Registered number 302461

Teva UK Limited

Annual report and financial statements

for the year ended 31 December 2008

Teva UK Limited

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Teva UK Limited

Directors and advisers

Directors
T Andriessen
J Beighton
R Williams

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

Registered auditors
PricewaterhouseCoopers LLP
Chartered accountants and registered auditors
Benson House
33 Wellington Street
LEEDS
LS1 4JP

Bankers
Lloyds TSB PLC
Bailey Drive
Gillingham Business Park
KENT
ME8 0LS

Registered office
Leeds Business Park
18 Bruntcliffe Way
Morley
LEEDS
LS27 0JG

Registered number
302461

Directors' report for the year ended 31 December 2008

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

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

On 1 April 2009 the company acquired the sales and distribution division of Norton Healthcare Limited, a fellow subsidiary, for consideration of £8,535,000.

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Teva Pharmaceuticals Industries Limited. The directors have received confirmation that the parent company, Teva UK Holdings Limited, intends to support the company for at least one year after these financial statements are signed.

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.

Key performance indicators ("KPI's")
The management of the businesses within the Teva group of companies is undertaken on a business unit rather than legal entity basis. In the United Kingdom, the business of the distribution of pharmaceutical products includes activity which is included within the statutory accounts of Norton Healthcare Limited, a fellow UK company. Consequently, KPI's specifically related to Teva UK Limited are not used for the ongoing management of the sales and distribution businesses of Teva group with the UK. However, the board consider the following KPI's pertinent to Teva UK Limited.

	2008	2007	Definition, method of calculation and analysis
Growth in sales (%)	**(5.2)**	20.7	Year on year sales growth expressed as a percentage
Gross margin (%)	**9.1**	27.1	Gross margin is the ratio of gross profit to sales as expressed as a percentage
Product availability (%)	**92**	92	Products which the worldwide group manufactures available to the company's customers expressed as a percentage

The company continued 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.

Financial risk management
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.

The company is exposed to commodity price risk as a result of its operations. The company manages the risk through supply agreements which provide against such commodity price risk.

Interest rate risk arises as a consequence of borrowings from banks, fellow subsidiary and parent companies, 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.

Financial risk management (continued)
The company manages liquidity risk by ensuring sufficient facilities are available for at least the next 12 months and enjoys the support of shareholders.

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.

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

Principal risks and uncertainties
The management of the business and the execution of the company strategy are subject to a number of risks.

The directors consider the key business risks and uncertainties affecting the company to relate to competition from other manufacturers and distributors of pharmaceutical products. The company seeks to mitigate this by the continual improvement in product range and supply chain management.

Results and dividends
The loss for the year, after taxation, amounted to £34,306,000 (2007: profit £19,945,000).

The directors do not recommend the payment of a dividend (2007: £nil).

Directors
The directors who held office during the year and up to the date of signing of the financial statements were as follows:

T Andriessen
J Beighton
R Williams (appointed 4 March 2009)
P Horsman (resigned 4 March 2009)

Employees
The company has continued to retain and recruit the highest quality employees in its market. On going training is given to all employees relevant to their roles. Training programmes focus on key issues such as health & safety, competition law, and customer service and stock handling.

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.

The company encourages employees' participation in the group performance by the use of employee stock option schemes and a SAYE scheme.

Creditor payment policy
It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2008, the company had an average of 33 days purchases outstanding in trade creditors (2007: 41 days).

Directors' report for the year ended 31 December 2008 (continued)

Research and development

The company does not undertake any research and development activity.

Political and charitable donations

During the year the company made no political donations (2007:£nil) and charitable donations of £8,400 (2007: £2,168) of which 6 exceeded £200; 3 totalling £1,350 to national charities (2007: 1 of £660) and 3 totalling £6,500 to local charities (2007: 1 of £1,000).

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;

• make judgements and estimates that are reasonable and prudent;

• state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Audit information

The directors confirm that, so far as they are aware, there is no relevant audit information (that is information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware and that each director has taken all reasonable 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.

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

R Williams
Director
19 June 2009

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 2008 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the statement of 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
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments 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 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered accountants and registered auditors
Leeds
23 June 2009

Teva UK Limited

Profit and loss account for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Turnover	1	**171,290**	180,779
Cost of sales		**(155,618)**	(131,810)
Gross profit		**15,672**	48,969
Net operating expenses	2	**(43,362)**	(25,448)
Operating (loss)/profit		**(27,690)**	23,521
Interest receivable and similar income	5	**1,686**	1,448
Interest payable and similar charges	6	**(7,989)**	(4,646)
Other finance expenses	17	**(313)**	(378)
(Loss)/profit on ordinary activities before taxation	7	**(34,306)**	19,945
Tax on (loss)/profit on ordinary activities	8	**-**	-
(Sustained loss)/retained profit for the financial year	22	**(34,306)**	19,945

All activities in the years above relate to continuing operations.

There is no significant difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above, and their historical cost equivalents.

Statement of total recognised gains and losses for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
(Loss)/profit for the financial year		**(34,306)**	19,945
Actuarial (loss)/gain on pension scheme	17	**(707)**	558
Total recognised gains and losses relating to the year		**(35,013)**	20,503

Teva UK Limited

Balance sheet as at 31 December 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	9	**3,583**	2,491
Tangible assets	10	**26,944**	14,475
Investments	11	**250**	533
		30,777	17,499
Current assets			
Stock	12	**57,166**	56,122
Debtors	13	**154,787**	135,598
Cash at bank and in hand		**14,516**	36,501
		226,469	228,221
Creditors - amounts falling due within one year	14	**(203,953)**	(208,141)
Net current assets		**22,516**	20,080
Total assets less current liabilities		**53,293**	37,579
Creditors - amounts falling due after more than one year	15	**(50,817)**	(846)
Net assets excluding pension liability		**2,476**	36,733
Pension liability	17	**(8,088)**	(8,319)
Net assets including pension liability		**(5,612)**	28,414
Capital and reserves			
Called up share capital	18	**340**	340
Share premium account	21	**24,965**	24,965
Profit and loss account	21	**(30,917)**	3,109
Total shareholders' (deficit)/funds	22	**(5,612)**	28,414

The financial statements on pages 6 to 27 were approved by the board of directors on 19 June 2009 and were signed on its behalf by:

R Williams
Director

Teva UK Limited

Statement of accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and preceding year.

Basis of accounting
The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

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 228A 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 ultimate parent company, Teva Pharmaceutical Industries Limited, a company incorporated in Israel and whose accounts are publicly available. Consequently the company is also exempt under FRS 1, cash flow statements (Revised 1996), from publishing a cash flow statement.

Fundamental accounting concept – going concern
The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Teva Pharmaceuticals Industries Limited. The directors have received confirmation that the immediate parent company, Teva UK Holdings Limited, intends to support the company for at least one year after these financial statements are signed.

Intangible fixed assets
Know-how licences and trademarks acquired for valuable consideration are capitalised at cost only where such expenditure is specifically identified with a marketable product. Amortisation is provided to write-off the cost of intangible fixed assets over the useful economic lives of the related products, which are between 5 and 20 years.

The carrying value of intangible fixed assets is periodically reviewed for events or changes in circumstances which indicate that the carrying value may not be recoverable and, where appropriate, provisions for impairment are made. The basis for determining impairment write down is by reference to the higher of net realisable value and value in use.

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 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.

Statement of accounting policies (continued)

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.

Stocks and work in progress
Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out method and 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 to the profit and loss account 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 term and the useful lives of equivalent owned assets.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more, tax in the future.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies
Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into sterling at rates of exchange ruling at the balance sheet date. 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 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.

Statement of accounting policies (continued)

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 at cost in intangible fixed assets and amortised over the period in which the company expects to derive economic benefits from their ownership.

Pension costs

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. All contributions are made to separately administered funds.

i) Defined benefit section

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. A formal actuarial valuation of the scheme is undertaken triennially, the last valuation undertaken as at 1 April 2007.

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 schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

ii) Defined contribution section

Contributions are charged to the profit and loss account as they become payable in accordance with employees' contracts to the defined contribution section of the Scheme employment. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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

Share-based payments

The company's ultimate parent undertaking, Teva Pharmaceuticals Industries Limited, issues share options to certain employees which are measured at fair value and recognised as an expense in the profit and loss account with a corresponding increase in profit and loss reserve. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

The fair values of these payments are measured at the dates of grant and are recognised over the period during which employees become unconditionally entitled to the awards. At each balance sheet date, Teva UK Limited revises its estimates of the number of options that are expected to vest and the company recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to profit and loss account reserve.

As the options are granted in the ultimate parent undertaking, the exercise of options does not impact on the financial statements of Teva UK Limited as the exercise does not result in any financial transactions that are reflected in these financial statements.

Notes to the financial statements for the year ended 31 December 2008

1 Turnover

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

	2008 £'000	2007 £'000
United Kingdom	**157,810**	175,976
Rest of Europe	**13,449**	4,665
Rest of the World	**31**	138
	171,290	180,779

2 Net operating expenses

	2008 £'000	2007 £'000
Selling and distribution costs	**22,847**	9,779
Administrative expenses	**20,515**	15,669
	43,362	25,448

3 Directors' emoluments

	2008 £'000	2007 £'000
Aggregate emoluments	**462**	321

The emoluments of Mr P Horsman and Mr J Beighton were paid by Teva UK Limited. The emoluments of Mr T Andriessen were paid by Teva Pharmaceuticals Europe B.V.

Retirement benefits are accruing to two directors (2007: two) under the defined benefit section of the company's hybrid pension scheme. No directors exercised share options during the period (2007: two).

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

	2008 £'000	2007 £'000
Aggregate emoluments	**260**	213
Retirement benefits accrued under defined benefit pension scheme	**61**	54

The highest paid director did not exercise share options during the period (2007: share options were exercised).

Notes to the financial statements for the year ended 31 December 2008 (continued)

4 Employee information

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

	2008 Number	2007 Number
By activity		
Office and management	**201**	201
Packaging and distribution	**185**	173
	386	374

In addition to the above, the average number of persons employed during the year on a temporary basis was 121 (2007: 90).

	2008 £'000	2007 £'000
Staff costs (for the above persons)		
Wages and salaries	**15,553**	13,745
Social security costs	**1,439**	1,100
FRS17 pension cost/(credit) (see note 17)	**1,001**	(1,996)
Employer's contributions to direct contribution pension schemes (see note 17)	**500**	334
Staff costs	**18,493**	13,183

Included in wages and salaries is a total expense relating to share-based payments of £987,000 (2007: £485,000). All of this expense arises from transactions accounted for as equity-settled share-based payments.

5 Interest receivable and similar income

	2008 £'000	2007 £'000
On bank deposits	**491**	253
Intercompany interest receivable	**1,195**	1,195
	1,686	1,448

Notes to the financial statements for the year ended 31 December 2008 (continued)

6 Interest payable and similar charges

	2008 £'000	2007 £'000
On bank loans and overdrafts	**2,531**	2,561
On finance leases	**68**	57
Intercompany interest payable	**5,390**	2,028
	7,989	4,646

7 (Loss)/profit on ordinary activities before taxation

	2008 £'000	2007 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year:		
Tangible owned fixed assets	**4,086**	2,943
Tangible fixed assets held under finance leases	**392**	427
Amortisation of intangible assets	**458**	166
Impairment of investment	**-**	40
(Profit)/loss on disposal of fixed assets	**(86)**	(167)
Operating Leases – hire of plant and machinery	**194**	117
Operating Leases – hire of other assets	**299**	123

During the year the company obtained the following services from the group auditor at costs detailed below:

	2008 £'000	2007 £'000
Audit services		
- Fees payable for statutory audit	**181**	156
Non-audit services		
- Other services pursuant to legislation	**151**	74
- Services relating to taxation	**12**	42
- Services relating to information technology	**1**	14

Notes to the financial statements for the year ended 31 December 2008 (continued)

8 Tax on (loss)/profit on ordinary activities

The tax charge for the year is £nil (2007: £nil).

The tax assessed for the year differs from the effective standard rate of corporation tax in the UK of 28.5% (2007:30%). The differences are explained below:

	2008 £'000	2007 £'000
(Loss) / profit on ordinary activities before taxation	(34,306)	19,945
(Loss) / profit on ordinary activities before taxation multiplied by effective standard taxation rate in the UK of 28.5% (2007: 30%)	(9,777)	5,984
Expenses not deductible for tax purposes – other	398	30
Capital allowances in excess of depreciation	256	60
Movement in tax losses not recognised	8,857	(4,931)
Other timing differences	266	(1,143)
Total current tax charge	-	-

The standard rate of Corporation Tax in the UK changed from 30% to 28% with effect from1 April 2008. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

9 Intangible assets

	Product licences £'000
Cost	
At 1 January 2008	3,321
Additions	1,550
At 31 December 2008	**4,871**
Accumulated amortisation	
At 1 January 2008	830
Charge for the year	458
At 31 December 2008	**1,288**
Net book value	
At 31 December 2008	**3,583**
At 31 December 2007	2,491

Notes to the financial statements for the year ended 31 December 2008 (continued)

10 Tangible assets

	Land and buildings £'000	Plant and equipment £'000	Work in progress £'000	Total £'000
Cost				
At 1 January 2008	7,519	24,245	691	32,455
Additions	-	2,530	14,820	17,350
Reclassifications	234	618	(852)	-
Disposals	(537)	(684)	(56)	(1,277)
At 31 December 2008	**7,216**	**26,709**	**14,603**	**48,528**
Accumulated depreciation				
At 1 January 2008	3,716	14,264	-	17,980
Charge for the year	605	3,873	-	4,478
Disposals	(228)	(646)	-	(874)
At 31 December 2008	**4,093**	**17,491**	**-**	**21,584**
Net book value				
At 31 December 2008	**3,123**	**9,218**	**14,603**	**26,944**
At 31 December 2007	3,803	9,981	691	14,475

The net book value of tangible fixed assets includes an amount of £690,000 (2007: £961,000) in respect of assets held under finance leases.

Land and buildings at net book value comprise:

	2008 £'000	2007 £'000
Freeholds	**1,871**	2,461
Short leaseholds	**1,252**	1,342
	3,123	3,803

The net book value of land at 31 December 2008 amounted to £500,000 (2007: £500,000).

Notes to the financial statements for the year ended 31 December 2008 (continued)

11 Investments

	Interests in subsidiary undertakings £'000	Shares in ultimate parent undertaking £'000	Total £'000
Cost			
1 January 2008	250	403	653
Disposals	-	(403)	(403)
At 31 December 2008	250	-	250
Provision			
At 1 January 2008	-	120	120
Disposals	-	(120)	(120)
At 31 December 2008	-	-	-
Net book value			
At 31 December 2008	**250**	-	**250**
At 31 December 2007	250	280	533

The directors believe that the carrying value of investments is supported by their underlying net assets.

Name of subsidiary	Country of incorporation	Description of shares held	Percentage held by company %
APS/Berk Limited	Great Britain	Ordinary £1 shares	74%
Berk Pharmaceuticals Limited	Great Britain	Ordinary £1 shares	100%
APS Berk Trustee Limited	Great Britain	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 Nil (2007: 51,806) ordinary shares in Teva Pharmaceuticals Industries Limited, acquired at a cost of £11.08 each and held by the APS/Berk Employee Benefit Trust in order to satisfy obligations under the company's Save As You Earn Scheme. The value of the shares at 31 December 2008 was £Nil (2007: £632,000) and dividends receivable were waived. The cost to the company of providing options under the scheme is being amortised over the performance period of the associated scheme.

Notes to the financial statements for the year ended 31 December 2008 (continued)

12 Stocks

	2008 £'000	2007 £'000
Raw materials and consumables	**2,523**	2,023
Work in progress	**11,118**	10,811
Finished goods and goods for resale	**43,525**	43,288
	57,166	56,122

13 Debtors

	2008 £'000	2007 £'000
Trade debtors	**60,390**	63,438
Amounts owed by group undertakings	**91,300**	69,871
Other debtors	**1,148**	306
Prepayments and accrued income	**1,949**	1,983
	154,787	135,598

Interest is receivable on a loan due from the immediate parent company Teva UK Holdings Limited at a rate of 5.75% per annum (2007: 5.75% per annum), otherwise there is no interest receivable on intercompany balances. No security is held for non-trading amounts owed by group undertakings which have no fixed date of repayment and are repayable on demand.

14 Creditors – amounts falling due within one year

	2008 £'000	2007 £'000
Bank loans and overdrafts	**-**	39,441
Trade creditors	**13,652**	13,091
Amounts owed to group undertakings	**176,282**	142,598
Obligations under finance leases	**241**	333
Other taxation and social security	**8,584**	9,100
Accruals and deferred income	**5,194**	3,578
	203,953	208,141

Notes to the financial statements for the year ended 31 December 2008 (continued)

14 Creditors – amounts falling due within one year (continued)

Interest is payable to Teva Pharmaceutical Works at a rate of LIBOR plus 0.5% (2007: LIBOR plus 0.5%) on amounts owed on trade balances and to Teva Pharmaceutical Industries Limited on a loan due at a rate of 6.04% (2007: 6.04%), otherwise there is no interest payable on intercompany balances. No security is held for non-trading amounts owed to group undertakings which are repayable on demand.

15 Creditors – amounts falling due after more than one year

	2008	2007
	£'000	£'000
Obligations under finance leases	**903**	846
Bank loans and overdrafts	**49,914**	-
	50,817	846

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

	2008	2007
	£'000	£'000
In one year or less	**241**	333
Between two and five years inclusive	**903**	846
	1,144	1,179

Interest is payable on the bank loan at a rate of LIBOR plus 0.55%. The bank loan is repayable on 26 September 2010.

16 Deferred taxation

No deferred taxation has been recognised in the financial statements. The unrecognised deferred tax asset is as follows:

	Amount unrecognised	
	2008	2007
	£'000	£'000
Tax effect of timing differences because of:		
Capital allowances in excess of depreciation	**881**	1,154
Losses	**9,440**	211
Other timing differences	**(2,265)**	(2,329)
Deferred tax asset	**(8,056)**	(964)

The directors consider that it is unlikely that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has not been recognised in these financial statements.

Notes to the financial statements for the year ended 31 December 2008 (continued)

17 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 2007 was updated to 31 December 2008 by a qualified actuary, using a set of assumptions consistent with those required under FRS 17. During the year, total contributions of £2,487,000 (2007: £2,062,000) were paid to the defined benefit section of the Scheme, of which £2,252,000 (2007: £1,841,000) were made by the company.

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. The major assumptions used by the actuary were:

	2008	2007	2006
Rate of increase in earnings	**3.75%**	4.45%	4.10%
Rate of increase in pensions in payment	**2.75%**	3.45%	3.10%
Discount rate	**6.10%**	5.60%	5.20%
Inflation assumption	**2.75%**	3.45%	3.10%

For the current and comparative year the following mortality assumptions were adopted:

Pensioners -	PA 92 Calendar year 2005, medium cohort
Non-pensioners	PA 92 Calendar year 2005, medium cohort

Notes to the financial statements for the year ended 31 December 2008 (continued)

17 Pension and similar obligations (continued)

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

	2008		2007		2006	
	Expected rate of return	**£'000**	Expected rate of return	£'000	Expected rate of return	£'000
Equities	**7.0%**	**12,002**	6.6%	13,842	6.6%	13,625
Bonds	**6.1%**	**1,828**	4.6%	2,012	4.6%	1,368
Gilts	**3.8%**	**1,313**	-	-	-	-
Cash and other investments	**2.0%**	**1,400**	5.6%	3,138	5.2%	1,482
Property	**7.0%**	**692**	-	-	-	-
Total market value of assets		**17,235**		18,992		16,475
Present value of liabilities		**(25,323)**		(27,311)		(29,032)
Deficit in the scheme		**(8,088)**		(8,319)		(12,557)
Related deferred tax asset		**-**		-		-
Net pension liability		**(8,088)**		(8,319)		(12,557)

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

	2008 £'000	2007 £'000
Operating profit:		
Current service cost	**(1,001)**	(823)
Past service cost	**-**	2,819
Total operating (charge)/credit	**(1,001)**	1,996
Other financial expenses:		
Expected return on pension scheme assets	**1,238**	1,039
Interest on pension scheme liabilities	**(1,551)**	(1,417)
Other finance expenses	**(313)**	(378)

Notes to the financial statements for the year ended 31 December 2008 (continued)

17 Pension and similar obligations (continued)

	2008 £'000	2007 £'000
Statement of total recognised gains and losses (STRGL):		
Actual return less expected return on pension scheme assets	**(8,021)**	(383)
Changes in assumptions underlying the present value of the scheme liabilities	**7,314**	941
Actuarial (loss)/ gain recognised in STRGL	**(707)**	558

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

	2008 £'000	2007 £'000
Deficit in scheme at beginning of the year	**(8,319)**	(12,557)
Movement in year:		
Current service cost	**(1,001)**	(823)
Contributions	**2,252**	2,062
Past service cost	**-**	2,819
Other finance expenses	**(313)**	(378)
Actuarial (loss)/gain	**(707)**	558
Deficit in scheme at end of the year	**(8,088)**	(8,319)

The company has agreed that an amount of £1,200,000 per annum will be paid to the scheme to eliminate the funding shortfall identified in the actuarial valuation of 1 April 2007. The funding shortfall is anticipated to be eliminated by 1 February 2014.

17 Pension and similar obligations (continued)

A history of experience gains and losses is presented below:

	2008	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets:					
Amount £'000	**(4,396)**	(383)	182	1,849	386
Percentage of scheme assets (%)	**(25.5%)**	(2.0%)	1.1%	12.5%	3.3%
Experience gains and losses on scheme liabilities:					
Amount £'000	**(4,183)**	-	(86)	2,175	88
Percentage of present value of scheme liabilities (%)	**(16.3%)**	-	(0.3%)	7.6%	0.4%
Total amount recognised in STRGL:					
Amount £'000	**(1,012)**	558	1,143	(2,964)	(2,743)
Percentage of present value of scheme liabilities (%)	**(5.9%)**	2.0%	3.9%	(10.4%)	(12.6%)

ii) Defined contribution scheme

During the year, total contributions of £661,000 (2007: £475,000) were paid to the defined contribution section of the Scheme, of which £500,000 (2007: £334,000) were made by the company. At 31 December 2008 contributions of £39,196 (2007: £31,405) were outstanding.

18 Called up share capital

	2008 £'000	2007 £'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 (2007: 340,000) deferred shares of £1 each	**340**	340

18 Called up share capital (continued)

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.

19 Share based payments

The company makes share based payments under two separate arrangements:

a) SAYE Scheme

Employees who have been employed continuously by the company one month prior to the date of grant are entitled to participate. The options are granted with a fixed exercise price equal to closing NASDAQ share price at the date of grant. The contractual life of an option is 3.5 years. Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations.

The table below summarises the last share-based payment awards under this scheme that were made in 2004. Early exercise of options is not possible.

Date of grant	9 December 2004
Number granted	64,731
Fair value	£979,907
Share price at grant	£15.03
Exercise price (pence)	£12.32
Expected volatility (%pa.)	28.0%
Expected dividends (%pa.)	1.0%
Risk-free interest rate (%pa.)	3.16%
Contractual life	3.5 years
Vesting period	3 years
Expected Life	3.5 years

b) Employee stock option scheme

Certain senior employees of the company are entitled to share options in the ultimate parent company. Options are granted with a fixed exercise price equal to the closing NASDAQ share price at the date of grant. The contractual life of an option is 5-7 years. Options granted will become exercisable in equal proportions on the second, third and fourth anniversary of the date of grant. Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations.

There are no other features, other than those stated above which require incorporation into the measurement of fair value. No modifications were made to the options since the date of grant.

19 Share based payments (continued)

The table below summarises the share-based payment awards under this scheme that were made in 2008 and 2007, together with the assumptions that have been used to calculate the fair values.

	2008	2007
Date of grant	**4 December 2008**	18 December 2007
Number granted	**77,550**	104,600
Fair value	**£2,202,420**	£2,351,408
Share price at grant	**£28.40**	£22.48
Exercise price (pence)	**£28.40**	£22.48
Expected volatility (%pa.)	**25%**	24%
Expected dividends (%pa.)	**1.1%**	0.9%
Risk-free interest rate (%pa.)	**1.8%**	3.7%
Contractual life	**5-7 years**	5-7 years
Vesting period	**3 years**	3 years
Expected life	**5 years**	5 years

Expected volatility is based on an analysis of the parent company's historical daily share price volatility. The risk-free interest rate is based on observed interest rates appropriate for the expected term of the stock options granted.

At 31 December 2008, options over 323,575 (2007:330,426) shares in the Company's ultimate parent were outstanding and comprised:

	Year of grant	Exercise period	Exercise price £	**Number of Options 2008**	Number of options 2007
Employee Stock Option Plan	2003	5 -7 years	25.86	**7,168**	8,502
Employee Stock Option Plan	2003	5 -7 years	34.42	**1,833**	4,501
Employee Stock Option Plan	2004	5 -7 years	17.37	**29,416**	41,584
SAYE Scheme	2004	3 - 3.5 years	12.32	-	64,731
Employee Stock Option Plan	2005	5 -7 years	24.77	**46,834**	48,750
Employee Stock Option Plan	2006	5 -7 years	16.40	**56,174**	57,758
Employee Stock Option Plan	2007	5 -7 years	22.48	**104,600**	104,600
Employee Stock Option Plan	2008	5 -7 years	28.40	**77,550**	-
				323,575	330,426

19 Share based payments (continued)

The table below shows the movement in the number and weighted average exercise prices ('WAEP') of options outstanding:

	2008 Number	2008 Weighted average exercise price	2007 Number	2007 Weighted average exercise price
Outstanding at 1 January	**330,426**	**£18.72**	245,918	£17.60
Granted	**77,550**	**£28.40**	104,600	£22.48
Forfeited	**-**	**-**	(10,298)	£18.96
Exercised	**(84,401)**	**15.02**	(9,794)	£18.87
Outstanding at 31 December	**323,575**	**£19.12**	330,426	£18.72
Exercisable at 31 December	**18,725**	**£25.62**	50,045	£19.57

The weighted average fair value of options granted in the year was £2,202,000 (2007: £2,351,000).

The table below shows the range of exercise prices and weighted average remaining contractual life for options outstanding at the year end.

	2008				2007			
Range of exercise prices	**Weighted average exercise price**	**Number of shares**	**Weighted average remaining life (years) Expected**	**Weighted average remaining life (years) Contractual**	Weighted average exercise price	Number of shares	Weighted average remaining life (years) Expected	Weighted average remaining life (years) Contractual
£15.00- £20.00	£16.63	85,590	2.1	5.1	£16.02	164,073	2.5	4.5
£20.00 - £25.00	£22.79	151,434	2.0	3.9	£22.82	153,350	3.0	4.0
£25.00- £30.00	£28.17	84,718	4.4	7.4	£25.65	8,502	0.2	2.2
£30.00 - £35.00	£34.09	1,833	(0.3)	2.7	£34.09	4,501	0.7	2.7

The weighted average share price during the period for options exercised over the year was £15.02 (2007: £18.87). The total charge for the year relating to employee share based payments was £987,000 (2007: £485,000) all of which related to the equity settled based payment transactions. After deferred tax the total charge was £987,000 (2007: £485,000).

Notes to the financial statements for the year ended 31 December 2008 (continued)

20 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.

21 Share premium account and reserves

	Share premium account £'000	**Profit and loss account £'000**
At 1 January 2008	24,965	3,109
Loss for the financial year	-	(34,306)
Actuarial loss on pension scheme	-	(707)
Adjustment in respect of employee share schemes	-	987
At 31 December 2008	**24,965**	**(30,917)**
Pensions deficit	-	(8,088)
Profit and loss reserve excluding pension deficit	-	(22,829)

22 Reconciliation of movements in shareholders' (deficit)/funds

	2008 £'000	2007 £'000
(Loss)/profit for the financial year	**(34,306)**	19,945
Actuarial (loss)/gain on pension scheme	**(707)**	558
Share option expense	**987**	485
Net (reduction)/increase to shareholders' fund	**(34,026)**	20,988
Opening shareholders' funds	**28,414**	7,426
Closing shareholders' (deficit)/funds	**(5,612)**	28,414

23 Capital commitments

	2008 £'000	2007 £'000
Capital expenditure that has been contracted but not provided for in the financial statements	**973**	391

Notes to the financial statements for the year ended 31 December 2008 (continued)

24 Post balance sheet events

On 1 April 2009 the company acquired the sales and distribution division of Norton Healthcare Limited, a fellow subsidiary, for a consideration of £8,535,000.

25 Financial commitments

At 31 December 2008 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2008		2007	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Expiring within one year	-	**44**	-	34
Expiring between two and five years	-	**34**	-	53
Expiring in over five years	**1,980**	-	280	-
	1,980	**78**	280	87

26 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.

27 Parent companies

The immediate parent undertaking is Teva UK Holdings Limited, a company incorporated in England and Wales.

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.