

Registered number 0302461

Teva UK Limited

Annual report and financial statements

for the year ended 31 December 2016

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# **Teva UK Limited**

## **Annual report and financial statements for the year ended 31 December 2016**

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# **Teva UK Limited**

## **Directors and advisers**

### **Directors**

K Innes  
R Williams  
D Vrhovec

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

### **Bankers**

Barclays Bank Plc  
Churchill Place  
Canary Wharf  
London  
E14 5HP

Citibank  
3 Hanover Square  
London  
W1S 1HD

### **Registered office**

Ridings Point  
Whistler Drive  
Castleford  
West Yorkshire  
WF10 5HX

### **Registered number**

0302461

# Teva UK Limited

## Strategic report for the year ended 31 December 2016

The directors present their strategic report on the company for the year ended 31 December 2016.

### 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 decreased to 7.8% (10.36% in 2015). 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 company had net assets of £50,916,000 at 31 December 2016 which the directors believe to represent a solvent position.

On 3 August 2016 Teva Pharmaceutical Industries Limited acquired the worldwide generics business of Allergan Plc. As part of the process to complete the transaction in the UK, regulatory approval was required from the European Commission, which ruled that part of the acquired business must subsequently be divested.

### Exceptional item:

In September 2016 a portion of Actavis Generics UK business was transferred and is retained by Teva UK Limited, which adds substantially to Teva UK Limited's Generics, Over-the-counter and Specialty portfolios, and, in turn to Teva UK Limited's revenues. Integration costs incurred during this transfer of business £2,627,000 are disclosed as exceptional items.

### 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:

	2016	2015	Comments
Increase/(Decrease) in turnover (%)	14.0 %	(5.9) %	Turnover has increased during the year due to the acquisition of Actavis Generics UK business as described above.
Gross margin (%)	29.6 %	26.7 %	Gross margin is the ratio of gross profit to sales as expressed as a percentage. A major factor in the increase reflects the acquisition of Actavis Generics UK business and the decrease in the PPRS levy.

# **Teva UK Limited**

## **Strategic report for the year ended 31 December 2016 (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.

### **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**

15 September 2017

# Teva UK Limited

## Directors' report for the year ended 31 December 2016

The directors present their annual report, together with the audited financial statements for the year ended 31 December 2016.

### Results and dividends

The profit for the financial year was £10,259,000 (2015 restated: £15,923,000).

The directors do not recommend the payment of a dividend (2015: £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	(appointed 18 March 2016; resigned 27 September 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)
K Innes	(appointed 27 September 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.

# Teva UK Limited

## Directors' report for the year ended 31 December 2016 (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 37 days purchases outstanding in trade creditors (2015: 44 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 (2015: £nil).

During the year the company made charitable donations totalling £60,500 (2015: £27,136). These included six donations (2015: two) which exceeded £200; totalling £59,300 to national charities (2015: £25,400).

### Statement of directors' responsibilities

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

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

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

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

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

### Disclosure of information to Auditors

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.

On behalf of the Board:



**R Williams**

**Director**

15 September 2017

# **Teva UK Limited**

## **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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

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

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

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

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

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

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

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

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

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

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

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



# **Teva UK Limited**

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



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

**15 September 2017**

# Teva UK Limited

## Profit and loss account for the year ended 31 December 2016

	Note	2016 £'000	Restated 2015 £'000
<b>Turnover</b>	3	413,804	362,910
Cost of sales		(291,333)	(265,938)
<b>Gross profit</b>		122,471	96,972
Distribution costs		(81,329)	(65,514)
Administrative expenses		(35,797)	(24,762)
Other operating income	4	10,322	12,901
<b>Operating profit before exceptional item</b>	5	18,294	19,597
Exceptional expense	9	(2,627)	-
<b>Operating profit after exceptional item</b>	5	15,667	19,597
Net interest expense	6	(715)	(921)
<b>Profit before taxation</b>		14,952	18,676
Tax on profit	10	(4,693)	(2,753)
<b>Profit for the financial year</b>		10,259	15,923

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

## Statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £'000	Restated 2015 £'000
<b>Profit for the financial year</b>		10,259	15,923
<b>Other comprehensive (expense) / income:</b>			
Actuarial (loss)/gain on pension scheme	19	(8,473)	2,267
Movement of deferred tax relating to pension liability		1,440	(454)
Tax rate change movement on deferred tax relating to pension liability		(100)	-
<b>Other comprehensive (expense) / income for the year net of tax</b>		(7,133)	1,813
<b>Total comprehensive income for the year</b>		3,126	17,736

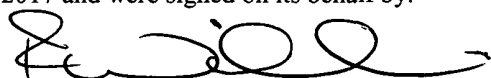
# Teva UK Limited

## Balance sheet as at 31 December 2016

	Note	2016 £'000	Restated 2015 £'000
<b>Fixed assets</b>			
Intangible assets	11	9,414	10,663
Tangible assets	12	27,211	27,925
		<b>36,625</b>	<b>38,588</b>
<b>Current assets</b>			
Stocks	13	139,300	99,024
Debtors	14	473,092	409,754
Cash at bank and in hand		6,354	17,096
		<b>618,746</b>	<b>525,874</b>
<b>Creditors - amounts falling due within one year</b>	15	<b>(578,474)</b>	<b>(510,892)</b>
<b>Net current assets</b>		<b>40,272</b>	<b>14,982</b>
<b>Total assets less current liabilities</b>		<b>76,897</b>	<b>53,570</b>
<b>Creditors - amounts falling due after more than one year</b>	16	<b>(12,594)</b>	<b>(2,789)</b>
<b>Provisions for liabilities</b>	18	<b>(1,562)</b>	<b>(1,975)</b>
<b>Net assets excluding pension liability</b>		<b>62,741</b>	<b>48,806</b>
Pension liability	19	(11,825)	(4,462)
<b>Net assets including pension liability</b>		<b>50,916</b>	<b>44,344</b>
<b>Capital and reserves</b>			
Called up share capital	20	341	341
Share premium account		24,964	24,964
Profit and loss account		25,611	19,039
<b>Total shareholders' funds</b>		<b>50,916</b>	<b>44,344</b>

The comparative figures for the year ended 31 December 2015 have been restated as certain costs relating to 2014 and 2015 had not been recharged to a fellow group undertaking. This has been retrospectively corrected see note 26 for details.

The financial statements on pages 8 to 33 were approved by the board of directors on 15 September 2017 and were signed on its behalf by:



**R Williams**  
Director

Registered number: 0302461

# Teva UK Limited

## Statement of changes in equity for the year ended 31 December 2016

	Note	Called up share capital £'000	Share premium account £'000	Restated Profit and loss account £'000	Total Shareholders funds £'000
At 1 January 2015		341	24,964	(2,762)	22,543
Restatement (note 26)		-	-	3,435	3,435
At 1 January 2015 as restated		341	24,964	673	25,978
Profit for the financial year		-	-	15,923	15,923
Other comprehensive income for the year		-	-	1,813	1,813
Total comprehensive income for the year		-	-	17,736	17,736
Credit related to equity-settled share based payments	21	-	-	2,897	2,897
Debit for recharge of equity-settled payments	21	-	-	(2,267)	(2,267)
Total transactions with owners recognised directly in equity		-	-	630	630
<b>At 31 December 2015 as restated</b>		<b>341</b>	<b>24,964</b>	<b>19,039</b>	<b>44,344</b>
Profit for the financial year		-	-	10,259	10,259
Other comprehensive expense for the year		-	-	(7,133)	(7,133)
Total comprehensive income for the year		-	-	3,126	3,126
Credit related to equity-settled share based payments	21	-	-	3,446	3,446
Total transactions with owners recognised directly in equity		-	-	3,446	3,446
<b>At 31 December 2016</b>		<b>341</b>	<b>24,964</b>	<b>25,611</b>	<b>50,916</b>

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016

### 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 and Republic of Ireland".

The company has taken advantage of the exemption available under the terms of FRS 102 not to disclose related party transactions with group companies.

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

Teva UK Limited is a private limited company limited by shares and is incorporated, domiciled and registered in England under the Companies Act 2006. The company's registered office address is shown on page 1.

#### **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:

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

# **Teva UK Limited**

## **Notes to the financial statements for the year ended 31 December 2016 (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.

#### **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.

# **Teva UK Limited**

## **Notes to the financial statements for the year ended 31 December 2016 (continued)**

### **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.

# **Teva UK Limited**

## **Notes to the financial statements for the year ended 31 December 2016 (continued)**

### **1. Accounting policies (continued)**

#### **Employee benefits (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.



# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 1. 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 19 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:

	2016 £'000	2015 £'000
United Kingdom	380,654	336,141
Rest of Europe	20,260	16,161
Rest of the World	12,890	10,608
	413,804	362,910

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 3. Turnover (continued)

Analysis of sales by category:

	2016 £'000	2015 £'000
Sale of goods	378,131	338,083
Services	34,128	24,735
Other	1,545	92
	413,804	362,910

### 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:

	2016 £'000	2015 £'000
Profit share agreements	42	41
Income from PGT collaboration	10,280	8,133
Income from other activities	-	4,727
	10,322	12,901

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 5. Operating profit before exceptional items

Operating profit before exceptional items is stated after charging:

	2016 £'000	2015 £'000
Depreciation of owned tangible assets	2,383	2,280
Amortisation of software	417	373
Amortisation of know-how, licences and trademarks	169	182
Amortisation of purchased goodwill	994	994
Cost of stock recognised as an expense	253,344	242,697
Impairment of stock recognised as an expense	10,541	10,870
Reversal of impairment of stock	(2,592)	(1,999)
Operating lease rentals - other	1,457	1,327
- land and buildings	2,555	2,501
Loss on disposal of tangible assets	69	18

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 auditors at costs detailed below:

	2016 £'000	2015 £'000
Audit services	341	329
Non audit services	12	15
Taxation advisory services	65	37
Audit related assurance services	3	3

### 6. Net interest expense

	2016 £'000	2015 £'000
Interest receivable and similar income	1,811	2,448
Interest payable and similar expenses	(2,526)	(3,369)
	(715)	(921)

#### Interest receivable and similar income

	2016 £'000	2015 £'000
Intercompany interest receivable	1,811	2,448

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 6. Finance costs (continued)

Interest payable and similar expenses	2016 £'000	2015 £'000
Bank charges	(32)	(1)
Intercompany interest payable	2,407	3,101
Net interest on defined benefit liability (note 19)	151	269
	<b>2,526</b>	<b>3,369</b>

### 7. Directors' remuneration

	2016 £'000	2015 £'000
Aggregate emoluments	<b>1,569</b>	1,106
Company pension contributions to money purchase schemes	<b>37</b>	34

The above includes £78,000 (2015: £164,000) recharged to Orvet UK and £203,000 (2015: Nil) recharged to Teva Pharma Holdings Limited 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 (2015: two) under defined contribution schemes. No retirement benefits are accruing to directors under the company's defined benefit pension scheme at the year end (2015: none).

Two directors (2015: two) exercised share options during the year.

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

	2016 £'000	2015 £'000
Total amount of emoluments and amounts receivable under long-term incentive schemes	<b>838</b>	635
Company pension contributions to money purchase schemes	<b>16</b>	20

The highest paid director exercised share options during the year, totalling £92,000 (2015: £192,000).

The above amounts include £51,000 (2015: £65,000) recharged to fellow group undertakings in respect of emoluments of the highest paid director.

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 8. Staff costs

Aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	53,271	48,459
Social security costs	4,730	5,748
Share based payment charge (note 21)	3,446	2,897
Pension cost – defined benefit pension scheme (note 19)	249	282
Employer's contributions to defined contribution pension schemes (note 19)	3,011	3,002
	<b>64,707</b>	<b>60,388</b>

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

	2016 Number	2015 Number
Office management	613	572
Packing and distribution	159	168
	<b>772</b>	<b>740</b>

### 9. Exceptional items

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

	2016 £'000	2015 £'000
<i>Distribution costs:</i>		
Integration expenses	(75)	-
<i>Administrative expenses:</i>		
Integration expenses	(2,552)	-
<b>Total</b>	<b>(2,627)</b>	<b>-</b>

During 2016 Teva UK Limited incurred expenses of £2,627,000 in relation to the integration of the Actavis Generics UK business, following acquisition. These costs included professional advice in respect of the integration.

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 10. Tax on profit

	2016 £'000	Restated 2015 £'000
<b>Current tax on profit for the year</b>		
UK corporation tax at 20% (2015: 20.25%)	3,004	3,263
Adjustment in respect of previous periods	1,618	(178)
<b>Total current tax charge</b>	<b>4,622</b>	<b>3,085</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	912	(21)
Impact of change in tax rate	208	-
Adjustment in respect of previous periods	(1,049)	(311)
<b>Total deferred tax charge/(credit)</b>	<b>71</b>	<b>(332)</b>
<b>Tax on profit</b>	<b>4,693</b>	<b>2,753</b>
<b>Tax on recognised gains and losses not included in the profit and loss account</b>		
Deferred tax movements related to actuarial losses on the defined benefit pension scheme	(1,340)	(454)
<b>Tax included in other comprehensive income</b>	<b>(1,340)</b>	<b>(454)</b>

The tax charge assessed for the year is higher (2015: lower) than that calculated at the effective standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 10. Tax on profit (continued)

	2016 £'000	Restated 2015 £'000
Profit before taxation	14,952	18,676
Profit before taxation multiplied by the effective standard rate of corporation tax in the UK of 20% (2015: 20.25%)	2,990	3,781
Effects of:		
Expenses not deductible for tax purposes	1,971	116
Group relief for no consideration	(1,045)	(655)
Re-measurement of deferred tax – change in UK tax rate	208	-
Adjustment in respect of previous periods	569	(489)
<b>Total tax charge</b>	<b>4,693</b>	<b>2,753</b>
Deferred tax:		
	2016 £'000	2015 £'000
Difference between accumulated depreciation and capital allowances	936	(154)
Deferred tax related to share based payments	193	1,123
Pension benefits	2,058	949
<b>Total deferred tax asset (note 14)</b>	<b>3,187</b>	<b>1,918</b>
	2016 £'000	2015 £'000
At 1 January	1,918	2,040
Deferred tax (charge)/credit in profit and loss account	(71)	332
Deferred tax credit/(charge) in the statement of comprehensive income	1,340	(454)
<b>At 31 December</b>	<b>3,187</b>	<b>1,918</b>

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

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 11. Intangible assets

	Purchased goodwill	Know-how, licences and trademarks	Software	Total
Cost	£'000	£'000	£'000	£'000
At 1 January 2016	14,910	8,387	5,100	28,397
Additions	-	-	331	331
Disposals	-	-	(1,244)	(1,244)
<b>At 31 December 2016</b>	<b>14,910</b>	<b>8,387</b>	<b>4,187</b>	<b>27,484</b>
<b>Accumulated depreciation</b>				
At 1 January 2016	6,710	7,211	3,813	17,734
Amortisation	994	169	417	1,580
Disposals	-	-	(1,244)	(1,244)
<b>At 31 December 2016</b>	<b>7,704</b>	<b>7,380</b>	<b>2,986</b>	<b>18,070</b>
<b>Net book value</b>				
<b>At 31 December 2016</b>	<b>7,206</b>	<b>1,007</b>	<b>1,201</b>	<b>9,414</b>
At 31 December 2015	8,200	1,176	1,287	10,663

Disposal of software related to fully written down software with a nil net book value.

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.

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.



# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 12. Tangible assets

Cost	Land and buildings £'000	Plant and equipment £'000	Work in progress £'000	Total £'000
At 1 January 2016	25,597	42,857	1,347	69,801
Additions	-	-	2,378	2,378
Reclassifications	54	1,330	(1,384)	-
Disposals	(199)	(4,717)	-	(4,916)
<b>At 31 December 2016</b>	<b>25,452</b>	<b>39,470</b>	<b>2,341</b>	<b>67,263</b>
<b>Accumulated depreciation</b>				
At 1 January 2016	12,939	28,937	-	41,876
Charge for the year	850	1,533	-	2,383
Disposals	(199)	(4,008)	-	(4,207)
<b>At 31 December 2016</b>	<b>13,590</b>	<b>26,462</b>	<b>-</b>	<b>40,052</b>
<b>Net book value</b>				
<b>At 31 December 2016</b>	<b>11,862</b>	<b>13,008</b>	<b>2,341</b>	<b>27,211</b>
At 31 December 2015	12,658	13,920	1,347	27,925

Land and buildings at net book value comprise:

	2016 £'000	2015 £'000
Freehold	5,191	5,289
Short leasehold	6,671	7,369
	<b>11,862</b>	12,658

The net book value of land at 31 December 2016 amounted to £500,000 (2015: £500,000).

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 13. Stocks

	2016 £'000	2015 £'000
Raw materials and consumables	18,124	8,069
Finished goods and goods for resale	121,176	90,955
	139,300	99,024

There is no material difference between the balance sheet value of stocks and their replacement cost. Inventories are stated after provisions for impairment of £9,649,000

### 14. Debtors

Amounts falling due within one year:

	2016 £'000	Restated 2015 £'000
Trade debtors	98,793	75,624
Amounts owed by group undertakings	366,558	327,915
Deferred tax (note 10)	3,187	1,918
Prepayments and accrued income	4,554	4,297
	473,092	409,754

Interest is receivable on loans due from group undertakings at 3 months LIBOR plus 1% (2015: 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 2016 was £92,963,000 (2015: £73,698,000). This is part of a group wide securitisation agreement with BNP Paribas.

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 15. Creditors: amounts falling due within one year

	2016 £'000	Restated 2015 £'000
Trade creditors	27,709	30,050
Amounts owed to group undertakings	402,329	365,584
Amounts due in respect of securitised receivables	92,963	73,698
Other taxation and social security	29,005	22,171
Corporation Tax	5,552	1,740
Accruals and deferred income	20,916	17,649
	<b>578,474</b>	<b>510,892</b>

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.

### 16. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Amounts falling due within one and five years:		
Accruals and deferred income	12,594	2,789

### 17. Lease obligations

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

	2016		2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Not later than one year	2,644	995	2,646	1,164
Later than one year and not later than five years	12,318	734	12,876	911
Later than five years	11,914	-	14,001	-
	<b>26,876</b>	<b>1,729</b>	<b>29,523</b>	<b>2,075</b>

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 18. Provisions for liabilities

	Legal settlements £'000	Onerous lease provision £'000	Total £'000
As at 1 January 2016	182	1,793	1,975
Utilised	(158)	(255)	(413)
<b>As at 31 December 2016</b>	<b>24</b>	<b>1,538</b>	<b>1,562</b>

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.

### 19. 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 2016 by a qualified actuary using a set of assumptions consistent with those required under FRS 102. During the year, total contributions of £1,510,000 (2015: £1,901,000) were paid, of which £1,510,000 (2015: £1,901,000) 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:

	2016	2015	2014
Rate of increase in pensions in payment	2.20%	2.10%	2.10%
Discount rate	2.70%	3.90%	3.70%
Inflation assumption	3.15%	3.00%	3.00%

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

2016	2015
S2PA CMI (2014) tables with a long-term improvement rate of 1.5% p.a.	S2PA CMI (2014) tables with a long-term improvement rate of 1.5% p.a.

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 19. Pension and similar obligations (continued)

#### i) Defined benefit scheme (continued)

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

	2016	2015	2014
	£'000	£'000	£'000
Equities	22,931	22,124	20,144
Bonds	10,153	8,419	8,493
Property	3,708	2,112	1,367
Cash and other investments	2,392	3,082	5,967
Total market value of assets	39,184	35,737	35,971
Present value of liabilities	(51,009)	(40,199)	(44,050)
Pension liability	(11,825)	(4,462)	(8,079)

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

	2016	2015
	£'000	£'000
Operating profit:		
Administration expenses	(249)	(282)
<b>Total operating (charge)</b>	<b>(249)</b>	<b>(282)</b>
Other financial expenses:		
Interest income on pension scheme assets	1,374	1,324
Interest (expense) on pension scheme liabilities	(1,525)	(1,593)
<b>Other financial expenses (net)</b>	<b>(151)</b>	<b>(269)</b>

	2016	2015
	£'000	£'000
Statement of other comprehensive income:		
(Loss)/return on plan assets (excluding interest income)	3,013	(1,208)
Effect of experience adjustments	-	1,398
Changes in assumptions underlying the present value of the scheme liabilities	(11,486)	2,077
<b>Actuarial (loss)/gain recognised in OCI</b>	<b>(8,473)</b>	<b>2,267</b>

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 19. Pension and similar obligations (continued)

#### i) Defined benefit scheme (continued)

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

	2016 £'000	2015 £'000
Deficit in scheme at beginning of the year	(4,462)	(8,079)
Movement in year:		
Administrative expenses	(249)	(282)
Contributions by company	1,510	1,901
Other finance expense	(151)	(269)
Actuarial (loss)/gain	(8,473)	2,267
<b>Deficit in scheme at end of the year</b>	<b>(11,825)</b>	<b>(4,462)</b>

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:

	2016 £'000	2015 £'000
1 January	40,199	44,050
Interest cost	1,525	1,593
Actuarial loss/(gain)	11,486	(2,077)
Benefits paid	(2,201)	(1,969)
Effect of experience adjustments	-	(1,398)
<b>31 December</b>	<b>51,009</b>	<b>40,199</b>

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 19. Pension and similar obligations (continued)

#### i) Defined benefit scheme (continued)

Reconciliation of fair value of scheme assets:

	2016 £'000	2015 £'000
1 January	35,737	35,971
Interest income on plan assets	1,374	1,324
Actuarial gain / (loss) on plan assets	3,013	(1,208)
Employer contributions	1,510	1,901
Benefits paid	(2,201)	(1,969)
Administrative expenses paid from plan assets	(249)	(282)
31 December	39,184	35,737

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

	2016 £'000	2015 £'000
Administration expenses	249	282
Interest income on pension scheme assets	(1,374)	(1,324)
Interest expense on pension scheme liabilities	1,525	1,593
Total charge	400	551

#### ii) Defined contribution scheme

During the year, contributions of £3,011,000 (2015: £3,002,000) were paid to defined contribution schemes by the company. At 31 December 2016 contributions of £218,000 (2015: £276,000) were outstanding.

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 20. Called up share capital

	2016 £'000	2015 £'000
<b>Authorised</b>		
1 (2015: 1) ordinary share of US\$1	-	-
1,000,000 (2015: 1,000,000) deferred shares of £1 each	1,000	1,000
<b>Allotted and fully paid</b>		
1 (2015:1) ordinary share of US\$1	-	-
340,555 (2015: 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.

### 21. 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 £nil (2015: £2,267,000) were recognised directly in equity.

At 31 December 2016, options over 1,311,423 (2015: 1,031,827) shares in the Company's ultimate parent were outstanding, comprising options 1,170,432 (2015: 924,505) and 140,991 RSUs (2015: 107,322).



# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 21. Share based payments (continued)

#### Options

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

	2016		2015	
	Number	Weighted average exercise price (US \$)	Number	Weighted average exercise price (US \$)
Outstanding at 1 January	924,505	49.61	863,949	45.44
Transferred	(21,512)	51.23	-	-
Granted	353,626	52.74	417,587	58.85
Exercised	(11,906)	47.96	(205,775)	45.98
Forfeited	(74,281)	55.12	(151,256)	56.24
Outstanding at 31 December	1,170,432	50.10	924,505	49.61
Exercisable at 31 December	587,767	46.27	412,150	45.38

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:

	2016		2015	
	Number	Weighted average grant date fair value (US \$)	Number	Weighted average grant date fair value (US \$)
Outstanding at 1 January	107,322	49.26	96,342	41.58
Transferred	6,463	12.27	-	-
Granted	66,617	49.66	52,503	56.47
Exercised	(30,658)	45.93	(38,633)	40.14
Forfeited	(8,753)	42.09	(2,890)	45.93
Outstanding at 31 December	140,991	48.93	107,322	49.26
Exercisable at 31 December	-	-	-	-

The total charge for the year relating to all employee share based payments was £3,446,000 (2015: £2,897,000) all of which related to the equity settled based payment transactions.

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 22. Financial instruments

The company has the following financial instruments:

	Note	2016 £'000	Restated 2015 £'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	14	98,793	75,624
Amounts owed by group undertakings	14	366,558	327,914
		<b>465,351</b>	<b>403,538</b>
Financial liabilities that are debt instruments measured at amortised cost:			
Trade creditors	15	27,709	30,050
Amounts owed to group undertakings	15	402,329	365,584
Amounts due in respect of securitised receivables	15	92,963	73,698
		<b>523,001</b>	<b>469,332</b>

### 23. Capital commitments

	2016 £'000	2015 £'000
Capital expenditure that has been contracted but not provided for in the financial statements	1,953	1,427

### 24. 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 25. 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.

# Teva UK Limited

## Notes to the financial statements for the year ended 31 December 2016 (continued)

### 25. 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.

### 26. Prior year adjustment

The comparative figures for the year ended 31 December 2015 have been restated as certain costs relating to 2014 and 2015 had not been recharged to a fellow group undertaking. This has been retrospectively corrected as shown in the table below.

	As reported 2015 £'000	Adjustment made £'000	Restated 2015 £'000
<b>Profit and loss account</b>			
Distribution costs	(73,452)	7,938	(65,514)
Tax on profit	(1,146)	(1,607)	(2,753)
<b>Balance sheet</b>			
Amounts owed by group undertakings	315,601	12,314	327,915
Corporation tax	808	(2,548)	(1,740)
<b>Movement in equity</b>			
At 1 January 2015	(2,762)	3,435	673
Total comprehensive income for the year	11,405	6,331	17,736
Total transactions with owners recognised directly in equity	630	-	630
At 31 December 2015	9,273	9,766	19,039