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

Friday, 25 February 2011

Via E-Lodgement

Dear Sir/Madam

Mayne Pharma Group

Interim Results

Please find attached the Appendix 4D Half Year Report, together with the media release, Directors' Report, the Financial Report and Auditor's Independent Review Report relating to the results for the half year ended 31 December 2010.

This information should be read in conjunction with Mayne Pharma Group Limited's 2010 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
Chief Financial Officer and Company Secretary

Mayne Pharma Group Limited
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ANNOUNCEMENT

MAYNE PHARMA REPORTS INTERIM RESULT AND SPECIAL DIVIDEND

- ***Revenue $26.9M***
- ***EBITDA $5.1M***
- ***Cash $13.4M***
- ***Debt reduced to US$3.75M***
- ***Special dividend of 1.0cps***

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25 February 2011, Melbourne Australia: Mayne Pharma Group Limited (ASX: MYX) today released its results for the half year ended 31 December 2010 with revenue of $26.9M and operating earnings (EBITDA) of $5.1M.

Mayne Pharma's CEO, Dr Roger Aston said "While the results are pleasing, the combination of the unprecedented strength of the Australian Dollar and a delay in the approval of new formulations of Doryx®, has meant the results are less than Company expectations. The impact of the strengthening AUD resulted in a net loss on foreign exchange of $0.8M. These impacts were partially offset by the performance of some of the Company's other brands and products, which have shown solid growth over the period and tight expense management."

H11 Results

	Reported 6 months $ millions	Last 12 months $ millions
Sales	**26.9**	**54.3**
Gross profit	12.2	24.6
EBITDA	**5.1**	**14.0**
Depreciation	(0.9)	(1.9)
EBITA	**4.2**	**12.1**
Amortisation	(3.1)	(8.6)
EBIT	**1.1**	**3.5**
Net interest	(0.8)	(1.6)
NPBT	**0.3**	**1.9**
Income tax benefit	0.8	
NPAT	**1.1**	
EPS (cps)	0.76	
Net operating cash flows (pre tax)	3.7	12.6
Cash at bank	13.4	

Operating performance

Sales of Doryx®, our key proprietary product mainly sold into the US market and representing about 50% of revenue, did not meet Company expectations because, amongst other things, the Company agreed to defer firm orders from Warner Chilcott, as outlined below, and the stronger than expected Australian dollar.

During the past year, Mayne Pharma with its US partner Warner Chilcott, has focused on the development and approval of improved next generations of Doryx®, as part of the product life-cycle management strategy of the Company.

In line with this strategy, the Company was expecting to receive FDA approval for new formulations of Doryx® in the first half, and while this has not yet been granted, approval is anticipated in the second half of the financial year. The Company had received firm orders for the new Doryx® formulations, however, the Company took a strategic decision for the longer term and agreed to the deferral of these orders by Warner Chilcott. The combination of this delay and a reduction in orders for existing product in anticipation of the move to the new Doryx® formulations, led to a $1.7M margin shortfall.

Astrix®, the number one prescribed low dose aspirin in Australia contributing 17% of revenue, was up strongly during the period following new sales and marketing activity and the acquisition of the marketing and distribution rights from Hospira in February 2010. A consumer focused website for Astrix® was launched during the half and we have recently partnered with HealthOne to promote the Astrix® brand of products in pharmacies across Australia.

Sales revenue from the contract manufacturing of liquids and creams, representing approximately 20% of sales, were down marginally.

Regional performance

Australian, Canadian and Korean sales which represent approximately 50% of the group's revenue were all up strongly. Australian sales revenue showed more than 20% growth on the prior corresponding period in 2009 driven by the proprietary products division (Astrix®, Doryx®, Eryc® and Magnoplasm®) that acquired the marketing and distribution rights from Hospira. In Canada, the Company renewed the licence agreement with Abbott Inc. for Kadian® and, although a relatively small part of the business, this has lead to 50% growth in sales of the product from expanded marketing effort. Similarly, our Astrix® brand in Korea has also continued to grow (up 8%) through its marketing and distribution partner Boryung.

Cash flow

Net operating cash generated before tax payments was $3.7M. Cash on hand at 31 December 2010 was $13.4M, which has decreased from $19.7M at 30 June 2010, largely driven by the dividend payment of $3.0M, $2.7M in loan repayments and $2.9M in tax payments.

The US$10M debt that underpinned the acquisition of Mayne Pharma International Pty Ltd in November 2009 has been reduced to US$3.75M as at end of January 2011 and will be completely paid down in the 2011 calendar year.

SUBACAP® progression

During the half, it was announced that the Company had submitted a Marketing Authorisation Application in the European Union for SUBACAP®, an improved version of an existing drug (Itraconazole) used to treat fungal infections and targeting the current Itraconazole market (US$550M). In addition, the Company completed a phase II study in the USA that demonstrated SUBACAP® will offer a safe, lower dose replacement to the current market leader, Sporanox®. The Company will be meeting with the FDA in the 2nd quarter of 2011 to receive guidance on further requirements for US registration of SUBACAP®.

The Company is expecting to receive formal feedback on the EU dossier by the end of May 2011 with approval anticipated by the end of calendar 2011. Mayne Pharma is expecting to receive income from the first market sales of SUBACAP® in calendar 2012 subject to regulatory approval and the appointment of a marketing and distribution partner. The Company continues to progress negotiations with a number of interested parties around the world for the licensing of SUBACAP®.

Doryx® patent matters

Mayne Pharma and its partner Warner Chilcott continue to take all necessary legal action to protect the patent on Doryx®. This is an ongoing aspect of US patent law and the Company will continue to protect its position, when as expected, the Company receives challenges to its position. For example, Mayne Pharma and Warner Chilcott have initiated legal action seeking damages against Mylan Pharmaceuticals Inc in response to their recent launch of generic forms of 75mg and 100mg Doryx® formulations. These formats currently account for approximately 4% of US sales of Doryx®.

Outlook

Doryx® remains an important component for the overall financial performance of Mayne Pharma. As previously announced, the Company is in the process of transitioning into new improved Doryx® formulations as part of the ongoing development of the Company's drug portfolio. These new Doryx® formulations are now expected to receive FDA approval during the second half of the financial year, and some discontinuity in sales is likely to continue whilst inventories are depleted and re-stocked during product transition. Furthermore, Mayne Pharma has taken a strategic decision to allow Warner Chilcott to defer existing orders to accommodate delays in the approval process. The Company is confident that the majority of these orders will be fulfilled during the second half. However, the delay is likely to result in some current year orders being deferred into next year.

Wide ranging discussions are underway with Warner Chilcott including the opportunity for significant price increases across various Doryx® formulations. In view of a combination of factors, namely the increased strength of the AUD and the uncertainty now created by the timing of the FDA approvals and the Company's strategic decision to allow its major partner Warner Chilcott to delay orders, the previous guidance of EBITDA not less than $18.2M is no longer appropriate. The Company anticipates that the normalisation of supply of Doryx® to Warner Chilcott will return to normal patterns within a reasonable period of time, but this will not be in time to normalise earnings in the second half. However, longer term, Mayne Pharma's position may improve given the possibility of price increases being implemented.

The Directors remain confident in the resilience and sustainability of our business model with our strong product portfolio and pipeline, particularly given the recent filing of SUBACAP® for registration in the EU and on-going discussions with potential marketing and distribution partners.

Dr Aston said “We will continue to invest in developing and commercialising improved pharmaceuticals and launching and marketing existing and new products through partnerships with global licensees. In addition, we will seek to build on our platform through in-licensing and acquisition of products that are either commercialised or nearing commercialisation.”

Special dividend

After careful consideration of the outlook for the Company, the Board of Mayne Pharma is pleased to declare a fully franked special dividend of 1.0 cent per share with a record date of 9th March 2011 and payable 25th March 2011.

-ENDS-

For further information contact:

Dr Roger Aston 0402 762 204
Lisa Pendlebury 0419 548 434, lisa.pendlebury@maynepharma.com

Mayne Pharma Profile:

Mayne Pharma Group Limited (Mayne Pharma) is an Australian specialist pharmaceutical company with an intellectual property portfolio built around the optimisation and delivery of oral dosage form drugs.

Mayne Pharma has a long and successful history of developing and commercializing improved pharmaceuticals and has launched and marketed numerous products through partnerships with licensees in various countries around the world. Mayne Pharma focuses on delivering to patients improved versions of existing drugs in order to advance safety, efficacy or ease of administration.

A technology driven company, Mayne Pharma has a significant product portfolio and pipeline, global reach through distribution partners in Australia, USA, Europe and Asia and a manufacturing facility based in Salisbury, South Australia that employs over 150 people on a 32 acre site. The facility also undertakes the manufacture of products under contract for third parties to TGA, FDA and EU regulatory guidelines.

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

	% Change	2010 $'000	2009 $'000
Revenue from ordinary activities	**Up 188%**	**26,898**	9,327
Profit/(loss) from ordinary activities before income tax expense	**N.M.**	**326**	(1,085)
Profit/(loss) from ordinary activities after income tax expense	**N.M.**	**1,134**	(2,172)
Net profit/(loss) attributable to members	**N.M.**	**1,134**	(2,172)

N.M: Not meaningful

Net tangible assets per ordinary share	**$0.088**	$0.042

	2010 cents	2009 cents
Basic earnings per share	**0.76**	(2.14)
Diluted earnings per share	**0.75**	(2.14)
Final dividend in respect of the financial year ended 30 June 2010 (2009) per share	**2.0**	nil
Special dividend in respect of the period ended 31 December 2010 (2009) per share	**1.0**	nil

All dividends are fully franked at the corporate income tax rate (2010: 30%; 2009: 30%)

The record date for determining entitlement to the special dividend is 9 March 2011 and the special dividend is payable on 25 March 2011. No dividend reinvestment plan is in operation for this dividend.

Refer to the Directors' Report and Press Release dated 25 February 2011 for a brief commentary on the results.

MAYNE PHARMA GROUP LIMITED
(Formerly Halcygen Pharmaceuticals Limited)

ABN 76 115 832 963

HALF-YEAR FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2010

CONTENTS

DIRECTORS:	Mr Roger Corbett, AO (Chairman) Dr Roger Aston (CEO) The Hon Ron Best Mr Bruce Mathieson Mr Ian Scholes
COMPANY SECRETARY:	Mr Mark Cansdale
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS:	Level 9 470 Collins 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 Level 23 525 Collins Street Melbourne VIC 3000
SHARE REGISTRY:	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St George's Terrace Perth WA 6000 Telephone: (08) 9323 2000 Facsimile: (08) 9323 2033
BANKERS:	National Australia Bank Limited Level 2 151 Rathdowne Street Carlton VIC 3053
ABN:	76 115 832 963
DOMICILE AND COUNTRY OF INCORPORATION:	Australia
LEGAL FORM OF ENTITY:	Public company listed on the Australian Securities Exchange

Your directors submit their report for the half-year ended 31 December 2010.

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 stated.

Mr Roger Corbett, AO, Chairman (appointed 17 November 2010)
Dr Roger Aston, CEO
The Hon Ron Best
Mr Bruce Mathieson
Mr Ian Scholes
Mr Craig Bottomley (resigned 29 July 2010)

RESULTS AND REVIEW OF OPERATIONS

The consolidated entity's net profit attributable to members of the Company for the half-year ended 31 December 2010 was $1,134,000 (half-year ended 31 December 2009: $2,172,000 net loss).

The results for the half include the full six month's contribution from Mayne Pharma International Pty Ltd compared to two months in the prior comparable period.

Operating performance

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Special dividend

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ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (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 6 of the Financial Report.

Dated this 25th day of February 2011.

Signed in accordance with a resolution of the directors.

Roger Aston
Director

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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 2010, 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

David Petersen
Partner

Melbourne
25 February 2011

	Note	31 December 2010 $ 000	31 December 2009 $ 000
Continuing operations			
Sale of goods		25,133	8,885
Royalties revenue		670	240
Other revenue		1,095	202
Revenue		26,898	9,327
Cost of sales		(14,684)	(3,747)
Inventory revaluation on acquisition of subsidiary		-	(333)
Gross profit		12,214	5,247
Other income / (expense)	3	(558)	70
Research and development expenses		(3,583)	(1,936)
Distribution expenses		(332)	(14)
Marketing expenses		(248)	-
Share-based payments		-	(1,002)
Amortisation expense		(3,047)	-
Administrative expenses		(3,012)	(2,812)
Finance costs	3	(1,108)	(426)
Acquisition costs		-	(211)
Profit/(loss) before income tax		326	(1,085)
Income tax benefit/(expense)	4	808	(1,087)
Net profit/(loss) for the period		1,134	(2,172)
Other comprehensive income		-	-
Total comprehensive income for the period		1,134	(2,172)
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity shareholders of the parent:			
Basic earnings per share (cents)		0.76	(2.14)
Diluted earnings per share (cents)		0.75	(2.14)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the parent:			
Basic earnings per share (cents)		0.76	(2.14)
Diluted earnings per share (cents)		0.75	(2.14)

This consolidated statement of comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

	Note	31 December 2010 $ 000	30 June 2010 $ 000
Current assets			
Cash and cash equivalents	5	13,400	19,709
Trade and other receivables		7,768	5,999
Inventories		6,208	6,500
Other current assets		592	321
Total current assets		27,968	32,529
Non-current assets			
Property, plant and equipment		21,275	21,047
Deferred tax assets		3,291	3,347
Intangible assets and goodwill		11,225	14,226
Total non-current assets		35,791	38,620
Total assets		63,759	71,149
Current liabilities			
Trade and other payables		4,472	3,928
Interest-bearing loans and borrowings		4,874	7,587
Income tax payable / (refundable)		(574)	2,586
Other financial liabilities	6	6,556	6,549
Provisions		2,891	2,517
Total current liabilities		18,219	23,167
Non-current liabilities			
Interest-bearing loans and borrowings		-	1,027
Other financial liabilities	6	15,237	14,392
Deferred tax liabilities		4,929	5,550
Provisions		904	1,464
Total non-current liabilities		21,070	22,433
Total liabilities		39,289	45,600
Net assets		24,470	25,549
Equity			
Contributed equity	7	30,883	29,649
Reserves		1,272	1,714
Accumulated losses		(7,685)	(5,814)
Total equity		24,470	25,549

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

	Contributed equity $ 000	Reserves $ 000	Accumulated losses $ 000	Total $ 000
Balance at 1 July 2010	29,649	1,714	(5,814)	25,549
Profit for the period	-	-	1,134	1,134
Shares issued	792	-	-	792
Transfer for share options exercised	442	(442)	-	-
Dividends paid	-	-	(3,005)	(3,005)
Balance at 31 December 2010	30,883	1,272	(7,685)	24,470
Balance at 1 July 2009	15,869	902	(9,067)	7,704
Loss for the period	-	-	(2,172)	(2,172)
Shares issued	13,566	-	-	13,566
Share issue costs	(746)	-	-	(746)
Share options issued	-	1,002	-	1,002
Balance at 31 December 2009	28,689	1,904	(11,239)	19,354

This consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

	Note	31 December 2010 $ 000	31 December 2009 $ 000
Cash flows from operating activities			
Receipts from customers		27,080	10,163
Payments for research and development expenditure		(3,778)	(1,715)
Payments to suppliers and employees		(19,614)	(7,107)
Interest received		206	70
Interest paid		(194)	-
Tax paid		(2,917)	-
Net cash flows from operating activities		783	1,411
Cash flows from investing activities			
Purchase of plant and equipment		(1,035)	(29)
Purchase of intangible assets		(41)	-
Acquisition of subsidiary		-	(18,250)
Net cash flows used in investing activities		(1,076)	(18,279)
Cash flows from financing activities			
Proceeds from issue of shares		792	13,566
Payment of share issue costs		-	(746)
(Repayment) / Proceeds of borrowings		(2,658)	11,050
Payment of borrowing costs		-	(381)
Equity dividends paid		(3,005)	-
Net cash flows (used in) / from financing activities		(4,871)	23,489
Net (decrease) / increase in cash and cash equivalents		(5,164)	6,621
Cash and cash equivalents at beginning of period		19,709	7,936
Effect of foreign exchange changes on cash held in foreign currencies		(1,145)	-
Cash and cash equivalents at end of period		13,400	14,557

This consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This general purpose financial report for the half-year ended 31 December 2010 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 2010 and considered together with any public announcements made by Mayne Pharma Group Limited during the half-year ended 31 December 2010 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 2010 the Group has adopted the following standards and interpretations, mandatory for annual periods beginning on or after 1 July 2010. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
  [AASB 2 and AASB 138 and AASB interpretations 9 & 16]

- AASB 2009-7 Amendments to Australian Accounting Standards
  [AASB 5, 7,107,112,136 & 139 and Interpretation 17]

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
  [AASB 5, 8, 107, 117, 118, 136 & 139]

New accounting standards and interpretations

Accounting Standards and Interpretations issued but not yet effective:

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 half year ended 31 December 2010 are outlined below:

AASB 9	*Financial Instruments*
Application date of standard:	1 January 2013
Application date for Group:	1 July 2013
Impact on financial report:	The Group has yet to fully assess the impact of the changes but expects them to have minimal impact on the Group.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

New accounting standards and interpretations (continued)

Accounting Standards and Interpretations issued but not yet effective: (continued)

Summary
AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the International Accounting Standards Board's (IASB) project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.

(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.
(b) AASB 9 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.

AASB 124 (Revised)	*Related Party Disclosures (December 2009)*
Application date of standard:	1 January 2011
Application date for Group:	1 July 2011
Impact on financial report:	The Group has yet to fully assess the impact of the changes but expects them to have minimal impact on the Group.

Summary
The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
(a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
(b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and

(c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

New accounting standards and interpretations (continued)

Accounting Standards and Interpretations issued but not yet effective: (continued)

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 yet to fully assess the impact of the changes but expects them to have minimal impact on the Group.

Summary
This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:
(a) Tier 1: Australian Accounting Standards; and
(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

The following entities apply Tier 1 requirements in preparing general purpose financial statements:
(a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and
(b) the Australian Federal Government and State, Territory and Local Governments.

The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:
(a) for-profit private sector entities that do not have public accountability;
(b) all not-for-profit private sector entities; and
(c) public sector entities other than the Australian Government and State, Territory and Local Governments.

AASB 2009-11	*Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12*
Application date of standard:	1 January 2013
Application date for Group:	1 July 2013
Impact on financial report:	The Group has yet to fully assess the impact of the changes.

Summary
These amendments arise from the issuance of AASB 9 *Financial Instruments* that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

New accounting standards and interpretations (continued)

Accounting Standards and Interpretations issued but not yet effective: (continued)

AASB 2009-12 *Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]*

Application date of standard: 1 January 2011
Application date for Group: 1 July 2011
Impact on financial report: The Group has yet to fully assess the impact of the changes but expects them to have minimal impact on the Group.

Summary

This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.

In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]*

Application date of standard: 1 January 2011
Application date for Group: 1 July 2011
Impact on financial report: The Group has yet to fully assess the impact of the changes but expects them to have minimal impact on the Group.

Summary

The project emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of the risks associated with financial instruments.

It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The standard provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. The standard also clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

AASB 2010-5 *Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112,115, 127, 132 & 1042]*

Application date of standard: 1 January 2011
Application date for Group: 1 July 2011
Impact on financial report: The Group has yet to fully assess the impact of the changes but expects them to have minimal impact on the Group.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

New accounting standards and interpretations (continued)

Accounting Standards and Interpretations issued but not yet effective: (continued)

Summary
This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.

These amendments have no major impact on the requirements of the amended pronouncements.

AASB 2010-6	*Amendments to Australian Accounting Standards-Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]*
Application date of standard:	1 July 2011
Application date for Group:	1 July 2011
Impact on financial report:	The Group has yet to fully assess the impact of the changes but expects them to have minimal impact on the Group.

Summary
The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.

AASB 2010-7	*Amendments to IFRS 9: Fair Value Option for Financial Liabilities*
Application date of standard:	1 January 2013
Application date for Group:	1 July 2013
Impact on financial report:	The Group has yet to fully assess the impact of the changes.

Summary
The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value attributable to changes in credit risk are presented in other comprehensive income (OCI) and 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.

2. SEGMENT REPORTING

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

The operating segments are identified by management based on the manner in which the individual entity in the Group operates. Discrete financial information about each of these operating segments is reported to the executive management team on at least a monthly basis.

The consolidated entity operates in two operating segments, being Mayne Pharma International Pty Ltd (MPI) and Mayne Pharma Group Limited (MPG), and one geographical location, being Australia. The MPI segment provides optimisation, manufacture and delivery of oral dosage form drugs and has a long and successful history in developing and commercialising improved pharmaceuticals.

The MPG segment's main activity, in addition to the provision of corporate activities, is the development and commercialisation of a new product, SUBACAP®.

2. SEGMENT REPORTING (continued)

The consolidated entity reports the following information on the operations of its identified segments:

	MPI	MPG	Total consolidated
	$000	$000	$000
Half-year ended 31 December 2010			
Sale of goods	25,133	-	25,133
Other revenue	1,765	-	1,765
Revenue	26,898	-	26,898
Cost of sales	(14,684)	-	(14,684)
Gross profit	12,214	-	12,214
Other income	(1,522)	964	(558)
Amortisation of intangible assets	(3,042)	-	(3,042)
Other expenses	(4,530)	(3,758)	(8,287)
Profit / (loss) before income tax	3,120	(2,794)	326
Income tax (expense) / benefit	(430)	1,238	808
Net profit / (loss) for the period	2,690	(1,156)	1,134
Assets	62,801	1,158	63,759
Liabilities	12,625	26,664	39,289
Half-year ended 31 December 2009			
Sale of goods	8,885	-	8,885
Other revenue	485	-	485
Revenue	9,370	-	9,370
Cost of sales	(4,080)	-	(4,080)
Gross profit	5,290	(44)	5,291
Other income	-	70	70
Amortisation of intangible assets	-	-	-
Other expenses	(1,243)	(5,202)	(6,445)
Profit / (loss) before income tax	4,048	(5,132)	(1,085)
Income tax expense	(1,087)	-	(1,087)
Net profit / (loss) for the period	2,961	(5,132)	(2,172)
Assets	60,634	-	60,634
Liabilities	(41,280)	-	(41,280)

3. REVENUE AND EXPENSES

	31 December 2010 $000	31 December 2009 $000
Other income / (expense)		
Interest	206	70
Net loss on foreign exchange	(764)	-
	(558)	70
Borrowing costs		
- Interest expense	161	94
- Notional interest expense for change in fair value of the earn out liability	852	270
- Amortisation of borrowings costs	95	62
	1,108	426
Share-based payments	-	1,002
Depreciation included in consolidated statement of comprehensive income[1]	808	320
Employee benefits expense		
Wages and salaries	6,477	1,572
Defined contribution superannuation expense	581	193
Other employee benefits expense	1,167	326
Total employee benefits expense [2]	8,825	2,091

(1) Depreciation expense is included in R & D expenses and cost of sales.
(2) Employee benefits expenses are included in the combination of administrative expenses and cost of sales.

4. INCOME TAX

The prima facie tax on operating profit / (loss) differs from the income tax provided in the accounts as follows:

Profit / (loss) before income tax	326	(1,085)
Prima facie tax (expense) / benefit at 30% (31 December 2009: 30%)	(98)	325
Tax effect of amounts which are not deductible in calculating taxable income	414[1]	-
Tax effect of accumulated tax losses for which no deferred tax asset has been recognised	122	(1,412)
Research and development tax offset receivable in relation to the 2009 tax year.	370	-
Income tax benefit / (expense)	808	(1,087)

4. INCOME TAX (continued)

(1) The tax effect of amounts which are not deductable comprised:

	31 December 2010 $000
Interest on earn-out liability	(255)
R & D concession	153
Restatement of deferred tax balances upon entry to a tax consolidated group	516
	414

Tax losses

The Group has Australian tax losses for which no deferred tax asset is recognised on the consolidated statement of financial position of $5,014,000 (2009: $4,708,000) which may be available indefinitely for offset against future profits subject to the Company continuing to meet the relevant statutory tests.

Tax consolidation

Mayne Pharma Group Limited and its 100% owned Australian resident subsidiary, Mayne Pharma International Pty Ltd, 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. The 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.

5. 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 2010 $000	30 June 2010 $000
Cash at bank and in hand	13,314	19,626
Short-term bank deposits	86	83
	13,400	19,709

6. OTHER FINANCIAL LIABILITIES

Current		
Earn-out liability	6,556	6,549
Non-current		
Earn-out liability	15,237	14,392

6. OTHER FINANCIAL LIABILITIES (continued)

The consolidated entity has recognised a total of $21.793 million following the payment of $1.095 million in February 2010 in relation to the earn-out liability incurred as part consideration on the acquisition of Mayne Pharma International Pty Ltd on 30 October 2009. The earn-out payable to Hospira amounts to a maximum $41.6 million payable over a six year period. The earn-out payment is based on the level of gross revenue recognised by Mayne Pharma International Pty Ltd in relation to existing products at the time of the acquisition greater than $40 million in a calendar year period and capped at $65 million in a calendar year period, with a maximum $7.8 million payable in the first two years to 31 October 2011 and $6.5 million 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 US$1:A$0.95 for the 2011 calendar year and US$1:A$0.90 for subsequent years.

The earn-out liability represents the net present value of estimated future payments. The earn-out liability at balance date includes an interest charge of $851k for the period representing the change in fair value as a result of the unwinding of the discounting.

7. CONTRIBUTED EQUITY

(a) Issued capital

	31 December 2010 $000	31 December 2009 $000
Ordinary shares, fully paid	30,883	29,649

(b) Movements in contributed equity

	31 December 2010	
	Number	$000
Balance at beginning of period	148,178,700	29,649
Options exercised	2,475,000	792
Transfer from employee equity benefits reserve on exercise of options	-	442
Balance at end of period	150,653,700	30,883

8. DIVIDENDS

On 25 February 2011, the Board of Directors declared a fully franked special dividend of 1.0 cent per ordinary share. The record date is 9 March 2011 and the dividend will be paid on 25 March 2011.

	31 December 2010 $000	31 December 2009 $000
Declared and paid during the period		
Dividends on ordinary shares		
Final fully franked dividend for 2010: 2.0 cents per share (2009: Nil)	(3,005)	-

9. SUBSEQUENT EVENTS

There have been no events subsequent to the balance date, other than the declaration of the special dividend noted in note 8.

10. COMMITMENTS AND CONTINGENCIES

There were no commitments or contingencies as at 31 December 2010.

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 2010 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

Roger Aston
Director

Melbourne, 25 February 2011

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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 statement of financial position as at 31 December 2010, 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 Interim and Other Financial Reports 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 2010 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 follows 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 2010 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

David Petersen
Partner
Melbourne
25 February 2011