Friday, 26 February 2016

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 2015.

This information should be read in conjunction with Mayne Pharma Group Limited's 2015 Annual Report.

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

Yours faithfully,
Mayne Pharma Group Limited

Mark Cansdale
Group CFO & Company Secretary

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

		% Change	Dec 2015 $'000	Dec 2014 $'000
Revenue from ordinary activities	up	114%	**127,261**	59,549
Profit from ordinary activities before income tax expense	up	354%	**26,986**	5,948
Profit from ordinary activities after income tax expense	up	349%	**17,905**	3,991
Attributable to:				
Equity holders of the parent	up	382%	**19,231**	3,991
Non controlling interests		-	**(1,326)**	-
	up	**349%**	**17,905**	3,991
Other comprehensive income after income tax expense			**6,889**	15,892
Total comprehensive income after income tax expense			**24,794**	19,883
Attributable to:				
Equity holders of the parent			**25,551**	19,883
Non controlling interests			**(757)**	-
			24,794	19,883

Net tangible assets per ordinary share	**$0.040**	($0.008)

	2015 Cents	2014 Cents
Basic earnings per share	**2.46**	0.68
Diluted earnings per share	**2.39**	0.66
Final dividend in respect of the financial year ended 30 June per share	**Nil**	Nil
Interim dividend in respect of the period ended 31 December per share	**Nil**	Nil

No dividend has been declared in relation to the period ended 31 December 2015.

Refer to the Directors' Report and the accompanying ASX announcement dated 26 February 2016 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 2015

(Prior comparable period: Half-year ended 31 December 2014)

CONTENTS

CORPORATE INFORMATION

DIRECTORS:	Mr Roger Corbett, AO (Chairman) Mr Scott Richards (Managing Director and CEO) Hon. Ron Best Mr William (Phil) Hodges Mr Bruce Mathieson Prof Bruce Robinson, AM Mr Ian Scholes
COMPANY SECRETARY:	Mr Mark Cansdale
REGISTERED OFFICE	1538 Main North Road, Salisbury South South Australia 5106
PRINCIPAL PLACES OF BUSINESS:	1538 Main North Road, Salisbury South South Australia 5106 1240 Sugg Parkway Greenville North Carolina 27834 USA
AUDITORS:	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:	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)

DIRECTORS' REPORT

The Directors of Mayne Pharma Group Limited ("the Company" or "Mayne Pharma") submit their report for the half-year ended 31 December 2015.

DIRECTORS

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

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

RESULTS AND REVIEW OF OPERATIONS

The consolidated entity's net profit attributable to members of the Company for the half-year ended 31 December 2015 was a profit of $19,231,000 (half-year ended 31 December 2014: profit of $3,991,000).

A more detailed analysis of the operating performance is included in the accompanying Investor Presentation dated 26 February 2016, including an outline of the positive impact on the result due to the weakening of the Australian dollar (compared to US dollar) during the period.

Operating performance

The Consolidated Entity operates in four operating segments being, Generic Products (GPD) (formerly called US Products), Metrics Contract Services (MCS), Speciality Brands (SBD) and Mayne Pharma International (MPI). In the prior comparative period, the Consolidated Entity reported three operating segments being Generic Products (GPD) (formerly called US Products), Metrics Contract Services (MCS) and Mayne Pharma International (MPI). The acquisition of the Doryx related assets in February 2015 was the main reason for the change to the operating segments. The December 2014 comparative information has been restated, including re-allocations between segments, to reflect the current four operating segments.

Generic Products

The Generic Products operating segment (formerly called US Products) distributes generic pharmaceutical products in the United States of America (USA). Revenue increased by 64% to $44,633,000 ($27,273,000 prior comparative period or "pcp") and gross profit increased by 48% to $26,377,000 ($17,803,000 pcp) for the period.

Metrics Contract Services

The Metrics Contract Services segment provides contract pharmaceutical development services to third party customers principally in the USA. Revenue increased by 55% to $23,501,000 ($15,124,000 pcp) and gross profit increased by 68% to $12,363,000 ($7,374,000 pcp) for the period.

Speciality Brands

The Speciality Brands operating segment distributes branded pharmaceutical products in the USA. Revenue was $43,372,000 and gross profit was $38,128,000 for the period. This segment operated for the whole period for the first time this reporting period.

Mayne Pharma International (MPI)

The MPI operating segment's revenues and gross profit are derived principally from the Australian manufacture and sale of branded and generic pharmaceutical product globally and provision of contract manufacturing services to third party customers within Australia. Revenue decreased by 1% to $15,755,000 ($15,920,000 pcp) and gross profit decreased by 24% to $3,532,000 ($4,653,000 pcp) for the period.

Gross margin

Gross margin as a percentage of sales revenue was 63%, compared to 52% in the pcp.

Expenses

Net research and development expense after qualifying capitalisation was $4,444,000, an increase of $2,482,000 on the pcp. The increase includes the impairment of a development project which, while the product was approved by the FDA, it was not launched due to a change in market conditions. The impairment recorded was $1,261,000. The increased expense is also partly attributable to the fact that this category also includes HPPI research and development expense of $1,086,000 (nil pcp).

Marketing and distribution expense was $17,873,000, an increase of $13,298,000 on the pcp. The major increase was due to the inclusion of the Speciality Brands segment.

Administration and other expenses were $32,697,000, an increase of $15,700,000 on the pcp. This includes amortisation of intangible assets which was $8,480,000, an increase of $6,037,000 on the pcp due to the acquisition of Doryx in February 2015. Settlement costs of $6,668,000 relating to a dispute with a former distributor also contributed to the increase.

Finance expenses were $1,205,000, a decrease of $930,000 on the pcp as a direct result of the refinancing which occurred in June 2015.

Other financial liabilities

The total carrying value of the Other financial liabilities as at 31 December 2015 decreased by a net $20,240,000 as a result of:

- An increase of $473,000 recognised as a notional non-cash interest charge on the earn-out associated with the various acquisitions;
- A decrease of $5,232,000 relating to re-assessment of the underlying assumptions for the Hospira and Methamphetamine earn-out liabilities;
- An increase of $723,000 related to the acquisition of a US Product ANDA;
- Payment of the final Hospira earn-out liability of $5,417,000;
- Payment of $1,245,000 associated with the Libertas earn-out liability;
- Payments totalling $7,883,000 relating to the Methamphetamine and BAC ANDA and marketing rights acquisitions;
- Payments of $3,167,000 related to all other earn-outs; and
- An increase due to exchange rate changes of $1,508,000.

Tax

The tax expense of $9,081,000 comprised:

- Current period income tax for the six months to 31 December 2015 of $18,949,000; and
- A reduction of $9,868,000 relating to the movement in net tax deferred tax assets and liabilities.

The split between current and deferred tax has been influenced by the timing of assessable income compared to accounting income for Doryx sales, particularly the treatment of gross to net sales adjustments and rebates.

Cash flow

Net operating cash flow before tax was $43,657,000 and total net cash flow from operating activities was an inflow of $30,520,000 after including $13,137,000 of tax payments.

Cash on hand at 31 December 2015 (net of restricted cash held as security for letters of credit on issue) was $49,735,000, representing a decrease of $9,466,000 from 30 June 2015. Notable cash flows during the period included:

- $6,603,000 in capital expenditure across the Group;
- $11,447,000 in capitalised development expenditure;
- Earn-out and deferred settlement payments totalling $17,712,000;
- Payments of $5,186,000 relating to the purchase of intangible assets.

Dividend

The Directors have not declared an interim dividend in relation to the period ended 31 December 2015.

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

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.

Signed in accordance with a resolution of the Directors.

Dated at Melbourne, this 26th day of February 2016.

Scott Richards
Director

AUDITOR'S INDEPENDENCE DECLARATION

Ernst & Young
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Melbourne VIC 3000 Australia
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Auditor's Independence Declaration to the Directors of Mayne Pharma Group Limited

As lead auditor for the review of Mayne Pharma Group Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Mayne Pharma Group Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Ashley C. Butler
Partner
Melbourne
26 February 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Notes	31 December 2015 $'000	31 December 2014 $'000
Sale of goods		98,420	38,686
Services revenue		28,182	19,862
License fee revenue		142	494
Royalties revenue		517	507
Revenue		**127,261**	**59,549**
Cost of sales		(46,861)	(28,613)
Gross profit		**80,400**	**30,936**
Other income	3	2,805	1,444
Research and development expenses		(4,444)	(1,962)
Marketing and distribution expenses		(17,873)	(4,575)
Administrative and other expenses	4	(32,697)	(16,997)
Finance expenses	4	(1,205)	(2,135)
Share of associate loss		-	(763)
Profit before income tax		26,986	5,948
Income tax expense	5	(9,081)	(1,957)
Net profit for the period		17,905	3,991
Attributable to:			
Equity holders of the Parent		19,231	3,991
Non-controlling interests		(1,326)	-
		17,905	3,991
Other comprehensive income/(loss) for the period, net of tax			
Items which may be reclassified to profit/loss			
Exchange differences on translation		6,320	14,884
Income tax effect		-	-
Share of associate exchange differences on translation		-	1,008
Items that will not be reclassified to profit or loss in future periods			
Exchange differences on translation		569	-
Income tax effect		-	-
Total comprehensive income for the period		24,794	19,883
Attributable to:			
Equity holders of the Parent		25,551	19,883
Non-controlling interests		(757)	-
		24,794	19,883
Basic earnings per share		2.46 cents	0.68 cents
Diluted earnings per share		2.39 cents	0.66 cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	31 December 2015 $'000	30 June 2015 $'000
Current assets			
Cash and cash equivalents	6	49,735	59,201
Trade and other receivables		100,450	64,657
Inventories		28,623	22,444
Income tax receivable		1,922	2,956
Other financial assets		1,651	2,229
Other current assets		8,967	5,333
Total current assets		191,348	156,820
Non-current assets			
Property, plant and equipment		65,373	59,597
Deferred tax assets	5	23,354	9,569
Intangible assets and goodwill	7	321,135	302,960
Total non-current assets		409,862	372,126
Total assets		601,210	528,946
Current liabilities			
Trade and other payables		111,602	59,980
Income tax payable		5,852	1,764
Other financial liabilities	9	7,991	26,811
Provisions		6,568	6,523
Total current liabilities		132,013	95,078
Non-current liabilities			
Interest-bearing loans and borrowings	8	64,796	61,756
Other financial liabilities	9	5,892	7,312
Deferred tax liabilities	5	45,042	41,353
Provisions		1,314	1,245
Total non-current liabilities		117,044	111,666
Total liabilities		249,057	206,744
Net assets		352,153	322,202
Equity			
Contributed equity	10	258,712	255,834
Reserves		39,460	30,861
Retained Earnings		43,406	24,175
Equity attributable to equity holders of the Parent		341,578	310,870
Non-controlling interests		10,575	11,332
Total equity		352,153	322,202

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 2015

	Contributed Equity $'000	Share-Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings / (Accumulated Losses) $'000	Total $000's	Non-Controlling Interests $000's	Total Equity $'000
Balance at 1 July 2015	255,834	3,230	27,631	24,175	310,870	11,332	322,202
Profit for the period	-	-	-	19,231	19,231	(1,326)	17,905
Other comprehensive income							
Foreign exchange translation	-	-	6,320	-	6,320	569	6,889
Total comprehensive income	-	-	6,320	19,231	25,551	(757)	24,794
Transactions with owners in capacity as owners							
Shares issued (net of issue costs)	156	-	-	-	156	-	156
Share options exercised	62	(62)	-	-	-	-	-
Tax effect of employee share options	2,660	-	-	-	2,660	-	2,660
Share-based payments	-	2,341	-	-	2,341	-	2,341
Balance at 31 December 2015	258,712	5,509	33,951	43,406	341,578	10,575	352,153
Balance at 1 July 2014	137,498	1,922	3,438	16,416	159,274	-	159,274
Profit for the period	-	-	-	3,991	3,991	-	3,991
Other comprehensive income							
Foreign exchange translation	-	-	15,892	-	15,892	-	15,892
Total comprehensive income	-	-	15,892	3,991	19,883	-	19,883
Transactions with owners in capacity as owners							
Shares issued (net of issue costs)	228	-	-	-	228	-	228
Share-based payments	-	619	-	-	619	-	619
Balance at 31 December 2014	137,726	2,541	19,330	20,407	180,004	-	180,004

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 2015

	Notes	31 December 2015 $'000	31 December 2014 $'000
Cash flows from operating activities			
Receipts from customers		94,109	63,146
Payments for research and non capitalised development expenditure		(2,782)	(1,962)
Payments to suppliers and employees		(46,822)	(50,550)
Interest received		253	84
Interest paid		(1,101)	(2,005)
Tax paid		(13,137)	(257)
Net cash flows from operating activities		30,520	8,456
Cash flows from investing activities			
Payments for plant and equipment		(6,603)	(1,479)
Payments for intangible assets		(5,186)	(72)
Payments for capitalised development costs		(11,447)	(6,732)
Earn-out payments		(17,712)	(431)
Net cash flows used in investing activities		(40,948)	(8,714)
Cash flows from financing activities			
Proceeds from issue of shares		156	-
Repayment of borrowings		(103)	(1,487)
Proceeds from borrowings (net of fees)		(47)	4,950
Net cash flows from financing activities		6	3,463
Net (decrease)/increase in cash and cash equivalents		(10,422)	3,205
Cash and cash equivalents at beginning of period		59,567	15,110
Effect of foreign exchange changes on cash held in foreign currencies		974	1,174
Cash and cash equivalents at end of period		50,119	19,489
Less restricted cash		(384)	(342)
Cash and cash equivalents at end of period	6	49,735	19,147

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 2015

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The financial report for the half-year ended 31 December 2015 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 2015 and considered together with any public announcements made by Mayne Pharma Group Limited during the half-year ended 31 December 2015 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 2015 the Group has adopted the relevant standards and interpretations mandatory for annual reports beginning on or after 1 July 2015. Adoption of the standards and interpretations did not have any effect on the financial position or performance of the Group.

New accounting standards and interpretations

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

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

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

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

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

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

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

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

(ix) IRFS 16 Leases (effective from 1 January 2019). This standard has not yet been adopted by the AASB.

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

2. SEGMENT REPORTING

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

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

The Consolidated Entity operates in four operating segments being, Generic Products (GPD) (formerly called US Products), Metrics Contract Services (MCS), Speciality Brands (SBD) and Mayne Pharma International (MPI). In the prior comparative period, the Consolidated Entity reported three operating segments being Generic Products (GPD) (formerly called US Products), Metrics Contract Services (MCS) and Mayne Pharma International (MPI). The acquisition of the Doryx related assets in February 2015 was the main reason for the change to the operating segments. The December 2014 comparative information has been restated, including re-allocations between segments, to reflect the current four operating segments.

Generic Products

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

Metrics Contract Services

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

Speciality Brands

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

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.

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

	Generic Products $'000	Metrics Contract Services $'000	Speciality Brands $'000	MPI $'000	Total Consolidated $'000
Half Year ended 31 December 2015					
Sale of goods	44,633	-	43,372	10,415	98,420
Services income	-	23,501	-	4,681	28,182
License fee income	-	-	-	142	142
Royalty income	-	-	-	517	517
Revenue	44,633	23,501	43,372	15,755	127,261
Cost of sales	(18,256)	(11,138)	(5,244)	(12,223)	(46,861)
Gross profit	26,377	12,363	38,128	3,532	80,400
Other income					2,805
Amortisation of intangible assets					(8,480)
Fair value movement in earn-out liability					4,759
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)					(52,498)
Profit before income tax					26,986
Income tax expense					(9,081)
Net profit for the period					17,905

	Generic Products $'000	Metrics Contract Services $'000	Speciality Brands $'000	MPI $'000	Total Consolidated $'000
Half Year ended 31 December 2014					
Sale of goods	27,273	-	1,232	10,180	38,685
Services income	-	15,124	-	4,739	19,863
License fee income	-	-	-	494	494
Royalty income	-	-	-	507	507
Revenue	27,273	15,124	1,232	15,920	59,549
Cost of sales	(9,470)	(7,750)	(126)	(11,267)	(28,613)
Gross profit	17,803	7,374	1,106	4,653	30,936
Other income					1,444
Amortisation of intangible assets					(2,443)
Fair value movement in earn-out liability					(79)
Other expenses (refer Statement Profit or Loss and Other Comprehensive Income)					(23,910)
Profit before income tax					5,948
Income tax expense					(1,957)
Net profit for the period					3,991

Geographical segment information

Revenue from external customers	31 December 2015 $'000	31 December 2014 $'000
Australia	12,930	11,643
United States	111,506	43,629
Korea	381	2,006
Other	2,444	2,271
Total external revenue	127,261	59,549

Product information

Revenue by product group / service	31 December 2015 $'000	31 December 2014 $'000
Contract manufacturing	4,681	4,739
Analytical and formulation	23,501	15,124
Oral and other pharmaceuticals	98,562	39,179
Other revenue	517	507
Total external revenue	127,261	59,549

3. OTHER INCOME

Revenue by product group / service	31 December 2015 $'000	31 December 2014 $'000
Interest income	253	84
Net gain on foreign exchange	2,462	1,260
Other income	90	100
	2,805	1,444

4. EXPENSES

	31 December 2015 $'000	31 December 2014 $'000
Finance expenses		
Interest expense	705	1,953
Unused line fees	396	-
Amortisation of borrowing costs	104	182
	1,205	2,135
Depreciation(1)	2,616	2,510
Employee benefits expense(2)		
Wages and salaries	29,458	20,837
Superannuation expense	1,382	1,289
Share-based payments	2,340	619
Other employee benefits expense	4,254	685
Total employee benefits expense	37,434	23,430
Administration and other expenses		
Administration and other expenses include the following:		
Settlement costs relating to a distributor dispute	6,668	-
Establishment costs for US Speciality Brands division	-	843
Amortisation of intangible assets	8,480	2,443
Fair value movement in earn-out liability		
Movement in undiscounted fair value of earn-out liabilities	(5,232)	(479)
Change in fair value attributable to the unwinding of the discounting of the earn-out liabilities	473	558

The movement in undiscounted fair value of earn-out liabilities relates to the JMI Methamphetamine earn-out and the Hospira earn-out. The final Hospira earn-out payment was made during the period.

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 2015 $'000	31 December 2014 $'000
Current income tax		
Current income tax	(18,949)	(3,007)
Adjustment in respect of current income tax of previous years	-	59
Deferred income tax		
Relating to movement in net tax deferred tax assets and liabilities	9,868	991
Income tax expense in the consolidated statement of profit or loss and other comprehensive income	(9,081)	(1,957)

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 2015 $'000	31 December 2014 $'000
The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:		
Profit before income tax	26,986	5,948
Prima facie tax (expense)/benefit at 30%	(8,096)	(1,784)
Effect of R&D concessions	174	241
Over provision in respect of prior years	-	59
Recognition of deferred tax asset relating to share-based payments	-	491
Non-assessable items	1,192	-
Non-deductible expenses for tax purposes		
Amortisation	(1,291)	-
Share-based payments	(219)	(11)
Other non-deductible expenses	(57)	(57)
Share of associate's loss	-	(229)
Effect of higher tax rate in USA	323	(301)
US State taxes	(431)	(381)
Tax loss of HPPI not recognised	(701)	-
Restatement of DTA & DTL re US state tax rate changes	25	15
Income tax expense	(9,081)	(1,957)

C. Recognised deferred tax assets and liabilities

	31 December 2015 $'000	30 June 2015 $'000
Deferred tax assets		
Intangible assets	1,953	2,023
Provisions	1,900	2,138
Payables	13,796	5,344
Inventory	6,927	3,466
Employee share options	5,001	1,952
US state taxes	1,612	731
Earn-out liability	496	766
Equity raising costs	1,422	1,699
	33,107	18,119
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Assets	33,107	18,119
Set off of Deferred Tax Liabilities	(9,753)	(8,550)
Net Deferred Tax Assets[1]	**23,354**	9,569
Deferred tax liabilities		
Property, plant and equipment	4,456	4,680
Intangible assets	44,375	40,340
US State taxes	4,466	4,171
Unrealised foreign exchange gains	1,357	601
Other	141	111
	54,795	49,903
Reconciliation to the Statement of Financial Position		
Total Deferred Tax Liabilities	54,795	49,903
Set off against Deferred Tax Assets	(9,753)	(8,550)
Net Deferred Tax Liabilities[2]	**45,042**	41,353

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

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

6. CASH AND CASH EQUIVALENTS

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

	31 December 2015 $'000	30 June 2015 $'000
Cash at bank and in hand	49,735	59,201

7. INTANGIBLE ASSETS AND GOODWILL

	Goodwill $'000	Customer Contracts, Customer Relationships Product Rights & Intellectual Property $'000	Development Expenditure $'000	Marketing & Distribution Rights $'000	Trade Names $'000	Other $'000	Total $'000
Six months ended 31 December 2015							
Balance at beginning of the period net of accumulated amortisation	58,436	38,609	51,562	56,647	65,183	32,523	302,960
Reclassification (1)	-	32,523	-	-	-	(32,523)	-
Additions	-	5,572	10,962	1,012	-	-	17,546
Amortisation		(2,562)	(479)	(1,003)	(4,436)	-	(8,480)
Impairments (2)	-	-	(1,261)	-	(55)	-	(1,316)
Exchange differences	2,854	3,467	1,881	2,010	213	-	10,425
Balance at end of period net of accumulated amortisation	61,290	77,609	62,665	58,666	60,905	-	321,135
As at 31 December 2015							
Cost	61,290	110,390	66,718	59,992	68,954	-	367,344
Accumulated amortisation	-	(32,781)	(1,337)	(1,326)	(7,994)	-	(43,438)
Accumulated impairments	-	-	(2,716)	-	(55)	-	(2,771)
Net carrying amount	61,290	77,609	62,665	58,666	60,905	-	321,135

(1) Additions relating to HPPI temporarily classified as Other Intangibles for the year ended 30 June 2015 have been reviewed and reclassified to the appropriate category in the current period.

(2) A development project was assessed as impaired during the period due to changes in market conditions for the product. The impairment recorded was $1,261,000 and this amount is included in Research and development expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The Tradename impairment relates to the Libertas name which is no longer used in the business.

8. INTEREST-BEARING LOANS AND BORROWINGS

	31 December 2015 $'000	30 June 2015 $'000
Non-current		
Syndicated loan	64,811	61,774
Borrowing costs (net of amortisation)	(941)	(998)
Lease liabilities	926	980
	64,796	61,756

Syndicated loan

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. The US dollar amount drawn remains unchanged. This facility has a limit of US$125 million and can be drawn down in either USD or AUD with USD expected to be the major currency drawn down.

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

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

At 31 December 2015, the variable interest rate was 1.92%. On 15 December 2015, the Group entered into contracts to hedge 50% (30 June 2015: nil) of the interest rate risk in accordance with the terms of the facility. Interest rates are managed using interest rate swaps, in which the Group agrees to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

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.

9. OTHER FINANCIAL LIABILITIES

	31 December 2015 $'000	30 June 2015 $'000
Current		
Earn-out liability - Hospira	-	6,500
Earn-out liability – Libertas' former shareholder	1,331	1,159
Earn-out liability - Zebutal™	156	148
Earn-out liability – ESGIC™ and LORCET™ acquisition	389	442
Earn-out liability – Alphagen	741	854
Earn-out liability – Oxycodone	5,111	6,095
Deferred consideration - BAC ANDA	263	2,471
Deferred consideration – Methamphetamine ANDA and distribution rights	-	9,142
	7,991	26,811

	31 December 2015 $'000	30 June 2015 $'000
Non-current		
Earn-out liability - Libertas' former shareholder	-	1,244
Earn-out liability – Zebutal™	447	462
Earn-out liability – ESGIC™ and LORCET™ acquisition	1,705	1,543
Earn-out liability – Alphagen	800	682
Earn-out liability – Oxycodone	2,201	3,381
Earn-out liability – US Product ANDA	739	-
	5,892	7,312

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 $473,000 (31/12/14: $558,000) for the period representing the change in fair value as a result of the unwinding of the discounting.

The value of the earn-outs has been determined based on expected future cash flows required to be paid for the balance of the earn-out period.

Libertas
The consolidated entity has recognised a balance of $1,331,000 in relation to the earn-out liability incurred as part of the consideration on the acquisition of Libertas. The earn-out is payable based upon margin contribution targets for the 2014-16 financial years. The maximum amount payable (US$900,000) in relation to the 2015 year was settled in October 2015 with cash. As at 31 December 2015 it is considered highly probable that the margin contribution target will be achieved for the final financial year of the agreement and hence the fair value of the earn-out liability is based on the maximum amount payable. 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 for the three years is US$2,480,000.

Zebutal
The consolidated entity has recognised at reporting date a total of $603,000 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.

ESGIC & LORCET
The consolidated entity has recognised at reporting date a total of $2,094,000 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.

BAC Capsules
The consolidated entity has recognised at reporting date a total of $1,541,000 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.

Oxycodone
The consolidated entity has recognised at reporting date a total of $7,312,000 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.

US Product ANDA
The consolidated entity has recognised at reporting date a total of $739,000 in relation to the earn-out liability incurred as part of the acquisition of a US product ANDA. The earn-out is payable quarterly based upon net sales for a period of seven years after the product is launched or for a period of twelve years from the effective date, whichever is sooner. The earn-out has not been re-assessed since acquisition in September 2015.

Methamphetamine
The consolidated entity has recognised at reporting date a total of $nil in relation to the deferred consideration as part of the acquisition of the Methamphetamine distribution rights. Consideration of USS4,000,000 was paid in September 2015. The final instalment (US$3,000,000) was due to be settled February 2016 and was contingent on market factors. The Group now expects no amount will be paid in relation to the final instalment and hence has re-assessed the liability during this reporting period.

10. CONTRIBUTED EQUITY

(a) Issued capital

	31 December 2015 $'000	30 June 2015 $'000
Ordinary shares, fully paid	258,712	255,834

(b) Movements in share capital

	31 December 2015 Number	$'000
Balance at beginning of period	786,754,531	255,834
Exercise of employee options	500,000	218
Tax effect of employee share options	-	2,660
Shares issued to employees under the LTI non-recourse loan funded arrangement (subject to risk of forfeiture)	19,841,815	-
Balance at end of period	**807,096,346**	**258,712**

11. DIVIDENDS

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

12. COMMITMENTS AND CONTINGENCIES

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

The Company previously reported it was in dispute with a former distributor who claimed loss of profits from an alleged breach of contract. The dispute went through a dispute resolution process as outlined in the contract and was finalised through arbitration in Hong Kong. The Company has reflected the settlement liability in this report (refer note 5).

13. 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 2015:

	$'000
Financial assets	
Current	
Trade and other receivables	100,450
	100,450
Financial liabilities	
Current	
Earn-out liabilities	7,991
Trade and other payables	111,602
	119,593
Non-current	
Earn-out liabilities	5,892
Syndicated loan	63,870
	69,762

Fair Value

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

	Carrying Amount		Fair Value	
	31 Dec 2015 $'000	30 June 2015 $'000	31 Dec 2015 $'000	30 June 2015 $'000
Assets				
Warrants (options) - HPPI	1,267	1,267	1,267	1,267
Interest rate swaps	15	-	15	-
Cash and short-term deposits	49,735	59,201	49,735	59,201
Liabilities				
Earn-out liability – Hospira	-	6,500	-	6,500
Earn-out liability - Libertas' former shareholder	1,331	2,403	1,331	2,403
Earn-out liability - Zebutal™	603	610	603	610
Earn-out liability – ESGIC™ and LORCET™	2,094	1,985	2,094	1,985
Earn-out liability – BAC capsule	1,541	1,536	1,541	1,536
Earn-out liability – Oxycodone	7,312	9,476	7,312	9,476
Deferred consideration – Methamphetamine ANDA and distribution rights	-	9,142	-	9,142
Earn-out liability – US Product ANDA	739	-	739	-
Interest-bearing syndicated loan	63,870	60,776	64,811	61,774

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.

Interest rate swaps represent the Mark to Market value of open contracts at reporting date.

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

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

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

Fair value hierarchy

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Assets and liabilities measured at fair value

As at 31 December 2015, the Group held the following financial instruments carried at fair value in the Statement of Financial Position:

	Level 2		Level 3	
	31 December 2015 $'000	30 June 2015 $'000	31 December 2015 $'000	30 June 2015 $'000
Financial Assets				
Warrants (options) - HPPI	-	-	1,267	1,267
Interest rate swaps	15	-	-	-
Financial Liabilities				
Earn-out liability – Hospira	-	-	-	6,500
Earn-out liability - Libertas' former shareholder	-	-	1,331	2,403
Earn-out liability - Zebutal™	-	-	603	610
Earn-out liability – ESGIC™ and LORCET™	-	-	2,094	1,985
Earn-out liability – BAC capsule	-	-	1,541	1,536
Earn-out liability – Oxycodone	-	-	7,312	9,476
Deferred consideration – Methamphetamine ANDA and distribution rights	-	-	-	9,142
Earn-out liability – US Product ANDA	-	-	739	-

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:

	2015 $'000
Opening balance	31,654
Fair value movement (refer Note 4)	(4,759)
New acquisitions	723
Currency fluctuations	1,362
Payments	(15,361)
Closing Balance	13,619

During the six month period ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements. The fair value decrease of $4,759,000 was recorded in determining profit before tax.

14. EVENTS SUBSEQUENT TO REPORTING DATE

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

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

  (i) giving a true and fair view of the financial position as at 31 December 2015 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 2016

AUDITOR'S INDEPENDENT REVIEW REPORT

Building a better working world

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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 consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 half-year 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 2015 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, a copy of which is included in the Directors' Report.

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 2015 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

Ernst & Young

Ashley C. Butler
Partner
Melbourne
26 February 2016