491	3,328
Net cash from operating activities	22,420	26,136

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	
		2015	2014	2015	2014
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	63,585	62,707
Libertas Pharma, Inc[2]	United States	100	100	3,528	3,528
Mayne Pharma Ventures Pty Ltd	Australia	100	100	-	-
Mayne Pharma Ventures LLC[1]	United States	100	100	-	-
Swan Pharmaceuticals LLC[1]	United States	100	-	-	-
Tiger Pharmaceuticals LLC[1]	United States	100	-	-	-
HedgePath Pharmaceuticals LLC[2,3]	United States	49.4	-	10,778	-
				117,096	105,440

Notes: 1. Dormant subsidiaries.
1. Refer note 32 for details of the business combination.
2. The Group held 41.5% interest in HPPI at 30 June 2014 and accounted for the investment as an Investment in Associate at 30 June 2014.

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

Portion of equity interest held by non-controlling interest:

	COUNTRY OF INCORPORATION	% EQUITY INTEREST 2015	2014
HedgePath Pharmaceuticals LLC	United States	50.6	-

Summarised statement of profit or loss for period ended 30 June 2015

	HPPI 2015 $'000
Revenue	-
Cost of sales	-
Research and development expenses	168
Administration expenses	127
Depreciation and amortisation	98
Other expenses	82
Loss before tax	(475)
Income tax benefit	37
Loss after tax	(438)
Other Comprehensive income	1,024
Total Comprehensive income	586
Attributable to non-controlling interests	293

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

Summarised statement of financial position as at 30 June 2015

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

B. Ultimate parent

Mayne Pharma Group Limited is the ultimate parent entity.

C. Key management personnel (KMP)

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

D. Transactions with related parties

The Company had no other transactions with KMP or other related parties during the financial years ended 30 June 2015 or 30 June 2014.

Amounts owing to Directors, Director-related parties and other related parties at 30 June 2015 and 30 June 2014 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 – Non-Executive Director
- Mr Bruce Mathieson – Non-Executive Director
- Mr Ian Scholes – Non-Executive Director
- Prof Bruce Robinson - Non-Executive Director (appointed 26 August 2014)

Other key management personnel consisted of:

- Mr Mark Cansdale – Group Chief Financial Officer and Company Secretary
- Mr Stefan Cross – President of Mayne Pharma USA
- Dr Ilana Stancovski – Chief Scientific Officer (appointed 1 September 2014).

ii. Compensation of key management personnel

	2015 $'000	2014 $'000
Short-term employee benefits	2,655,593	2,235,654
Post-employment benefits	132,267	102,223
Long-term benefits	28,023	19,873
Share-based payments	810,150	609,692
	3,626,033	2,967,442

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:

	2015 $'000	2014 $'000
Expense arising from equity-settled share-based payment transactions	1,626	1,065
Option modifications	196	341
	1,822	1,406

Share Options granted to employees

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

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

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

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

	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.

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 2015 (2014: nil).

Employee share option plan (ESOP)

An employee share option plan is in place where Directors and employees of the Company may be issued with options over the ordinary shares of Mayne Pharma Group Limited. Shareholders 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 19 AUGUST 2014			OPTIONS GRANTED 19 AUGUST 2014			OPTIONS GRANTED 19 AUGUST 2014		
	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of options over shares	120,000	180,000	300,000	120,000	180,000	300,000	200,000	300,000	500,000
Monte Carlo Simulation model fair value	$0.145	$0.180	$0.210	$0.175	$0.217	$0.246	$0.145	$0.187	$0.218
Share price at grant date	$0.825	$0.825	$0.825	$0.825	$0.825	$0.825	$0.825	$0.825	$0.825
Exercise price	$0.912	$0.912	$0.912	$0.882	$0. 882	$0. 882	$0.930	$0.930	$0.930
Expected volatility	50%	50%	50%	50%	50%	50%	50%	50%	50%
Expected option life	3.0yrs	3.4yrs	3.7yrs	3.3yrs	3.6yrs	3.9yrs	3.3yrs	3.7yrs	4.0yrs
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	2.89%	2.89%	2.89%	2.89%	2.89%	2.89%	2.89%	2.89%	2.89%

	OPTIONS GRANTED 19 AUGUST 2014			OPTIONS GRANTED 19 AUGUST 2014			OPTIONS GRANTED 19 AUGUST 2014
	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3	CLIFF
Number of options over shares	80,000	120,000	200,000	120,000	180,000	300,000	200,000
Monte Carlo Simulation model fair value	$0.150	$0.193	$0.224	$0.190	$0.233	$0.264	$0.282
Share price at grant date	$0.825	$0.825	$0.825	$0.825	$0.825	$0.825	$0.825
Exercise price	$0.923	$0.923	$0.923	$0.880	$0.880	$0.880	$0.855
Expected volatility	50%	50%	50%	50%	50%	50%	50%
Expected option life	3.3yrs	3.7yrs	4.0yrs	3.5yrs	3.8yrs	4.1yrs	4.0yrs
Dividend yield	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	2.89%	2.89%	2.89%	2.89%	2.89%	2.89%	2.89%

	OPTIONS GRANTED 29 JANUARY 2015			OPTIONS GRANTED 29 JANUARY 2015		
	TRANCHE 1	TRANCHE 2	TRANCHE 3	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of options over shares	120,000	180,000	300,000	540,000	810,000	1,350,000
Monte Carlo Simulation model fair value	$0.0738	$0.0997	$0.1231	$0.1525	$0.1883	$0.2126
Share price at grant date	$0.592	$0.592	$0.592	$0.592	$0.592	$0.592
Exercise price	$0.7390	$0.7390	$0.7390	$0.6290	$0.6290	$0.6290
Expected volatility	50%	50%	50%	50%	50%	50%
Expected option life	3.3yrs	3.7yrs	4.0yrs	3.4yrs	3.8yrs	4.1yrs
Dividend yield	0%	0%	0%	0%	0%	0%
Risk-free rate	2.07%	2.07%	2.07%	2.07%	2.07%	2.07%

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 6,700,000 options were issued during the 2015 year under the ESOP. A total of 4,400,000 options were issued during the year ended 30 June 2014.

	2015 NUMBER OF OPTIONS	2015 WEIGHTED AVERAGE EXERCISE VALUE $	2014 NUMBER OF OPTIONS	2014 WEIGHTED AVERAGE EXERCISE VALUE $
Balance at beginning of year	28,150,000	0.3660	26,000,000	0.3251
Granted during the year	6,700,000	0.7871	4,400,000	0.6102
Exercised during financial year	(3,730,000)	0.2853	(550,000)	0.2678
Forfeitures	(2,600,000)	0.3267	(1,700,000)	0.3300
Balance at end of year	28,520,000	0.4599	28,150,000	0.3660

The weighted average fair value of options granted during the year was $0.7871 (2014: $0.6102).

All option plans have no cash settlement for options.

Option modification

The exercise price for all options on issue under the ESOP were changed in accordance with ASX Listing Rule 6.22 following the Company's pro-rata entitlements issue announced in February 2015. Inputs for revaluing the unvested options were as follows:

Number of options over shares (unvested) at date of change	21,740,000
Share price at revaluation date	$0.935
Expected volatility	50%
Dividend yield	0%
Risk-free rate	2.05%

A total of 5,610,000 options had vested and were exercisable at the time of the exercise price change. The change in the intrinsic value for exercisable options was considered to be equal to the change in the exercise price (ie change $0.0173 cents per option).

The modification resulted in an expense value greater than the pre-modification expense value of $149,808 for the unvested options and as such the expense amount was changed with this additional amount to be expensed over the remaining life of the options. The modification of the vested options resulted in additional expense of $97,053 which was expensed in the current year.

Chief Executive Officer Share Option Plan (CEOSOP)

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

Each CEO share option converts to one ordinary share in Mayne Pharma Group Limited upon exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to seven years after the Grant Date (13 February 2019) subject to the terms and conditions outlined in the plan, including Share Price hurdles ranging from $0.74 to $1.19 (previously share price hurdles were $0.74 to $1.29), Service and Share Gateway conditions also apply.

The options were issued in three tranches:

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

	2015 NUMBER OF OPTIONS	2015 WEIGHTED AVERAGE EXERCISE PRICE $	2014 NUMBER OF OPTIONS	2014 WEIGHTED AVERAGE ERERCISE PRICE $
Balance at beginning of year	7,500,000	0.2435[1]	7,500,000	0.2608
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Balance at end of year	7,500,000	0.2435	7,500,000	0.2608

Note: 1. The weighted average exercise price of the CEOSOP options changed during the year as a result of the application of ASX Listing Rule 6.22 following the Company's entitlement offer announced in February 2015.

There were no option issues under the CEOSOP during the year (2014: 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 February 2015, the exercise price was reduced in accordance with ASX listing Rule 6.22 and the hurdle price of the options was adjusted in accordance with a special resolution passed at the Company's 2013 AGM.

As a result, the options were revalued as follows:

	OPTIONS ISSUED FEBRUARY 2012, REVALUED
	TRANCHE 3
Number of options over shares	3,500,000
Pre-modification Monte Carlo Simulation model fair value	$0.5820
Post-modification Monte Carlo Simulation model fair value	$0.6086
Share price at revaluation date	$0.9350
Vesting hurdle - original	$1.29
Vesting hurdle - modified	$1.19
Exercise price - original	$0.2608
Exercise price - modified	$0.2435
Expected volatility	50%
Expected option life	2.9yrs
Dividend yield	0%
Risk-free rate	2.05%

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

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

Shares granted to employees

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

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

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

Under the LTI plan, eligible senior management are provided with non-recourse loans from the Group for the sole purpose of acquiring shares in the Group. The shares are granted upfront based on the five day volume weighted average price, and remain restricted and subject to risk of forfeiture until the end of the vesting/performance period and while the loan remains outstanding, with any unvested/unexercised shares lapsing after 61 months after grant.

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

The shares generally vest over three years with 20% vesting after 12 months, 30% after 24 months and 50% vesting after 36 months, other than those issued to the CEO, of which 100% only vest after 36 months if the hurdles are met.

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

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

	OPTIONS GRANTED 8 SEP 2014			OPTIONS GRANTED 4 DEC 2014	OPTIONS GRANTED 2 FEBRUARY 2015		
	TRANCHE 1	TRANCHE 2	TRANCHE 1	CLIFF	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number of options over shares	218,413	327,619	546,031	3,823,529	166,601	249,901	416,501
Monte Carlo Simulation model fair value	$0.315	$0.315	$0.315	$0.221	$0.2521	$0.2521	$0.2521
Share price at grant date	$0.7550	$0.7550	$0.7550	$0.5950	$0.6250	$0.6250	$0.6250
Exercise price	$0.7636	$0.7636	$0.7363	$0.6815	$0.6163	$0.6163	$0.6163
Expected volatility	50%	50%	50%	50%	50%	50%	50%
Expected option life	5yrs	5yrs	5yrs	5yrs	5yrs	5yrs	5yrs
Dividend yield	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	2.98%	2.98%	2.98%	2.55%	2.04%	2.04%	2.04%

NOTE 29 – PARENT ENTITY DISCLOSURES

Financial position

	2015 $'000	2014 $'000
Assets		
Current assets	31,968	12,573
Non-current assets	258,679	108,504
Total assets	290,647	121,077
Liabilities		
Current liabilities	9,257	3,466
Non-current liabilities	63,539	15,490
Total liabilities	72,796	18,956
Net assets	217,851	102,121
Equity		
Issued capital	255,834	137,498
Reserves	3,148	1,922
Accumulated losses	(41,131)	(37,299)
Total equity	217,851	102,121

Financial performance

	2015 $'000	2014 $'000
Loss for the year	(3,832)	(1,837)
Other comprehensive income	-	-
Total comprehensive income	(3,832)	(1,837)

In the prior period, the parent entity guaranteed the borrowings of a subsidiary. Refer Note 18.
The parent entity has lease commitments of $1,415,000 (30 June 2014: $121,000).

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:

	2015 $'000	2014 $'000
Within one year	800	709
After one year but not more than five years	1,446	828
After five years	337	-
Total minimum lease payments	2,583	1,537

Capital Commitments

The Group had $158,000 of contractual obligations for the purchase of capital equipment as at 30 June 2015 (2014: $195,000).

B. Contingencies

In June 2015, the Company attended arbitration in Hong Kong regarding a dispute with a former distributor who is claiming loss of profits from an alleged breach of contract. The arbitrator's decision is expected in H1 FY16. The outcome of the arbitration is inherently uncertain and may result in a material adverse finding. The Company is vigorously defended 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 2015 (2014: nil).

Franking credit balance

	2015 $'000	2014 $'000
Opening balance	2,769	1,758
Franking credits arising from payments	615	1,156
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	1,811	379
Franking credits available for future reporting periods	5,195	3,148

NOTE 32 – BUSINESS COMBINATIONS

Control gained over entity during year ended 30 June 2015

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

As a result of gaining control, the Group consolidated HPPI from the effective date.

The total cost of the acquisition included the following –

	$'000
Book value of the HPPI equity accounted investment	4,615
Provisional gain/ (loss) on restating the book value of the equity investment to fair value	4,043
Additional capital invested	2,120
Total provisional value of consideration	10,778

The Group has provisionally 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 has not yet been completed as permitted under Australian Accounting Standards. The Group has 12 months from acquisition to complete this process. The intangible assets include intellectual property.

The provisional business combination accounting recognised is as follows:

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

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

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

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

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

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

Acquisition of Libertas in the year ended 30 June 2014

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 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, was 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 to 30 June 2014, Libertas 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.

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 retained earnings/accumulated losses for the year ended 30 June 2015 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	
	2015 $'000	2014 $'000
Continuing operations		
Sale of goods	49,353	45,381
Services revenue	9,721	9,796
License fee income	494	4,904
Royalties revenue	1,096	1,073
Revenue	**60,664**	**61,154**
Cost of sales	(26,468)	(29,850)
Gross profit	**34,196**	**31,304**
Other income	6,822	2,657
Research and development expenses	(2,199)	(2,175)
Distribution expenses	(978)	(1,202)
Marketing expenses	(3,186)	(2,964)
Regulatory affairs expenses	(1,289)	(1,154)
Amortisation expenses	(3,865)	(1,155)
Administration expenses	(9,629)	(10,177)
Finance costs	(68)	(11)
Other expenses	(862)	(1,588)
Fair value movement in earn-out liability	(2,829)	3,223
Acquisition costs	(658)	(814)
Profit before income tax	**15,455**	**15,944**
Income tax (expense)/benefit	(5,256)	(4,011)
Net profit from continuing operations after income tax	**10,199**	**11,933**
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period attributable to owners of the parent	**10,199**	**11,933**

	2015 $'000	2014 $'000
Retained earnings/(accumulated losses) at the beginning of the financial year	2,950	(8,983)
Profit for the period	10,199	11,933
Lapsed/expired options reclassified to retained earnings	-	-
Retained earnings at the end of the financial year	**13,149**	**2,950**

(b) Consolidated Statement of Financial Position

Set out below is a Consolidated Statement of Financial Position as at 30 June 2015 of the closed group consisting of the Company and MPIPL.

	CONSOLIDATED	
	2015 $'000	2014 $'000
Current assets		
Cash and cash equivalents	39,043	8,978
Trade and other receivables	5,187	12,943
Inventories	9,684	9,373
Income tax receivable	-	-
Other financial assets	-	-
Other current assets	409	697
Total current assets	**54,323**	**31,991**
Non-current assets		
Related party receivables	120,666	17,222
Investment in subsidiaries	67,112	66,234
Property, plant and equipment	22,595	22,637
Deferred tax assets	508	-
Intangible assets and goodwill	89,467	24,801
Total non-current assets	**300,348**	**130,894**
Total assets	**354,671**	**162,885**
Current liabilities		
Trade and other payables	6,833	5,272
Income tax payable	1,978	379
Other financial liabilities	7,659	3,455
Provisions	2,985	4,295
Total current liabilities	**19,275**	**13,401**
Non-current liabilities		
Interest-bearing loans and borrowings	60,776	-
Other financial liabilities	1,244	5,584
Deferred tax liabilities	-	110
Provisions	1,245	1,420
Total non-current liabilities	**63,265**	**7,114**
Total liabilities	**82,540**	**20,515**
Net assets	**272,131**	**142,370**
Equity		
Contributed equity	255,834	137,498
Reserves	3,148	1,922
Retained earnings/(accumulated losses)	13,149	2,950
Total equity	**272,131**	**142,370**

NOTE 34 – EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 5 August 2015 the Company announced the appointment of Peter Paltoglou as Executive Vice President of Corporate and Business Development. Mr Paltoglou commenced on 24 August and is considered to be part of key management personnel.

On 28 August 2015 the Company announced a major expansion of of its operations in Greenville, NC, USA to support projected growth of US Products and Metrics Contract Services.

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 2015 are in accordance with the Corporations Act 2001, including:

      (i) Giving a true and fair view of its financial position as at 30 June 2015 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 2015.

On behalf of the Board

Mr Scott Richards
Managing Director and CEO

Dated at Melbourne, Australia this 28th day of August 2015.

INDEPENDENT AUDITOR'S REPORT

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Building a better working world

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 2015, 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.

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 2015 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 23 to 30 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ashley C. Butler
Partner
Melbourne
28 August 2015

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 13 July 2015.

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	587	13.23%	206,427	0.03%	-	-
1,001 to 5,000	1,046	23.57%	2,959,737	0.38%	-	-
5,001 to 10,000	632	14.24%	4,867,631	0.62%	-	-
10,001 to 100,000	1,689	38.06%	59,536,131	7.57%	21	2,015,000
100,001 and over	484	10.91%	719,384,605	91.41%	51	33,805,000
Total	4,438	100.00%	786,954,531	100.00%	72	35,820,000

Included in the above total are 366 shareholders holding less than a marketable parcel of 508 shares.

OPTIONS

There are 35,820,000 options on issue held by 72 individual option holders. Options do not carry a right to vote.

TWENTY LARGEST HOLDERS OF QUOTED ORDINARY SHARES

	SHARES	% OF TOTAL
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	182,500,106	23.19
NATIONAL NOMINEES LIMITED	76,918,560	9.77
J P MORGAN NOMINEES AUSTRALIA LIMITED	62,194,651	7.90
MR BRUCE MATHIESON AND RELATED ENTITIES	56,463,080	7.17
CITICORP NOMINEES PTY LIMITED	25,096,482	3.19
UBS NOMINEES PTY LTD	21,903,018	2.78
BNP PARIBAS NOMS PTY LTD	16,878,247	2.14
RBC INVESTOR SERVICES AUSTRALIA NOMINEES P/L <WAM ACCOUNT>	13,892,372	1.77
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	12,470,000	1.58
R & JS SMITH HOLDINGS PTY LTD	12,007,289	1.53
MR SCOTT RICHARDS AND RELATED ENTITIES	7,413,896	0.94
IVL GROUP PTY LTD	6,943,979	0.88
MR WILLIAM HODGES AND RELATED ENTITIES	6,839,667	0.87
MR ROGER CORBETT AND RELATED ENTITIES	6,510,542	0.83
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	6,344,905	0.81
AMP LIFE LIMITED	6,172,104	0.78
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	5,632,999	0.72
WAL ASSETS PTY LTD	5,473,554	0.70
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	5,442,525	0.69
DR ROGER ASTON	4,856,304	0.62

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:

BT Investment Management Limited	7.3%
Westpac Banking Corporation	7.3%
Mr Bruce Mathieson and related entities	7.2%
Thorney International Pty Ltd	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.

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

Tikosyn™ is a registered trade mark of Pfizer Inc.

GLOSSARY

ANDA – Abbreviated New Drug Application. An application to market a generic drug in the USA. Generic drug applications are called "abbreviated" because they are generally not required to include preclinical (animal) and clinical (human) data to establish safety and effectiveness. Instead, a generic applicant must scientifically demonstrate that its product is bioequivalent (i.e., performs in the same manner as the innovator drug). Once approved, an applicant may manufacture and market the generic drug product to provide a safe, effective, low cost alternative to the American public.

API - Active Pharmaceutical Ingredient. An active ingredient is any component that provides pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body of man or animals.

BA – Bioavailability. A measure of the fraction of a drug that enters the systemic blood circulation after oral administration.

BE – Bioequivalence. Two drug products are considered bioequivalent if they exhibit the "same" Cmax, Tmax and AUC in a properly powered pharmacokinetic study. In other words the two drug products have the plot of "drug concentration in plasma" against "time". The actual definition of "same" when applied to the pharmacokinetic parameters varies from country to country. If two drug products are bioequivalent then it is assumed that they are therapeutically equivalent. A bioequivalence study is the cornerstone of an ANDA or any generic drug application, because for the reasons given here, bioequivalence obviates the need to perform long and expensive clinical studies.

DR - Delayed Release. A drug product (typically oral) that is not intended to release the drug substance immediately after ingestion. The delay is commonly related to change of pH in the gastrointestinal tract ("enteric coating") or less commonly may relate to a specific time after ingestion when the drug is released. Enteric coating is achieved by coating with polymers that are poorly soluble in low pH media (for example gastric fluid), but are soluble in media with pH values typically found lower in the intestine.

FDA – US Food and Drug Administration. The US FDA is responsible for protecting public health by assuring the safety, efficacy and security of, amongst other things, human drugs.

NDA - New Drug Application. When the sponsor of a new drug believes that enough evidence on the drug's safety and effectiveness has been obtained to meet FDA's requirements for marketing approval, the sponsor submits to FDA a new drug application (NDA). The application must contain data from specific technical viewpoints for review, including chemistry, pharmacology, medical, biopharmaceutics, and statistics. If the NDA is approved, the product may be marketed in the United States.

OTC - Over-the-Counter Drugs. Drugs that are considered safe and effective by the FDA and TGA for use by the general public without a doctor's prescription.

PIV - Paragraph 4 filing. A type of ANDA submitted during the patent term of the originator product. The filing asserts that either the patents supporting the originator product are invalid or that they are not applicable to the product that is the subject of the ANDA.

PK – Pharmacokinetics. The study of the time course of the way the body handles drugs. There are four essential processes following a persons ingestion of a tablet or other oral dosage form, collectively known as ADME processes (Absorption of the drug from the gut; Distribution of the drug into other body tissues; Metabolism of the drug to other chemicals (metabolites) and Elimination of the drug from the body). This time course is typically followed by taking blood samples from volunteers at time intervals following swallowing a tablet, and measuring the amount of drug and / or metabolites in the plasma. A plot can be constructed of plasma concentration against time from which various PK parameters such as Cmax, Tmax and AUC can be derived.

TGA – Therapeutic Goods Administration. The TGA is Australia's regulatory authority for therapeutic goods.

CORPORATE INFORMATION

DIRECTORS:	Mr Roger Corbett, AO (Chairman) Mr Scott Richards (Managing Director and CEO) Hon. Ron Best Mr Bruce Mathieson Mr Ian Scholes Mr William (Phil) Hodges Prof Bruce Robinson
COMPANY SECRETARY:	Mr Mark Cansdale
REGISTERED OFFICE:	1528 Main North Road, Salisbury South South Australia 5106
PRINCIPAL PLACES OF BUSINESS:	1528 Main North Road, Salisbury South South Australia 5106 1240 Sugg Parkway Greenville North Carolina 27834 USA
AUDITORS:	EY Australia 8 Exhibition Street Melbourne VIC 3000
SOLICITORS:	Minter Ellison Lawyers Rialto Towers 525 Collins Street Melbourne VIC 3000
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Telephone:(03) 9415 4184 Facsimile: (03) 9473 2500
BANKERS:	Westpac 150 Collins Street Melbourne VIC 3000 National Australia Bank Limited 500 Bourke Street Melbourne VIC 3000
ABN:	76 115 832 963
DOMICILE AND COUNTRY OF INCORPORATION:	Australia
LEGAL FORM OF ENTITY:	Public company listed on the Australian Securities Exchange (MYX)

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