

Registered number 0302461

Teva UK Limited
Annual report and financial statements
for the year ended 31 December 2017

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Teva UK Limited

Annual report and financial statements for the year ended 31 December 2017

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Teva UK Limited

Directors and advisers

Directors

K Innes
D Cooper
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 2017

The directors present their strategic report on the company for the year ended 31 December 2017.

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) and during the year the PPRS levy decreased to 4.75% (7.8% in 2016).

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 £66,836,000 at 31 December 2017 (2016: £50,916,000) which the directors believe to represent a solvent position.

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:

	2017	2016	Comments
Increase in turnover (%)	26.2 %	14.0 %	Turnover has increased during the year due to the acquisition of Actavis Generics UK business during 2016.
Gross margin (%)	21.6 %	29.6 %	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 inventory write offs.

Teva UK Limited

Strategic report for the year ended 31 December 2017 (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.

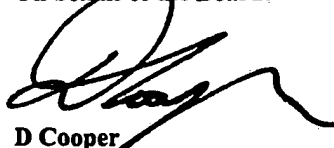
Interest rate risk arises as a consequence of borrowings from group undertakings, the borrowings from which are at variable rates of interest. The company does not use derivative financial instruments to manage interest rate costs and as such no hedge accounting is applied.

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:



D Cooper
Director

27 September 2018

Teva UK Limited

Directors' report for the year ended 31 December 2017

The directors present their annual report, together with the audited financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the financial year was £12,568,000 (2016: £10,259,000).

The directors do not recommend the payment of a dividend (2016: £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:

R Williams	(resigned 27 June 2018)
D Vrhovec	
K Innes	
D Cooper	(appointed 12 June 2018)

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.

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 34 days purchases outstanding in trade creditors (2016: 37 days).

Teva UK Limited

Directors' report for the year ended 31 December 2017 (continued)

Research and development

The company does not undertake any research and development activity.

Political and charitable donations

During the year the company made no political donations (2016: £nil).

During the year the company made charitable donations totalling £129,000 (2016: £60,500). These included eight donations (2016: six) which exceeded £200; totalling £129,000 to national charities (2016: £59,300).

Statement of directors' responsibilities in respect of the financial statements

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

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

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

The directors are 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.

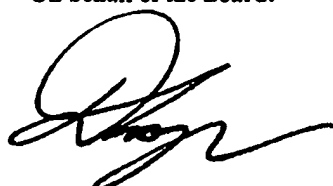
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Directors' confirmations

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

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

On behalf of the Board:



D Cooper
Director

17 September 2018

Teva UK Limited

Independent auditors' report to the members of Teva UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Teva UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the profit and loss account, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Teva UK Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



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

28 September 2018

Teva UK Limited

Profit and loss account for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	3	522,216	413,804
Cost of sales		(409,510)	(291,333)
Gross profit		112,706	122,471
Distribution costs		(75,762)	(81,329)
Administrative expenses		(27,408)	(35,797)
Other operating income	4	8,247	10,322
Operating profit before exceptional item	5	22,578	18,294
Exceptional expense	9	(4,795)	(2,627)
Operating profit after exceptional item		17,783	15,667
Net interest income/(expense)	6	27	(715)
Profit before taxation		17,810	14,952
Tax on profit	10	(5,242)	(4,693)
Profit for the financial year		12,568	10,259

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

Statement of comprehensive income for the year ended 31 December 2017

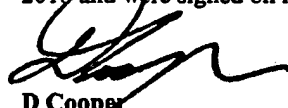
	Note	2017 £'000	2016 £'000
Profit for the financial year		12,568	10,259
Other comprehensive income / (expense):			
Actuarial gain/(loss) on pension scheme	19	700	(8,473)
Movement of deferred tax relating to pension liability		(119)	1,440
Tax rate change movement on deferred tax relating to pension liability		-	(100)
Other comprehensive income / (expense) for the year net of tax		581	(7,133)
Total comprehensive income for the year		13,149	3,126

Teva UK Limited

Balance sheet as at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	11	8,368	9,414
Tangible assets	12	26,710	27,211
		35,078	36,625
Current assets			
Stocks	13	159,887	139,300
Debtors	14	361,987	473,092
Cash at bank and in hand		4,650	6,354
		526,524	618,746
Creditors: amounts falling due within one year	15	(468,110)	(578,474)
Net current assets		58,414	40,272
Total assets less current liabilities		93,492	76,897
Creditors: amounts falling due after more than one year	16	(15,148)	(12,594)
Provisions for liabilities	18	(1,060)	(1,562)
Net assets excluding pension liability		77,284	62,741
Pension liability	19	(10,448)	(11,825)
Net assets including pension liability		66,836	50,916
Capital and reserves			
Called up share capital	20	341	341
Share premium account		24,964	24,964
Profit and loss account		41,531	25,611
Total shareholders' funds		66,836	50,916

The financial statements on pages 8 to 33 were approved by the board of directors on ~~27~~ September 2018 and were signed on its behalf by:


D Cooper
Director

Registered number: 0302461

Teva UK Limited

Statement of changes in equity for the year ended 31 December 2017

	Note	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total Shareholders' funds £'000
At 1 January 2016		341	24,964	19,039	44,344
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
At 31 December 2016		341	24,964	25,611	50,916
Profit for the financial year		-	-	12,568	12,568
Other comprehensive income for the year		-	-	581	581
Total comprehensive income for the year		-	-	13,149	13,149
Credit related to equity-settled share based payments	21	-	-	2,771	2,771
Total transactions with owners recognised directly in equity		-	-	2,771	2,771
At 31 December 2017		341	24,964	41,531	66,836

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2017

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 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:

	Rate
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 2017 (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 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.

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 2017 (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.

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 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 2017 (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 2017 (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:

	2017 £'000	2016 £'000
United Kingdom	496,548	380,654
Rest of Europe	24,093	20,260
Rest of the World	1,575	12,890
	522,216	413,804

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

3. Turnover (continued)

Analysis of sales by category:

	2017 £'000	2016 £'000
Sale of goods	495,475	378,131
Services	25,000	34,128
Other	1,741	1,545
	522,216	413,804

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:

	2017 £'000	2016 £'000
Profit share agreements	43	42
Income from PGT collaboration	8,204	10,280
	8,247	10,322

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

5. Operating profit before exceptional items

Operating profit before exceptional items is stated after charging/(crediting):

	2017 £'000	2016 £'000
Depreciation of owned tangible assets	2,241	2,383
Amortisation of software	348	417
Amortisation of know-how, licences and trademarks	170	169
Amortisation of purchased goodwill	994	994
Cost of stock recognised as an expense	359,991	253,344
Impairment of stock recognised as an expense	24,381	10,541
Reversal of impairment of stock	(3,049)	(2,592)
Operating lease rentals - other	995	1,457
- land and buildings	2,602	2,555
Loss on disposal of tangible assets	63	69

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:

	2017 £'000	2016 £'000
Audit services	458	341
Non audit services	-	12
Taxation advisory services	7	65
Audit related assurance services	6	3
	471	421

6. Net interest income/(expense)

	2017 £'000	2016 £'000
Interest receivable and similar income	1,456	1,811
Interest payable and similar charges	(1,429)	(2,526)
	27	(715)

Interest receivable and similar income

	2017 £'000	2016 £'000
Intercompany interest receivable	1,456	1,811

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

6. Net interest income/(expense) (continued)

Interest payable and similar expenses		
	2017 £'000	2016 £'000
Bank charges	43	(32)
Intercompany interest payable	1,072	2,407
Net interest on defined benefit liability (note 19)	306	151
Other	8	-
	1,429	2,526

7. Directors' remuneration

	2017 £'000	2016 £'000
Aggregate emoluments	724	1,569
Company pension contributions to money purchase schemes	10	37

During 2017 £nil (2016: £78,000) was recharged to Orvet UK and £385,000 (2016: £228,000) recharged to Teva Pharma Holdings Limited in respect of directors' emoluments.

Retirement benefits are accruing to two directors (2016: two) under defined contribution schemes. Retirement benefits are accruing to one director under the company's closed defined benefit pension scheme at the year end (2016: one).

Three directors (2016: two) exercised share options during the year.

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

	2017 £'000	2016 £'000
Total amount of emoluments	397	838
Company pension contributions to money purchase schemes	5	16

The highest paid director exercised share options during the year.

The above amounts include £40,700 (2016: £51,000) 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 2017 (continued)

8. Staff costs

Aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	49,368	53,271
Social security costs	6,002	4,730
Share based payment charge (note 21)	2,771	3,446
Pension cost – defined benefit pension scheme (note 19)	167	249
Employer's contributions to defined contribution pension schemes (note 19)	3,500	3,011
	61,808	64,707

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

	2017 Number	2016 Number
Office management	629	613
Packing and distribution	163	159
	792	772

9. Exceptional expense

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

	2017 £'000	2016 £'000
<i>Distribution costs:</i>		
Integration expenses	-	75
<i>Administrative expenses:</i>		
Integration expenses	4,795	2,552
Total	4,795	2,627

During 2017, Teva UK Limited incurred expenses of £4,795 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 2017 (continued)

10. Tax on profit

	2017 £'000	2016 £'000
Current tax on profit for the year		
UK corporation tax at 19.25% (2016: 20%)	4,784	3,004
Adjustment in respect of previous periods	96	1,618
Total current tax charge	4,880	4,622
Deferred tax		
Origination and reversal of timing differences	483	912
Impact of change in tax rate	(56)	208
Adjustment in respect of previous periods	(65)	(1,049)
Total deferred tax charge	362	71
Tax on profit	5,242	4,693
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	119	(1,340)
Tax included in other comprehensive income	119	(1,340)

The tax charge assessed for the year is higher (2016: higher) than that calculated at the effective standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

10. Tax on profit (continued)

	2017 £'000	2016 £'000
Profit before taxation	17,810	14,952
Profit before taxation multiplied by the effective standard rate of corporation tax in the UK of 19.25% (2016: 20%)	3,428	2,990
Effects of:		
Expenses not deductible for tax purposes	1,839	1,971
Group relief for no consideration	-	(1,045)
Re-measurement of deferred tax – change in UK tax rate	(56)	208
Adjustment in respect of previous periods	31	569
Total tax charge	5,242	4,693
Deferred tax:		
	2017 £'000	2016 £'000
Difference between accumulated depreciation and capital allowances	837	936
Deferred tax related to share based payments	93	193
Pension benefits	1,776	2,058
Total deferred tax asset (note 14)	2,706	3,187
	2017 £'000	2016 £'000
At 1 January	3,187	1,918
Deferred tax charge in profit and loss account	(362)	(71)
Deferred tax (charge)/credit in the statement of comprehensive income	(119)	1,340
At 31 December	2,706	3,187

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 2017 (continued)

11. Intangible assets

	Purchased goodwill	Know-how, licences and trademarks	Software	Total
Cost	£'000	£'000	£'000	£'000
At 1 January 2017	14,910	8,387	4,187	27,484
Transfers from tangible fixed assets	-	160	466	626
At 31 December 2017	14,910	8,547	4,653	28,110
Accumulated depreciation				
At 1 January 2017	7,704	7,380	2,986	18,070
Amortisation	994	170	348	1,512
Impairment	-	160	-	160
At 31 December 2017	8,698	7,710	3,334	19,742
Net book value				
At 31 December 2017	6,212	837	1,319	8,368
At 31 December 2016	7,206	1,007	1,201	9,414

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

12. Tangible assets

Cost	Land and buildings £'000	Plant and equipment £'000	Work in progress £'000	Total £'000
At 1 January 2017	25,452	39,470	2,341	67,263
Additions	-	-	2,429	2,429
Reclassifications	400	757	(1,157)	-
Transfer to intangibles	-	-	(626)	(626)
Disposals	-	(63)	-	(63)
At 31 December 2017	25,852	40,164	2,987	69,003
Accumulated depreciation				
At 1 January 2017	13,590	26,462	-	40,052
Charge for the year	846	1,395	-	2,241
At 31 December 2017	14,436	27,857	-	42,293
Net book value				
At 31 December 2017	11,416	12,307	2,987	26,710
At 31 December 2016	11,862	13,008	2,341	27,211

Land and buildings at net book value comprise:

	2017 £'000	2016 £'000
Freehold	5,224	5,191
Short leasehold	6,192	6,671
	11,416	11,862

The net book value of land at 31 December 2017 amounted to £500,000 (2016: £500,000).

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

13. Stocks

	2017 £'000	2016 £'000
Raw materials and consumables	9,566	18,124
Finished goods and goods for resale	150,321	121,176
	159,887	139,300

There is no material difference between the balance sheet value of stocks and their replacement cost. Inventories are stated after provisions for impairment of £26,067,000 (2016: £9,649,000).

14. Debtors

Amounts falling due within one year:

	2017 £'000	2016 £'000
Trade debtors	107,316	98,793
Amounts owed by group undertakings	246,418	366,558
Deferred tax (note 10)	2,706	3,187
Prepayments and accrued income	5,547	4,554
	361,987	473,092

Interest is receivable on loans due from group undertakings at 3 months LIBOR plus 1% (2016: 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 2017 was £112,459,000 (2016: £92,963,000). 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 2017 (continued)

15. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	36,001	27,709
Amounts owed to group undertakings	252,452	402,329
Amounts due in respect of securitised receivables	112,459	92,963
Other taxation and social security	30,822	29,005
Corporation Tax	8,842	5,552
Accruals and deferred income	27,534	20,916
	468,110	578,474

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

	2017 £'000	2016 £'000
Amounts falling due within one and five years:		
Accruals and deferred income	15,148	12,594

17. Lease obligations

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

	2017		2016	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Not later than one year	2,644	545	2,644	995
Later than one year and not later than five years	11,659	190	12,318	734
Later than five years	9,929	-	11,914	-
	24,232	735	26,876	1,729

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

18. Provisions for liabilities

	Legal settlements £'000	Onerous lease provision £'000	Total £'000
As at 1 January 2017	24	1,538	1,562
Utilised	(24)	(478)	(502)
As at 31 December 2017	-	1,060	1,060

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 2017 by a qualified actuary using a set of assumptions consistent with those required under FRS 102. During the year, total contributions of £1,150,000 (2016: £1,510,000) were paid, of which £1,150,000 (2016: £1,510,000) were paid by the company.

The major assumptions used by the actuary were:

	2017	2016	2015
Rate of increase in pensions in payment	2.00%	2.20%	2.10%
Discount rate	2.55%	2.70%	3.90%
Inflation assumption	3.10%	3.15%	3.00%

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

2017	2016
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 2017 (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:

	2017	2016	2015
	£'000	£'000	£'000
Equities	23,649	22,931	22,124
Bonds	10,390	10,153	8,419
Property	3,693	3,708	2,112
Cash and other investments	3,601	2,392	3,082
Total market value of assets	41,333	39,184	35,737
Present value of liabilities	(51,781)	(51,009)	(40,199)
Pension liability	(10,448)	(11,825)	(4,462)

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

	2017	2016
	£'000	£'000
Operating profit:		
Administrative expenses	(167)	(249)
Total operating charge	(167)	(249)
Other financial expenses:		
Interest income on pension scheme assets	1,054	1,374
Interest (expense) on pension scheme liabilities	(1,360)	(1,525)
Other financial expenses (net)	(306)	(151)

	2017	2016
	£'000	£'000
Statement of other comprehensive income:		
Return on plan assets (excluding interest income)	1,378	3,013
Changes in assumptions underlying the present value of the scheme liabilities	(678)	(11,486)
Actuarial gain/(loss) recognised in OCI	700	(8,473)

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2017 (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:

	2017 £'000	2016 £'000
Deficit in scheme at beginning of the year	(11,825)	(4,462)
Movement in year:		
Administrative expenses	(167)	(249)
Contributions by company	1,150	1,510
Other finance expense	(306)	(151)
Actuarial gain/(loss)	700	(8,473)
Deficit in scheme at end of the year	(10,448)	(11,825)

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:

	2017 £'000	2016 £'000
1 January	51,009	40,199
Interest cost	1,360	1,525
Actuarial loss	678	11,486
Benefits paid	(1,266)	(2,201)
31 December	51,781	51,009

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

19. Pension and similar obligations (continued)

i) Defined benefit scheme (continued) Reconciliation of fair value of scheme assets:

	2017 £'000	2016 £'000
1 January	39,184	35,737
Interest income on plan assets	1,054	1,374
Actuarial gain on plan assets	1,378	3,013
Employer contributions	1,150	1,510
Benefits paid	(1,266)	(2,201)
Administrative expenses paid from plan assets	(167)	(249)
31 December	41,333	39,184

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

	2017 £'000	2016 £'000
Administrative expenses	167	249
Interest income on pension scheme assets	(1,054)	(1,374)
Interest expense on pension scheme liabilities	1,360	1,525
Total charge	473	400

ii) Defined contribution scheme

During the year, contributions of £3,500,000 (2016: £3,011,000) were paid to defined contribution schemes by the company. At 31 December 2017 contributions of £215,000 (2016: £218,000) were outstanding.

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

20. Called up share capital

	2017 £'000	2016 £'000
Authorised		
1 (2016: 1) ordinary share of US\$1	-	-
1,000,000 (2016: 1,000,000) deferred shares of £1 each	1,000	1,000
Allotted and fully paid		
1 (2016:1) ordinary share of US\$1	-	-
340,555 (2016: 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 (2016: £nil) were recognised directly in equity.

At 31 December 2017, options over 1,254,905 (2016: 1,311,423) shares in the Company's ultimate parent were outstanding, comprising options 1,127,502 (2016: 1,170,432) and 127,403 RSUs (2016: 140,991).

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2017 (continued)

21. Share based payments (continued)

Options

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

	2017		2016	
	Number	Weighted average exercise price (US \$)	Number	Weighted average exercise price (US \$)
Outstanding at 1 January	1,170,432	50.10	924,505	49.61
Transferred	(323,640)	47.82	(21,512)	51.23
Granted	396,737	31.95	353,626	52.74
Exercised	(625)	17.44	(11,906)	47.96
Forfeited	(115,402)	48.71	(74,281)	55.12
Outstanding at 31 December	1,127,502	44.56	1,170,432	50.10
Exercisable at 31 December	553,685	49.13	587,767	46.27

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:

	2017		2016	
	Number	Weighted average grant date fair value (US \$)	Number	Weighted average grant date fair value (US \$)
Outstanding at 1 January	140,991	48.93	107,322	49.26
Transferred	(48,923)	46.49	6,463	12.27
Granted	82,793	27.83	66,617	49.66
Exercised	(34,527)	47.43	(30,658)	45.93
Forfeited	(12,931)	45.91	(8,753)	42.09
Outstanding at 31 December	127,403	36.86	140,991	48.93
Exercisable at 31 December	-	-	-	-

The total charge for the year relating to all employee share based payments was £2,771,000 (2016: £3,446,000) 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 2017 (continued)

22. Financial instruments

The company has the following financial instruments:

	Note	2017 £'000	2016 £'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	14	107,316	98,793
Amounts owed by group undertakings	14	246,418	366,558
		353,734	465,351
Financial liabilities that are debt instruments measured at amortised cost:			
Trade creditors	15	36,001	27,709
Amounts owed to group undertakings	15	252,452	402,329
Amounts due in respect of securitised receivables	15	112,459	92,963
		400,912	523,001

23. Capital commitments

	2017 £'000	2016 £'000
Capital expenditure that has been contracted but not provided for in the financial statements	1,180	1,953

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 2017 (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.