

Registered Number: 01077587

Teva Pharmaceuticals Limited
Annual report
for the year ended 31 December 2008



Teva Pharmaceuticals Limited

Annual report for the year ended 31 December 2008

Table of contents

	Pages
Directors and advisers	1
Directors' report	2 – 3
Independent auditors' report to the members of Teva Pharmaceuticals Limited	4
Profit and loss account	5
Statement of total recognised gains and losses	5
Balance sheet	6
Notes to the financial statements	7 – 16

Teva Pharmaceuticals Limited

Directors and advisers

Directors

T Andriessen
R Williams
M Manor
G Wright

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

Company secretary and registered office

Gray's Inn Secretaries Limited
Five Chancery Lane
Clifford's Inn
London
EC4A 1BU

Solicitors

Denton Wilde Spate
Five Chancery Lane
Clifford's Inn
London
EC4A 1BU

Bankers

Barclays Bank plc
36 Market Square
Bicester
Oxon
OX6 7AQ

Teva Pharmaceuticals Limited

Directors' report for the year ended 31 December 2008

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2008.

Business review and principal activities

The principal activities of the company are to carry out clinical trials and the marketing of pharmaceutical products within the United Kingdom. Marketing activities in 2008 have had a positive effect on sales resulting in an increase in sales of both our products. Clinical Research trials of innovative drugs have continued to be project managed by the company.

Results for the financial year

The company's profit for the financial year is £285, 000 (2007 £127,000) which will be transferred to reserves. The directors do not recommend the payment of a dividend (2007 £Nil).

Business environment

The company markets Copaxone®, a treatment for relapsing remitting multiple sclerosis (RRMS). The directors anticipate that the number of people with RRMS treated with Copaxone will continue to increase in 2009 – 2010. The company also markets Azilect®, a treatment for Parkinson's disease. This is a relatively new drug launched in 2005. Sales performed well in 2008 and it is hoped that sales will continue to increase in 2009. The company also performs clinical trials into potential therapies for diseases of the central nervous system and autoimmune conditions. If the trials are successful these drugs may be marketed by the company in the future.

Future developments

The company will continue to market Copaxone® and Azilect® and will continue to manage clinical research trials into innovative drugs.

Key performance indicators ("KPI")

KPIs are monitored by group management at group level (Teva Pharmaceuticals Industries Limited) and local management are responsible for the day to day activities of the company. The performance of the company is driven by the amount of expenses incurred all of which are then recharged to the parent company. The activities of the company are dependent on total group activity.

Principal Risks

The principal risks to the company are that our sales of innovative products could be adversely affected by competition. Research & development into our innovative pipeline may not achieve expected results and we are subject to government regulation that may increase our costs and could prevent us from selling or marketing our products.

Financial risk management

Given the size of the company, the holding company directors have not delegated the responsibility of monitoring company financial risk management to a sub-committee of the board. The policies set by the holding company board of directors are implemented by the Teva group's treasury department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Directors

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

T Andriessen

R Williams (appointed 4 March 2009)

M Manor

G Wright

P Horsman (resigned 4 March 2009)

Teva Pharmaceuticals Limited

Directors' report for the year ended 31 December 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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, in which case there should be supporting assumptions or qualifications

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

All directors at the time this report is approved confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On behalf of the board



G Wright
Director

29th October 2009

Teva Pharmaceuticals Limited

Independent Auditors' Report to the Members of Teva Pharmaceuticals Limited

We have audited the financial statements of Teva Pharmaceuticals Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

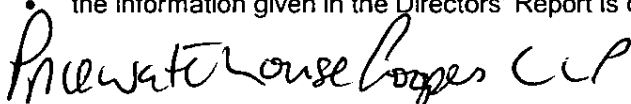
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Teva Pharmaceuticals Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

West London

30 October 2009

Teva Pharmaceuticals Limited

Profit and loss account for the year ended 31 December 2008

		2008	2007
	Note	£'000	£'000
Turnover		7,180	6,681
Operating expenses	2	(6,838)	(6,513)
Operating profit		342	168
Interest receivable and similar income	5 (a)	56	65
Interest payable and similar charges	5 (b)	(4)	(15)
Profit on ordinary activities before taxation	6	394	218
Tax charge on profit on ordinary activities	7	(109)	(91)
Profit for the financial year	12	285	127

All of the above results are derived from continuing operations.

All turnover is derived in the United Kingdom.

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

Statement of total recognised gains and losses for the year ended 31 December 2008

	2008	2007
	£'000	£'000
Profit for the financial year	285	127
Total gains recognised for the year	285	127
Prior period adjustment (note 1)	-	(355)
Total recognised gains/losses relating to the year	285	(228)

Teva Pharmaceuticals Limited

Balance Sheet as at 31 December 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	8	390	397
Current assets			
Debtors	9	1,599	1,199
Cash at bank and in hand		1,288	1,488
		2,887	2,687
Creditors: amounts falling due within one year	10	(868)	(1,076)
Net current assets		2,019	1,611
Total assets less current liabilities		2,409	2,008
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	2,409	2,008
Total Equity shareholders' funds	13	2,409	2,008

The financial statements on pages 5 to 16 were approved by the board of directors on 29th October 2009 and were signed on its behalf by:


G Wright
Director

Teva Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008

1 Principal accounting policies

The financial statements have been prepared on the going concern basis under the historic cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently through the year, are set out below.

Prior period adjustment

The prior year adjustment in 2007 relates to the reduction in revenue relating to the release of an accrual in 2006. The accrual was released in 2006, however, the corresponding re-charge credit was not adjusted for in the revenue line resulting in an overstatement of revenue of £355k and amounts receivable from group companies. This was identified and adjusted during 2007 and disclosed as a prior period adjustment in the 2007 accounts.

Turnover

Turnover represents the invoiced and accrued value of goods and services provided to Teva Pharmaceutical Industries Limited (ultimate parent company) in accordance with the agreement for conducting clinical trials and marketing of pharmaceutical products. The directors consider the recharge to be on an arms length basis. All turnover is derived in the United Kingdom.

Pension scheme

The company participates in a money purchase pension scheme for the benefit of employees of the company. The schemes assets are held in a separately administered fund. The company's contributions are charged to the profit and loss account in the year to which they relate.

Cash flow statement

The company is a wholly owned subsidiary of Teva Pharmaceutical Industries Limited and is included in their consolidated financial statements, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 "Cash flow statements" (revised 1996).

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. 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 calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful economic lives using the straight line basis. The expected useful lives of the assets to the business are reassessed periodically in the light of experience.

Annual rates of depreciation used are:

Computer equipment	20%-50% per annum
Fixtures and fittings	10% per annum

Teva Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008

1 Principal accounting policies (continued)

Share based payments

The company's parent undertaking, Teva Pharmaceutical Industries Limited, issues share options to certain employees which are measured at fair value and recognised as an expense in the profit and loss account with a corresponding increase in profit and loss account. 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.

The fair values of these payments are measured at the dates of grant and are recognised over the period during which employees become unconditionally entitled to the awards. At each balance sheet date, Teva Pharmaceuticals Limited revises its estimates of the number of options that are expected to vest and the company recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to profit and loss account.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the agreed contractual rate.

Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

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.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available 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 underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

2 Operating expenses

	2008 £'000	2007 £'000
Operating expenses		
Selling and marketing	3,937	3,906
Administrative expenses	1,228	1,054
Clinical trials expenditure	1,673	1,553
	6,838	6,513

Teva Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008

3 Directors' emoluments

During the year, one director received emoluments in respect of services to the company of £168,458 (2007: £141,969). Contributions of £22,225 (2007: £16,854) were received by one director in respect of money purchase pension schemes. Retirement benefits are accruing to one (2007: one) director under a money purchase pension scheme. Four (2007: Four) directors were entitled to shares under a long term incentive scheme.

The remuneration relating to other directors were paid by parent company for their services to the group as a whole and cannot be allocated to the group companies.

4 Employee information

The average monthly number of persons (excluding executive directors) employed by the company during the year, split by activity was:

	2008 Number	2007 Number
Marketing	24	22
Clinical trials	4	7
Finance	3	3
	31	32

	2008 £'000	2007 £'000
Staff costs (for the above persons)		
Wages and salaries	1,908	1,749
Social security costs	231	241
Other pension costs (note 14)	193	152
Share based payments	116	77
	2,448	2,219

5(a) Interest receivable and similar income

	2008 £'000	2007 £'000
Bank interest	56	65

5(b) Interest payable and similar charges

	2008 £'000	2007 £'000
Bank charges	4	3
Interest payable to group undertakings	-	12
	4	15

Teva Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008

6 Profit on ordinary activities before taxation

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets		
- Owned assets	95	106
Operating lease charges		
- Plant and machinery	62	93
- Other	119	266
Auditors' remuneration:		
- Audit services	19	15

7(a) Tax on profit on ordinary activities

	2008 £'000	2007 £'000
Current tax		
UK corporation tax on profits of the year	167	90
Adjustment in respect of prior years	(14)	-
Total current tax	153	90
Deferred tax		
Origination and reversal of timing differences	(44)	1
Total deferred tax	(44)	1
Tax on profit on ordinary activities	109	91

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from April 2008. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

7(b) Tax on profit on ordinary activities (continued)

The tax assessed for the year is lower (2007: higher) than the standard rate of corporation tax in the UK (28.5%). The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	394	218
Profit on ordinary activities multiplied by standard rate in the UK 28.5% (2007: 30%)	112	65
Effects of:		
Expenses not deductible for tax purposes	52	107
Depreciation in excess of Capital Allowances	1	(10)
Other timing differences	2	(72)
Adjustment in respect of prior years	(14)	-
Current tax charge for the year	153	90

Teva Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008

8 Tangible assets

	Computer Equipment £'000	Fixtures and Fittings £'000	Total £'000
Cost			
At 1 January 2008	607	224	831
Additions	87	1	88
At 31 December 2008	694	225	919
Accumulated depreciation			
At 1 January 2008	372	62	434
Charge for the year	78	17	95
At 31 December 2008	450	79	529
Net book value			
At 31 December 2008	244	146	390
At 31 December 2007	235	162	397

9 Debtors

	2008 £'000	2007 £'000
Amounts owed by group undertakings	1,182	616
Value Added Tax recoverable	250	379
Corporation tax	-	70
Deferred tax asset	58	14
Prepayments	96	120
	1,599	1,199

Amounts owed by group undertakings are unsecured, interest-free and have no fixed date of repayment.

The deferred tax asset comprises:

	2008 £'000	2007 £'000
Excess of capital allowances over depreciation	(13)	14
Other timing differences	71	-
	58	14

Teva Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008

The movement on deferred taxation comprises:

	£'000
At 1 January 2008	14
Charged to profit and loss account (note 7)	44
At 31 December 2008	58

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements. Accordingly, there are no unrecognised deferred tax assets as at balance sheet date (2007: nil).

10 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	6	-
Amounts owed to group undertakings	62	11
Corporation Tax	51	98
Other taxation and social security	83	213
Other creditors	73	15
Accruals	593	739
	868	1,076

11 Called up share capital

	2008 £	2007 £
Authorised		
200 ordinary shares of £1 each	200	200
Allotted, and fully paid		
200 ordinary shares of £1 each	200	200

12 Profit and loss account

	£'000
At 1 January 2008	2,008
Profit for the financial year	285
Share based payments credit (FRS 20)	116
At 31 December 2008	2,409

Teva Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008

13 Reconciliation of Movements in Shareholders' Funds

	2008 £'000	2007 £'000
Profit for the year	285	127
Share based payments credit (FRS 20)	116	77
	401	204
Opening shareholders' fund	2,008	1,804
Closing shareholders' funds	2,409	2,008

14 Pensions

The company operates a defined contribution scheme for its employees. The assets of the scheme are held in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted £ 193,172 (2007: £151,879). There was £21,743 (2007: £14,498) of contributions outstanding at the year end.

15 Financial Commitments

At 31 December 2008, the company had annual commitments under non-cancellable operating leases expiring as follows:

	2008 £'000	2007 £'000
Expiring within one year		
- Land and building	125	-
- Other		61
Expiring between two and five years inclusive		
- Land and building	138	138
- Other	32	32
Total	295	231

16 Related party transactions

The company is exempt under the terms of Financial Reporting Standard No 8 "Related party transactions" from disclosing related party transactions with entities that are part of Teva Pharmaceutical Industries Limited or its subsidiaries, as it is a wholly-owned subsidiary of Teva Pharmaceutical Industries Limited whose consolidated financial statements are publicly available.

17 Relationships with patient organisations

The company provides financial support by way of sponsorship of meetings and events and other donations to the following patient organisations:-

The Multiple Sclerosis Trust
The Multiple Sclerosis Society
The Parkinson's Disease Society

Teva Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008

18 Share based payments

Employee stock option scheme

Certain senior employees of the company are entitled to share options and restricted stock units ("RSUs") in the ultimate parent company. Options are granted with a fixed exercise price equal to closing NASDAQ share price at the date of grant. The contractual life of an option and RSU is 5-7 years. Options and RSUs granted will become exercisable in equal proportions on the second, third and fourth anniversary of the date of grant. Exercise of an option and RSU 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.

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 2007 data in the following table has been restated to include stock options relating to an employee which was omitted in error in previous years. The corresponding P&L charge has not been amended as the adjustment is not material.

The table below summarises the share based payment awards under this scheme that were made in 2008 and 2007, together with the assumptions that have been used to calculate the fair values.

	2008	2007 (as restated)
	December 2008	18 December 2007
Date of grant		
Number granted	5,192	14,495
Fair value per option	£6.77	£5.65
Share price at grant	£28.73	£22.48
Exercise price	£28.73	£22.48
Number of employees	2	2
Expected volatility (%pa)	25%	24%
Expected dividends (%pa)	1.1%	0.9%
Risk-free interest rate (%pa)	1.8%	3.7%
Contractual Life	5-7 years	5-7 years
Vesting period	3 years	3 years
Expected life	5 years	5 years

Expected volatility is based on an analysis of the parent company's historical daily share price volatility. The risk-free interest rate is based on observed interest rates appropriate for the expected term of the stock options granted.

Teva Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008

18 Share Based Payments (continued)

At 31 December 2008, options of 73,382 (2007: 69,299) shares in the company's ultimate parent were outstanding and comprised:

	Year of Grant	Exercise Period	Exercise Price £	Number of Options 2008	Number of Options (as restated) 2007
Employee stock option plan	2002	5-7 years	7.68	8,000	8,000
Employee stock option plan	2003	5-7 years	34.42	12,000	12,000
Employee stock option plan	2004	5-7 years	16.10	12,000	12,000
Employee stock option plan	2005	5-7 years	21.83	10,000	10,000
Employee stock option plan	2006	5-7 years	16.40	10,192	11,301
Employee stock option plan	2007	5-7 years	22.48	15,998	15,998
Employee stock option plan	2008	5-7 years	28.73	5,192	-
				73,382	69,299

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

	2008		2007	
	Number	Weighted average exercise price	Number (as restated)	Weighted average exercise price
Outstanding at 1 January	69,299	\$27.57	61,796	\$23.56
Granted	5,192	\$41.42	14,495	\$42.44
Exercised	(1,109)	\$20.58	(4,000)	\$15.10
Forfeited	-	-	(2,992)	\$40.06
Outstanding at 31 December	73,382	\$28.68	69,299	\$31.83
Exercisable at 31 December	41,464	\$24.38	32,000	\$24.24

The weighted average fair value of options granted in the year was \$ 9.90 (2007: \$10.90). The total charge for the year relating to employee share based payment plans was £116,179(2007: £ 76,781), all of which related to equity-settled share based payment transactions.

19 Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party is Teva Pharmaceutical Industries Limited incorporated in Tel Aviv, Israel. The company's immediate parent undertaking is Teva Pharmaceuticals Europe BV incorporated in Mijdrecht, The Netherlands. Teva Pharmaceutical Industries Limited is the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Teva Pharmaceutical Industries Limited may be obtained from Teva Pharmaceuticals Limited, Five Chancery Lane, Clifford's Inn, London, EC4A 1BU.