Registered number 0302461

Teva UK Limited
Annual report and financial statements
for the year ended 31 December 2015

Teva UK Limited

Annual report and financial statements for the year ended 31 December 2015

Contents

Teva UK Limited

Directors and advisers

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R Daniell
R Williams
D Vrhovec

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Chartered Accountants and Statutory Auditors
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Registered number
0302461

Strategic report for the year ended 31 December 2015

The directors present their strategic report on the company for the year ended 31 December 2015.

Business review and future developments

The UK market environment in which the company trades continues to be fiercely competitive as competition from established competitors puts pressure on market prices. In addition, the selling prices and profitability of medicines is subject to control by regulatory measures which the UK Government uses to control the costs of the National Health Service. The company participates in the Pharmaceutical Price Regulation Scheme (PPRS). During the year the PPRS levy increased to 10.36% (3.74% in 2014) which has reduced our reported profitability. The company's strategy is to provide a range of products to its customers and to encourage loyalty from its customers through excellent customer service and supply. 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 significant new products and so consolidate its position as a major supplier in the UK generics, over-the-counter and branded pharmaceuticals markets.

The profit and loss account for the year is set out on page 9. This is the first year that the company has presented its results under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the full year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. The transition has affected the financial performance of the company due to the recognition of net interest expense, based upon the net defined benefit liability, rather than an expected return on defined benefit plan assets. See note 27 for details of the transition to FRS 102.

On 3 August 2016, Teva Pharmaceutical Industries Limited (Teva UK's Limited's ultimate parent company) completed the acquisition of Actavis Generics. 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.

A portion of Actavis Generics UK's business will transfer and be retained by Teva UK Limited, which will add substantially to Teva UK Limited's Generics, Over-the-counter and Specialty portfolios, and, in turn will add to Teva UK Limited's revenues and profitability going forwards.

Development and performance of the business

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.

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 also included within the statutory financial statements of Cephalon UK Limited, a fellow UK group company. Consequently, KPI's specifically related to Teva UK Limited are not used for the ongoing management of the sales and distribution businesses of the Teva group within the UK. However, the Board consider the following KPI's pertinent to Teva UK Limited:

	2015	2014	Comments
(Decrease)/Increase in turnover (%)	**(5.9)**	0.6	Turnover has decreased during the year due to a strategic realignment of the portfolio.
Gross margin (%)	**26.7**	28.0	Gross margin is the ratio of gross profit to sales as expressed as a percentage. A major factor in the decrease reflects the increase in the PPRS levy.

Strategic report for the year ended 31 December 2015 (continued)

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

Exceptional items
During 2014 Teva UK Limited received £2,925,000 of compensation in respect of full and final settlement of legal claims.

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 some protection against such commodity price 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.

The company manages 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.

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

On behalf of the Board

R Williams
Director
26 September 2016

Teva UK Limited

Directors' report for the year ended 31 December 2015

The directors present their annual report, together with the audited financial statements for the year ended 31 December 2015.

Results and dividends
The profit for the financial year was £9,592,000 (2014: £23,815,000).

The directors do not recommend the payment of a dividend (2014: £nil).

Financial risk management
This is included in the Strategic report on page 3.

Principal activities and future developments
The principal activity of the company is the marketing, packaging and distribution of pharmaceutical products.

Future developments are discussed more fully in the Strategic report on page 2.

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

M Schrewe	(resigned 1 August 2016)
R Daniell	(resigned 3 August 2015; appointed 18 March 2016)
R Williams	(appointed 18 March 2016)
D Vrhovec	(appointed 1 May 2016)
T Oreskovic	(resigned 14 January 2016)
S Oldfield	(appointed 3 August 2015; resigned 18 March 2016)

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 its directors.

Employees
The company has continued to retain and recruit the highest quality employees in its market. Ongoing training is given to all employees relevant to their roles. Training programmes focus on key issues such as health & safety, competition law, anti-corruption, 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 management to participate in group performance through participation in the share option scheme.

Directors' report for the year ended 31 December 2015 (continued)

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.

The company had an average of 44 days purchases outstanding in trade creditors (2014: 42 days).

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 (2014: £nil).

During the year the company made charitable donations totalling £27,136 (2014: £23,450). These included two donations (2014: two) which exceeded £200; totalling £25,400 to national charities (2014: £22,000).

Statement of directors' responsibilities
The directors are responsible for preparing the Strategic report, the Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard Applicable in the United Kingdom. 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; 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. 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.

Disclosure of information to Auditors
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.

Directors’ report for the year ended 31 December 2015 (continued)

Events after the balance sheet date

This is included in the Strategic report on page 2. See also note 28.

Approval of reduced disclosures

The company, as a qualifying entity, has taken advantage of the disclosure exemptions available under FRS 102. The company has notified its shareholders in writing and no objections have been received.

The company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the company by the parent that owns 100% of the share capital. They should be served no later than 31 March 2017.

On behalf of the Board

R Williams
Director
26 September 2016

Independent auditors' report to the members of Teva UK Limited

Report on the financial statements

Our opinion
In our opinion, Teva UK 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 2015 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 comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account and the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard Applicable in the United Kingdom.

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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, 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.

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 Teva UK 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 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 and financial statements 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.

Randal Casson

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
26 September 2016

Teva UK Limited

Profit and loss account for the year ended 31 December 2015

	Note	2015 £'000	Restated 2014 £'000
Turnover	3	**362,910**	385,823
Cost of sales		**(265,938)**	(277,745)
Gross profit		**96,972**	108,078
Distribution costs		**(73,452)**	(65,890)
Administrative expenses (including prior year exceptional items)	9	**(24,762)**	(26,824)
Other operating income	4	**12,901**	18,539
Operating profit before exceptional item	5	**11,659**	36,382
Exceptional expense	9	**-**	(2,479)
Operating profit after exceptional item		**11,659**	33,903
Interest receivable and similar income	6	**2,448**	1,644
Interest payable and similar charges	6	**(3,100)**	(2,422)
Other financial expense	20	**(269)**	(178)
Profit on ordinary activities before taxation		**10,738**	32,947
Tax on profit on ordinary activities	10	**(1,146)**	(9,132)
Profit for the financial year		**9,592**	23,815

All activities in the current and prior year relate to continuing operations.

Statement of comprehensive income for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Profit for the financial year		**9,592**	23,815
Other comprehensive income / (expense):			
Actuarial gain/(loss) on pension scheme	20	**2,267**	(4,796)
Movement of deferred tax relating to pension liability		**(454)**	959
Other comprehensive income / (expense) for the year net of tax		**1,813**	(3,837)
Total comprehensive income for the year		**11,405**	19,978

Balance sheet as at 31 December 2015

	Note	2015 £'000	Restated 2014 £'000
Fixed assets			
Intangible assets	11	**10,663**	11,135
Tangible assets	12	**27,925**	27,626
Investments	13	**-**	250
		38,588	39,011
Current assets			
Stocks	14	**99,024**	117,876
Debtors	15	**398,248**	338,608
Cash at bank and in hand		**17,096**	18,363
		514,368	474,847
Creditors - amounts falling due within one year	16	**(509,152)**	(481,189)
Net current assets/(liabilities)		**5,216**	(6,342)
Total assets less current liabilities		**43,804**	32,669
Creditors - amounts falling due after more than one year	17	**(2,789)**	-
Provisions for liabilities	19	**(1,975)**	(2,047)
Net assets excluding pension liability		**39,040**	30,622
Pension liability	20	**(4,462)**	(8,079)
Net assets including pension liability		**34,578**	22,543
Capital and reserves			
Called up share capital	21	**341**	341
Share premium account		**24,964**	24,964
Profit and loss account		**9,273**	(2,762)
Total shareholders' funds		**34,578**	22,543

The comparative figures for the year ended 31 December 2014 have been restated to show the reclassification of rebate accruals to indirect customers. Such items are now included within Creditors - amounts falling due within one year to better reflect the substance of the balances. Previously these balances were included within Debtors.

The financial statements on pages 9 to 36 were approved by the board of directors on 26 September 2016 and were signed on its behalf by:

R Williams
Director

Registered number: 0302461

Statement of changes in equity for the year ended 31 December 2015

	Note	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2014		341	24,964	(24,627)	678
Profit for the financial year	27	-	-	23,815	23,815
Other comprehensive (expense) for the year		-	-	(3,837)	(3,837)
Total comprehensive income for the year		-	-	19,978	19,978
Credit related to equity-settled share based payments	22	-	-	1,887	1,887
Total transactions with owners recognised directly in equity		-	-	1,887	1,887
At 31 December 2014		341	24,964	(2,762)	22,543
Profit for the financial year		-	-	9,592	9,592
Other comprehensive income for the year		-	-	1,813	1,813
Total comprehensive income for the year		-	-	11,405	11,405
Credit related to equity-settled share based payments	22	-	-	2,897	2,897
Debit for recharge of equity-settled payments	22	-	-	(2,267)	(2,267)
Total transactions with owners recognised directly in equity		-	-	630	630
At 31 December 2015		341	24,964	9,273	34,578

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2015

1. Accounting policies

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

Basis of accounting
The financial statements have been prepared under the historical cost convention, on a going concern basis and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, including Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the United Kingdom.

The company transferred from UK GAAP to FRS 102 as at 1 January 2014. An explanation of how FRS 102 has affected the reported financial position is shown in note 27.

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 401 of the Companies Act 2006 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 financial statements are publicly available, from the address in note 26. Teva UK Limited meets the definition of a qualifying entity under FRS 102. The company has notified its shareholders in writing and they do not object to the disclosure exemption available under the terms of FRS 102 not to present a cash flow statement. The company has taken advantage of the exemption available under the terms of FRS 102 not to disclose related party transactions with group companies.

Teva UK Limited is a company incorporated in the United Kingdom under the Companies Act.

Intangible assets
Know-how, licences, trademarks and software 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 assets over the useful economic lives of the related products, between 3 and 20 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.

Purchased goodwill
Positive purchased goodwill, representing the excess of the fair value of the purchase consideration over the fair value of the assets acquired, is capitalised and expensed to the profit and loss account by equal annual instalments over the estimated useful economic life (15 years) of the business acquired.

The company evaluates the carrying value of goodwill each year to assess for indicators of impairment and whether there is objective evidence of impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

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

Depreciation is calculated so as to write off the cost of tangible assets, other than freehold land, 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:

	Rate
Freehold buildings	4%
Leasehold buildings (Land and buildings)	Period of lease
Plant and equipment	5% – 20%

Notes to the financial statements for the year ended 31 December 2015 (continued)

1. Accounting policies (continued)

Tangible assets (continued)

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.

Where factors such as technological advancement, commercial factors or changes in asset usage, 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 tangible 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.

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. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Securitisation

Securitised assets of the company are recorded in the financial statements according to the substance of the securitisation transaction. Where the risks and rewards which the company has in the assets remain substantially unaffected by the securitisation transaction, the assets, together with the related financing, are included in the balance sheet. Income arising from the assets and the related financing costs are included within the finance income and interest expense respectively.

Finance and operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. The company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014). Therefore benefits received and receivable as an incentive to sign an operating lease are spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Provision is made for future lease commitments on sites no longer used within the business, together with the cost of onerous contracts.
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.

Taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax arises from timing differences between the company's taxable profits and its results as stated in the financial statements.

1. Accounting policies (continued)

Taxation (continued)
Deferred tax is recognised on all timing differences at the reporting date. Unrelieved losses and other deferred tax assets are recognised only if it can be regarded as more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date and that are expected to apply to the reversal of the timing difference.

Deferred tax assets and liabilities are not discounted.

Turnover
Turnover, which excludes value added tax and trade discounts, represents the value of goods supplied to third parties and the recharge of services to group companies. Revenue is recognised at the point of delivery of non-returnable goods to customers, or at the point of completion of the performance of services, when the significant risks and rewards of ownership have been transferred to the buyer and the amount of revenue can be measured reliably.

In circumstances whereby the company has not satisfied all contractual obligations under the relevant contract, revenue is deferred and included within deferred income.

Other operating income
Other operating income includes income obtained from certain product profit share agreements and is recognised when all contractual obligations have been satisfied under the relevant contract.

Other operating income also includes income from a collaboration agreement with Procter & Gamble. The income is recognised when services are completed each month.

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

Employee benefits

i) Defined benefit scheme

The company participated in the Teva UK Limited Retirement Benefits Scheme which provided defined benefit pensions to employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. The scheme was closed to future accrual with effect from 31 March 2012. All contributions are made to separately administered funds.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The fair value of plan assets is measured using appropriate valuation techniques. The defined benefit obligation is calculated using the projected unit actuarial method and the present value is determined by discounting the estimated future payments at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Annually the company engages independent actuaries to calculate the obligation. A formal actuarial valuation of the scheme is undertaken triennially and the last valuation undertaken was at 1 April 2015.

1. **Accounting policies (continued)**

i) Defined benefit scheme (Continued)

The amount charged to operating profits, as part of staff costs, are the current service costs, administration expenses 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 net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets as other finance costs or credits adjacent to interest. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of comprehensive income.

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.

ii) Defined contribution scheme

The company operates a defined contribution pension scheme; contributions are charged to the profit and loss account as they become payable in accordance with employees' contracts. 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.

iii) short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

An expense is recognised in the profit and loss account for bonuses when the company has a legal or constructive obligation to make payments as a result of past events and a reliable estimate of the obligation can be made.

Share-based payments

The company's ultimate parent undertaking, Teva Pharmaceutical Industries Limited, issues share options to certain employees which are measured at fair value. The company has taken advantage of the alternative treatment allowed under Section 26 of FRS 102 for participation in a share-based payment arrangement established by a group company. The company recognises the share-based payment as an expense in the profit and loss account based on an allocation of its share of the group's total expense. The corresponding credit is recognised in retained earnings as a component of equity.

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 credit to the profit and loss account reserve.

Where the company is invoiced for the cost of share-based payments by fellow group companies the corresponding debit is recognised in retained earnings as a component of equity.

Financial assets and liabilities

Basic financial assets and liabilities, including trade receivables and payables, cash and bank loans and amounts due to or from fellow group companies are initially recognised at transaction price. If the arrangement constitutes a financing transaction, it is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets are derecognised when the contractual rights to the cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Accounting policies (continued)

Foreign exchange

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 included in the profit and loss account within the relevant category.

The company's functional and presentational currency is sterling.

Provisions

Provisions are established only where a present obligation exists as a result of events prior to the balance sheet date, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

2. Critical accounting judgements and estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, estimates and judgements are continually evaluated and are based upon historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Critical accounting estimates and assumptions

Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net present obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 20 for the disclosures relating to the defined benefit pension scheme.

3. Turnover

The company's turnover was all derived from its principal activity.

Analysis of sales by geography:

	2015	2014
	£'000	£'000
United Kingdom	**336,141**	346,336
Rest of Europe	**16,161**	29,968
Rest of the World	**10,608**	9,519
	362,910	385,823

Notes to the financial statements for the year ended 31 December 2015 (continued)

3. Turnover (continued)

Analysis of sales by category:

	2015	2014
	£'000	£'000
Sale of goods	**338,083**	354,399
Services	**24,735**	31,422
Other	**92**	2
	362,910	385,823

4. Other operating income

Other operating income includes income obtained from certain product profit share agreements, a collaboration between Procter & Gamble and Teva UK Limited (PGT) and other operating activities as detailed below:

	2015	2014
	£'000	£'000
Profit share agreements	**41**	372
Income from PGT collaboration	**8,133**	9,314
Income from other activities	**4,727**	8,853
	12,901	18,539

Notes to the financial statements for the year ended 31 December 2015 (continued)

5. Operating profit before exceptional items

Operating profit before exceptional items is stated after charging:

	2015	Restated 2014
	£'000	£'000
Depreciation of owned tangible assets	**2,280**	2,663
Amortisation of software	**373**	491
Amortisation of know-how, licences and trademarks	**182**	225
Amortisation of purchased goodwill	**994**	994
Cost of stock recognised as an expense	**242,697**	255,413
Impairment of stock recognised as an expense	**10,870**	8,789
Reversal of impairment of stock	**(1,999)**	(3,740)
Operating lease rentals - other	**1,327**	1,168
- land and buildings	**2,501**	2,596
Loss on disposal of tangible assets	**18**	4

Amortisation of know-how, licences and trademarks is included in cost of sales. Amortisation of software is included in administrative expenses.

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

	2015	2014
	£'000	£'000
Audit services	**329**	340
Non audit services	**15**	16
Services relating to taxation	**37**	152
Audit related assurance services	**3**	3

6. Interest

Interest receivable and similar income

	2015	2014
	£'000	£'000
Intercompany interest receivable	**2,448**	1,644

Interest payable and similar charges

	2015	Restated 2014
	£'000	£'000
Bank charges	**(1)**	9
Intercompany interest payable	**3,101**	2,413
	3,100	2,422

Notes to the financial statements for the year ended 31 December 2015 (continued)

7. Directors' remuneration

	2015 £'000	2014 £'000
Aggregate emoluments	**1,106**	882
Company pension contributions to money purchase schemes	**34**	30

The above includes £164,000 (2014: £137,000) recharged to Orvet UK in respect of directors' emoluments.

The emoluments of T Oreskovic were paid by Teva Pharmaceuticals Europe B.V. The total emoluments of this director are included in the aggregate of the directors' emoluments disclosed in the financial statements of Teva Pharmaceuticals Europe B.V.

The emoluments of M Schrewe were paid by Ratiopharm GmbH and recharged to Teva UK Limited. These emoluments are included within the aggregate emoluments above and also include certain costs incurred directly by Teva UK Limited.

Retirement benefits are accruing to two directors (2014: one) under defined contribution schemes. No retirement benefits are accruing to directors under the company's defined benefit pension scheme at the year end (2014: none).

Two directors (2014: two) exercised share options during the year.

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

	2015 £'000	2014 £'000
Total amount of emoluments and amounts receivable under long-term incentive schemes	**635**	613
Company pension contributions to money purchase schemes	**20**	30

The highest paid director exercised share options during the year, totalling £192,000 (2014: £138,000).

The above amounts include £65,000 (2014: £67,000) recharged to fellow group undertakings in respect of emoluments of the highest paid director.

8. Staff costs

Aggregate remuneration comprised:

	2015 £'000	Restated 2014 £'000
Wages and salaries	**48,459**	44,195
Social security costs	**5,748**	5,049
Share based payment charge (note 22)	**2,897**	1,887
Pension cost – defined benefit pension scheme (note 20)	**282**	220
Employer's contributions to defined contribution pension schemes (note 20)	**3,002**	2,880
	60,388	54,231

8. Staff costs (continued)

The average monthly number of persons, including executive directors, employed by the company during the year was as follows:

	2015	2014
	Number	Number
Office management	**572**	544
Packing and distribution	**168**	171
	740	715

9. Exceptional items

The following exceptional (costs)/income are included within the statutory format headings on the face of the profit and loss account shown below:

	2015	2014
	£'000	£'000
Cost of Sales:		
Impairment of intangible assets	-	(172)
Administrative expenses:		
Impairment of tangible assets	-	(5,232)
Legal claim compensation	-	2,925
Total	-	(2,479)

During 2014 Teva UK Limited received £2,925,000 of compensation in respect of full and final settlement of legal claims.

Notes to the financial statements for the year ended 31 December 2015 (continued)

10. Tax on profit on ordinary activities

	2015 £'000	Restated 2014 £'000
Current tax on profit for the year		
UK corporation tax at 20.25% (2014: 21.5%)	**1,656**	6,812
Adjustment in respect of previous periods	**(178)**	(194)
Total current tax charge	**1,478**	6,618
Deferred tax		
Origination and reversal of timing differences	**(21)**	1,020
Adjustment in respect of previous periods	**(311)**	1,494
Total deferred tax (credit) / charge	**(332)**	2,514
Tax on profit on ordinary activities	**1,146**	9,132
Tax on recognised gains and losses not included in the profit and loss account		
Deferred tax movements related to actuarial losses on the defined benefit pension scheme	**(454)**	(959)
Tax included in other comprehensive income	**(454)**	(959)

The tax charge assessed for the year is lower (2014: higher) than that calculated at the effective standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	**10,738**	32,947
Profit on ordinary activities multiplied by the effective standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	**2,174**	7,084
Effects of:		
Expenses not deductible for tax purposes	**116**	824
Group relief for no consideration	**(655)**	-
Changes in tax rates	-	(76)
Adjustment in respect of previous periods	**(489)**	1,300
Total tax charge	**1,146**	9,132

Notes to the financial statements for the year ended 31 December 2015 (continued)

10. Tax on profit on ordinary activities (continued)

Deferred tax:

	2015 £'000	Restated 2014 £'000
Difference between accumulated depreciation and capital allowances	**(154)**	(127)
Deferred tax related to share based payments	**1,123**	455
Pension benefits	**949**	1,712
Total deferred tax asset (note 15)	**1,918**	2,040

	2015 £'000	2014 £'000
At 1 January	**2,040**	3,595
Deferred tax credit/(charge) in profit and loss account	**332**	(2,514)
Deferred tax (charge)/credit in the statement of comprehensive income	**(454)**	959
At 31 December	**1,918**	2,040

Deferred tax assets and liabilities are calculated using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date and that are expected to apply to the reversal of the timing difference.

The UK corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015. Both rates were enacted at the balance sheet date.

Further reductions to the UK corporation tax rates were substantively enacted in October 2015. These reduce the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020.

Notes to the financial statements for the year ended 31 December 2015 (continued)

11. Intangible assets

Cost	Purchased goodwill £'000	Know-how, licences and trademarks £'000	Software £'000	Total £'000
At 1 January 2015 (as restated, see note 27)	14,910	8,387	4,029	27,326
Additions	-	-	1,150	1,150
Disposals	-	-	(79)	(79)
At 31 December 2015	**14,910**	**8,387**	**5,100**	**28,397**
Accumulated depreciation				
At 1 January 2015	5,716	7,029	3,446	16,191
Amortisation	994	182	373	1,549
Disposals	-	-	(6)	(6)
At 31 December 2015	**6,710**	**7,211**	**3,813**	**17,734**
Net book value				
At 31 December 2015	**8,200**	**1,176**	**1,287**	**10,663**
At 31 December 2014	9,194	1,358	583	11,135

Notes to the financial statements for the year ended 31 December 2015 (continued)

12. Tangible assets

Cost	Land and buildings £'000	Plant and equipment £'000	Work in progress £'000	Total £'000
At 1 January 2015 (as restated, see note 27)	25,076	40,730	1,693	67,499
Additions	-	-	2,605	2,605
Reclassifications	521	2,430	(2,951)	-
Disposals	-	(303)	-	(303)
At 31 December 2015	**25,597**	**42,857**	**1,347**	**69,801**
Accumulated depreciation				
At 1 January 2015	12,096	27,777	-	39,873
Charge for the year	843	1,437	-	2,280
Disposals	-	(277)	-	(277)
At 31 December 2015	**12,939**	**28,937**	**-**	**41,876**
Net book value				
At 31 December 2015	**12,658**	**13,920**	**1,347**	**27,925**
At 31 December 2014	12,980	12,953	1,693	27,626

Land and buildings at net book value comprise:

	2015 £'000	2014 £'000
Freehold	**5,289**	4,913
Short leasehold	**7,369**	8,067
	12,658	12,980

The net book value of land at 31 December 2015 amounted to £500,000 (2014: £500,000).

Notes to the financial statements for the year ended 31 December 2015 (continued)

13. Investments

	Interests in subsidiary undertakings £'000
Cost	
At 1 January 2015	250
Disposals	(250)
At 31 December 2015	-
Net book value	
At 31 December 2015	-
At 31 December 2014	250

The company's subsidiary undertaking, Berk Pharmaceuticals Limited was liquidated during the year and a distribution of intercompany debts were made to Teva UK Limited, the only shareholder, in specie for an amount of £250,000.

14. Stocks

	2015 £'000	2014 £'000
Raw materials and consumables	**8,069**	8,782
Finished goods and goods for resale	**90,955**	109,094
	99,024	117,876

There is no material difference between the balance sheet value of stocks and their replacement cost.

Notes to the financial statements for the year ended 31 December 2015 (continued)

15. Debtors

Amounts falling due within one year:

	2015 £'000	Restated 2014 £'000
Trade debtors	**75,624**	63,744
Amounts owed by group undertakings	**315,601**	267,595
Deferred tax (note 10)	**1,918**	2,040
Corporation Tax	**808**	-
Other debtors	**10**	800
Prepayments and accrued income	**4,287**	4,429
	398,248	338,608

Interest is receivable on loans due from group undertakings at 3 months LIBOR plus 1% (2014: 3 months LIBOR plus 1%). No security is held for amounts owed by group undertakings which are repayable on demand.

The securitised gross trade receivables as at 31 December 2015 were £73,698,000 (2014: £68,835,000). This is part of a group wide securitisation agreement with BNP Paribas.

16. Creditors: amounts falling due within one year

	2015 £'000	Restated 2014 £'000
Bank loans and overdrafts	-	14,396
Trade creditors	**30,050**	42,625
Amounts owed to group undertakings	**365,584**	306,113
Amounts due in respect of securitised receivables	**73,698**	68,835
Other taxation and social security	**22,171**	18,137
Corporation Tax	-	6,830
Deferred income	-	9,798
Accruals and deferred income	**17,649**	14,455
	509,152	481,189

Interest is payable to other group companies on non-trading balances at a rate of LIBOR plus 1%. No security is held for amounts owed to group undertakings, which are repayable on demand.

17. Creditors: amounts falling due after more than one year

	2015	2014
	£'000	£'000
Amounts falling due within one and five years:		
Accruals and deferred income	**2,789**	-

18. Lease obligations

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2015		2014	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Not later than one year	**2,646**	**1,164**	2,644	966
Later than one year and not later than five years	**12,876**	**911**	13,223	874
Later than five years	**14,001**	**-**	16,300	-
	29,523	**2,075**	32,167	1,840

19. Provisions for liabilities

	Legal settlements	Onerous lease provision	**Total**
	£'000	£'000	**£'000**
As at 1 January 2015	-	2,047	**2,047**
Additions	288	-	**288**
Utilised	(106)	(254)	**(360)**
As at 31 December 2015	182	1,793	**1,975**

There are a number of onerous leases held by Teva UK Limited which are provided for to the extent of the present obligation under these contracts.

Notes to the financial statements for the year ended 31 December 2015 (continued)

20. Pension and similar obligations

i) Defined benefit scheme

The company participated in the Teva UK Limited Retirement Benefits Scheme which provided defined benefit pensions to employees. On 31 March 2012 the scheme was closed to future accrual and benefits ceased to accrue with effect from that date.

The assets of the scheme are held in a separate trustee administered fund.

The actuarial valuation of the scheme at 1 April 2015 was updated to 31 December 2015 by a qualified actuary using a set of assumptions consistent with those required under FRS 102. During the year, total contributions of £1,901,000 (2014: £1,801,000) were paid, of which £1,901,000 (2014: £1,801,000) were paid by the company.

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:

	2015	2014	2013
Rate of increase in pensions in payment	**2.10%**	2.10%	2.20%
Discount rate	**3.90%**	3.70%	4.60%
Inflation assumption	**3.00%**	3.00%	3.30%

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

2015	2014
S2PA CMI (2014) tables with a long-term improvement rate of 1.5% p.a.	S1NA CMI (2011) tables with a long-term improvement rate of 1.5% p.a.

Notes to the financial statements for the year ended 31 December 2015 (continued)

20. Pension and similar obligations (continued)

The pension liability which is recognised in the balance sheet under FRS 102 is as follows:

	2015	2014	2013
	£'000	£'000	£'000
Equities	**22,124**	20,144	19,564
Bonds	**8,419**	8,493	5,195
Property	**2,112**	1,367	526
Cash and other investments	**3,082**	5,967	7,595
Total market value of assets	**35,737**	35,971	32,880
Present value of liabilities	**(40,199)**	(44,050)	(37,566)
Pension liability	**(4,462)**	(8,079)	(4,686)

The following amounts are recognised in the performance statements under the requirements of FRS 102:

		Restated
	2015	2014
	£'000	£'000
Operating profit:		
Administration expenses	**(282)**	(220)
Total operating (charge)	**(282)**	(220)
Other financial expenses:		
Interest income on pension scheme assets	**1,324**	1,527
Interest (expense) on pension scheme liabilities	**(1,593)**	(1,705)
Other financial expenses (net)	**(269)**	(178)

	2015	2014
	£'000	£'000
Statement of other comprehensive income:		
Return on plan assets (excluding interest income)	**(1,208)**	964
Effect of experience adjustments	**1,398**	-
Changes in assumptions underlying the present value of the scheme liabilities	**2,077**	(5,760)
Actuarial gain/(loss) recognised in OCI	**2,267**	(4,796)

Notes to the financial statements for the year ended 31 December 2015 (continued)

20. Pension and similar obligations (continued)

An analysis of the movement in the scheme pension liability is as follows:

	2015 £'000	Restated 2014 £'000
Deficit in scheme at beginning of the year	**(8,079)**	(4,686)
Movement in year:		
Administrative expenses	**(282)**	(220)
Contributions by company	**1,901**	1,801
Other finance (expense)	**(269)**	(178)
Actuarial gain/(loss)	**2,267**	(4,796)
Deficit in scheme at end of the year	**(4,462)**	(8,079)

A Recovery Plan has been agreed whereby additional contributions of £1,000,000 per annum plus certain scheme expenses will be paid to the scheme to eliminate the funding shortfall identified in the actuarial valuation of 1 April 2015. The funding shortfall is anticipated to be eliminated by March 2022.

Reconciliation of present value of scheme liabilities:

	2015 £'000	2014 £'000
1 January	**44,050**	37,566
Interest cost	**1,593**	1,705
Actuarial (gain)/loss	**(2,077)**	5,760
Benefits paid	**(1,969)**	(981)
Effect of experience adjustments	**(1,398)**	-
31 December	**40,199**	44,050

20. Pension and similar obligations (continued)

Reconciliation of fair value of scheme assets:

	2015 £'000	Restated 2014 £'000
1 January	**35,971**	32,880
Interest income on plan assets	**1,324**	1,527
Actuarial (loss) / gain on plan assets	**(1,208)**	964
Employer contributions	**1,901**	1,801
Benefits paid	**(1,969)**	(981)
Administrative expenses paid from plan assets	**(282)**	(220)
31 December	**35,737**	35,971

The amounts recognised in the profit and loss account are as follows:

	2015 £'000	2014 £'000
Administration expenses	**282**	220
Interest income on pension scheme assets	**(1,324)**	(1,527)
Interest expense on pension scheme liabilities	**1,593**	1,705
Total charge	**551**	398

ii) Defined contribution scheme

During the year, contributions of £3,002,000 (2014: £2,880,000) were paid to defined contribution schemes by the company. At 31 December 2015 contributions of £276,000 (2014: £276,000) were outstanding.

21. Called up share capital

	2015 £'000	2014 £'000
Authorised		
1 (2014: 1) ordinary share of US$1	-	-
1,000,000 (2014: 1,000,000) deferred shares of £1 each	**1,000**	1,000
Allotted and fully paid		
1 (2014:1) ordinary share of US$1	-	-
340,555 (2014: 340,555) deferred shares of £1 each	**341**	341

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.

22. Share based payments

Certain senior employees of the company are entitled to share options in the ultimate parent company. Options are granted either with a fixed exercise price equal to the closing NYSE share price at the date of grant, or at an exercise price of £nil for Restricted Stock Units ('RSUs'). Options granted become fully exercisable on third or fourth anniversaries 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.

The fair value of RSUs is estimated based on the market value of the award at the grant date, less an estimate of dividends that will not accrue to the RSU holders prior to vesting.

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.

The company recognises an equity-settled share-based payment expense in the profit and loss account based on an allocation of its share of the group's total expense.

On exercise of the shares by the employees, the company is invoiced the intrinsic value of the shares. Payments of £2,267,000 (2014 £Nil) were recognised directly in equity.

At 31 December 2015, options over 1,031,827 (2014: 960,291) shares in the Company's ultimate parent were outstanding, comprising options 924,505 (2014: 863,949) and 107,322 RSUs (2014: 96,342).

Notes to the financial statements for the year ended 31 December 2015 (continued)

22. Share based payments (continued)

Options

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

	2015		2014	
	Number	**Weighted average exercise price (US $)**	Number	Weighted average exercise price (US $)
Outstanding at 1 January	**863,949**	**45.44**	954,070	40.04
Transferred	**-**	**-**	28,614	40.04
Granted	**417,587**	**58.85**	257,363	48.97
Exercised	**(205,775)**	**45.98**	(359,963)	33.71
Forfeited	**(151,256)**	**56.24**	(16,135)	34.63
Outstanding at 31 December	**924,505**	**49.61**	863,949	45.44
Exercisable at 31 December	**412,150**	**45.38**	322,760	43.98

Share options transferred relates to employees transferring to different businesses within the worldwide group, resulting in the remaining share options and employee share based payment charge in respect of these employees also being transferred either to or from Teva UK Limited.

Restricted stock units

The table below shows the movement in the number and weighted average grant date fair values of RSUs:

	2015		2014	
	Number	**Weighted average grant date fair value (US $)**	Number	Weighted average grant date fair value (US $)
Outstanding at 1 January	**96,342**	**41.58**	62,698	37.86
Transferred	**-**	**-**	8,580	37.86
Granted	**52,503**	**56.47**	51,284	45.95
Exercised	**(38,633)**	**40.14**	(26,037)	40.06
Forfeited	**(2,890)**	**45.93**	(183)	35.09
Outstanding at 31 December	**107,322**	**49.26**	96,342	41.58
Exercisable at 31 December	**-**	**-**	-	-

The total charge for the year relating to all employee share based payments was £2,897,000 (2014: £1,887,000) all of which related to the equity settled based payment transactions.

23. Financial instruments

The company has the following financial instruments:

	Note	2015 £'000	2014 £'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	15	**75,624**	63,744
Amounts owed by group undertakings	15	**315,601**	267,595
Other debtors	15	**10**	800
		391,235	332,139

	Note	2015 £'000	2014 £'000
Financial liabilities that are debt instruments measured at amortised cost:			
Bank loans and overdrafts	16	**-**	14,396
Trade creditors	16	**30,050**	42,625
Amounts owed by group undertakings	16	**365,584**	306,113
Amounts due in respect of securitised receivables	16	**73,698**	68,835
		469,332	431,969

24. Capital commitments

	2015 £'000	2014 £'000
Capital expenditure that has been contracted but not provided for in the financial statements	**1,427**	1,151

25. Related party transactions

The company is a wholly owned subsidiary of Teva Pharmaceutical Industries Limited, whose consolidated financial statements are publicly available for inspection from the address in note 26. Consequently, the company has taken advantage of the exemption available under the terms of FRS 102 not to disclose related party transactions with group companies.

Key management includes the directors and members of senior management. The total compensation paid or payable to key management for employee services for the period totalled £3,376,000 (2014: £2,843,000).

26. Ultimate parent company

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 smallest and 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 5 Basel St., Petach Tikva 49131, Israel.

27. Transition to FRS 102

This is the first year that the company has presented its results under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the full year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. Set out below are the changes in accounting policies which reconcile profit and other comprehensive income for the financial year ended 31 December 2014 between UK GAAP as previously reported and FRS 102.

Profit for the financial year	**Note**	2014 £'000
UK GAAP as previously reported		24,020
Defined benefit pension scheme (adjustment before taxation)	**A**	(256)
Defined benefit pension scheme (deferred tax effect)	**A**	51
FRS 102		23,815

Other comprehensive expense	**Note**	2014 £'000
UK GAAP as previously reported		(4,042)
Defined benefit pension scheme (adjustment before taxation)	**A**	256
Defined benefit pension scheme (deferred tax effect)	**A**	(51)
FRS 102		(3,837)

27. Transition to FRS 102 (continued)

A Defined benefit scheme

Under previous UK GAAP the company recognised an expected return on defined benefit plan assets in the profit and loss account. Under FRS 102 a net interest expense, based upon the net defined benefit liability, is recognised in the profit and loss account. There has been no change in the defined benefit liability at either 1 January 2015 or 31 December 2015. The effect of the change has been to reduce the credit to the profit and loss account in the year to 31 December 2014 by £256,000 and increase the credit in other comprehensive expense by an equivalent amount. The reduced credit to the profit and loss account has also led to the recognition of a reduced deferred tax expense in the year to 31 December 2014 by £51,000 and increase the credit in other comprehensive income by an equivalent amount.

B Other adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above which affect profit for the financial year the following adjustments have arisen which have had no effect on net equity or profit and loss account but which have affected the presentation of these items on the balance sheet.

Computer software, with a net book value of £583,000 at 1 January 2015, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the company's net assets or the profit for the year, except that the previous depreciation charge is now described as amortisation.

Under FRS 102 the deferred tax asset at 1 January 2015 of £1,615,000, arising on the pension liability, is now included within deferred tax on the balance sheet. Under the previous GAAP, and applying FRSs 17 and 19, the deferred tax asset arising on the pension liability was offset against the liability. This has no effect on the company's equity or profit for the year.

28. Events after the balance sheet date

On 3 August 2016, Teva Pharmaceutical Industries Limited (Teva UK's Limited's ultimate parent company) completed the acquisition of Actavis Generics. 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.

A portion of Actavis Generics UK's business will transfer and be retained by Teva UK Limited, which will add substantially to Teva UK Limited's Generics, Over-the-counter and Specialty portfolios, and, in turn will add to Teva UK Limited's revenues and profitability going forwards.