

Registered Number 302461

Teva UK Limited
Annual report
for the year ended 31 December 2005

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Teva UK Limited

Annual report for the year ended 31 December 2005

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Teva UK Limited

Directors and advisers

Directors

T Andriessen
J Beighton
P Horsman
M Mann

Secretary

Gray's Inn Secretaries Limited
Five Chancery Lane
Cliffords Inn
LONDON
EC4A 1BU

Auditors

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
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LS1 4JP

Bankers

Lloyds TSB Bank PLC
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ME8 0LS

Registered office

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LEEDS
LS27 0JG

Registered Number

302461

Teva UK Limited

Directors' report for the year ended 31 December 2005

The directors present their annual report and the audited financial statements for the year ended 31 December 2005

Principal activities

The company's principal activity is the packaging and distribution of generic pharmaceutical products

Business Review

The UK generic market environment in which the company trades continues to be fiercely competitive as competition from new entrants on selected products puts pressure on market prices. The company's strategy is to provide the widest range of products to its customers and to encourage loyalty from its customers through excellent customer service and supply. A key to this strategy is to launch new products immediately on the day of patent expiry.

The company was extremely successful during the year in launching a number of new products which significantly contributed to the increase in turnover and helped to negate the severe price erosion on established products. The company also managed to increase volumes during the year.

The company continues with its successful new product launch strategy backed by its expertise and knowledge in gaining market authorisation for new products. Work continued during the year to bring to market products for future years as soon as patents expired on those products.

Although it is expected that trading conditions will remain very competitive, the directors believe the company is in a good position to benefit from further timely introductions of all significant new products and so consolidate its position as a major supplier in the UK generic market.

Results and dividends

The loss for the year, after taxation, amounted to £5,560,000 (2004: £1,701,000 as restated).

The directors do not recommend the payment of a dividend (2004: £nil).

Directors

The directors who held office during the year are listed below:

T Andriessen
J Beighton
P Horsman
M Mann

None of the directors in office at 31 December 2005 had any interests in the share capital of the company during the year, or in the share capital of any group company incorporated in Great Britain.

Employees

During the year, employees were regularly provided with information regarding the financial and economic factors affecting the performance of the company and on other matters of concern to them as employees, through the medium of regular employee reports. Additionally, regular consultations took place with employee representatives so that the views of employees could be taken into account when making decisions which are likely to affect their interests.

Applications for employment from disabled persons are given full and fair consideration and, where practicable, employees who are disabled are given appropriate training whilst employed by the company. Every effort is made to continue the employment of people who become temporarily or permanently disabled.

Teva UK Limited

Directors' report for the year ended 31 December 2005 (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently as explained on pages 7 to 9 under 'Accounting policies' except for changes in accounting standards as explained on page 7. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. They 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.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

By order of the Board



P Horsman
Director

12th June 2007

Teva UK Limited

Independent auditors' report to the members of Teva UK Limited

We have audited the financial statements of Teva UK Limited for the year ended 31 December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Leeds

12 June 2007

Teva UK Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 £'000	2004 (restated) £'000
Turnover	1	159,198	121,160
Cost of sales		(139,665)	(102,638)
Gross profit		19,533	18,522
Net operating expenses	2	(22,708)	(19,731)
Operating loss		(3,175)	(1,209)
Interest receivable and similar income		308	145
Interest payable and similar charges	5	(2,191)	(709)
Other finance expenses	16	(421)	(258)
Loss on ordinary activities before taxation	6	(5,479)	(2,031)
Tax on loss on ordinary activities	7	(81)	330
Loss for the financial year	20	(5,560)	(1,701)

All activities in the years above relate to continuing operations

There is no significant difference between the loss on ordinary activities before taxation and the deficit for the financial years stated above, and their historical cost equivalents

Statement of total recognised gains and losses

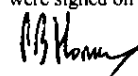
	Note	2005 £'000	2004 (restated) £'000
Loss for the financial year		(5,560)	(1,701)
Actuarial loss on pension scheme	16	(2,964)	(2,743)
Total recognised gains and losses relating to the year		(8,524)	(4,444)
Prior year adjustments – FRS 17	19	(10,150)	
Total gains and losses recognised since last annual report		(18,674)	

Teva UK Limited

Balance sheet as at 31 December 2005

	Note	2005 £'000	2004 (restated) £'000
Fixed assets			
Intangible assets	8	2,823	2,989
Tangible assets	9	13,999	12,844
Investments	10	647	395
		17,469	16,228
Current assets			
Stock	11	32,684	32,169
Debtors	12	50,668	30,886
Cash at bank and in hand		5,651	9,294
		89,003	72,349
Creditors - amounts falling due within one year	13	(84,018)	(61,140)
Net current assets		4,985	11,209
Total assets less current liabilities		22,454	27,437
Creditors - amounts falling due after more than one year	14	(614)	(617)
Net assets excluding pension liability		21,840	26,820
Pension liability	16	(13,639)	(10,095)
Net assets including pension liability		8,201	16,725
Capital and reserves			
Called up share capital	17	340	340
Share premium account	19	24,965	24,965
Profit and loss account - deficit	19	(17,104)	(8,580)
Total shareholders' funds		8,201	16,725

The financial statements on pages 5 to 22 were approved by the board of directors on June 2007 and were signed on its behalf by



P Horsman
Director

Teva UK Limited

Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently unless otherwise stated, is set out below.

Changes in accounting policies

The company has adopted FRS 17 'Retirement Benefits' during the year, which supersedes the previous UK accounting standard SSAP 24 'Accounting for pension costs'. The effect of the change in accountancy policy of adopting FRS 17 was to increase staff costs and other finance expenses by £159,000 (2004: £114,000) and £421,000 (2004: £258,000) respectively, and to decrease the total recognised gains and losses by £2,964,000 (2004: £2,743,000).

The company has also adopted FRS 25 'Financial Instruments: disclosure and presentation' insofar as this standard is applicable to the company for the year ended 31 December 2005, and FRS 21 'Events after the balance sheet date'. The implementation of these standards did not impact the company's results for the year or its financial position at the year end.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets.

Consolidation exemption

The financial statements contain information about Teva UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its intermediate parent company, Teva Pharmaceuticals Europe BV, a company incorporated in Holland.

Cash flow statement

The company is a wholly owned subsidiary of Teva Pharmaceutical Industries Limited, whose consolidated financial statements are publicly available for inspection, as detailed in note 24. Consequently, the company is exempt under the terms of FRS 1 (Revised), from publishing a cash flow statement.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	4
Leasehold buildings	Period of lease
Plant and equipment	10 – 20

Freehold land is not depreciated. Work in progress in respect of large capital projects for which costs are accumulated until the project is complete is not depreciated until the assets are brought into use, at which point the assets are transferred to the appropriate category.

The company undertakes a review for impairment of fixed assets if events or changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is the higher of net realisable value and value in use, the asset is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

Additions to fixed assets are depreciated from the time when they are brought into use.

Teva UK Limited

Accounting policies (continued)

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions denominated in foreign currencies are translated at the rates of exchange ruling at the date of the transaction, except where they are covered by forward exchange contracts when the contracted rates of exchange are used. Monetary assets and liabilities denominated in foreign currency are translated into sterling at rates of exchange ruling at the balance sheet date or at contracted rates if applicable. All profits and losses arising on foreign currency translation are dealt with in the profit and loss account.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the value of goods and services supplied, and is recognised at the point of delivery of non-returnable goods to customers, or at the point of completion of the performance of services.

Development expenditure

Development expenditure and expenditure on applications for patents, licences and trademarks is written off in the year in which it is incurred.

Payments to third parties to acquire existing product licenses are capitalised in intangible fixed assets and amortised over the period in which the company expects to derive economic benefits from their ownership.

Share schemes

The company operates a Save As You Earn scheme that allows the grant of share options in the ultimate parent undertaking at a discount to the market price at the date of grant. Shares held by the company in its ultimate parent undertaking are held within investments and the discount is amortised over the performance period of the scheme.

Teva UK Limited

Accounting policies (continued)

Pension costs

The company participates in the Teva UK Limited Retirement Benefits Scheme ("the Scheme") which offers both a deferred contribution section and a funded defined benefit section to employees. All contributions are made to separately administered funds.

i) Defined benefit section

The amount charged to operating profits, as part of staff costs, are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount as other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred taxation, where recognised, is presented separately after other net assets on the face of the balance sheet.

ii) Defined contribution section

Contributions are charged to the profit and loss account as they become payable in accordance with employees' contracts payable to the defined contribution section of the Scheme employment.

In addition to the above the company contributes to defined contribution plans for some employees, the contributions in respect of which are charged to the profit and loss account as they become payable.

The company provides no other post retirement benefits to its employees.

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2005

1 Turnover

The company's turnover was all derived from its principal activity. Sales were made in the following geographical markets

	2005 £'000	2004 £'000
United Kingdom	143,096	112,120
Rest of Europe	15,948	8,911
Rest of the World	154	129
	159,198	121,160

2 Net operating expenses

	2005 £'000	2004 (restated) £'000
Selling and distribution costs	9,960	7,662
Administrative expenses	12,748	12,069
	22,708	19,731

3 Directors' emoluments

	2005 £'000	2004 £'000
Aggregate emoluments	350	341
	350	341

Retirement benefits are accruing to two directors (2004 two) under the defined benefit section of the company's hybrid pension scheme

The above amounts include the following in respect of the highest paid director

	2005 £'000	2004 £'000
Aggregate emoluments	221	214
Retirement benefits accrued under defined benefit pension scheme	24	17

Teva UK Limited

4 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was

	2005 Number	2004 Number
By activity		
Office and management	151	134
Manufacturing and distribution	156	147
	307	281

In addition to the above, the average number of persons employed during the year on a temporary basis was 55 (2004 31)

	2005 £'000	2004 (restated) £'000
Staff costs (for the above persons)		
Wages and salaries	9,400	7,155
Social security costs	834	640
FRS 17 pension costs (see note 16)	935	816
Employer's contributions to direct contribution pension schemes	255	175
Staff costs	11,424	8,786

5 Interest payable and similar charges

	2005 £'000	2004 £'000
On bank loans and overdrafts	380	7
On finance leases	57	42
On amounts owed to fellow group undertakings	1,754	660
	2,191	709

Teva UK Limited

6 Loss on ordinary activities before taxation

	2005 £'000	2004 £'000
Loss on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation charge for the year		
Tangible owned fixed assets	2,295	1,777
Tangible fixed assets held under finance leases	364	252
Amortisation of intangible assets	166	166
Profit on disposal of fixed assets	(37)	(44)
Auditors' remuneration for		
Audit	75	77
Other services	101	71
Hire of plant and machinery	66	46
Hire of other assets	308	259

7 Tax on loss on ordinary activities

	2005 £'000	2004 £'000
United Kingdom corporation tax at 30% (2004 30%)		
Current tax on income for the year	-	-
Adjustments in respect of prior periods	81	(330)
Tax charge/(credit) on loss on ordinary activities	81	(330)

The tax assessed for the year differs from that calculated at the standard rate of corporation tax in the UK (30%). The differences are explained below

	2005 £'000	2004 (restated) £'000
Loss on ordinary activities before taxation	(5,479)	(2,031)
Loss on ordinary activities before taxation multiplied by standard taxation rate in the UK of 30%	(1,644)	(609)
Effects of		
Group relief surrendered not paid for	-	13
Expenses not deductible for tax purposes	19	30
Capital allowances in excess of depreciation	(85)	(255)
Movement in tax losses not recognised	1,671	825
Adjustments in respect of prior periods	81	(330)
Other timing differences	39	(4)
Total current tax charge/(credit)	81	(330)

Teva UK Limited

8 Intangible fixed assets

	Product licences £'000
Cost	
At 31 December 2005 and 1 January 2005	3,321
Amortisation	
At 1 January 2005	332
Charge for the year	166
At 31 December 2005	498
Net book value	
At 31 December 2005	2,823
At 31 December 2004	2,989

Amounts paid to acquire product licences are capitalised within intangible fixed assets and amortised over the period during which the company expects to derive economic benefits from their ownership

The amounts shown above are being amortised on a straight line basis over 20 years

9 Tangible fixed assets

	Land and buildings £'000	Plant and equipment £'000	Work in progress £'000	Total £'000
Cost or valuation				
At 1 January 2005	4,606	15,036	2,476	22,118
Additions	-	311	3,563	3,874
Reclassifications	1,693	3,787	(5,480)	-
Disposals	(1)	(563)	-	(564)
At 31 December 2005	6,298	18,571	559	25,428
Depreciation				
At 1 January 2005	997	8,277	-	9,274
Charge for the year	439	2,220	-	2,659
Disposals	(1)	(503)	-	(504)
At 31 December 2005	1,435	9,994	-	11,429
Net book value				
At 31 December 2005	4,863	8,577	559	13,999
At 31 December 2004	3,609	6,759	2,476	12,844
Cost or valuation at 31 December 2005 is represented by				
Valuation	1,530	1,002	-	2,532
Cost	4,768	17,569	559	22,896
	6,298	18,571	559	25,428
Cost or valuation at 31 December 2004 is represented by				
Valuation	1,530	1,122	-	2,652
Cost	3,076	13,914	2,476	19,466
	4,606	15,036	2,476	22,118

The net book value of tangible fixed assets includes an amount of £687,000 (2004 £769,000) in respect of assets held under finance leases

The freehold and leasehold properties were valued independently as at 24 July 1996 on the basis of existing use value, and all items of owned plant and equipment were valued on the basis of open market value. These valuations were undertaken in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors in the United Kingdom by GVA Grimley, a firm of independent chartered surveyors. If land and buildings and plant and equipment were stated under the historical cost basis of accounting they would have been included at the following amounts

	Land and buildings		Plant and equipment	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Cost	12,840	11,148	22,240	18,705
Aggregate depreciation based on cost	(8,150)	(7,712)	(11,485)	(11,185)
Net book value based on cost	4,690	3,436	10,755	7,520

Teva UK Limited

9 Tangible Fixed Assets (continued)

Land and buildings at net book value comprise

	2005 £'000	2004 £'000
Freeholds	3,532	2,812
Short leaseholds	1,331	797
	4,863	3,609

Depreciation has not been charged on freehold land which is stated at its revalued amount of £500,000 (2004 £500,000)

10 Investments

	Interests in subsidiary undertakings £'000	Shares in ultimate parent undertaking £'000	Total £'000
Cost			
At 1 January 2005	250	196	446
Additions	-	437	437
Disposals	-	(196)	(196)
At 31 December 2005	250	437	687
Provision			
At 1 January 2005	-	51	51
Disposals	-	(51)	(51)
Provided in year	-	40	40
At 31 December 2005	-	40	40
Net book value			
At 31 December 2005	250	397	647
At 31 December 2004	250	145	395

Name of subsidiary	Country of incorporation	Description of shares held	Percentage held by company %
APS/Berk Limited	England	Ordinary £1 shares	74%
Berk Pharmaceuticals Limited	England	Ordinary £1 shares	100%
APS Berk Trustee Limited	England	Ordinary £1 shares	100%

The principal business activities of these subsidiaries are

- APS/Berk Limited - distribution of pharmaceutical products
- Berk Pharmaceuticals Limited - dormant
- APS Berk Trustee Limited - corporate trustee for the APS/Berk Employee Benefit Trust

The investment in shares in the ultimate parent undertaking represents 51,806 (2004 17,689) ordinary shares in Teva Pharmaceuticals Industries Limited that are held by APS/Berk Employee Benefit Trust in order to satisfy obligations under the company's Save as You Earn Scheme. Dividends receivable during the current and prior year were waived.

The cost to the company of providing options under the scheme is being amortised over the performance period of the associated scheme.

Teva UK Limited

11 Stocks

	2005	2004
	£'000	£'000
Raw materials and consumables	1,660	1,825
Work in progress	10,639	8,545
Finished goods and goods for resale	20,385	21,799
	32,684	32,169

12 Debtors

	2005	2004 (restated)
	£'000	£'000
Trade debtors	20,355	17,163
Amounts owed by parent and fellow subsidiary undertakings	29,204	11,743
Prepayments and accrued income	690	1,145
Corporation tax	-	470
Other debtors	419	365
	50,668	30,886

13 Creditors – amounts falling due within one year

	2005	2004
	£'000	£'000
Bank loans and overdrafts	43,439	-
Trade creditors	8,638	5,709
Amounts owed to parent and fellow subsidiary undertakings	28,225	50,371
Amounts owed to subsidiary undertakings	250	250
Obligations under finance leases	250	281
Other taxation and social security	1,485	2,470
Accruals and deferred income	1,731	2,059
	84,018	61,140

Teva UK Limited

14 Creditors – amounts falling due after more than one year

	2005 £'000	2004 £'000
Obligations under finance leases	614	617

The net finance lease obligations to which the company is committed are

	2005 £'000	2004 £'000
In one year or less	250	281
Between two and five years inclusive	614	617
	864	898

15 Deferred taxation

Deferred taxation recognised in the financial statements, and the amount unrecognised of the total potential liability/(asset) are as follows

	Amount recognised		Amount unrecognised	
	2005 £'000	2004 £'000	2005 £'000	2004 (restated) £'000
Tax effect of timing differences because of				
Capital allowances in excess / (lower than) depreciation	-	-	438	190
Losses	-	-	(3,675)	(2,322)
Other timing differences	-	-	(4,131)	(3,099)
Deferred tax asset	-	-	(7,368)	(5,231)

16 Pension and similar obligations

The company participates in the Teva UK Limited Retirement Benefits Scheme ("the Scheme") which offers both a defined contribution section and a funded defined benefit section to employees. The defined contribution section provides benefits in relation to the contributions paid in and the investment returns accumulated for the members. The defined benefit section provides benefits based on final pensionable salary. The assets of the Teva UK Scheme are held in a separate trustee administered fund.

i) Defined benefit section

The actuarial valuation of the defined benefit section scheme at 1 April 2002 was updated to 31 December 2005 by a qualified actuary, using a set of assumptions consistent with those required under FRS 17. During the year, the company contributed £776,000 to the defined benefit section of the Scheme. Company contributions have increased to a rate of 36.1% of pensionable salaries during 2006.

The disclosures below relate only to assets and liabilities in respect of the defined benefit section of the Scheme. Assets and liabilities relating to the money purchase section and members' additional voluntary contributions invested on a money purchase basis have been excluded.

The final salary section of the Scheme is closed to new entrants. Under the projected unit method, the current service cost can be expected to increase as the members of the scheme approach retirement.

Teva UK Limited

16 Pension and similar obligations (continued)

The major assumptions used by the actuary were

	2005	2004	2003
Rate of increase in earnings	4.00%	3.90%	3.80%
Rate of increase in pensions in payment	3.00%	2.90%	2.80%
Discount rate	4.75%	5.20%	5.40%
Inflation assumption	3.00%	2.90%	2.80%

The net pension liability which is recognised in the balance sheet under FRS 17 is as follows

	2005		2004		2003	
	Expected rate of return	£'000	Expected rate of return	£'000	Expected rate of return	£'000
Equities	6.1%	12,754	6.5%	10,117	6.8%	8,912
Bonds	4.1%	1,372	4.5%	966	4.8%	896
Cash and other investments	4.75%	693	4.75%	559	4.0%	144
Total market value of assets		14,819		11,642		9,952
Present value of liabilities		(28,458)		(21,737)		(17,051)
Deficit in the scheme		(13,639)		(10,095)		(7,099)
Related deferred tax asset		-		-		-
Net pension liability		(13,639)		(10,095)		(7,099)

The following amounts are recognised in the performance statements under the requirements of FRS 17

	2005 £'000	2004 £'000
<i>Operating profit</i>		
Current service cost	(935)	(816)
Past service cost	-	-
Total operating charge	(935)	(816)
<i>Other financial expenses</i>		
Expected return on pension scheme assets	728	678
Interest on pension scheme liabilities	(1,149)	(936)
Other finance expenses	(421)	(258)

16 Pension and similar obligations (continued)

	2005 £'000	2004 £'000
<i>Statement of total recognised gains and losses (STRGL)</i>		
Actual return less expected return on pension scheme assets	1,849	386
Experience gains and losses arising on pension scheme liabilities	2,175	88
Changes in assumptions underlying the present value of the scheme liabilities	(6,988)	(3,217)
Actuarial loss recognised in STRGL	(2,964)	(2,743)

An analysis of the movement in the scheme deficit is as follows

	2005 £'000	2004 £'000
Deficit in scheme at beginning of the year	(10,095)	(7,099)
Movement in year		
Current service cost	(935)	(816)
Contributions	776	821
Other finance expenses	(421)	(258)
Actuarial loss	(2,964)	(2,743)
Deficit in scheme at end of the year	(13,639)	(10,095)

A history of experience gains and losses is presented below

	2005 £'000	2004 £'000
Difference between the expected and actual return on scheme assets		
Amount	1,849	386
Percentage of scheme assets	12.5%	3.3%
Experience gains and losses on scheme liabilities		
Amount	2,175	88
Percentage of present value of scheme liabilities	7.6%	0.4%
Total amount recognised in STRGL		
Amount	(2,964)	(2,743)
Percentage of present value of scheme liabilities	(10.4%)	(12.6%)

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17 Called up share capital

	2005 £'000	2004 £'000
Authorised		
1 ordinary share of \$1	-	-
1,000,000 deferred shares of £1 each	1,000	1,000
	1,000	1,000
Allotted and fully paid		
340,000 deferred shares of £1 each	340	340

The holders of deferred shares are not entitled to any participation in the profits or assets of the company, other than on a liquidation or other return of capital after the holders of every other class of shares in the capital of the company have received the sum of £1 million in respect of each share (other than deferred shares) held by them and then only to the extent of £2 per deferred share. None of the deferred shares carry any right to receive notice of or attend and vote at any general meeting of the company.

The company has the power and authority at any time to purchase all or any of the deferred shares for an aggregate consideration of £1 which shall be applied for the benefit of the company.

18 Bearer warrant

On 23 July 1996, a resolution was passed to create a bearer warrant in respect of a US dollar share. The bearer warrant was issued at par on 23 July 1996. The rights attached to the bearer warrant are: to receive notice of and attend any general meeting of the company, to vote at any such meeting with one vote in respect of every share, to receive dividends as determined by the directors from time to time, and to receive amounts up to a maximum of £1,000,000 in respect of proceeds from a liquidation or winding up. The bearer warrant is convertible into a US dollar share at the option of the holder.

19 Share premium account and reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2005 as previously reported	24,965	1,570
Prior year adjustment – FRS 17	-	(10,150)
At 1 January 2005 as restated	24,965	(8,580)
Sustained deficit for the financial year	-	(5,560)
Actuarial loss on pension scheme	-	(2,964)
At 31 December 2005	24,965	(17,104)

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19 Share premium account and reserves (continued)

The adoption of FRS 17 resulted in an adjustment to profit and loss account reserves at 1 January 2005 of £10,150,000 as set out below

	£'000
Adjustment to opening shareholders' funds at 1 January 2004	(7,035)
Adjustment to profit and loss account for the year ended 31 December 2004	(372)
Adjustment to statement of total recognised gains and losses for the year ended 31 December 2004	(2,743)
	(10,150)

20 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 (restated) £'000
Sustained loss for the financial year	(5,560)	(1,701)
Actuarial loss on pension scheme	(2,964)	(2,743)
Net reduction to shareholders' funds	(8,524)	(4,444)
Opening shareholders' funds as previously reported	26,875	28,204
Prior year adjustments – FRS17	(10,150)	(7,035)
Opening shareholders' funds as restated	16,725	21,169
Closing shareholders' funds	8,201	16,725

21 Capital commitments

	2005 £'000	2004 £'000
Capital expenditure that has been contracted but not provided for in the financial statements	155	437

22 Financial commitments

At 31 December 2005 the company had annual commitments under non-cancellable operating leases expiring as follows

	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	-	-	-
Expiring between two and five years inclusive	-	66	-	54
Expiring in over five years	308	9	259	-
	308	75	259	54

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23 Related party transactions

The company is a wholly owned subsidiary of Teva Pharmaceutical Industries Limited, whose consolidated financial statements are publicly available for inspection. Consequently, the company has taken advantage of the exemption available under the terms of FRS 8 not to disclose related party transactions with group companies.

24 Parent companies

The directors regard Teva Pharmaceutical Industries Limited, a company incorporated in Israel, as the ultimate parent company and ultimate controlling party.

The largest group in which the results of the company are consolidated is that of the ultimate parent company. Copies of the ultimate parent's consolidated financial statements may be obtained from Science Based Industries Campus, Har Hotzvim, P O Box 1142, Jerusalem 91010, Israel.

The smallest group in which the results of the company are consolidated is that of Teva Pharmaceuticals Europe BV, a company incorporated in Holland, whose consolidated financial statements may be obtained from Kamer van Koophandel, Postbus 48, 3500 AA Utrecht, Waterstraat 47, 3511 BW Utrecht.