Cephalon (UK) Limited
Registered number 03207745

Annual report and financial statements for the year ended 31 December 2012

Cephalon (UK) Limited

Annual report and financial statements for the year ended 31 December 2012

Contents

Cephalon (UK) Limited

Directors and advisers

Directors

T Andriessen
R Daniell
M Schrewe

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
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Leeds
LS1 4JP

Bankers

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London
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United Kingdom

Registered office

Ridings Point
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WF10 5HX

Registered number

03207745

Cephalon (UK) Limited

Directors report for the year ended 31 December 2012

The Directors present their annual report and the audited financial statements of the company for the year ended 31 December 2012

Results and dividends

The profit for the financial year is £12 764 000 (2011 profit £4 923,000) The directors do not propose a dividend for the year to 31 December 2012 (2011 £nil)

Principal activities

The company s principal activities during the year were the sales and marketing of pharmaceutical products in the United Kingdom and Eastern European markets and the licensing of intellectual property owned by the company to Cephalon France SAS

During 2012 the company reorganised its operations in the Central Eastern European regions and as a result ceased to trade in the relevant territories

Business review

On 15 October 2011 the Cephalon Group was acquired by Teva Pharmaceutical Industries Limited This allowed the company to gain increased access to the UK market and as a result the UK sales of its branded portfolio have increased markedly from 2011 This increase in UK sales was offset by the cessation of trade in the Central Eastern European regions Licensing income remained broadly consistent with 2011

Reorganisation activities that commenced following the group purchase in 2011 were completed in 2012 These have led to benefits through improved supply chain processes and are expected to yield other business synergies in future years

The markets in which the company continues to operate remain highly competitive Although this is expected to remain the case in the future the directors believe that the company is in a strong position to continue to benefit from the increased market access and product marketing expertise it gained following the Teva acquisition

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development performance or position of the business

Principal risks and uncertainties

The key business risks and uncertainties affecting the company relate to competition from other companies that provide similar products in the same markets Through targeted sales and marketing activities the provision of medical education in support of our products and excellence in customer service and supply chain we are able to compete in our markets

Directors' indemnities

The company maintains liability insurance for its directors and officers In accordance with Group policy, the company has also provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006 This indemnity was in force during the financial year and also at the date of approval of the financial statements

Directors

The Directors who held office during the year and up to the date of signing these financial statements are shown below

T Andriessen	
D Bhattacharjee	(resigned 21 March 2013)
R Daniell	
M Schrewe	(appointed 21 March 2013)
R Williams	(resigned 21 March 2013)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company s transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Cephalon (UK) Limited

Disclosure of information to auditors

The directors confirm that so far as they are aware, there is no relevant audit information (that is information needed by the company s auditors in connection with preparing their report) of which the company s auditors are unaware and that each director has taken all reasonable steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company s auditors are aware of that information

On behalf of the board
M Schrewe
Director
2 October 2013

Cephalon (UK) Limited

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

We have audited the financial statements of Cephalon (UK) Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

David Caseldine (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
2 October 2013

Cephalon (UK) Limited

Profit and loss account for the year ended 31 December 2012

	Note	Total 2012 £'000	Total 2011 £ 000
Turnover	2	**36,430**	42,127
Cost of sales		**(23,495)**	(30,727)
Gross profit		**12,935**	11,400
Operating expenses	3	**(8,284)**	(15,753)
Other operating income	4	**12,220**	11,583
Operating profit	5	**16,871**	7,230
Interest receivable and similar income	8	**392**	53
Interest payable and similar charges	9	**-**	(18)
Profit on ordinary activities before taxation		**17,263**	7,265
Tax on profit on ordinary activities	10	**(4,499)**	(2,342)
Profit for the financial year	20	**12,764**	4,923

All amounts relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents

The company has no recognised gains and losses other than the profits presented above and therefore no separate statement of total recognised gains and losses has been presented

Cephalon (UK) Limited

Balance sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Intangible assets	11	**10,817**	12,333
Tangible assets	12	**-**	53
		10,817	12,386
Current assets			
Stocks	14	**10,320**	10,357
Debtors	15	**52,117**	38,732
Cash at bank and in hand		**1,354**	5,649
		63,791	54 738
Creditors. amounts falling due within one year	16	**(10,508)**	(15 422)
Net current assets		**53,283**	39,316
Total assets less current liabilities		**64,100**	51 702
Creditors amounts falling due after more than one year	17	**(2,705)**	(3 071)
Net assets		**61,395**	48 631
Capital and reserves			
Called-up share capital	18	**5,000**	5 000
Share premium account	19	**19,950**	19 950
Other reserves	19	**15,446**	15 446
Profit and loss account	19	**20,999**	8 235
Total shareholders' funds	20	**61,395**	48 631

The financial statements on pages 7 to 20 were approved by the Board of Directors on 2 October 2013 and were signed on its behalf by

M Schrewe
Director

Registered number 03207745

Cephalon (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

1. Accounting policies

Basis of accounting and preparation

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies are set out below and have been consistently applied throughout the current and preceding year

These financial statements contain information about Cephalon (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group The company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, Teva Pharmaceutical Industries Limited, a company incorporated in Israel and whose accounts are publicly available Consequently, the company is also exempt under the terms of FRS 1, Cash flow statements', from publishing a cash flow statement

Turnover

Turnover, which excludes value added tax and trade discounts, represents the value of goods supplied, and is recognised at the point of delivery of non-returnable goods to customers, or at the point of completion of the performance of services

Other operating income

Other operating income includes recharges of costs to group companies and income from licensing of intellectual property owned by the company It is recognised when the relevant contractual agreements have been satisfied under the relevant contract

Income is obtained from licensing of intellectual property owned by the company and is recognised when the relevant contractual agreements have been satisfied under the associated contract

Research and development

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred

Tangible fixed assets

Tangible fixed assets are shown at original historical cost less accumulated depreciation and any provision for impairment Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over their estimated useful economic life These are as follows for each class of asset

Leasehold improvements - term of the lease or estimated economic useful life, whichever is shorter
Computer equipment – 3-5 years
Fixtures and fittings – 5-10 years

Intangible fixed assets

Intellectual property represents patents and other licenses for products and is recognised as an intangible asset at cost An amortisation charge is made to write off the cost in equal installments over the estimated useful economic life of the assets, which are between 10 and 20 years The carrying value of intangible assets is periodically reviewed for events or changes in circumstances which indicate that the carrying value may not be recoverable and, where appropriate, provisions for impairment are made

1. Accounting policies (continued)

Purchased goodwill

Positive purchased goodwill representing the excess of the purchase consideration over the fair value of the assets acquired is capitalised and expensed to the profit and loss account in equal installments over the estimated useful economic life of the business acquired

The company evaluates the carrying value of goodwill in each financial year to assess whether there has been 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

Stocks

Stocks are valued at the lower of cost and net realisable value Stock cost is determined on a first-in-first-out (FIFO) basis Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation

Provision is made for any obsolete, slow-moving or defective items where appropriate

Share based payments

The company operated a number of equity-settled share-based compensation plans where the equity involved in the plans is that of the former ultimate parent company Cephalon Inc The fair value of the employee services received in exchange for the grant of the options is recognised as an expense The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example profitability and sales growth targets) Non-market vesting conditions are included in assumptions about the number of options that are expected to vest At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest It recognises the impact of the revision to original estimates, if any in the income statement, with a corresponding adjustment to equity

The proceeds received from the ultimate parent company Cephalon Inc net of any directly attributable transaction costs, are treated as capital contributions to the company when the options are exercised

Upon the completion of Cephalon s acquisition by Teva all unvested options became vested (acceleration of vesting) All non exercised options were cancelled in exchange for a cash payment (see note 24)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the taxable profits and the results as stated in the financial statements

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of the underlying timing difference can be deducted

1. Accounting policies (continued)

Deferred taxation (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rates of exchange ruling at that date Any gain or loss arising from on foreign currency translation is recognised in the profit and loss account

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term

2. Turnover

The company's activities consist solely of the sales and marketing of pharmaceutical products

The geographical segment analysis is provided below

	2012 £'000	2011 £'000
United Kingdom	**24,759**	28,750
Continental Europe	**11,671**	13,377
	36,430	42,127

3. Operating expenses

	2012 £'000	2011 £'000
Selling and distribution expenses	**4,875**	6,993
Research and development expenditure	**23**	1,586
Administrative expenses	**3,386**	7,174
Total operating expenses	**8,284**	15,753

4. Other operating income

	2012 £'000	2011 £ 000
Royalties received for licensing of intellectual property	**12,220**	10,304
Recharge of costs to affiliated companies	-	1,263
Other	-	16
Other operating income	**12,220**	11,583

Notes to the financial statements for the year ended 31 December 2012 (continued)

5. Operating profit

	2012 £'000	2011 £ 000
Operating profit is stated after charging		
Staff costs (note 6)	**322**	4,526
Operating lease rentals – plant and machinery	**19**	184
Operating lease rentals – other	**65**	712
Depreciation on owned assets (note 12)	**53**	145
Amortisation of intangible fixed assets (note 11)	**1,516**	1,677
Foreign exchange losses	**827**	252
Operating exceptional items	**439**	2 256
Administrative expenses recharged by fellow group companies	**983**	-
Distribution costs recharged by fellow group companies	**3,791**	-

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

	2012 £'000	2011 £ 000
Audit services	-	55
Taxation services	-	58

In 2012 the company s auditor remuneration was borne by Teva UK Limited, a fellow group company and is included within the administrative expenses recharged by fellow group companies as disclosed above

Operating exceptional items

As part of the Teva acquisition reorganisation costs have been booked in the year of £439,000 (2011 £2,256 000) in relation to termination of contracts closure of property and severance

6. Staff costs

	2012 £'000	2011 £ 000
Wages and salaries (including termination benefits)	**239**	3 759
Social security costs	**39**	346
Other pension costs (note 22)	**44**	262
Share based remuneration (note 24)	-	159
Staff costs	**322**	4 526

The average monthly number of employees (including executive directors) employed by the company by activity was

	2012 Number	2011 Number
Administrative	**3**	16
Clinical research and medical affairs	**1**	7
Sales and marketing	**1**	30
	5	53

Cephalon (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

7. Directors' emoluments

During the year no (2011 three) directors were remunerated by the company as follows

	2012	2011
	£'000	£'000
Aggregate emoluments	-	276
Compensation for loss of office	-	88
Defined contribution pension scheme	-	21
	-	385

The emoluments of Mr R Williams, Mr D Bhattacharjee and Mr R Daniell were paid by Teva UK Limited, a fellow group undertaking The aforementioned directors were directors of a number of group undertakings in the United Kingdom and it is not possible to make an accurate apportionment of their emoluments in respect of each undertaking Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of Teva UK Limited

The emoluments of Mr T Andriessen were paid by Teva Pharmaceuticals Europe B V The total emoluments of Mr T Andriessen are included in the aggregate of the directors' emoluments disclosed in the financial statements of Teva Pharmaceuticals Europe B V

During the year the company made contributions for no directors of £nil (2011 three directors of £21,000) to the company defined contribution pension scheme

The emoluments of the highest paid Director were

	2012	2011
	£'000	£'000
Aggregate emoluments	-	138
Defined contribution pension scheme	-	11

During the year, no directors (2011 none) exercised options over stock in Cephalon Inc

8. Interest receivable and similar income

	2012	2011
	£'000	£'000
Bank interest receivable	**3**	40
Loan interest receivable from affiliate company	**389**	13
Total interest receivable	**392**	53

9. Interest payable and similar charges

	2012	2011
	£'000	£'000
Other interest payable	-	18

Cephalon (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

10. Tax on profit on ordinary activities

	2012 £'000	2011 £'000
Current tax on profit for the year		
UK corporation tax at 24 5% (2011 26 5%)	**2,199**	19
Adjustments in respect of prior years	**(19)**	-
Current tax	**2,180**	19
Deferred tax	**2,319**	2,323
Tax charge for the year	**4,499**	2,342

The tax assessed for the year differs from the standard effective rate of corporation tax in the UK for the year ended 31 December 2012 of 24 5% (2011 26 5%) The differences are explained below

	2012 £'000	2011 £ 000
Profit on ordinary activities before tax		7 265
Tax thereon at UK rate of 24 5% (2011 26 5%)	**4,229**	1 925
Effect of		
Expenses not deductible for tax	**6**	163
Fixed asset timing differences	**-**	61
Other tax timing differences	**-**	(24)
Utilisation of tax losses	**(2,036)**	(2 121)
Gain on employee share options		15
Adjustments in respect of prior years	**(19)**	-
Total current tax charge	**2,180**	19

Deferred tax asset

	2012 £'000	2011 £ 000
Difference between accumulated depreciation and amortisation and capital allowances	-	200
Other timing differences	-	31
Tax losses	**123**	2 211
Deferred tax asset	**123**	2 442
At the start of the period	**2,442**	4,765
Deferred tax charge in profit and loss account	**(2,319)**	(2 323)
Deferred tax asset	**123**	2,442

Cephalon (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

10. Tax on profit on ordinary activities (continued)

The standard rate of corporation tax in the United Kingdom for the year is 24 5% (2011 26 5%) During the year, as a result of the changes in the UK corporation tax rate to 24% which was substantially enacted on 26 March 2012 and was effective from 1 April 2012, and to 23% which was substantially enacted on 3 July 2012 and will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured

Further reductions to the main rate of corporation tax were announced on the March 2013 Budget The main rate of corporation tax will reduce from 23% to 21% effective from 1 April 2014, and 20% effective from 1 April 2015 These further reductions to the main rate of corporation tax were substantively enacted in the Finance Bill 2013 on 2 July 2013 These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements

11. Intangible fixed assets

	Goodwill £'000	Intellectual Property £'000	Total £'000
Cost			
At 31 December 2012 and 31 December 2011	**8,624**	**48,144**	**56,768**
Accumulated amortisation			
At 1 January 2012	4,537	39,898	44,435
Charge for the year	577	939	1,516
At 31 December 2012	**5,114**	**40,837**	**45,951**
Net book amount			
At 31 December 2012	**3,510**	**7,307**	**10,817**
At 31 December 2011	4,087	8,246	12,333

12. Tangible fixed assets

	Leasehold improvements £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 January 2012	1,379	1,446	142	2,967
Disposals	(1,379)	(1,446)	(142)	(2,967)
At 31 December 2012	-	-	-	-
Accumulated depreciation				
At 1 January 2012	1,379	1,399	136	2,914
Charge for the year	-	47	6	53
Disposals	(1,379)	(1,446)	(142)	(2,967)
At 31 December 2012	-	-	-	-
Net book amount				
At 31 December 2012	-	-	-	-
At 31 December 2011	-	47	6	53

Following the closure of the Welwyn Garden City site on 19 March 2012 all tangible fixed assets were fully written down and then disposed of There were no sales proceeds or profit/loss on the disposal of these assets

Notes to the financial statements for the year ended 31 December 2012 (continued)

Fixed asset investments

	2012 £'000	2011 £ 000
Cost		
At 1 January	-	2,925
Disposals during the year	-	(2,925)
At 31 December	-	-
Provision for impairment		
At 1 January	-	2,925
Disposals	-	(2,925)
At 31 December	-	-
Net Book Amount		
At 31 December	-	-

Cell Therapeutics (UK) Limited entered members voluntary liquidation on 22 December 2010 and was dissolved on 27 July 2011

13. Stocks

	2012 £'000	2011 £ 000
Work in progress	**64**	53
Finished goods and goods for resale	**10,256**	10 304
	10,320	10 357

There is no material difference between the replacement cost and net book value of stock

14. Debtors

	2012 £'000	2011 £ 000
Trade debtors	**827**	9,448
Amounts due from group undertakings	**51,163**	25,942
Deferred tax (recoverable after more than one year)	**123**	2 442
Other debtors	-	664
Prepayments	**4**	236
	52,117	38,732

All the amounts due from group undertakings are unsecured interest free and repayable on demand

Notes to the financial statements for the year ended 31 December 2012 (continued)

15. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	-	50
Amounts owed to other group undertakings	3,648	4,557
Other creditors	50	127
Corporation tax	2,199	19
Other taxation and social security	-	1,437
Accruals	4,209	5,787
Deferred income	402	3,445
	10,508	15,422

The amounts owed to other group undertakings are unsecured, non-interest bearing, and repayable on demand

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

	2012 £'000	2011 £'000
Deferred income	2,705	3,071

Within deferred income £457,000 (2011 £823,000) relates to an out-licensing agreement entered into in 2004 The remaining balance of £2,248,000 (2011 £2,248,000) relates to buffer stock held at distributors but not yet sold into the market

The maturity of the amounts falling due is as follows

	2012 £'000	2011 £'000
In more than one year, but no more than two years	366	366
In more than two years, but no more than five years	2,339	2,705
	2,705	3,071

17. Called up share capital

	2012 Number	2012 £'000	2011 Number	2011 £'000
Authorised				
Ordinary shares of £1 00 each	5,000,000	5,000	5,000,000	5,000
Allotted and fully paid				
Ordinary shares of £1 00 each	5,000,000	5,000	5,000,000	5,000

Notes to the financial statements for the year ended 31 December 2012 (continued)

18. Reserves

	Share premium account £'000	Other Reserves £'000	Profit and loss account £'000
At 1 January 2012	19,950	15,446	8,235
Profit for the financial year	-	-	12,764
At 31 December 2012	**19,950**	**15,446**	**20,999**

19. Reconciliation of movements in total shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	**12,764**	4,923
Share based remuneration	-	159
Net increase in shareholders funds	**12,764**	5 082
Opening shareholders' funds	**48,631**	43,549
Closing shareholders' funds	**61,395**	48,631

20. Capital commitments

The company had no capital commitments as at 31 December 2012 (2011 £nil)

21. Pension commitments

The company operates a defined contribution scheme in the United Kingdom The contributions to the scheme were £44,000 (2011 £262,000) during the year At the end of the year £nil (2011 £nil) remained outstanding

22. Financial commitments

At 31 December 2012, the company had annual commitments under non-cancellable operating leases expiring as follows

	2012		2011	
	Land and building £'000	**Other £'000**	Land and building £'000	Other £'000
Within one year	-	-	-	62
Between two and five years	-	-	-	76
After five years	-	-	-	-
	-	-	-	138

On 19 March 2012 the company exercised a break clause in its lease contract in respect of land and buildings At 31 December 2012 the value of the commitment outstanding on this lease was £nil

23. Share based payments

An equity compensation plan was established for the employees, directors and certain other individuals of the company in the shares of the former listed parent company, Cephalon Inc

The Share Option and Compensation Committee of the Cephalon Inc Board of directors approved all grants and the terms of such grants, subject to ratification by the Board of Directors Cephalon Inc granted non-qualified share options under the Cephalon Inc 2004 Equity Compensation Plan (the "2004 Plan") and the Cephalon Inc 2000 Equity Compensation Plan (the "2000 Plan"), and also incentive share options and restricted share units under the 2004 Plan Share options and restricted share units generally become exercisable or vested rateably over four years from the grant date, and share options were exercisable within 10 years of the grant date Exercise of an option was subject to continued employment within the Cephalon Inc group

No non-qualified share options were granted in the year and no restricted share options were granted in the year

Upon the completion of Cephalon's acquisition by Teva all unvested options became vested (acceleration of vesting) All non exercised options were cancelled in exchange for a cash payment equal to $81 50 per share under option, less the applicable exercise price

A reconciliation of outstanding share option movements over the year to 31 December 2012 is shown below

	2012		2011	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	-	-	21,504	$64 65
Transferred from group company	-	-	-	-
Forfeited	-	-	(11,975)	$69 13
Exercised	-	-	(9,529)	$58 99
Outstanding at 31 December	-	-	-	-
Exercisable at 31 December	-	-	-	-

There were no outstanding options at 31 December 2012

The weighted average share price for share options exercised over the year was $nil (2011 $76 92)

24. Share based payments (continued)

Restricted share units

Restricted share units are valued based on the market value of the shares on the date of grant The following table summarises the restricted share units activity for the year ended 31 December 2012

	2012		2011	
	Shares	**Weighted average fair value**	Shares	Weighted average fair value
Nonvested, January 1	-	-	2 500	$77 82
Granted	-	-	-	-
Transfer from group company	-	-	-	-
Vested	-	-	-	-
Forfeited	-	-	(2,500)	$77 82
Nonvested, December 31	-	-	-	-
Intrinsic value as of December 31	-	-	-	-

The total charge for the year relating to share based remuneration was £nil (2011 £159 000), all of which relates to equity-settled share based payment transactions

24. Related party disclosures

The company is a wholly owned subsidiary of Teva Pharmaceutical Industries Limited whose consolidated accounts are publicly available for inspection from the address in note 26 Consequently the company has taken advantage of the exemption available under the terms of FRS 8 not to disclose related party transactions with group companies

25. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Cephalon Limited, a company registered in England and Wales The directors regard Teva Pharmaceutical Industries Limited a company incorporated in Israel as the ultimate parent company and ultimate controlling party

Teva Pharmaceutical Industries Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2012 The consolidated accounts of Teva Pharmaceutical Industries Limited can be obtained from Science Based Industries Campus Har Hotzvim, PO Box 1142, Jerusalem 91010, Israel