Registered number
03835531

Auden Mckenzie (Pharma Division) Limited

Annual report and financial statements

For the year ended 31 December 2016

Auden Mckenzie (Pharma Division) Limited
Annual report and financial statements
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Auden Mckenzie (Pharma Division) Limited
Company Information

Directors
Robert Williams
Kim Innes

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Whiddon Valley
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Registered number
03835531

Auden Mckenzie (Pharma Division) Limited
Strategic Report

Review of the business

During 2015, following the discontinuance of the company's trading activities; no future income was expected and hence the directors impaired the carrying value of its product licences in full and recognised an impairment charge of £9,967,078 as an exceptional item in the profit and loss account.

On 3 August 2016 Teva Pharmaceutical Industries Limited acquired the worldwide generics business of Allergan Plc, including Auden Mckenzie (Pharma Division) Limited. As part of the process to complete the transaction in the UK, regulatory approval was required from the European Commission, which ruled that part of the acquired business must subsequently be divested. Following the ruling from the European Commission, the company divested assets for a value of £3,838,000 to Actavis UK Limited and this amount was recognized as an exceptional item in the profit and loss account. For details of the divestment please refer to note 19.

Following the change of ownership and going forward the company will earn revenues in the form of income from its intangible assets which represent trademarks and royalties for goods sold by other group entities. These trademarks and licences are for branded pharmaceutical products sold mainly in the UK and European markets. The directors have re-assessed the impairment review carried out in the prior period and now believe that based upon estimated future cash flows expected to arise, that the recoverable amount of some of the product licences impaired during 2015 exceeds the carrying amount previously held. Hence during 2016 an impairment loss of £6,750,000 has been reversed, such that the carrying amount of the asset has been increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined net of amortisation had no impairment loss been recognised in the prior period. The reversal of the impairment loss has been recognised in the profit and loss account as an exceptional item.

The company had net assets of £150,015,656 at 31 December 2016 which the directors believe to represent a solvent position.

Key Performance Indicators:

	Year ended 31 December 2016	9 months ended 31 December 2015
	£	£
Turnover	29,734,875	71,751,515
Profit before taxation	37,255,690	44,384,199

The reduction in turnover and profits before taxation during the year/period is due to the change in the principal activities of the business and the recognition of the exceptional items as described above in the directors' report.

Company's policy on payments to creditors

The company's policy on payments to trade creditors is to agree the terms at the outset of any contract and in advance of the provision of goods and services. Payments are made in accordance with the agreed terms and any other contractual or legal obligations.

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include the effects of changes in interest rates, liquidity risk, credit risk and foreign exchange risk. The company seeks to limit the effects of such risks through the continuing support of its ultimate parent company:

Regulatory risks

The company has policies to ensure compliance with the pharmaceutical regulations. The company manages this risk through the support of the group regulatory functions.

Liquidity risk

The company manages its liquidity risk by ensuring sufficient facilities are available for at least the next 12 months and enjoys the support of shareholders and group banking arrangements

Auden Mckenzie (Pharma Division) Limited

Strategic report continued

Principal risks and uncertainties continued

Interest rate risk

Interest rate risk arises as a consequence of borrowings from group undertakings, the borrowings from which are at variable rates of interest. The company does not use derivative financial instruments to manage interest rate costs and as such no hedge accounting is applied.

Credit risk

The company has implemented policies that require appropriate credit checks on customers before sales are made and the amount of exposure to any individual counterparty is subject to a limit, which is assessed regularly by management.

Foreign exchange risk

The company is exposed to movements in foreign currency exchange rates as a result of transactions in foreign currencies. The company does not hedge against currency risks associated with such transactions

This report was approved by the board on 29 August 2017 and signed on its behalf by:

Robert Williams
Director
29 August 2017

Auden Mckenzie (Pharma Division) Limited
Registered number: 03835531
Directors' Report

The directors present their annual report and financial statements for the year ended 31 December 2016.

Principal activities
The principal activities of the company in the year under review was limited to income from its intangible assets, expenses and the holding of licences for goods sold by other group entities.

Results and dividends
A review of the business can be found in the Strategic report on page 2. On 8 November 2016 the investment that was held in D3 Pharma Limited for £377,440 was sold for a consideration of £1. This loss on disposal has been attributed to exceptional income/ (expenses) in the profit and loss account. See note 11 for further details.

During the year the company did not pay a dividend (prior period: £51,000,000, £51,000 per share).The directors do not recommend the payment of a final dividend (prior period: £Nil).

Political and charitable donations
The company made no political or charitable donations, or incurred any political expenditure during the year (prior period: £nil).

Current developments
On 18 February 2016 The Corporate Practice Limited resigned as auditor of the company and was replaced by PricewaterhouseCoopers LLP.

Future developments
The directors believe that the company is in a strong position to benefit from the increased market access and product marketing expertise it has gained following acquisition of the company by Teva Pharmaceutical Industries Limited.

Research and development
There were no further research and development costs during the year as the principal activity has changed as described above.

Financial instruments and risk management
The company's major financial instruments comprise, trade debtors, trade creditors and transactions with fellow group undertakings. The main objective of these instruments is to raise funds and finance company's operations. Further details can be found in the strategic report on pages 2-3.

Directors' indemnities
As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors

Auden Mckenzie (Pharma Division) Limited
Registered number: 03835531
Directors' Report continued

Directors
The following persons served as directors during the year and up to the date of signing the financial statements:

Nadine Jakes (appointed 29 May 2015; resigned 02 August 2016)
Sara Vincent (appointed 29 May 2015; resigned 02 August 2016)
Jonathan Wilson (appointed 29 May 2015; resigned 02 August 2016)
Todd Branning (appointed 29 May 2015; resigned 02 August 2016)
Robert Williams (appointed 02 August 2016)
Richard Gordon Daniell (appointed 02 August 2016; resigned 01 October 2016)
Kim Innes (appointed 01 October 2016)

Going concern
The directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the ultimate parent company, Teva Pharmaceutical Industries Limited. The directors have received no evidence or indication from Teva Pharmaceutical Industries Limited that leads them to doubt that they will continue to operate the company as a going concern for at least a period of 12 months from the date these financial statements were signed.

Subsequent events

In January 2017, Actavis UK Limited, a fellow subsidiary, was sold to Accord Healthcare Limited for £550,900,440. The sale included a portfolio of generic medicines plus a manufacturing plant in Barnstaple. This divestment was part of the agreement reached with the European Commission following Teva Pharmaceutical Industries Limited's acquisition of the worldwide generics business of Allergan Plc.

On March 8 2016 and April 11 2016, certain Actavis subsidiaries in the United Kingdom, including Auden Mckenzie Holdings Limited, received notices from the U.K. Competition and Markets Authority ("CMA") that it had launched formal investigations under Section 25 of the Competition Act of 1998 ("Competition Act") into suspected breaches of competition law in connection with the supply of 10mg and 20mg hydrocortisone tablets. On December 16, 2016, the CMA issued a statement of objections (a provisional finding of infringement of the Competition Act) in respect of certain allegations against Actavis UK Limited and Allergan Plc, which was later reissued to include certain Auden Mckenzie entities. Actavis UK Limited submitted a response, and an oral hearing was held. On March 3 2017, the CMA issued a second statement of objections in respect of certain additional allegations (relating to the same products and covering part of the same time period as for the first statement of objections) against Actavis UK Limited, Allergan Plc, and a number of other companies, which was later reissued to include certain Auden Mckenzie entities.

On January 9 2017, Teva completed the sale of Actavis UK Limited to Accord Healthcare Limited, pursuant to which Teva will indemnify Accord for fines imposed by the CMA and/or damages awarded by a court on Actavis UK Limited as a result of the investigations in respect of conduct prior to the closing date of the sale. In the event of any such fines or damages, Teva expects to assert claims, including claims for breach of warranty, against the sellers of Auden Mckenzie. The terms of the purchase agreement may preclude a full recovery by Teva. The directors do not expect this company to be required to pay any amounts as a result of this investigation and, accordingly, these accounts do not include any provision in relation to the investigation.

Auden Mckenzie (Pharma Division) Limited
Registered number: 03835531
Directors' Report continued

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the board on 29 August 2017 and signed on its behalf by:

Robert Williams
Director
29 August 2017

Independent auditors' report to the members of Auden Mckenzie (Pharma Division) Limited

Report on the financial statements

Our opinion

In our opinion, Auden Mckenzie (Pharma Division) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2016;
- the Profit and loss account and Statement of total comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Auden Mckenzie (Pharma Division) Limited continued

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Heather Ancient

Heather Ancient (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Plymouth
29 August 2017

Auden Mckenzie (Pharma Division) Limited
Profit and Loss Account
for the year ended 31 December 2016

	Note	Year ended 31 December 2016 £	9 months ended 31 December 2015 £
Turnover	2	**29,734,875**	71,751,515
Cost of sales		**-**	(12,420,199)
Gross profit		**29,734,875**	59,331,316
Distribution costs		**-**	(225,908)
Administrative expenses		**(2,805,097)**	(4,046,815)
Other operating income		**-**	12,356
Operating profit before exceptional item	3	**26,929,778**	55,070,949
Exceptional income/(expense)	4	**10,110,561**	(10,908,806)
Operating profit after exceptional item		**37,040,339**	44,162,143
Interest receivable and similar income	7	**224,433**	222,056
Interest payable and similar expenses	8	**(9,082)**	-
Profit before taxation		**37,255,690**	44,384,199
Tax on profit	9	**(286,141)**	(10,528,323)
Profit for the financial year/period		**36,969,549**	33,855,876

Statement of comprehensive income for the year ended 31 December 2016

	Year ended 31 December 2016 £	9 months ended 31 December 2015 £
Profit for the financial year/period	**36,969,549**	33,855,876
Other comprehensive (expense) / income:		
Revaluation of properties	**-**	253,598
Other comprehensive (expense) / income	**-**	253,598
Total comprehensive income for the year/period	**36,969,549**	34,109,474

Discontinued operations
The company transferred its trading activities to Actavis UK Limited on 1 September 2015 and no longer receives any trading income from its products. In 2016 and going forward the company will earn revenues in the form of income from its intangible assets which represent trademarks and royalties for goods sold by other group entities.

Auden Mckenzie (Pharma Division) Limited
Balance Sheet
as at 31 December 2016

	Note	2016	2015
		£	£
Fixed assets			
Intangible assets	10	**4,500,000**	-
Investments	11	**-**	377,440
		4,500,000	377,440
Current assets			
Debtors	12	**146,523,461**	118,790,749
Cash at bank and in hand		**357,730**	1,020,661
		146,881,191	119,811,410
Creditors: amounts falling due within one year	13	**(1,364,535)**	(7,159,755)
Net current assets		**145,516,656**	112,651,655
Total assets less current liabilities		**150,016,656**	113,029,095
Provisions for liabilities			
Deferred taxation	14	**-**	18,012
Net assets		**150,016,656**	113,047,107
Capital and reserves			
Called up share capital	15	**1,000**	1,000
Profit and loss account		**150,015,656**	113,046,107
Total shareholder's funds		**150,016,656**	113,047,107

The financial statements on pages 9 to 22 were approved by the Board of Directors on 29 August 2017 and signed on its behalf by:

Robert Williams
Director
Approved by the board on 29 August 2017

Auden Mckenzie (Pharma Division) Limited

Statement of Changes in Equity for the year ended 31 December 2016

	Called up share capital	Revaluation reserve	Profit and loss account	Total shareholder funds
	£	£	£	£
At 1 April 2015	1,000	(253,598)	130,190,231	129,937,633
Profit for the financial period	-	-	33,855,876	33,855,876
Other comprehensive income for the period	-	253,598	-	253,598
Total comprehensive income for the period	-	253,598	33,855,876	34,109,474
Dividends	-	-	(51,000,000)	(51,000,000)
At 31 December 2015	**1,000**	**-**	**113,046,107**	**113,047,107**
Profit for the financial year	-	-	36,969,549	36,969,549
Total comprehensive income for the year	-	-	36,969,549	36,969,549
At 31 December 2016	**1,000**	**-**	**150,015,656**	**150,016,656**

1 Accounting policies

General Information
On 3 August 2016 Teva Pharmaceutical Industries Limited acquired the worldwide generics business of Allergan Plc. As part of the process to complete the transaction in the UK, regulatory approval was required from the European Commission, which ruled that part of the acquired business must subsequently be divested. Following the ruling from the European Commission, the company divested assets for a value of £3,838,000 to Actavis UK Limited. The Company is a private limited company limited by shares and is incorporated and domiciled in England. The address of its registered office is Whiddon Valley, Barnstaple, Devon.

Statement of Compliance
The financial statements of Auden Mckenzie (Pharma Division) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and in accordance with the Companies Act 2006.

Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation of financial statements
The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The preparation is in conformity with FRS 102 and requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Critical accounting judgements or estimates made by management are described on page 15.

Financial reporting standard 102 - reduced disclosure exemptions
The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Cash flow
The company has taken advantage of the exemption, under FRS 102 paragraph 1.12 (b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Teva Pharmaceutical Industries Limited, includes the company's cash flows in its own consolidated financial statements.

Going Concern
The directors, having assessed the responses of the directors of the company's ultimate parent Teva Pharmaceutical Industries Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue with the current banking arrangements. On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Teva Pharmaceutical Industries Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future.

1 Accounting policies (continued)

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Intangible assets

Intangible assets, which consist of purchased licence costs, are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives of 5 years.

Where factors such as technological advancement, commercial factors or changes in market price, indicate that residual value or useful economic life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The carrying value of intangible assets is periodically reviewed for such events or changes in circumstances, which may indicate that the carrying value is not recoverable and provision for impairment made accordingly. Equally where the recoverable amount of product licences impaired in previous periods exceeds the carrying amount previously held, the reversal of previous impairments is possible, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined net of amortisation had no impairment loss been recognised in the prior period.

The amortisation charge is included within the administrative expenses line on the profit and loss account.

Research and development

Research & development expenditure is written off to the profit and loss account in the year in which it is incurred.

Exceptional items

FRS 102 requires separate disclosure of the nature and amount of any material items of profit or loss. Such items are disclosed as exceptional items on the face of the profit and loss account where materiality is determined by reference to an item's size or nature or a combination of both.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.
Management periodically evaluates the position taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1 Accounting policies (continued)

Taxation (continued)

Deferred taxation

Deferred taxes arise from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange gains and losses are recognised in the profit and loss account.

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Investments

Fixed asset investments are shown at cost less provision for impairment. The carrying value of investments is periodically reviewed for events or changes in circumstances which indicate that the carrying value may not be recoverable and provision made accordingly.

1 Accounting policies (continued)

Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and critical judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Intangibles

Determining whether intangibles are impaired requires an estimation of the value in use. The value in use calculation requires the entity to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate present value. Evidence for impairment is assessed annually and reversal of impairment provisions is allowed. An impairment charge of £6,750,000 was reversed in 2016 (see note 10 for details). The carrying amount of intangibles at the balance sheet date was £4,500,000.

2 Analysis of turnover

	Year ended 31 December 2016 £	9 months ended 31 December 2015 £
By activity:		
Other income	**29,734,875**	-
Pharmaceutical sales (discontinued)	**-**	71,751,515
Total	**29,734,875**	71,751,515
By geographical market:		
UK	**29,169,850**	70,135,828
Europe	**434,220**	1,363,643
Rest of world	**130,805**	252,044
Total	**29,734,875**	71,751,515

3 Operating profit

	Year ended 31 December 2016 £	9 months ended 31 December 2015 £
This is stated after charging/(crediting):		
Foreign exchange (gains)	**(342,371)**	(141,461)
Amortisation of product licences	**2,150,000**	-
Auditors' remuneration for audit services	**82,000**	75,030
Cost of stock recognised as an expense	-	12,732,648
Research and development	-	566,665

4 Exceptional (income)/expense

	Year ended 31 December 2016 £	9 months ended 31 December 2015 £
Loss on disposal of tangible assets	-	941,728
Loss on disposal of investment in associate (note 11)	**377,439**	-
Impairment of intangible assets (note 10)	-	9,967,078
Reversal of impairment on intangible assets (note 10)	**(6,750,000)**	-
(Profit) on disposal of licenses sold to Actavis UK Limited (note 19)	**(3,838,000)**	-
Loss on disposal of intangible assets	**100,000**	-
	(10,110,561)	10,908,806

During 2015, following the discontinuance of the company's trading activities; no expected future income was expected and hence the directors impaired the carrying value of its product licences in full and recognised an impairment charge of £9,967,078 as an exceptional item in the profit and loss account.

On 3 August 2016 Teva Pharmaceutical Industries Limited acquired the worldwide generics business of Allergan Plc, including Auden Mckenzie (Pharma Division) Limited. As part of the process to complete the transaction in the UK, regulatory approval was required from the European Commission, which ruled that part of the acquired business must subsequently be divested. Following the ruling from the European Commission, the company divested assets for a value of £3,838,000 to Actavis UK Limited and this amount was recognized as an exceptional item in the profit and loss account. For details of the divestment please refer to note 19.

Following the change of ownership and going forward the company will earn revenues in the form of income from its intangible assets which represent trademarks and royalties for goods sold by other group entities. These trademarks and licences are for branded pharmaceutical products sold mainly in the UK and European markets. The directors have re-assessed the impairment review carried out in the prior period and now believe that based upon estimated future cash flows expected to arise, that the recoverable amount of some of the product licences impaired during 2015 exceeds the carrying amount previously held. Hence during 2016 an impairment loss of £6,750,000 has been reversed, such that the carrying amount of the asset has been increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined net of amortisation had no impairment loss been recognised in the prior period. The reversal of the impairment loss has been recognised in the profit and loss account as an exceptional item.

Auden Mckenzie (Pharma Division) Limited
Notes to the Accounts continued
for the year 31 December 2016

5 Directors' emoluments

	Year ended 31 December 2016	9 months ended 31 December 2015
	£	£
Emoluments	-	57,500
Emoluments of highest paid director	-	33,333

6 Staff costs

	Year ended 31 December 2016	9 months ended 31 December 2015
	£	£
Wages and salaries	141,398	1,494,160
Social security costs	-	186,398
Other pension costs	-	22,310
	141,398	1,702,868

Wages and salaries represent staff retention bonuses recharged from other group companies.

Average number of employees during the year/period	Number	Number
	-	49

7 Interest receivable and similar income

	Year ended 31 December 2016	9 months ended 31 December 2015
	£	£
Bank interest receivable	-	108,981
Interest receivable on amounts owed by group undertakings	224,433	113,075
	224,433	222,056

8 Interest payable and similar expenses

	Year ended 31 December 2016	9 months ended 31 December 2015
	£	£
Other interest payable	9,082	-

9 Tax on profit

	Year ended 31 December 2016 £	9 months ended 31 December 2015 £
Analysis of charge in year/period		
Current tax:		
UK corporation tax on profits of the year/period	**2,061,252**	10,724,605
Adjustments in respect of prior periods	**(1,793,123)**	-
Total current tax charge	**268,129**	10,724,605
Deferred tax:		
Origination and reversal of timing differences	**18,012**	(282,594)
Adjustments in respect of prior periods	**-**	86,312
Total deferred tax charge/(credit)	**18,012**	(196,282)
Tax on profit on ordinary activities	**286,141**	10,528,323

Factors affecting tax charge for year/period

The differences between the tax assessed for the year/period and the standard rate of corporation tax are explained as follows:

	Year ended 31 December 2016 £	9 months ended 31 December 2015 £
Profit before taxation	**37,255,690**	44,384,199
Standard rate of corporation tax in the UK	**20%**	20%
	£	**£**
Tax on profit at standard UK tax rate of 20% (prior period: 20%)	**7,451,138**	8,876,840
Effects of:		
Fixed asset difference	**-**	(138,161)
Group relief not paid for	**(5,663,764)**	(1,661)
Adjustments in respect of prior periods	**(1,793,123)**	86,312
Tax rate difference	**(2,001)**	2,001
Expenses not deductible for tax purpose	**293,891**	1,702,992
Total tax charge for year/period	**286,141**	10,528,323

The Finance (No. 2) Act 2015 received Royal Assent on 18 November 2015 and announced reductions in the main rate of corporation tax to 19% from 1 April 2017 and to 18% with effect from 1 April 2020. The Finance Act 2016 received Royal Assent on 15 September 2016 and announced that the main rate of corporation tax effective from April 2020 would in fact be 17%. Deferred tax is calculated at 17% where applicable being the rate enacted at the Balance Sheet date.

A deferred tax asset of £210,574 (2015: nil) has not been provided in respect of capital losses of £1,238,671 (2015: nil) available to carry forward indefinitely against future capital gains arising in this entity as the recognition criteria have not been met.

10 Intangible assets

	£
Product licences:	
Cost	
At 1 January 2016	17,779,543
Disposals	(3,744,043)
At 31 December 2016	14,035,500
Accumulated amortisation	
At 1 January 2016	17,779,543
Reversal of impairment (note 4)	(6,750,000)
Disposals	(3,644,043)
Amortisation	2,150,000
At 31 December 2016	9,535,500
Net book value:	
At 31 December 2016	4,500,000
At 31 December 2015	-

During 2015, following the discontinuance of the company's trading activities no future income was expected and hence the directors impaired the carrying value of its product licences in full and recognised an impairment charge of £9,967,078 as an exceptional item in the profit and loss account.

On 3 August 2016 Teva Pharmaceutical Industries Limited acquired the worldwide generics business of Allergan Plc, including Auden Mckenzie (Pharma Division) Limited.

Following the change of ownership and going forward the company will earn revenues in the form of income from its intangible assets which represent trademarks and royalties for goods sold by other group entities. These trademarks and licences are for branded pharmaceutical products sold mainly in the UK and European markets. The directors have re-assessed the impairment review carried out in the prior period and now believe that based upon estimated future cash flows expected to arise, that the recoverable amount of some of the product licences impaired during 2015 exceeds the carrying amount previously held. Hence during 2016 an impairment loss of £6,750,000 has been reversed, such that the carrying amount of the asset has been increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined net of amortisation had no impairment loss been recognised in the prior period. The reversal of the impairment loss has been recognised in the profit and loss account as an exceptional item.

11 Investments

Cost

	Investments in Associates	Other investments	Total
	£	£	£
At 1 January 2016	377,440	-	377,440
Disposals	(377,440)	-	(377,440)
At 31 December 2016	-	-	-

The investment in D3 Pharma Limited registered in England and Wales was sold on the 8 November 2016 for a consideration of £1. The loss on disposal has been included within Exceptional income / (expenses) (see note 4).

12 Debtors

	2016	2015
	£	£
Trade debtors	**28,713**	602,081
Amounts owed by group undertakings	**145,578,093**	114,812,936
Other taxes	**861,471**	1,541,128
Other debtors	**-**	1,766,077
Prepayments and accrued income	**55,184**	68,527
	146,523,461	118,790,749

Amounts owed by group undertakings include an unsecured loan on which interest is charged at variable rates based upon the Inter-Bank Offered Rate Other amounts owed to group undertakings are interest free. All are repayable on demand.

13 Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	**21,055**	664,468
Amounts owed to group undertakings	**227,335**	-
Corporation tax	**285,331**	6,008,120
Other taxation and social security costs	**697,889**	8,258
Other creditors	**-**	11,719
Accruals and deferred income	**132,925**	467,190
	1,364,535	7,159,755

Amounts owed to group undertakings are as a result of trading between group entities. The balance is repayable on demand and not subject to interest.

14 Deferred taxation

	2016 £	2015 £
Accelerated capital allowances	-	18,012
Undiscounted (provision) / asset for deferred tax	-	18,012

	2016 £	2015 £
At 1 January	18,012	(178,270)
Deferred tax (charge)/credit in profit and loss account	(18,012)	196,282
At 31 December	-	18,012

A deferred tax asset of £210,574 (2015: nil) has not been provided in respect of capital losses of £1,238,671 (2015: nil) available to carry forward indefinitely against future capital gains arising in this entity as the recognition criteria have not been met.

15 Called up share capital

	Nominal value	Number	2016 £	2015 £
Allotted, called up and fully paid:				
Ordinary shares	£1 each	1,000	1,000	1,000

16 Related party transactions

The company has no transactions with related parties other than those with fellow group companies which are also wholly owned within the same group. In accordance with paragraph 33.1A of FRS 102, these transactions with group members are exempt from disclosure.

17 Ultimate controlling party

The immediate parent company is Auden Mckenzie Holdings Limited a company incorporated in the UK. Teva Pharmaceutical Industries Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2016.

On 3 August 2016 Allergan Plc divested their international generics business to Teva Pharmaceutical Industries Limited. As a result of the divestment the ultimate parent company and controlling party of Auden McKenzie (Pharma Division) Limited is considered by the directors to be Teva Pharmaceutical Industries Limited.

The largest and smallest group into which the results of the company will subsequently be consolidated is that headed by Teva Pharmaceutical Industries Limited, a company incorporated in Israel. Copies of Teva Pharmaceutical Industries Limited's financial statements can be obtained from 5 Basel St., Petach Tikva 49131, Israel.

18 Pensions

During the year, contributions of £nil (prior period: £22,310) were paid to defined contribution schemes by the company. At 31 December 2016 contributions of £nil (31 December 2015: £nil) were outstanding.

19 Sale of assets

During the year the European Commission ruled that certain Marketing Authorisations which were held by Auden Mckenzie (Pharma Division) Limited had to be divested on the grounds of competition due to the global acquisition of Actavis Generics business by Teva Pharmaceutical Industries Limited.

The Marketing Authorisations were sold for a total consideration of £3,838,000 to Actavis UK Limited during the year as per the ruling.

20 Subsequent events

In January 2017, Actavis UK Limited, a fellow subsidiary, was sold to Accord Healthcare Limited for £550,900,440. The sale included a portfolio of generic medicines plus a manufacturing plant in Barnstaple. This divestment was part of the agreement reached with the European Commission following Teva Pharmaceutical Industries Limited's acquisition of the worldwide generics business of Allergan Plc.

On March 8 2016 and April 11 2016, certain Actavis subsidiaries in the United Kingdom, including Auden Mckenzie Holdings Limited, received notices from the U.K. Competition and Markets Authority ("CMA") that it had launched formal investigations under Section 25 of the Competition Act of 1998 ("Competition Act") into suspected breaches of competition law in connection with the supply of 10mg and 20mg hydrocortisone tablets. On December 16, 2016, the CMA issued a statement of objections (a provisional finding of infringement of the Competition Act) in respect of certain allegations against Actavis UK Limited and Allergan Plc, which was later reissued to include certain Auden Mckenzie entities. Actavis UK Limited submitted a response, and an oral hearing was held. On March 3 2017, the CMA issued a second statement of objections in respect of certain additional allegations (relating to the same products and covering part of the same time period as for the first statement of objections) against Actavis UK Limited, Allergan Plc, and a number of other companies, which was later reissued to include certain Auden Mckenzie entities.

On January 9 2017, Teva completed the sale of Actavis UK Limited to Accord Healthcare Limited, pursuant to which Teva will indemnify Accord for fines imposed by the CMA and/or damages awarded by a court on Actavis UK Limited as a result of the investigations in respect of conduct prior to the closing date of the sale. In the event of any such fines or damages, Teva expects to assert claims, including claims for breach of warranty, against the sellers of Auden Mckenzie. The terms of the purchase agreement may preclude a full recovery by Teva. The directors do not expect this company to be required to pay any amounts as a result of this investigation and, accordingly, these accounts do not include any provision in relation to the investigation.