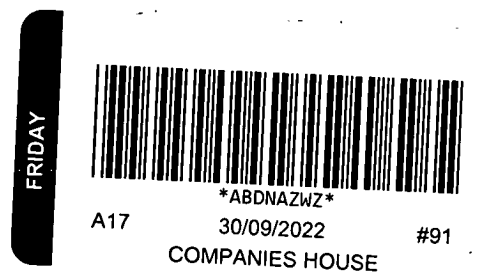


Registered number 00302461

Teva UK Limited
Annual report and financial statements
for the year ended 31 December 2021



Teva UK Limited

Annual report and financial statements for the year ended 31 December 2021

Contents

Directors and advisers.....	1
Strategic report for the year ended 31 December 2021.....	2
Directors' report for the year ended 31 December 2021.....	4
Independent auditors' report to the members of Teva UK Limited.....	16
Profit and loss account for the year ended 31 December 2021.....	19
Statement of comprehensive income for the year ended 31 December 2021.....	19
Balance sheet as at 31 December 2021.....	20
Statement of changes in equity for the year ended 31 December 2021.....	21
Notes to the financial statements for the year ended 31 December 2021.....	22

Teva UK Limited

Directors and advisers

Directors

K Innes
D Vrhovec
S Charlesworth

Independent auditors

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

Bankers

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Canary Wharf
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West Yorkshire
WF10 5HX

Registered number

00302461

Teva UK Limited

Strategic report for the year ended 31 December 2021

The directors present their strategic report of the company for the year ended 31 December 2021.

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 branded medicines is subject to control by regulatory measures which the UK Government uses to control the costs of the National Health Service. The company participated in the Voluntary Scheme for Branded Medicines Pricing and Access and during the year the levy was at 5.1% (2020: 5.9%) and has increased to 15.0% for 2022.

The company's strategy is to provide a wide range of products to its customers and to encourage loyalty 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 £290,634,000 at 31 December 2021 (2020: £249,103,000) which the directors believe to represent a solvent position.

In December 2018, Teva Pharmaceutical Industries Limited, the ultimate parent company, announced a comprehensive restructuring plan intended to significantly reduce the group's cost base, unify and simplify the organisation and improve business performance, profitability, cash flow generation and productivity.

In December 2019, as part of this global restructuring it was decided to close the company's packaging site at Eastbourne, resulting in a constructive obligation for employee exit costs which were provided for in that year. In July 2021, the packaging site was sold and all obligations for employee exit costs were utilised by 31 December 2021. See further details in note 15.

Accelerated depreciation was recorded during 2020 for fixed assets held at the company's Eastbourne packaging site which were either sold, transferred to other group companies, or scrapped on closure of the site during 2021.

During 2021, the company announced a restructuring of its commercial activities as part of its transformation project to further improve business performance and productivity. Any remaining obligation for employee exit costs existing at 31 December 2021 has been provided for. See further details in note 15.

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 authorisations for new products. Work continued during the year to bring to market products for future years.

Key performance indicators ("KPI's")

The Board consider the following KPI's pertinent to Teva UK Limited:

	2021	2020	Comments
Decrease in turnover (%)	(7.4)%	(2.0)%	Turnover has decreased during the year due to increased competition in the market and decrease in Covid-19 related sales in comparison to the prior year.
Gross margin (%)	26.7%	26.5%	Gross margin is the ratio of gross profit to sales as expressed as a percentage. This has remained in line with prior year in accordance with expectations.

Teva UK Limited

Strategic report for the year ended 31 December 2021 (continued)

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board of directors of the company consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2021. See further details on pages 5 to 13.

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 that sufficient facilities are available for at least the next 12 months and enjoys the support of shareholders and group banking arrangements.

The risk of significant increases in the VPAS (Voluntary Scheme for Branded Medicines Pricing Access) levy for 2023 may result in the discontinuation of certain product lines. The company has been in discussions with trade bodies and other stakeholders in this regard.

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:

DocuSigned by:

B34C15B1F487435...

S Charlesworth
Director

Date: 28-Sep-2022 | 16:33 BST

Teva UK Limited

Directors' report for the year ended 31 December 2021

The directors present their report, together with the audited financial statements of the company for the year ended 31 December 2021.

Results and dividends

The profit for the financial year was £34,408,000 (2020: £32,059,000).

The company paid a dividend of £nil in the year (2020: £nil). The directors do not recommend the payment of a final dividend (2020: £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 and distribution of pharmaceutical products and supporting the operations of other group companies.

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:

D Vrhovec
K Innes
S Charlesworth

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 group's 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 69 days purchases outstanding in trade creditors (2020: 57 days).

Teva UK Limited

Directors' report for the year ended 31 December 2021 (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 (2020: £nil).

During the year the company made charitable donations totalling £24,300 (2020: £36,370). These included one donation (2020: four) which exceeded £200; totalling £24,300 (2020: £36,250) to national charities.

Directors' duties in accordance with s172

1. Compliance with directors' duties

1.1. Directors' duties

Each Board Director is given training on their duties as statutory directors. Such training includes information about their responsibilities under the Companies Act 2006 and specifically their duties under section 172 of the Companies Act 2006 (s172).

The Board Directors are also aware of and understand their duty to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the Company's employees,
- c) the need to foster the Company's business relationships with suppliers, customers and others,
- d) the impact of the Company's operations on the community and the environment,
- e) the desirability of the Company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the Company.

The Board has due regard to such matters in the decisions it makes and the impact such decisions may have in accordance with s172.

1.2. Board meetings

Board meetings are held on a regular basis and are attended by both statutory directors and senior directors, who attend Board meetings by invitation. Regular standing items, such as financial updates and statutory financial statements filing, updates on new and existing legislation, rules and guidance and compliance therewith, health and safety and environmental matters are discussed. The Board is also regularly informed and updated on a range of topics including stakeholder and employee engagement. The Board understands the business and the evolving external environment in which the Company operates, and the Board will make decisions in light of such understanding and in consideration of such updates, whilst also considering compliance with s172.

1.3. Principal activities and examples

In the following sections of this report, we outline some examples of decisions and how the Board has engaged with key stakeholders and employees during the year, as well how stakeholder groups and interests were considered in the course of their decision-making.

Teva UK Limited

Directors' report for the year ended 31 December 2021 (continued)

Directors' duties in accordance with s172 (continued)

1.4. Compliance Committees

In addition to regular Board meetings, monthly Compliance Committee meetings are also held during which compliance with anti-bribery legislation (UK Bribery Act and US FCPA), the Association of British Pharmaceuticals Industry Code (ABPI Code), third party due diligence and data protection requirements are discussed and considered along with any updates to guidance. The Board considers, discusses and agrees any changes to the Company's operations that may be required as a consequence of any updates or new guidance.

In addition to the above matters, grants and donations are also considered, discussed, approved or declined by the Grants and Donations Committee during the Compliance meetings. No commercial directors attend these discussions in order to ensure no conflict of interests arise.

2. Relations with stakeholders

The Company has multiple stakeholders including the Government, regulators, customers, suppliers, employees and patients.

Although the Company has multiple stakeholders, the Board directors consider that the Company's key stakeholders are: its employees; the Government, including the Department of Health and Social Care (DHSC); its main regulator, the Medicines and Healthcare Products Regulatory Agency (MHRA); regional Government bodies; trade bodies; wholesalers; pharmacy; and patients.

In terms of its engagement strategy, the Board directly engages with Government bodies (including DHSC), employees and, from time to time, trade bodies. Engagement with wholesalers, pharmacy, and day-to-day interaction with the MHRA and trade bodies is delegated to senior management (and their teams as appropriate) and managed through the commercial, regulatory and functional business units.

2.1. Government bodies and regulators

The Board directors maintain regular direct and indirect contact with Governmental bodies and regulators as part of the Company's ordinary activities – these can either be direct or delegated to senior management and directors. Examples of key stakeholder engagement activities are as follows:

Government

Our Government Affairs team, Board and senior management engage regularly with ministers and civil servants at the Department of Health and Social Care (DHSC) and the Department for International Trade (DIT). Members of staff also engage with officials of the devolved Governments of Scotland, Wales and Northern Ireland as part of their normal duties to keep local stakeholders informed of the Company's activities.

During the year, the Company continued to consult with and lobby Government remotely throughout Covid-19. The Company was also involved in extensive consultation and conversations with Government regarding Brexit and its impacts on the pharmaceutical industry, supply and regulation of medicines, and on the patients we serve.

Teva UK Limited

Directors' report for the year ended 31 December 2021 (continued)

Directors' duties in accordance with s172 (continued)

2.1. Government bodies and regulators (continued)

Regulators

The Board directors place the highest priority on compliance with all regulatory requirements and guidance and therefore ensure that senior management maintain regular contact with the MHRA to launch new medicines in the market and undertake variations to existing Marketing Authorisations (licences to supply a medicine). Senior management also hold ad hoc meetings with MHRA officers from time to time, either for issues relating exclusively to the Company or wider policy issues, such as relating to Brexit. Senior management will update the Board as such and information and updates will inform directors' decision-making.

The Board encourages and supports opportunities to collaborate with scientific partners and regulators in relation to the introduction of new standards or guidelines developed for the pharmaceutical industry.

Department of Health and Social Care

The Board regards the DHSC as its key customer and stakeholder and maintains direct contact with senior officials of the DHSC and the NHS on strategic matters via its senior management as part of its routine ongoing activities. The majority of these interactions relate to ensuring the continuity of supply of medicines; matters relating to pricing, mainly via the provision of ex-factory pricing data to support the setting of reimbursement tariffs; and policy issues that could impact the provision of medicines in the UK.

The Board also considers consultations which may impact the sector and, via business teams and senior management, regularly considers and responds to formal consultation documents published by the Government when considering policy changes. Examples during the year include: UK-India Trade Agreement, A Cancer Strategy for Northern Ireland 2021-2031, Integrated Care System Northern Ireland (NI) Draft Framework, and All Wales TTC Consultation - National Prescribing Indicators 2022-2023. Starting in November 2021, the Company has also been in regular contact with government officials regarding a consultation on the recognition of EU batch testing and release, which is expected to lead to a new policy to be published by the end of 2022. The Company has urged the government to adopt the option that retains the most effective and open access to medicines for patients.

NHS England (NHSE) and NHS Improvement (NHSI)

In addition, the Board also considers NHSE to be a key stakeholder and maintains direct contact with high level officials of NHSE and NHSI and their affiliates. Contact is also maintained via senior management and, in the main, these discussions revolve around maintaining sustainability of supply, patient access to medicines, service provision and subjects which are of importance to the NHS such as reducing variation in care and improving patient and health outcomes. Information and outcomes from these discussions will be shared with and reported to the Board. The Board will consider changes in business approach and discussions with NHSE and NHSI will consequently also include exploring different ways of working and innovative programmes to maximise efficiencies to support the NHS and quality of care for the patient.

The Company also works on a number of Joint Working Initiatives with Clinical Commissioning Groups, Teaching Hospital Foundation Trusts and third parties to help deliver an improvement in patient outcomes in a number of different ways.

In 2021, the Company was approached by the NHS to discuss the launch of generic sapropterin, which treats a rare inherited generic disorder, called Phenylketonuria (PKU). Without treatment, PKU can lead to very serious health complications, but with only approximately 2,300 patients in England, the cost of treatment was too high and NICE was unable to recommend existing treatments for prescription.

The Company worked with the NHS to prepare for launch and to support this patient group throughout 2021, before making the decision to offer its own generic sapropterin in early 2022.

Teva UK Limited

Directors' report for the year ended 31 December 2021 (continued)

Directors' duties in accordance with s172 (continued)

2.1. Government bodies and regulators (continued)

Trade body membership

The Company is a member of the following trade bodies in the UK that have regular contact with Government officials: British Generic Manufacturers' Association (BGMA), British Biosimilars Association (BBA) and Ethical Medicines Industry Group (EMIG). These bodies negotiate with Governmental stakeholders on a variety of topics that affect healthcare policy.

The Company is an active member of the above trade associations and inputs in a variety of ways, including chairing some groups and actively taking part in Task and Finish groups for the organisations. Engagement is mainly via the Company's commercial business units. However, the Board will and has engaged via the BGMA in respect of key issues affecting both the sector and the Company such as Brexit.

The Company has been in discussions with trade bodies and stakeholders in respect of VPAS (Voluntary Scheme for Branded Medicines Pricing Access) to call for the new scheme, to be implemented from 2024, to be fairer and more equitable.

2.2. Employee engagement

The Board has engaged directly, and indirectly, with employees on an ongoing basis throughout the year. Such engagement included:

- Providing employees with information on matters of concern to them as employees. This can be via local, EU or Global Town Halls as well as our cluster newsletter, 'One Teva UK & Ireland', as well as other formal and informal meetings.
- Consulting employees or their representatives on a regular basis so that employees' views can be taken into account when making decisions likely to affect their interests. Such engagement is undertaken through employee consultation forums and representatives, as well as through feedback sessions and employee surveys.

A common awareness by employees of the financial and economic factors affecting the Company's performance is encouraged by the Board and achieved by a variety of mechanisms which are discussed further below.

The Board has established, or facilitated the establishment of, numerous employee engagement mechanisms. Throughout 2021, these included virtual Town Hall meetings with live Q&A sessions, which were delivered by the Board and senior management. Topics covered include financial updates, business and company updates, as well as wider group updates and messages from colleagues. Key decisions and issues are also discussed, including external and internal impacts on the business and results of employee engagement surveys. Employees are actively encouraged to participate and raise questions in advance of and during these meetings as part of regular two-way communication between the Company and its employees.

In addition, both EU and Global Town Halls were also held virtually. Employees can submit questions ahead of and during the Town Hall presentations. The Board, either via directors or senior management, encourages employees to attend these sessions.

Employees are also encouraged to dial into quarterly calls and presentations with analysts to listen to the latest company updates. Communications are also sent to all employees following analysts' updates.

Company, EU and Global employee updates, briefings and communications are also sent to employees on a regular, ongoing basis and there are opportunities for employees to discuss these with senior management and line managers.

Teva UK Limited

Directors' report for the year ended 31 December 2021 (continued)

Directors' duties in accordance with s172 (continued)

2.2. Employee engagement (continued)

Employee surveys are also undertaken on a regular basis, including annual employee engagement questionnaires and ad hoc 'pulse' questionnaires following a significant event, presentation or change. The Board, along with senior management and HR, reviews, analyses and discusses survey outcomes, issues and trends and work with management and employees to implement changes and improvements.

Transformation project

A notable consultation with employees came with the Company's decision to begin a transformation project within our commercial organisation. The project set out strategic changes to the ways in which the Company will operate and its focuses as a business.

Employees across the Company have been kept informed at all stages of the project planning and decision-making process, with several measures put in place to allow them to contribute their ideas and feedback. These included: dedicated town hall and 'deep dive' meetings; live, virtual Q&A sessions; use of Slido to allow advance questions or feedback in an anonymous format; manager training; and support from the learning and development team on managing change.

Great Place to Work

The Great Place to Work campaign continues to run and has now become one of three central pillars to the Company's business transformation, as well maintaining an ongoing focus on HR improvements to continue to help all employees feel engaged and enabled working at Teva.

Great Place to Work includes a focus on Diversity & Inclusion (D&I) and Wellbeing among our people, to embed these important topics throughout the Company.

By the end of 2021, the project delivered notable achievements such as: two virtual careers days; the introduction of a team of mental health first aiders (MHFAs) across the Company's UK & Ireland cluster; an end of year celebration event organised by employees for their peers; and the relaunch of employee groups.

Diversity & Inclusion (D&I)

The Company undertakes gender pay gap reporting each year (a copy of the most recent report can be found at <https://www.tevauk.com/ourimpact/genderpayreport/>) and, at the request and oversight of the Board, has established a D&I employee forum and Champions group across the Teva UK & Ireland cluster to help drive positive change in these areas.

The D&I Champions group works across the whole UK & Ireland cluster. The Champions' work is consistently upheld as a leading example of D&I in practice across Teva Europe, with our sponsors also attending and speaking at wider Teva global events to promote the work being undertaken.

Throughout 2021, the Champions team carried out a wide range of activities, including: a D&I audit; a dedicated Inclusion Week for employees; the creation of a group called Let's Talk Menopause to support and inform colleagues; and the continuation of three main workstreams on race, gender and disability throughout the year. At the end of the year, the Company also formed a D&I Steering Committee to help guide and plan D&I activities in future years.

Teva UK Limited

Directors' report for the year ended 31 December 2021 (continued)

Directors' duties in accordance with s172 (continued)

2.2. Employee engagement (continued)

The Company also has a number of group business policies implemented locally. These include, but are not limited to: Position on Diversity & Inclusion; Position on Human Rights (including obligations to report on its compliance with the Modern Slavery Act and on which it reports annually); Position on Occupational Health & Safety; and Position on Environmental Sustainability (a copy of which can be found at <https://www.tevapharm.com/our-impact/transparency-and-accountability/>).

At a local level, the Company also has additional consultation committees, including: Employee Consultation Forums (ECF); Wellbeing Champions; Mental Health Training & First Aiders; Facilities Management; Safety Committee; and employee meetings. The impact of decisions on employees is considered in each of these forums and reported back to the Board for further consideration.

Finally, the Board and senior management maintain regular contact with the Company's employees through a variety of formats including regular communications from the Managing Director, employee meetings and business presentations.

2.3. Wholesalers and pharmacy

Relationships with the Company's key customers, including wholesalers and pharmacies are largely managed by the Company's commercial business units. Ongoing engagement is led by key account managers who regularly meet to discuss both strategic and operational initiatives. This ensures we can provide all of our customers with the appropriate level of service. Key account managers meet with wholesale partners to ensure supply, and also with independent pharmacists to promote the Company's generic products. The Board is updated on this engagement and any key areas of discussion on an ongoing basis and will consider business changes which may be required from time to time in order to best maintain these relationships and the commercial considerations of each party.

During 2021 the Company began discussions with one of its wholesalers to improve efficiencies on product recycling schemes. The discussions related to a scheme, which would be more broadly available to independent pharmacy and would reduce the carbon footprint of the recycled product by utilising the existing supply chain structure.

2.4. Patients

Whilst the Company is unable to directly communicate with patients, patients are one of the most important stakeholders and are at the heart of everything that the Company does. Consequently, the Board encourages and supports engagement via key opinion leaders' forums and also patient-centric platforms such as Life Effects.

Life Effects is an online platform, providing peer-to-peer support in areas such as MS, migraine, asthma, mental health and Covid-19 (more detail on the Life Effects webpages is set out in the Patient Engagement section below). In 2021, Life Effects partnered with Boots to offer additional access to the platform direct from Boots' website, making it more visible and accessible to a wider group of patients.

The Board also encourages engagement with Patient Advocacy Groups and charities who represent the voice of the patient. This enables the patient to gain information about medicine, funding routes and how medicines are accessed.

Teva UK Limited

Directors' report for the year ended 31 December 2021 (continued)

Directors' duties in accordance with s172 (continued)

Case studies:

Covid-19 engagement

The Board considered the Covid-19 response as a key area in respect of which the Company could support a wide range of its stakeholders to ensure the continuity of supply of medicines. In addition, the Board considered its employees throughout Covid-19, establishing working groups and proactively engaging with employees throughout. Examples of which are as follows:

- The Company continued to work in co-operation with its suppliers during the Covid-19 pandemic to ensure continuity of supply of medicines by: optimising forecasting, order volumes and patterns; improving two-way stock visibility and product substitution, ensuring that suppliers could continue to support the Company, whilst mitigating any impact on operations.
- The Company continued to pro-actively engage with its employees on a regular and ongoing basis. Manager and Board-led senior leadership groups ensured that managers and employees were updated on an ongoing basis, whilst also ensuring that key decisions could be made quickly and efficiently with requisite actions taken.
- Upon the easing of Government restrictions, the Company provided support and information for employees returning to work on site or engaging with customers face-to-face after working from home. Employees were consulted using online and face-to-face meetings, Q&As, employee groups, dedicated WhatsApp groups and surveys. Extensive measures were introduced to support a safe and comfortable return including modifications to our premises. Upon returning to site, the Company arranged socially distanced activities on site to provide a welcoming employee experience.
- Managers received additional training and attended dedicated meetings to ensure they were well-equipped to support their teams throughout the pandemic and upon their return to work on site or in engaging with customers face-to-face.
- Wellbeing Champions sent regular updates in the Company newsletter and via an open WhatsApp group, as well as arranging wellbeing sessions on a variety of topics. They continue to ensure that all employees are aware of the support available to them, both as employees and as individuals.
- The UK Managing Director also sent messages of support and actively engaged throughout the crisis directly with employees.

Environmentally friendly packaging implementation

The Board considers environmental matters to be of key importance and encourages the implementation of schemes through which the environmental impact of the Company's operations can be reduced. One such example includes the planned changes to inhaler recycling with Phoenix as mentioned earlier in this report.

Patient engagement

The Board believes strongly that, in treating patients, the voice of the patient is both important and currently under-represented. Therefore, during the year, the Company continued to support and promote 'Life Effects', an online platform for patients to tell their stories about their lives and how they manage their conditions or illnesses, as a source of advice and information for others who may be embarking on, or are struggling with, the patient journey. The stories do not mention products, are non-promotional and are available online at <https://lifeeffects.teva.eu/>

Teva UK Limited

Directors' report for the year ended 31 December 2021 (continued)

Directors' duties in accordance with s172 (continued)

Case studies (continued):

Partnering with patients and the NHS to support respiratory patients

The Company is a member of the NHS' Accelerated Access Collaborative (AAC) on asthma biologics, which works to improve outcomes for patients.

The AAC brings together representatives from the pharmaceutical industry, Government, regulators, patients and the NHS to remove barriers and accelerate the introduction of new treatments and diagnostics.

Being a member of the group allows the Company to discuss, understand and collaborate with other stakeholders in this area.

3. Consideration of the impact of the company on the community and environment

The Company is included in the Group Environmental Report and the Group Social Impact Report. The Board considers these guidelines and ensures that the Company operates within global environmental guidelines and has taken steps to actively engage on environmental sustainability matters and initiatives.

A copy of the Environmental, Social and Governance Progress Report can be found at <https://www.tevapharm.com/our-impact/esg-progress-report/>

Recycling schemes

All cardboard and plastic from the Company's Ridings Point distribution centre is recycled offsite to manufacture new products such as boxes, pallets, buckets and toys. Food waste is sent to the Veolia plant in Sheffield to be turned into energy, and our dried mixed waste is also recycled. Also, the Company uses CHEP pallets in its distribution centre which are reused constantly. Those that are not suitable for the Company's use are sold-on to other companies who can reuse them.

Carbon footprint

As a part of a global group and a significant supplier of inhalers to the NHS, the Board recognises that the Company has a major responsibility to try and limit the environmental impact of all activities in the manufacture and distribution of our medicines. Therefore, in 2021 the Company worked in partnership with The Carbon Trust (an international climate change and sustainability consultancy) to measure and certify the carbon footprint of a number of our inhalers. These data sets are 'cradle-to-grave' and measure the total greenhouse gas emissions and water consumption starting from the extraction of raw materials and throughout the products' manufacture, distribution, use and eventual disposal. The Company is continuing to review the results and assessing carbon footprint reduction opportunities.

Electric car fleet

During 2021, the Company made a change to its car policy making it easier for those eligible for a company car to access a wide range of electric and hybrid vehicles at all car allowance grades. This has resulted in a greater take up, with approximately 90% of new orders being fully electric, and the remaining 10% being plug in hybrid models.

Additionally, the Company invested in electric vehicle charging infrastructure by adding 12 new charge points and upgrading six existing charge points across three sites. This allows for the increased take up of electric vehicles.

Teva UK Limited

Directors' report for the year ended 31 December 2021 (continued)

Directors' duties in accordance with s172 (continued)

3. Consideration of the impact of the company on the community and environment (continued)

Food donations

Throughout the Covid-19 pandemic, the Company's Ridings Point site canteen made donations of excess food to local charities; preventing wastage, reducing the amount sent to landfill and supporting local community organisations such as support for the homeless community.

Lighting the way

During 2021 the Company began a project to upgrade its office lighting by replacing existing fluorescent tubes in its Ridings Point office to energy efficient LED bulbs. Completing this project will reduce carbon emissions by 176 tonnes per annum and generate a 64% saving on electricity costs. The project was approximately 25% complete at the end of 2021, with the aim to complete the upgrade by the end of 2022.

Compressing our air supply

The Ridings Point warehouse uses compressed-air generation and supply to operate some of its machinery. The Company assessed the base load from the air compressors over weekends and in turn began a project to shut the system down when not in use, saving approximately 2.8 tonnes CO₂e per year.

Cleaning up

The Company's office cleaning contractor successfully trialled a new cleaning liquid, based on usage in 2021. Due to the successful trial, it is estimated they will no longer be required to order a minimum of 288 plastic bottles, removing a total of 453 litres of various chemical solutions from being delivered to site.

With an order being delivered on average every four weeks this would also remove 13 deliveries each year: not only reducing the carbon footprint of the overall operation, but also mitigating the health and safety risk of additional delivery vehicles and personnel coming to site.

Teva UK Limited

Directors' report for the year ended 31 December 2021 (continued)

Streamlined Energy and Carbon Reporting

In accordance with the Streamlined Energy and Carbon Reporting ('SECR') regulations that came into force on 1 April 2019, the company is required to report its annual energy usage and associated greenhouse gas ('GHG') emissions relating to gas, electricity and transport.

Additionally, the company is also required to report each year its intensity ratio and information relating to energy efficiency initiatives. The intensity ratio reported below is calculated as total gross tCO₂e emissions in metric tonnes (mandatory emissions) per million packs of medicine distributed from our distribution centre in Castleford. The directors consider this metric to be the most appropriate to the company's activities and to provide the most relevant comparison of performance over time.

In accordance with the regulations, the amounts reported pertain to UK assets only, as defined by the operational control approach. This includes our packaging site, distribution centre, office facilities, and company vehicles.

Reporting year 1 January to 31 December	2021	2020
Total energy usage covering electricity, gas, and transport (kWh)	9,275,592	14,501,614
Total emissions generated through combustion of gas (tCO ₂ e)	548.8	991.5
Total emissions generated through use of purchased electricity (tCO ₂ e)	1,026.6	2,029.4
Total emissions generated through transport (company-owned vehicles) (tCO ₂ e)	337.2	101.0
Total gross emissions (tCO ₂ e)	1,912.6	3,121.9
Intensity ratio (tCO ₂ e per million packs distributed)	7.9	11.1

Energy efficiency actions

Climate change represents one of the most significant issues facing the planet and the company has a responsibility to lessen its impact on the environment. As part of a multi-national group, the company is fully committed to meeting the group's long-term goals of:

- Reducing its absolute Scope 1 and 2 GHG emissions by 25% by 2025 and by 46% by 2030 (vs. 2019),
- Increasing energy efficiency by 10% by 2030 (vs. 2020), and
- Utilising the total proportion of electricity generated from renewable sources to 50% by 2030.

Throughout 2021 the company undertook the following actions to improve energy efficiency and assess further opportunities for reducing energy consumption and emissions:

- Upgraded some of the office and warehouse lighting from fluorescent tube lighting to more efficient LED lighting with a view to complete the remaining office lighting upgrades during 2022,
- Invested in electric vehicle charging infrastructure by adding twelve additional charge points and upgrading six charge points,
- Increased the accessibility to electric cars to all car allowance grades allowing for greater uptake of electric cars whereby facilitating in the aim towards a fully electric company car fleet, and
- Continued planned and preventative maintenance programmes to ensure that plant is operating as efficiently as possible.

Methodology used in the calculation of disclosures

The 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed. The UK Government GHG Conversion Factors for Company Reporting were used to calculate GHG emissions.

Teva UK Limited

Directors' report for the year ended 31 December 2021 (continued)

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, 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 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 also 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:

DocuSigned by:

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S Charlesworth
Director

Date: 28-Sep-2022 | 16:33 BST

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 2021 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 2021; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Teva UK Limited

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

Reporting on other information (continued)

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2021 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Medicines Act (1968), the Human Medicines Regulations (2012) and UK competition law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and the accuracy of transfer pricing adjustments. Audit procedures performed by the engagement team included:

Teva UK Limited

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

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- testing accounting estimates that we deemed to present a risk of material misstatement, including assessing the data, methods and assumptions applied by management in the development of each estimate;
- identifying and testing journal entries using a risk-based targeting approach for unexpected account combinations or unusual words or phrases in the journal description;
- enquiring of in-house and third party legal counsel in regards to their assessment of the risks related to litigation and claims;
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations; and
- considering information up to the date of approval of the financial statements to assess the accuracy of transfer pricing adjustments recorded in the financial statements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.



Tom Yeates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
28 September 2022

Teva UK Limited

Profit and loss account for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	3	440,826	476,265
Cost of sales		(323,134)	(350,169)
Gross profit		117,692	126,096
Distribution costs		(64,682)	(64,189)
Administrative expenses (including £nil (2020: £228,000) of exceptional expenses)		(15,360)	(23,645)
Operating profit	4	37,650	38,262
Net interest income	5	6,036	1,873
Profit before taxation		43,686	40,135
Tax on profit	8	(9,278)	(8,076)
Profit for the financial year		34,408	32,059

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

Statement of comprehensive income for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Profit for the financial year		34,408	32,059
Other comprehensive income/(expenses):			
Actuarial gain/(loss) on pension scheme	16	4,679	(5,924)
Movement of deferred tax relating to pension liability	8	(1,170)	1,126
Other comprehensive income/(expense) for the year net of tax		3,509	(4,798)
Total comprehensive income for the year		37,917	27,261

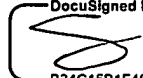
Teva UK Limited

Balance sheet as at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	9	4,681	6,017
Tangible assets	10	6,195	11,906
		10,876	17,923
Current assets			
Stocks	11	110,885	124,331
Debtors (including £128,000,000 (2020: £128,000,000) due after more than one year)	12	381,847	321,549
Cash at bank and in hand		2,311	2,338
		495,043	448,218
Creditors: amounts falling due within one year	13	(208,324)	(201,264)
Net current assets		286,719	246,954
Total assets less current liabilities		297,595	264,877
Provisions for liabilities	15	(953)	(3,985)
Pension and similar obligations	16	(6,008)	(11,789)
Net assets		290,634	249,103
Capital and reserves			
Called up share capital	17	91,562	91,562
Share premium account		24,964	24,964
Profit and loss account		174,108	132,577
Total shareholders' funds		290,634	249,103

The notes on pages 22 to 42 form part of these financial statements.

The financial statements on pages 19 to 42 were approved by the board of directors and were signed on its behalf by:

DocuSigned by:

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S Charlesworth
Director

Date: 28-Sep-2022 | 16:33 BST

Registered number: 00302461

Teva UK Limited

Statement of changes in equity for the year ended 31 December 2021

	Note	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total Shareholders' funds £'000
At 1 January 2020		91,562	24,964	101,747	218,273
Profit for the financial year		-	-	32,059	32,059
Other comprehensive expense for the year		-	-	(4,798)	(4,798)
Total comprehensive income for the year		-	-	27,261	27,261
Credit related to equity-settled share based payments	18	-	-	3,569	3,569
Total transactions with owners recognised directly in equity		-	-	3,569	3,569
At 31 December 2020		91,562	24,964	132,577	249,103
Profit for the financial year		-	-	34,408	34,408
Other comprehensive income for the year		-	-	3,509	3,509
Total comprehensive income for the year		-	-	37,917	37,917
Credit related to equity-settled share based payments	18	-	-	3,614	3,614
Total transactions with owners recognised directly in equity		-	-	3,614	3,614
At 31 December 2021		91,562	24,964	174,108	290,634

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021

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 related party disclosure exemption available under the terms of FRS 102 paragraph 33.7A.

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 in the United Kingdom under the Companies Act 2006 and registered in England. The company's registered office address is shown on page 1.

Intangible assets

Know-how, licences and trademarks acquired for valuable consideration are capitalised at cost only where such expenditure is specifically identified with a marketable product. The cost of software is their purchase cost, together with any incidental costs of acquisition. 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 2021 (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 depreciation 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

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

1. Accounting policies (continued)

Taxation (continued)

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the value of goods supplied to third parties, income derived from licensing agreements and the recharge of services to group companies. Revenue is recognised at the point of delivery of non-returnable goods to customers, or as the services are performed, 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.

Exceptional expenses

The company presents as exceptional items on the face of the income statement those material items of income or expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation. This allows users of the financial statements to better understand the elements of financial performance in the year, so as to better assess trends in financial performance.

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.

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (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, administrative 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 are recognised to the extent that they are considered recoverable, and deficits are recognised in full, and are 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, the company 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 entry 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.

The company has also taken advantage of certain share-based payment disclosure exemptions available under the terms of FRS 102 paragraph 1.12(d) which permits exemptions from disclosures under paragraphs 26.18(b), 26.19 to 26.21 and 26.23.

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

1. Accounting policies (continued)

Financial assets and liabilities

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. 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.

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 net interest income.

The company's functional and presentational currency is Sterling.

Provisions

Provisions are established only when 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.

There are no critical accounting judgements.

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 16 for the disclosures relating to the defined benefit pension scheme.

Recoverability of stock

The company reviews the market value of and demand for its stock on a periodic basis to ensure that recorded stock is stated at the lower of cost and net realisable value. In assessing the ultimate realisation of stock, the company is required to make estimates as to future demand requirements and to compare these with the current or committed stock levels. Assumptions have been made relating to the timing and success of product ranges, which would impact estimated demand and selling prices.

In addition, the company makes provision in full for 'expired' stock items, being stock lines that are either past or approaching their expiry date. Of the provision against stock as at 31 December 2021 as shown in note 11, £5,342,000 (2020: £8,656,000) related to expired stock, which in the opinion of the directors contains limited estimation uncertainty. The remaining provision of £10,175,000 (2020: £12,240,000) relates to excess stock lines which is calculated by reference to quantities on hand, forecast usage, and batch expiry dates.

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

3. Turnover

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

Analysis of sales by geography:

	2021 £'000	2020 £'000
United Kingdom	414,455	454,244
Europe	16,337	14,785
Rest of the World	10,034	7,236
	440,826	476,265

Analysis of sales by category:

	2021 £'000	2020 £'000
Sale of pharmaceutical goods	411,001	453,510
Services	29,825	22,755
	440,826	476,265

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

4. Operating profit

Operating profit is stated after charging/(crediting):

	2021 £'000	2020 £'000
Depreciation of owned tangible assets	1,238	6,401
Amortisation of software	108	442
Amortisation of know-how, licences and trademarks	624	624
Amortisation of purchased goodwill	994	993
(Reversal of impairment)/Impairment of tangible assets	(932)	932
Cost of stock recognised as an expense	349,341	339,242
Impairment of stock recognised as an expense	11,650	22,541
Reversal of impairment of stock	(6,201)	(8,042)
Operating lease rentals - other	936	841
- land and buildings	2,653	2,900
(Gain)/loss on disposal of tangible assets	(673)	1,827
Loss on disposal of software	627	-

Amortisation of goodwill, 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:

	2021 £'000	2020 £'000
Audit services	385	379
Other assurance services	3	3
Tax services	30	48

Auditors' remuneration disclosed above includes audit services of £135,000 (2020: £119,000) in relation to fellow group companies which was borne by the company and not recharged (2020: £nil).

5. Net interest income

	2021 £'000	2020 £'000
Interest receivable and similar income	7,230	3,223
Interest payable and similar expenses	(1,194)	(1,350)
	6,036	1,873

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

5. Net interest income (continued)

Interest receivable and similar income

	2021 £'000	2020 £'000
Intercompany interest receivable	7,230	3,223

Interest payable and similar expenses

	2021 £'000	2020 £'000
Bank charges	35	20
Intercompany interest payable	946	1,208
Net interest on defined benefit liability (note 16)	146	122
Other	67	-
	1,194	1,350

6. Directors' remuneration

	2021 £'000	2020 £'000
Aggregate emoluments	747	610
Company pension contributions to money purchase schemes	7	9

Retirement benefits are accruing to two directors (2020: 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 (2020: one).

Three directors exercised share options during the current year (prior year: three).

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

	2021 £'000	2020 £'000
Aggregate emoluments	455	405
Company pension contributions to money purchase schemes	2	3

The highest paid director exercised share options during the year.

The directors are directors of a number of other group companies and it is not possible to make an accurate apportionment of their emoluments in respect of each of the companies, accordingly the company made no recharge (2020: £nil) in respect of these emoluments.

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

7. Staff costs

Aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	38,216	42,512
Social security costs	5,594	5,020
Share based payment charge (note 18)	3,614	3,569
Pension cost – defined benefit pension scheme (note 16)	205	400
Employer's contributions to defined contribution pension schemes (note 16)	2,160	2,441
	49,789	53,942

In December 2019, as part of this global restructuring it was decided to close the company's packaging site, resulting in a constructive obligation for employee exit costs existing at 31 December 2020 which had been provided for. In July 2021, the packaging site was sold and all obligations for employee exit costs have been utilised by 31 December 2021.

During 2021, the company announced a restructuring of its commercial activities as part of its transformation project to further improve business performance and productivity. Any remaining obligation for employee exit costs existing at 31 December 2021 has been provided for. See further details in note 15.

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

	2021 Number	2020 Number
Office management	408	450
Packing and distribution	80	117
	488	567

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

8. Tax on profit

	2021 £'000	2020 £'000
Current tax on profit for the year		
UK corporation tax at 19% (2020: 19%)	9,564	9,750
Adjustment in respect of previous periods	(1,678)	(380)
Total current tax charge	7,886	9,370
Deferred tax		
Origination and reversal of timing differences	(24)	(1,152)
Impact of change in tax rate	(257)	(135)
Adjustment in respect of previous periods	1,673	(7)
Total deferred tax charge/(credit)	1,392	(1,294)
Tax on profit	9,278	8,076
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	(1,170)	(1,126)
Tax included in other comprehensive income/(expense)	(1,170)	(1,126)

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

8. Tax on profit (continued)

The tax charge assessed for the year is lower (2020: higher) than that calculated at the effective standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Profit before taxation	43,686	40,135
Profit before taxation multiplied by the effective standard rate of corporation tax in the UK of 19% (2020: 19%)	8,300	7,626
Effects of:		
Income not taxable in the period	638	-
Expenses not deductible for tax purposes	1,145	1,109
Effects of change in UK tax rate	(800)	(272)
Adjustment in respect of previous periods	(5)	(387)
Total tax charge	9,278	8,076

Deferred tax:

	2021 £'000	2020 £'000
Difference between accumulated depreciation and capital allowances	349	2,288
Deferred tax related to share based payments	271	162
Defined benefit pension scheme	1,502	2,240
Defined contribution pension scheme	41	35
Total deferred tax asset (note 12)	2,163	4,725

	2021 £'000	2020 £'000
At 1 January	4,725	2,305
Deferred tax credit in profit and loss account	(1,392)	1,294
Deferred tax credit in the statement of comprehensive income	(1,170)	1,126
At 31 December	2,163	4,725

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. However, in March 2021, the Finance Bill 2021 included measures to increase the standard rate of UK corporation tax to 25% with effect from 1 April 2023, which was substantively enacted on 24 May 2021. Deferred taxes on the balance sheet have been measured at 25% (2020: 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

9. Intangible assets

	Purchased goodwill	Know-how, licences and trademarks	Software	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2021	23,534	53,622	2,927	80,083
Transfer from tangible assets	-	-	1,723	1,723
Disposals	-	-	(2,253)	(2,253)
At 31 December 2021	23,534	53,622	2,397	79,553
Accumulated amortisation				
At 1 January 2021	20,304	50,997	2,765	74,066
Amortisation	994	624	108	1,726
Transfer from tangible assets	-	-	706	706
Disposals	-	-	(1,626)	(1,626)
At 31 December 2021	21,298	51,621	1,953	74,872
Net book value				
At 31 December 2021	2,236	2,001	444	4,681
At 31 December 2020	3,230	2,625	162	6,017

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

10. Tangible assets

	Land and buildings	Plant and equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2021	24,947	35,852	37	60,836
Additions	-	-	274	274
Reclassifications	-	100	(100)	-
Transfer to intangible assets	-	(1,723)	-	(1,723)
Disposals	(14,484)	(21,750)	-	(36,234)
Reversal of impairment	932	-	-	932
At 31 December 2021	11,395	12,479	211	24,085
Accumulated depreciation				
At 1 January 2021	17,329	31,601	-	48,930
Charge for the year	721	517	-	1,238
Transfer to intangible assets	-	(706)	-	(706)
Disposals	(9,853)	(21,719)	-	(31,572)
At 31 December 2021	8,197	9,693	-	17,890
Net book value				
At 31 December 2021	3,198	2,786	211	6,195
At 31 December 2020	7,618	4,251	37	11,906

Land and buildings at net book value comprise:

	2021 £'000	2020 £'000
Freehold	-	3,932
Leasehold	3,198	3,686
	3,198	7,618

The net book value of land at 31 December 2021 amounted to £nil (31 December 2020: £422,000).

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

11. Stocks

	2021 £'000	2020 £'000
Raw materials and consumables	-	5,247
Finished goods and goods for resale	110,885	119,084
	110,885	124,331

During 2021, the company's packing operations at its packaging site ceased and the site was sold. Therefore, no packing raw materials and consumables stock was held at 31 December 2021.

There is no material difference between the balance sheet value of stocks and their replacement cost. Stocks are stated after provisions for impairment of £15,517,000 (2020: £20,896,000).

12. Debtors

Amounts falling due within one year:

	2021 £'000	2020 £'000
Trade debtors	66,548	74,258
Amounts owed by group undertakings	299,546	222,622
Corporation tax	11,589	17,531
Deferred tax (note 8)	2,163	4,725
Prepayments and accrued income	2,001	2,413
	381,847	321,549

Amounts owed by group undertakings includes £128,000,000 (2020: £128,000,000) owed by group undertakings falling due after more than one year as a result of the company entering into a 10 year deposit agreement with a fellow group undertaking. This amount is receivable during 2030, with interest charged equal to the aggregate of the three month London Inter-Bank Offered Rate (LIBOR) plus 5.0283% per annum.

Interest is receivable on other loans due from group undertakings at the one month LIBOR plus 1.4262% until 30 June 2020, at the one month LIBOR plus 1.3410% from 1 July 2020 to 30 June 2021 and at the one month LIBOR plus 1.9394% from 1 July 2021. Other amounts owed by group undertakings are interest free. No security is held for amounts owed by group undertakings which are repayable on demand.

The securitised gross trade debtors as at 31 December 2021 was £73,775,000 (2020: £75,872,000). This is part of a group wide securitisation agreement with BNP Paribas covering certain third party trade receivables. The company retains certain credit and late payment risk over these balances.

Trade debtors are stated after provisions for impairment of £77,000 (2020: £99,000).

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

13. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	21,254	28,476
Amounts owed to group undertakings	80,995	59,162
Amounts owed in respect of securitised receivables	73,775	75,872
Other taxation and social security	21,237	21,181
Accruals and deferred income	11,063	16,573
	208,324	201,264

Interest is payable to other group companies on non-trading balances at a rate of the one month London Inter-Bank Offer Rate (LIBOR) plus 1.9723% until 30 June 2020, at the one month LIBOR plus 1.8686% from 1 July 2020 to 30 June 2021 and at the one month LIBOR plus 2.2762% from 1 July 2021. Other amounts owed to group undertakings are interest free. No security is held for amounts owed to group undertakings, which are repayable on demand.

14. Lease obligations

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

	2021		2020	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Not later than one year	2,372	685	2,653	782
Later than one year and not later than five years	11,209	498	11,209	941
Later than five years	2,242	-	4,483	-
	15,823	1,183	18,345	1,723

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

15. Provisions for liabilities

	Onerous lease provision £'000	Restructuring provision £'000	Total provisions £'000
As at 1 January 2021	820	3,165	3,985
Additions	-	1,801	1,801
Utilised	(223)	(4,610)	(4,833)
As at 31 December 2021	597	356	953

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.

In December 2018, Teva Pharmaceutical Industries Limited, the ultimate parent company, announced a comprehensive restructuring plan intended to significantly reduce the group's cost base, unify and simplify the organisation and improve business performance, profitability, cash flow generation and productivity. In December 2019, as part of this global restructuring it was decided to close the company's packaging site, resulting in a constructive obligation for employee exit costs existing at 31 December 2020 which had been provided for. In July 2021, the packaging site was sold and all obligations for employee exit costs have been utilised by 31 December 2021.

During 2021, the company announced a restructuring of its commercial activities as part of its transformation project to further improve business performance and productivity. Any remaining obligation for employee exit costs existing at 31 December 2021 has been provided for.

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

16. 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 2018 was updated to 31 December 2021 by a qualified actuary using a set of assumptions consistent with those required under FRS 102. During the year, total contributions of £1,453,000 (2020: £1,505,000) were paid by the company.

The major assumptions used by the actuary were:

	2021	2020	2019
Rate of increase in pensions in payment	2.20%	2.05%	2.00%
Discount rate	1.80%	1.30%	2.00%
Inflation assumption	3.20%	2.80%	2.85%

The following mortality assumptions were adopted:

2021	2020
CMI 2020 projections model, with a 1.25% long term trend rate, a smoothing parameter of 7, an initial additional parameter of A0.25% and a w2020 parameter of 10%	CMI 2019 tables with a long-term improvement rate of 1.25% p.a., a smoothing parameter of 7 and an additional parameter of A0.25%

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

	2021	2020
	£'000	£'000
Pooled investment vehicles (PIVs)	47,651	45,419
Total market value of assets	47,651	45,419
Present value of liabilities	(53,659)	(57,208)
Pension liability	(6,008)	(11,789)

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

16. Pension and similar obligations (continued)

i) Defined benefit scheme (continued)

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

	2021 £'000	2020 £'000
Operating loss:		
Administrative expenses	(205)	(400)
Total operating charge	(205)	(400)
Other financial income/(expense):		
Interest income on pension scheme assets	590	847
Interest expense on pension scheme liabilities	(736)	(969)
Other financial expenses (net)	(146)	(122)

	2021 £'000	2020 £'000
Statement of other comprehensive income/(expense):		
Return on plan assets (excluding interest income)	1,865	2,467
Changes in assumptions underlying the present value of the scheme liabilities	2,814	(8,391)
Actuarial gain/(loss) recognised in other comprehensive income/(expense)	4,679	(5,924)

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

	2021 £'000	2020 £'000
Deficit in scheme at beginning of the year	(11,789)	(6,848)
Movement in year:		
Administrative expenses	(205)	(400)
Contributions by company	1,453	1,505
Other finance expense	(146)	(122)
Actuarial gain/(loss)	4,679	(5,924)
Deficit in scheme at end of the year	(6,008)	(11,789)

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

16. Pension and similar obligations (continued)

i) Defined benefit scheme (continued)

A Recovery Plan has been agreed whereby additional contributions of £1,300,000 per annum until 30 June 2022 and £1,100,000 per annum from 1 July 2022 to 31 March 2026, plus certain scheme expenses will be paid to the scheme to eliminate the funding shortfall by 31 March 2026.

Reconciliation of present value of scheme liabilities:

	2021 £'000	2020 £'000
Present value of scheme liabilities at the beginning of the year	57,208	49,081
Interest cost	736	969
Actuarial (gain)/loss	(2,814)	8,391
Benefits paid	(1,471)	(1,233)
Present value of scheme liabilities at the end of the year	53,659	57,208

Reconciliation of fair value of scheme assets:

	2021 £'000	2020 £'000
1 January	45,419	42,233
Interest income on plan assets	590	847
Actuarial gain on plan assets	1,865	2,467
Employer contributions	1,453	1,505
Benefits paid	(1,471)	(1,233)
Administrative expenses paid from plan assets	(205)	(400)
31 December	47,651	45,419

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

	2021 £'000	2020 £'000
Administrative expenses	205	400
Interest income on pension scheme assets	(590)	(847)
Interest expense on pension scheme liabilities	736	969
Total charge	351	522

ii) Defined contribution scheme

During the year, contributions of £2,160,000 (2020: £2,441,000) were paid to defined contribution schemes by the company. At 31 December 2021 contributions of £162,000 (2020: £183,000) were outstanding.

Teva UK Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

17. Called up share capital

	2021 £'000	2020 £'000
Allotted and fully paid		
114,792,866 (2020: 114,792,866) ordinary share of US\$1	91,221	91,221
340,555 (2020: 340,555) deferred shares of £1 each	341	341
	91,562	91,562

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

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

18. 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 the exercise of share options by employees, the company may be invoiced the intrinsic value of the shares, in respect of which during the year an amount of £nil (2020: £nil) was recognised directly in equity.

The total charge for the year relating to all employee share based payments was £3,614,000 (2020: £3,569,000) 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 2021 (continued)

19. Financial instruments

The company has the following financial instruments:

	Note	2021 £'000	2020 £'000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	12	66,548	74,258
Amounts owed by group undertakings	12	299,546	222,622
		366,094	296,880
Financial liabilities that are debt instruments measured at amortised cost:			
Trade creditors	13	21,254	28,476
Amounts owed to group undertakings	13	80,995	59,162
Amounts due in respect of securitised receivables	13	73,775	75,872
		176,024	163,510

20. Capital commitments

	2021 £'000	2020 £'000
Capital expenditure that has been contracted but not provided for in the financial statements	168	86

21. 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 22. Consequently, the company has taken advantage of the exemption available under the terms of paragraph 33.1A of FRS 102 not to disclose related party transactions with group companies.

22. Ultimate parent company

The immediate parent undertaking is Teva UK Holdings Limited, a company incorporated in the United Kingdom. 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 124 Dvora HaNevi'a St., Tel Aviv, 6944020, Israel.