Wednesday, 26 February 2014

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

Via E-Lodgement

Dear Sir/Madam

Mayne Pharma Group Limited
Interim Results

Please find attached the Appendix 4D Half Year Report, Directors' Report, the Financial Report and Auditor's Independent Review Report relating to the results for the half-year ended 31 December 2013.

This information should be read in conjunction with Mayne Pharma Group Limited's 2013 Annual Report.

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

Yours faithfully,
Mayne Pharma Group Limited

Mark Cansdale
Group CFO & Company Secretary

mayne pharma
Mayne Pharma Group Ltd
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Level 14, 474 Flinders St, Melbourne, Victoria 3000 Australia

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

	% Change	Dec 2013 $'000	Dec 2012[1] $'000
Revenue from ordinary activities	**Up 158%**	**70,748**	27,375
Profit/(loss) from ordinary activities before income tax expense	**NM**	**10,638**	(1,483)
Profit/(loss) from ordinary activities after income tax expense	**NM**	**8,429**	(2,546)
Net profit/(loss) attributable to members	**NM**	**8,429**	(2,546)
Other comprehensive income/(loss) attributable to members after income tax expense	**NM**	**2,484**	(1,744)
Total comprehensive income/ (loss) attributable to members after income tax expense	**NM**	**10,913**	(4,290)

Net tangible assets per ordinary share	**$0.007**	$0.010

	2013 Cents	2012 Cents
Basic earnings per share	**1.50**	(1.00)
Diluted earnings per share	**1.45**	(1.00)
Final dividend in respect of the financial year ended 30 June per share	**Nil**	nil
Interim dividend in respect of the period ended 31 December per share	**Nil**	nil

Notes: 1. Includes the contribution of Metrics, Inc for the period 14 November 2012 to 31 December 2012

No dividend has been declared in relation to the period ended 31 December 2013.

Refer to the Directors' Report and the accompanying ASX announcement dated 26 February 2014 for a brief commentary on the results.

MAYNE PHARMA GROUP LIMITED

ABN 76 115 832 963

HALF-YEAR FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

(Prior comparable period: Half-year ended 31 December 2012)

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CORPORATE INFORMATION

DIRECTORS:	Mr Roger Corbett, AO (Chairman) Mr Scott Richards (Managing Director and CEO) Hon. Ron Best Mr William (Phil) Hodges Mr Bruce Mathieson Mr Ian Scholes
COMPANY SECRETARY:	Mr Mark Cansdale
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS:	Level 14 474 Flinders Street Melbourne VIC 3000 Telephone: (03) 8614 7777 Facsimile: (03) 9614 7022
AUDITORS:	Ernst & Young 8 Exhibition Street Melbourne VIC 3000
SOLICITORS:	Minter Ellison Lawyers Rialto Towers 525 Collins Street Melbourne VIC 3000
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Telephone: (03) 9415 4184 Facsimile: (03) 9473 2500
BANKERS:	National Australia Bank Limited Level 2 151 Rathdowne Street Carlton VIC 3053 Midcap Financial, LLC 7255 Woodmont Ave Suite 200 Bethesda, MD 20814 USA
ABN:	76 115 832 963
DOMICILE AND COUNTRY OF INCORPORATION:	Australia
LEGAL FORM OF ENTITY:	Public company listed on the Australian Securities Exchange (MYX)

DIRECTORS' REPORT

The Directors of Mayne Pharma Group Limited "the Company" or "Mayne Pharma" submit their report for the half-year ended 31 December 2013.

DIRECTORS

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

Mr Roger Corbett, AO, Chairman
Mr Scott Richards, Managing Director and CEO
The Hon Ron Best
Mr William (Phil) Hodges
Mr Bruce Mathieson
Mr Ian Scholes

RESULTS AND REVIEW OF OPERATIONS

The consolidated entity's net profit / (loss) attributable to members of the Company for the half-year ended 31 December 2013 was a profit of $8,429,000 (half-year ended 31 December 2012: loss of $2,546,000).

As previously announced, the Company acquired Libertas, Inc, (Libertas) a privately owned, US based generics business on 2 July 2013.

Operating performance

Readers should note that the results for the six months to 31 December 2013 include the revenue and expenses for Metrics, Inc (Metrics) and Libertas for the entire six month period, whereas the comparison period includes Metrics trading for the period from 14 November 2012 to 31 December 2012.

US Generic Products

The US Generics Products operating segment manufactures and distributes generic pharmaceutical products in the United States of America. Sales were $27,529,000 and gross profit was $16,963,000. This was driven by strong performances over the period in products sold via Metrics' own distribution arm. Libertas is included in this segment.

Metrics Contract Services

The Metrics Contract Services segment provides contract pharmaceutical development services to third party customers principally in the USA. Sales were $13,688,000 and gross profit was $6,034,000 for the period.

Mayne Pharma Australia (MPA)

Mayne Pharma Australia (MPA) sales were $6,891,000, an increase of $2,109,000 or 44% on the prior comparable period (pcp); gross profit was up $1,110,000 or 52% to $3,230,000. The sales and gross profit increase are largely attributable to the inclusion of Kapanol® in the current six month period.

Mayne Pharma Global (MP Global)

MP Global's sales were $21,403,000 up $7,337,000 or 52% on the pcp and gross profit was $10,677,000, an increase of $6,253,000 or 141%. The sales and gross profit increase was driven by the improved performance of Doryx® following the release of the 200mg product. This was partially offset by a decline in contract manufacturing revenue.

Gross margin

Manufacturing gross margin (ie. gross margin excluding the impact of "Other revenue") as a percentage of sales revenue was 53%, up from 44% in the pcp. This was driven by the inclusion of US Generic Products (GM: 63%) for the full six months and a significant rebound in MP Global gross margin (GM: 50% versus 31% in pcp).

Expenses

Net research and development expenses after qualifying capitalisation were $3,830,000 an increase of $2,177,000 on the pcp.

Marketing expenditure increased to $2,792,000 reflecting further investment in people and increased promotion of the MPA branded portfolio and the inclusion of Metrics and Libertas for the full six month period.

Amortisation of intangible assets increased by $1,495,000 due to the inclusion of Metrics and Libertas.

Finance costs of $2,204,000 increased by $1,741,000 on the pcp due to the inclusion of the interest expense on the USD loan facility taken out for the Metrics acquisition and the amortisation of related borrowing costs for the full six month period.

Administration costs increased to $12,106,000 as a result of the inclusion of Metrics' and Libertas' expenses for the whole six month period.

Earn-out liability

The total carrying value of the earn-out liabilities as at 31 December 2013 decreased by a net $6,453,000 as a result of:

- An increase of $535,000 recognised as a notional non-cash interest charge on the earn-out associated with the MPI acquisition plus a $297,000 increase for changes in the underlying assumptions;
- A decrease of $11,449,000 for the earn-out associated with the Metrics acquisition as this earn-out was paid during the half;
- An increase of $2,567,000 associated with the Libertas acquisition; and
- An increase of $1,597,000 associated with the Zebutal product distribution rights acquired.

Tax

The tax expense of $2,209,000 comprised:

- Current period income tax for the six months to 31 December 2013 of $3,381,000;
- A reduction in current income tax in respect of prior years of $1,347,000; and
- A charge of $175,000 relating to the movement in net tax deferred tax assets and liabilities.

Cash flow

Net operating cash flow before tax and transaction costs was $17,042,000 and total net cash flows from operating activities was an inflow of $14,635,000 after including $202,000 of transaction costs and $2,205,000 of tax payments.

Cash on hand at 31 December 2013 (net of restricted cash held as security for letters of credit on issue) was $19,807,000, representing an increase of $869,000 from 30 June 2013. Notable cash flows during the period included:

- $1,518,000 in capital expenditure across the Group;
- $7,436,000 in capitalised development expenditure;
- Payment of Metrics earn-out $11,312,000;
- Draw down of loans $8,904,000; and
- Loan repayments of $2,041,000.

Dividend

The Directors have not declared an interim dividend in relation to the period ended 31 December 2013.

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

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

EVENTS SUBSEQUENT TO REPORTING DATE

Refer to Note 13 for details in relation to matters that arose subsequent to 31 December 2013.

Signed in accordance with a resolution of the Directors.

Dated at Melbourne, this 26th day of February 2014.

Scott Richards
Director

AUDITOR'S INDEPENDENCE DECLARATION

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

In relation to our review of the financial report of Mayne Pharma Group Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ashley C. Butler
Partner
Melbourne
26 February 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Notes	31 December 2013 $'000	31 December 2012[1] $'000
Sale of goods		51,276	17,555
Services revenue		18,197	8,746
Royalties revenue		482	711
Other revenue	3	793	363
Revenue		**70,748**	**27,375**
Cost of sales		(33,039)	(15,106)
Gross profit		**37,709**	**12,269**
Research and development expenses		(3,830)	(1,653)
Distribution expenses		(1,483)	(488)
Marketing expenses		(2,792)	(708)
Regulatory affairs expenses		(579)	(546)
Amortisation expense		(2,461)	(966)
Administrative expenses		(12,106)	(4,009)
Finance costs	4	(2,204)	(463)
Other expenses	4	(582)	(589)
Fair value movement in earn-out liability	4	(832)	(384)
Acquisition costs	4	(202)	(3,946)
Profit/(loss) before income tax		10,638	(1,483)
Income tax expense	5	(2,209)	(1,063)
Net profit/(loss) for the period		8,429	(2,546)
Other comprehensive income			
Items which may be reclassified to profit/loss			
Exchange differences on translation		2,484	(1,744)
Income tax effect		-	-
Total comprehensive income/(loss) for the period		10,913	(4,290)
Earnings per share for profit attributable to the ordinary equity holders of the parent:			
Basic earnings per share		1.50 cents	(1.00) cents
Diluted earnings per share		1.45 cents	(1.00) cents

Notes: 1. Includes the results of Metrics for the period 14 November 2012 to 31 December 2012.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Notes	31 December 2013 $'000	30 June 2013 $'000
Current assets			
Cash and cash equivalents	6	19,807	18,938
Trade and other receivables		29,931	24,622
Inventories		17,180	13,593
Income tax receivable		-	1,596
Other financial assets		316	1,825
Other current assets		1,044	1,335
Total current assets		68,278	61,909
Non-current assets			
Property, plant and equipment		55,593	55,036
Deferred tax assets	5	2,673	976
Intangible assets and goodwill	7	130,080	115,470
Total non-current assets		188,346	171,482
Total assets		256,624	233,391
Current liabilities			
Trade and other payables		14,120	10,504
Interest-bearing loans and borrowings	9	6,215	7,471
Income tax payable		1,721	-
Other financial liabilities	8	7,659	18,346
Provisions		5,939	5,790
Total current liabilities		35,654	42,111
Non-current liabilities			
Interest-bearing loans and borrowings	9	49,319	39,227
Other financial liabilities	8	13,852	9,842
Deferred tax liabilities	5	22,610	20,570
Provisions		1,390	752
Total non-current liabilities		87,171	70,391
Total liabilities		122,825	112,502
Net assets		133,799	120,889
Equity			
Contributed equity	11	119,717	118,302
Reserves		10,527	7,461
Retained Earnings / (Accumulated losses)		3,555	(4,874)
Total equity		133,799	120,889

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Contributed Equity $'000	Share-Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Retained earnings /(Accumulated Losses) $'000	Total $'000
Balance at 1 July 2013	118,302	618	6,843	(4,874)	120,889
Profit for the period	-	-	-	8,429	8,429
Other comprehensive income	-	-	-	-	-
Foreign exchange differences	-	-	2,484	-	2,484
Total comprehensive income	-	-	2,484	8,429	10,913
Transactions with owners in capacity as owners					
Shares issued	217	-	-	-	217
Tax effect of previously recognised share issue costs	1,198	-	-	-	1,198
Share based payments	-	582	-	-	582
Share options exercised	-	-	-	-	-
Lapsed / expired options reclassified to retained earnings	-	-	-	-	-
Balance at 31 December 2013	119,717	1,200	9,327	3,555	133,799
Balance at 1 July 2012	32,016	1,087	-	(2,503)	30,600
Loss for the period	-	-	-	(2,546)	(2,546)
Other comprehensive income	-	-	-	-	-
Foreign exchange differences	-	-	(1,744)	-	(1,744)
Total comprehensive income	-	-	(1,744)	(2,546)	(4,290)
Transactions with owners in capacity as owners					
Shares issued	84,435	-	-	-	84,435
Share issue costs	(3,921)	-	-	-	(3,921)
Share based payments	-	337	-	-	337
Share options exercised	704	(704)	-	-	-
Lapsed / expired options reclassified to retained earnings	-	(471)	-	471	-
Balance at 31 December 2012	113,234	249	(1,744)	(4,578)	107,161

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

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Notes	31 December 2013 $'000	31 December 2012[1] $'000
Cash flows from operating activities			
Receipts from customers		72,158	28,018
Net receipts from shareholders of Metrics Inc for acquisition excluded items[2]		-	651
Payments for research and non capitalised development expenditure		(3,350)	(1,377)
Payments to suppliers and employees		(49,946)	(21,397)
Interest received		121	196
Interest paid		(1,941)	(418)
Tax paid		(2,205)	(1,525)
Net operating cash flows before transaction costs		14,837	4,148
Transaction costs	4	(202)	(3,946)
Net cash flows from operating activities		14,635	202
Cash flows from investing activities			
Payments for plant and equipment		(1,518)	(1,053)
Payments for intangible assets		(536)	-
Acquisition of subsidiary	10	(1,038)	(102,870)
Payments for capitalised development costs		(7,436)	(1,700)
Payment of earn-out		(11,312)	-
Net cash flows used in investing activities		(21,840)	(105,623)
Cash flows from financing activities			
Proceeds from issue of shares		217	84,435
Proceeds from acquisition settlement process to be refunded [2]		-	2,298
Transaction costs on issue of shares		-	(3,921)
Repayment of borrowings		(2,041)	-
Proceeds from borrowings (net of fees)		8,904	41,609
Net cash flows from financing activities		7,080	124,421
Net (decrease)/increase in cash and cash equivalents		(125)	19,000
Cash and cash equivalents at beginning of period		20,128	11,596
Effect of foreign exchange changes on cash held in foreign currencies		120	55
Cash and cash equivalents at end of period		20,123	30,651
Less restricted cash		316	270
Cash and cash equivalents at end of period	6	19,807	30,381

Notes:
1. Includes the cash flows of Metrics for the period 14 November 2012 to 31 December 2012.
2. Timing difference of payment owing to vendors of Metrics for cash not cleared prior to settlement in accordance with the Merger Agreement. Return of these funds occurred prior to 30 June 2013.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The financial report for the half-year ended 31 December 2013 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any public announcements made by Mayne Pharma Group Limited during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the *ASX Listing Rules*.

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

Changes in accounting policy

From 1 July 2013 the Group has adopted the relevant standards and interpretations mandatory for annual reports beginning on or after 1 July 2013. Adoption of the standards and interpretations did not have any effect on the financial position or performance of the Group.

AASB 1053 - Application of Tiers of Australian Accounting Standards

Application date of standard:	1 July 2013
Application date for Group:	1 July 2013
Impact on financial report:	The Group has complied with the Tier 1 requirements. The changes had no impact.

AASB 10 - Consolidated Financial Statements

Application date of standard:	1 January 2013
Application date for Group:	1 July 2013
Impact on financial report:	The changes had minimal impact on the Group.

AASB 12 - Disclosure of Interests in Other Entities

Application date of standard:	1 January 2013
Application date for Group:	1 July 2013
Impact on financial report:	The changes had minimal impact on the Group.

AASB 13 - Fair Value Measurement

Application date of standard: 1 January 2013

Application date for Group: 1 July 2013

Impact on financial report: The changes had minimal impact on the Group.

AASB 119 – Employee Benefits

Application date of standard: 1 January 2013

Application date for Group: 1 July 2013

Impact on financial report: The changes had minimal impact on the Group.

Annual Improvements to IFRSs 2009–2011 Cycle

Application date of standard: 1 January 2013

Application date for Group: 1 July 2013

Impact on financial report: The changes had minimal impact on the Group.

AASB 2011-4 – Amendments to Australian Accounting Standards – Disclosures – Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]

Application date of standard: 1 July 2013

Application date for Group: 1 July 2013

Impact on financial report: The changes had minimal impact on the Group.

AASB 2012-2 – Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

Application date of standard: 1 January 2013

Application date for Group: 1 July 2013

Impact on financial report: The changes had minimal impact on the Group.
Summary

New accounting standards and interpretations

All applicable standards and interpretations introduced since 1 July 2013 have been adopted but have no material impact.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the half year ended 31 December 2013 are outlined below:

AASB 9 - Financial Instruments

Application date of standard:	1 January 2017
Application date for Group:	1 July 2017
Impact on financial report:	The Group has assessed the impact of the changes and expects them to have minimal effect on the Group.

Summary

AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.

(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in other comprehensive income (OCI);
- the remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.

The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes:

- New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures;
- Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time; and
- The mandatory effective date moved to 1 January 2017.

Annual Improvements to IFRSs 2010–2012 Cycle

Application date of standard: 1 July 2014

Application date for Group: 1 July 2014

Impact on financial report: The Group has not assessed the impact of the changes.

This standard sets out amendments to International Financial Reporting

Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.

The following items are addressed by this standard:

- IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.
- IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's assets.
- IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

2. SEGMENT REPORTING

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

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

The Consolidated Entity operates in four operating segments, being Mayne Pharma Australia (MPA), Mayne Pharma Global (MP Global), US Generic Products and Metrics Contract Services.

MPA

MPA's revenues and gross profit are derived from the manufacturing, distribution and marketing of branded and generic pharmaceutical products within Australia.

MP Global

The MP Global operating segment's revenues and gross profit are derived from the manufacturing and out-licensing of branded pharmaceutical products to international marketing and distribution partners and provision of contract manufacturing services to third-party customers within Australia.

US Generics Products

The US Generics Products segment's revenue and gross profit are derived from the manufacturing and distribution of generic pharmaceutical products in the United States.

For the six months ended 31 December 2013, the US Generic Products segment consisted of part of the operations from the Metrics acquisition and all the operations from the Libertas acquisition for the whole six month period, whereas for the six months ended 31 December 2012, the US Generic Products segment consisted of part of the operations from the Metrics acquisition from the date of acquisition, 14 November 2012 to period end 31 December 2012.

Metrics Contract Services

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

For the six months ended 31 December 2013, the Metrics Contract Services segment included part of the operations from the Metrics acquisition for the whole six month period, whereas for the six months ended 31 December 2012, the Metrics Contract Services segment included part of the operations from the Metrics acquisition from the date of acquisition, 14 November 2012 to period end 31 December 2012.

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

	US Generic Products $'000	Metrics Contract Services $'000	MPA $'000	MP Global $'000	Total Segments $'000	Eliminations and Adjustments $'000	Total Consolidated $'000
Half Year ended 31 December 2013							
Sale of goods	27,529	-	6,891	16,694	51,114	162	51,276
Services income	-	13,688	-	4,032	17,720	477	18,197
Royalty income	-	-	-	482	482	-	482
R&D income	-	-	-	195	195	-	195
Other	-	-	-	-	-	598	598
Revenue	27,529	13,688	6,891	21,403	69,511	1,237	70,748
Cost of sales	(10,566)	(7,654)	(3,661)	(10,726)	(32,607)	(432)	(33,039)
Gross profit	16,963	6,034	3,230	10,677	36,904	805	37,709
Amortisation of intangible assets							(2,461)
Fair value movement in earn-out liability							(832)
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)							(23,778)
Profit before income tax							10,638
Income tax expense							(2,209)
Net profit for the period							8,429

	US Generic Products $'000	Metrics Contract Services $'000	MPA $'000	MP Global $'000	Total Segments $'000	Eliminations and Adjustments $'000	Total Consolidated $'000
Half Year ended 31 December 2012							
Sale of goods	5,170	-	4,782	7,603	17,555	-	17,555
Services income	-	2,994	-	5,752	8,746	-	8,746
Royalty income	-	-	-	711	711	-	711
R&D income	-	-	-	-	-	82	82
Other	-	-	-	-	-	281	281
Revenue	5,170	2,994	4,782	14,066	27,012	363	27,375
Cost of sales	(1,697)	(1,105)	(2,662)	(9,642)	(15,106)	-	(15,106)
Gross profit	3,473	1,889	2,120	4,424	11,906	363	12,269
Amortisation of intangible assets							(966)
Fair value movement in earn-out liability							(384)
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)							(12,402)
Loss before income tax							(1,483)
Income tax expense							(1,063)
Net loss for the period							(2,546)

Geographical segment information

Revenue from external customers	31 December 2013 $'000	31 December 2012 $'000
Australia	11,679	11,394
United States	55,495	11,285
Korea	2,064	1,867
Other	1,510	2,829
Total external revenue	70,748	27,375

Product information

Revenue by product group / service	31 December 2013 $'000	31 December 2012 $'000
Contract services	4,032	5,752
Analytical and formulation	14,165	2,994
Oral and other pharmaceuticals	51,276	17,555
Other revenue	1,275	1,074
	70,748	27,375

3. OTHER REVENUE

Revenue by product group / service	31 December 2013 $'000	31 December 2012 $'000
R&D income	195	82
Interest income	121	196
Net gain on foreign exchange	394	-
Other income	83	85
	793	363

4. EXPENSES

	31 December 2013 $'000	31 December 2012 $'000
Finance costs		
Interest expense	1,941	418
Amortisation of borrowing costs	263	45
	2,204	463
Depreciation[1]	2,489	1,113
Employee benefits expense[2]		
Wages and salaries	18,606	8,134
Superannuation expense	1,026	618
Other employee benefits expense	3,587	886
Total employee benefits expense	23,219	9,638
Other expenses		
Share based payments	582	337
Net loss on foreign exchange	-	252
	582	589
Fair value movement in earn-out liability		
Movement in undiscounted fair value of earn-out liability	297	3
Change in fair value attributable to the unwinding of the discounting of the earn-out liability.	535	381
	832	384

Acquisition costs

During the six month period to 31 December 2013, $202,000 of acquisition costs mainly relating to Libertas and Zebutal were expensed. In the comparison period, expenditure of $3,746,000 related to the acquisition of Metrics, $108,000 related to the acquisition of the Australian rights for Kapanol® from GlaxoSmithKline and $92,000 the payment of residual stamp duty relating to the purchase of MPI.

Notes: 1. Depreciation expense is included in R&D expenses and cost of sales
2. Employee benefit expense is included in various expense categories and cost of sales.

5. INCOME TAX

A. The major components of income tax expense are:

	31 December 2013 $'000	31 December 2012 $'000
Current income tax		
Current income tax	(3,381)	(388)
Adjustment in respect of current income tax of previous years	1,347	(72)
Deferred income tax		
Relating to movement in net tax deferred tax assets	(175)	(603)
Income tax expense in the consolidated statement of profit or loss and other comprehensive income	(2,209)	(1,063)

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

	31 December 2013 $'000	31 December 2012 $'000
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:		
Profit/(loss)before income tax	10,638	(1,483)
Prima facie tax (expense)/benefit at 30%	(3,191)	445
Effect of R&D concession	388	70
Adjustment relating to earn-out liability	(43)	1
Over/(Under) provision in respect of prior years	1,347	(165)
Tax effect of amounts which are not deductible in calculating taxable income	(54)	(27)
Share based payments	(99)	(101)
Effect of higher tax rate in USA	(279)	(111)
Non deductible Metrics acquisition costs	-	(1,183)
US State taxes	(278)	(65)
US Domestic production activity deduction	-	73
Income tax expense	(2,209)	(1,063)

C. Recognised deferred tax assets and liabilities

	31 December 2013 $'000	30 June 2013 $'000
Deferred tax assets		
Intangible assets	2,235	2,305
Provisions	1,922	1,795
Payables	81	108
Unrealised foreign exchange losses	10	86
Inventory	-	12
Carried forward R&D credits	1,550	26
Earn-out liability	1,108	902
Equity raising costs	959	-
Other	266	195
	8,131	**5,429**
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Assets	8,131	5,429
Set off of Deferred Tax Liabilities	(5,458)	(4,453)
Net Deferred Tax Assets[1]	**2,673**	**976**
Deferred tax liabilities		
Property, plant and equipment	4,276	4,739
Intangible assets	21,763	18,518
Inventory	-	16
US State taxes	2,029	1,750
	28,068	**25,023**
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Liabilities	28,068	25,023
Set off against Deferred Tax Assets	(5,458)	(4,453)
Net Deferred Tax Liabilities[2]	**22,610**	**20,570**

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

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

D. Tax consolidation

Mayne Pharma Group Limited and its 100%-owned Australian resident subsidiaries formed an income tax consolidated group with effect from 31 October 2009. 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.

On 14 November 2012, the Mayne Pharma group acquired Metrics, Inc. As Metrics, Inc is a US domiciled company and not an Australian company, it cannot join the Australian tax consolidated group.

On 2 July 2013, the Mayne Pharma Group acquired Libertas, Inc. As Libertas, Inc is a US domiciled company, it cannot join the Australian tax consolidated group.

6. CASH AND CASH EQUIVALENTS

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

	31 December 2013 $'000	30 June 2013 $'000
Cash at bank and in hand	19,807	18,938

7. INTANGIBLE ASSETS

	Goodwill $'000	Customer Contracts, Relationships & Intellectual Property $'000	Development Expenditure $'000	Marketing & Distribution Rights $'000	Trade Names $'000	Total $'000
Six months ended 31 December 2013						
Balance at beginning of the period net of accumulated amortisation	47,197	32,490	18,005	13,820	3,958	115,470
Additions	-	-	7,436	-	2,080	9,516
Acquisition of subsidiary	1,788	2,427	-	-	44	4,259
Amortisation	-	(2,265)	(92)	-	(104)	(2,461)
Foreign currency restatement	1,498	947	651	-	200	3,296
Balance at end of period net of accumulated amortisation	50,483	33,599	26,000	13,820	6,178	130,080
As at 31 December 2013						
Cost	50,483	55,069	26,215	13,820	6,421	152,008
Accumulated amortisation	-	(21,470)	(215)	-	(243)	(21,928)
Net carrying amount	50,483	33,599	26,000	13,820	6,178	130,080

8. OTHER FINANCIAL LIABILITIES

	31 December 2013 $'000	30 June 2013 $'000
Current		
Earn-out liability - Hospira	3,291	3,299
Earn-out liability - Metrics' former shareholders	-	11,449
Payments to GSK for purchase of Kapanol®	3,375	3,375
Earn-out liability – Libertas' former shareholder	625	-
Earn-out liability - Zebutal	368	-
Foreign Exchange contracts	-	216
Other	-	7
	7,659	18,346
Non-current		
Earn-out liability - Hospira	10,681	9,842
Earn-out liability - Libertas' former shareholder	1,942	-
Earn-out liability – Zebutal	1,229	-
	13,852	9,842

The Consolidated Entity has recognised a total of $13,972,000 in relation to the earn-out liability incurred as part consideration on the acquisition of MPI on 30 October 2009. The amount payable to Hospira amounts to a maximum $41,600,000 payable over a six-year period. At balance date, the cumulative payments made since the acquisition total $11,872,000. The earn-out payment is based on the level of revenue recognised by MPI in relation to products existing at the time of the acquisition greater than $40,000,000 in a calendar year period and capped at $65,000,000 in a calendar year period, with a maximum $7,800,000 payable in the first two years to 31 December 2011 and $6,500,000 for each of the subsequent four years.

The value of the earn-out has been determined in relation to expected future cash flows required to be paid on the earn-out utilising a discount rate of 8% and an assumed foreign exchange rate of A$1:US$0.844 for the balance of the earn-out period.

The earn-out liability represents the net present value of estimated future payments. The 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 liability at balance date includes a charge representing the unwinding of the discounting of the earn-out liability of $535,000 (31/12/12: $381,000) for the period representing the change in fair value as a result of the unwinding of the discounting.

The consolidated entity has recognised a total of $2,567,000 in relation to the earn-out liability incurred as part of the consideration on the acquisition of Libertas. The earn-out is payable based upon margin contribution targets for the 2014-16 financial years.

The consolidated entity has recognised a total of $1,597,000 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.

9. INTEREST BEARING LOANS AND BORROWINGS

	31 December 2013 $'000	30 June 2013 $'000
Current		
MidCap term loan	6,215	7,471
	6,215	7,471
Non-current		
Revolving loan (USD 1.0m)	1,127	1,093
MidCap term loan	48,192	38,134
	49,319	39,227

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

The Company has guaranteed the obligations of Metrics under the Credit Agreement with MidCap, via provision of a first priority perfected security interest in all and outstanding capital stock and all of its rights under the Merger Agreement. The Directors believe there is no risk of default at reporting date.

10. BUSINESS COMBINATION - ACQUISITION OF LIBERTAS, INC

Effective 2 July 2013, Mayne Pharma Group Ltd (MPG) acquired Libertas, 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.

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

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 and the property, plant and equipment, has been completed as required under Australian accounting standards. The intangible assets include customer relationships and intellectual property.

The provisional business combination accounting recognised is as follows:

	Recognised on Acquisition $'000
Receivables – current	1,657
Inventories	623
Other current assets	74
Other non-current assets – trade mark	44
Other non-current assets – other intangible assets	2,427
Property, plant and equipment	3
	4,828
Payables – current	(2,150)
Deferred tax liabilities	(938)
	(3,088)
Fair value of identifiable net assets	1,740
Premium arising on acquisition- provisional	1,788
	3,528

	$'000
Cost of the combination:	
Cash paid	821
Shares issued as consideration	217
Earn-out estimate	2,490
Total cost of the combination	3,528
Cash flow on acquisition:	
Transaction costs of acquisition expensed	94
Cash paid	1,038
Net consolidated cash outflow	1,132

From the date of acquisition, Libertas has contributed $3,986,000 of revenue and $768,000 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 complimentary 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
- The Libertas business is complimentary to the Mayne Pharma business with positive combination opportunities.

The acquisition was completed by acquiring the shares of Libertas.

11. CONTRIBUTED EQUITY

(a) Issued capital

	31 December 2013 $'000	30 June 2013 $'000
Ordinary shares, fully paid	119,717	118,302

(b) Movements in share capital

	31 December 2013	
	Number	$'000
Balance at beginning of period	562,956,475	118,302
Shares issued	503,493	217
Tax effect of previously recognised share issue costs	-	1,198
Balance at end of period	**563,459,968**	**119,717**

Movements for period

	31 December 2013	
	Number	$'000
Libertas acquisition consideration	503,493	217
Total	503,493	217

12. DIVIDENDS

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

13. EVENTS SUBSEQUENT TO REPORTING DATE

Other than as noted, there have been no events subsequent to the balance date.

On 12 February 2014 Mayne announced it had signed and completed the acquisition of the ESGIC™, ESGIC PLUS™, LORCET™ and LORCET PLUS™ brands and related assets from Forest Laboratories, Inc in the USA.

Consideration for the acquisition is US$12,000,000 comprising:

- an upfront cash payment of US$10,000,000; plus
- an earn-out of up to US$2,000,000, payable quarterly calculated on a percentage of future net product sales.

The acquisition was initially funded by a mix of debt and equity.

On the same date, the Company also announced that it would be raising A$18,000,000 of capital through an underwritten placement. The placement was completed at 79.5 cents per share and resulted in the Company issuing 22,641,509 new ordinary shares to new and existing shareholders.

14. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short term deposits, held by the Group as at 31 December 2013:

	Loans and Receivables $'000
Financial assets	
Current	
Trade and other receivables	29,187
	29,187
Financial liabilities	
Current	
Earn-out liabilities	7,659
Trade and other payables	13,378
MidCap term loan	6,215
	27,252
Non-current	
Earn-out liabilities	13,852
Revolving loan (USD 1.0m)	1,127
MidCap term loan	48,192
	63,171

Fair Value

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

	Carrying Amount		Fair Value	
Liabilities	**31 Dec 2013 $'000**	**30 June 2013 $'000**	**31 Dec 2013 $'000**	**30 June 2013 $'000**
Earn-out liability - (Hospira)	13,972	13,141	13,972	13,141
Earn-out liability - (Metrics' former shareholders)	-	11,449	-	11,449
Earn-out liability - (Libertas' former shareholder)	2,567	-	2,567	-
Earn-out liability - Zebutal	1,597	-	1,597	-
Payment to GSK for purchase of Kapanol®	3,375	3,375	3,375	3,375
Forward exchange contracts	-	216	-	216
Interest-bearing term loan	54,407	45,605	56,359	47,439
Interest-bearing revolving loan	1,127	1,093	1,127	1,093

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

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

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

The earn-out liability payable to Hospira utilises present value calculation techniques that are not based on observable market data.

The earn-out liability payable to Libertas' former shareholder utilises present value calculation techniques that are not based on observable market data.

The earn-out liability payable in relation to the Zebutal brand and related assets utilises present value calculation techniques that are not based on observable market data.

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 market prices in an active market.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Assets and liabilities measured at fair value

As at 31 December 2013, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	Level 2		Level 3	
	31 December 2013 $'000	30 June 2013 $'000	31 December 2013 $'000	30 June 2013 $'000
Financial Liabilities				
Earn-out liability – Hospira	-	-	13,972	13,141
Earn-out liability - (Metrics' former shareholders)	-	11,449	-	-
Earn-out liability - (Libertas' former shareholder)	-	-	2,567	-
Earn-out liability - Zebutal	-	-	1,597	-
Payment to GSK for purchase of Kapanol®	3,375	3,375	-	-
Forward exchange contracts	-	216	-	-
Interest-bearing loans	57,486	48,532	-	-

Reconciliation of fair value measurements of Level 3 financial instruments

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

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

	2013 $'000
Opening balance	13,141
Fair value movement (refer Note 4)	832
Payments	-
Closing Balance	13,973

During the six month period ended 31 December 2013, there no transfers between Level 1 and Level 2 fair value measurements. Additional Level 3 items were recorded in relation to transactions occurring in the six month period to 31 December 2013. The fair value increase of $832,000 was recorded as an expense in determining profit before tax.

15. COMMITMENTS AND CONTINGENCIES

There were no material changes in commitments and contingencies. No contingencies were present as at balance date.

The Company has previously advised that it, together with its US distributor of Doryx®, Warner Chilcott, has received notification of various anti-trust law suits. A provision of $0.4m has been recognised at 31 December 2013 for a proposed settlement agreement entered into by Warner Chilcott, Mayne Pharma and the direct purchaser class of plaintiffs in the Doryx anti-trust action in the USA. This will be payable subject to the approval of the Court, and certain other conditions. Following this payment, Mayne Pharma does not anticipate any further liability in relation to this matter.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

(i) giving a true and fair view of the financial position as at 31 December 2013 and the performance for the half-year ended on that date of the consolidated entity; and

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

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

On behalf of the Board

Scott Richards
Director

Melbourne, 26 February 2014

AUDITOR'S INDEPENDENT REVIEW REPORT

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Independent review report to members of Mayne Pharma Group Limited

To the members of Mayne Pharma Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Mayne Pharma Group Limited, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Mayne Pharma Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Building a better working world

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ashley C. Butler
Partner
Melbourne
26 February 2014