

Registered no: 1077587

**Teva Pharmaceuticals Limited
Annual report
for the year ended 31 December 2002**



Teva Pharmaceuticals Limited
Annual report for the year ended 31 December 2002

	Pages
Directors and advisers	1
Directors' report	2 – 3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 – 12

Teva Pharmaceuticals Limited

Directors and advisors

1

Directors

Eliahu Hurvitz (resigned 16 January 2004)
Chaim Hurvitz (resigned 16 January 2004)
Dan Suesskind (resigned 16 January 2004)
Aaron Schwartz (resigned 16 January 2004)

Theo Andriessen (appointed 16 January 2004)
Peter Horsman (appointed 16 January 2004)
Glyn Wright (appointed 16 January 2004)

Registered auditors

PricewaterhouseCoopers LLP
Harman House
1 George Street
Uxbridge
Middlesex
UB8 1QQ

Secretary and registered office

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

Solicitors

Denton Hall
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 2002

2

The directors present their report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activities of the company are to carry out clinical trials and marketing of pharmaceutical products within the UK.

Review of business and future developments

The directors expect the general levels of business activity to increase during the forthcoming year.

Results and dividends

The company's profit for the financial year is £142,533 (2001: £155,410). The directors do not recommend the payment of a dividend (2001: £Nil).

Directors

The directors of the company resigned and new directors were appointed on xx January as follows:

Eliahu Hurvitz (resigned 16 January 2004)

Chaim Hurvitz (resigned 16 January 2004)

Dan Suesskind (resigned 16 January 2004)

Aaron Schwartz (resigned 16 January 2004)

Theo Andriessen (appointed 16 January 2004)

Peter Horsman (appointed 16 January 2004)

Glyn Wright (appointed 16 January 2004)

None of the directors had any interest in the share capital of the company at any time during the year.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 7 under Note 1 'Accounting Policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

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.

Directors' report for the year ended 31 December 2002 (continued)

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28 February 2003 and the directors appointed its successor PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board



Director

26th

January 2004

Independent auditors' report to the members of Teva Pharmaceuticals Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom auditing standards issued by the Auditing Practices Board. 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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London

25 January 2004

Teva Pharmaceuticals Limited

5

Profit and loss account for the year ended 31 December 2002

	Note	2002 £	2001 £
Turnover		3,486,765	3,165,873
Operating expenses	2	(3,272,292)	(2,934,055)
Operating profit		214,473	231,818
Interest receivable and similar income		4,820	6,931
Interest payable and similar charges	5	(11,595)	(13,161)
Profit on ordinary activities before taxation	6	207,698	225,588
Tax on profit on ordinary activities	7	(65,165)	(70,178)
Retained profit for the financial year	13	142,533	155,410
Retained profit at 1 January		415,313	259,903
Retained profit at 31 December		557,846	415,313

All of the above results are derived from continuing operations.

The company has no recognised gains or losses other than these reflected in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses has been presented.

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

Teva Pharmaceuticals Limited
Balance sheet at 31 December 2002

6

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	8	113,328	103,408
Current assets			
Debtors	9	1,143,401	1,394,521
Cash at bank and in hand		452,359	601,905
		1,595,760	1,996,426
Creditors: amounts falling due within one year	10	(1,146,452)	(1,676,784)
Net current assets		449,308	319,642
Total assets less current liabilities		562,636	423,050
Provisions for liabilities and charges	11	(4,590)	(7,537)
Net assets		558,046	415,513
Capital and reserves			
Called up share capital	12	200	200
Profit and loss account		557,846	415,313
Equity shareholders' funds	13	558,046	415,513

The financial statements on pages 5 to 12 were approved by the board of directors on 26th January 2004 and were signed on its behalf by:


P Horsman
Director


G Wright
Director

Notes to the financial statements for the year ended 31 December 2002**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. The principal accounting policies, which have been applied consistently through the year, with the exception of the adoption of FRS 19 "Deferred tax" during the year, are set out below.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Pension scheme

The company operates a money purchase pension scheme for the benefit of employees of the company. Contributions are charged to the profit and loss account on a payable basis.

Cash flow statement

In accordance with Financial Reporting Standard 1 (revised 1996), the company is exempt from preparing a cash flow statement, as it is a wholly owned subsidiary of Teva Pharmaceutical Industries Limited, whose consolidated financial statements are publicly available.

Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated, so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over the expected useful economic lives at the following rate:

Computer Equipment	20% per annum
Fixtures and fittings	15% per annum

Operating leases

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

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year and the exchange differences arising are taken to the profit and loss account in the year in which they arise.

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 bases 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 a non-discounted basis.

On adoption of FRS 19, the company has changed its accounting policy in respect of deferred taxation, although there has been no impact on the current year balances or the prior year comparatives.

**Notes to the financial statements for the year ended 31 December 2002
(continued)**

2 Operating expenses

	2002 £	2001 £
Operating expenses		
Selling and marketing	1,695,972	878,565
Administration	547,983	273,082
Clinical trials expenditure	1,028,337	1,782,408
	3,272,292	2,934,055

3 Directors' emoluments

None of the directors received any emoluments during the year in respect of services to the company (2001: £Nil).

4 Employee information

The average weekly number of persons (excluding executive directors) employed by the company during the year was:

	2002 No.	2001 No.
By activity		
Marketing	5	4
Clinical Trials	8	7
	13	11
	2002 £	2001 £
Staff costs (for the above persons)		
Wages and salaries	798,691	574,694
Social security costs	61,619	27,614
Other pension costs	88,980	63,807
	949,290	666,115

5 Interest payable and similar charges

	2002 £	2001 £
Bank charges	2,779	2,345
Payable to group undertakings	8,816	10,816
	11,595	13,161

Notes to the financial statements for the year ended 31 December 2002 (continued)

6 Profit on ordinary activities before taxation

	2002 £	2001 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets		
- owned assets	42,500	25,500
Operating lease charges		
- plant and machinery	51,461	34,936
- Other	50,000	50,000
Auditors' remuneration:		
Audit services	7,000	7,000
Other services	3,536	-

7 Tax on profit on ordinary activities

	2002 £	2001 £
Current tax:		
UK corporation tax on profits of the period	64,800	70,000
Adjustment in respect of previous periods	3,312	-
Total current tax	68,112	70,000
Deferred tax		
Origination and reversal of timing differences	(2,947)	178
Total deferred tax (note 11)	(2,947)	178
Tax on profit on ordinary activities	65,165	70,178

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	207,698	225,588
Profit on ordinary activities multiplied by standard rate in the UK 30% (2001: 30%)	62,309	67,676
Effects of:		
Disallowable items	(457)	2,502
Depreciation in excess of capital allowances	2,948	(178)
Current tax charge for the period	64,800	70,000

**Notes to the financial statements for the year ended 31 December 2002
(continued)**

8 Fixed assets

	Computer Equipment £	Fixtures & Fittings £	Total £
Cost			
At 1 January 2002	103,021	36,327	139,348
Additions	44,482	7,938	52,420
At 31 December 2002	147,503	44,265	191,768
Depreciation			
At 1 January 2002	27,762	8,178	35,940
Charge for the year	38,000	4,500	42,500
At 31 December 2002	65,762	12,678	78,440
Net book value			
At 31 December 2002	81,741	31,587	113,328
At 31 December 2001	75,259	28,149	103,408

9 Debtors

	2002 £	2001 £
Amounts falling due within one year		
Amounts due from group undertakings	1,033,214	1,272,388
VAT recoverable	85,404	34,778
Prepayments and accrued income	24,783	87,355
	1,143,401	1,394,521

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

**Notes to the financial statements for the year ended 31 December 2002
(continued)**

10 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	72,897	3,045
Amounts due to group undertakings	229,007	851,300
Corporation tax	33,319	62,024
Other taxation and social security	23,555	22,118
Accruals and deferred income	773,918	724,500
Other creditors	13,756	13,797
	1,146,452	1,676,784

Included within "Amounts due to group undertakings" is an unsecured intercompany loan of £210,000, that in 2002 accrued interest at an effective rate of 5.5%.

11 Provisions for liabilities and charges

The provision for deferred tax comprises:

	2002 £	2001 £
Excess of capital allowances over depreciation	4,590	7,537
	4,590	7,537

The movement on deferred taxation comprises:

	£
At 1 January 2002	7,537
Released to profit and loss account (note 7)	(2,947)
At 31 December 2002	4,590

12 Share capital

	2002 £	2001 £
Authorised		
200 (2001: 200) ordinary shares of £1 each	200	200
Called up, allotted, and fully paid		
200 (2001: 200) ordinary shares of £1 each	200	200

Notes to the financial statements for the year ended 31 December 2002 (continued)

13 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Opening shareholders' funds	415,513	260,103
Profit for the financial year	142,533	155,410
Closing shareholders' funds	558,046	415,513

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 to £ 88,980 (2001: £63,807). There was £6,819 (2001: £nil) of contributions outstanding at the year end.

15 Financial commitments

At 31 December 2002, the company had annual commitments under non-cancellable operating leases as follows:

	2002 £	2001 £
Land and buildings		
Expiring in more than five years	50,000	50,000
Plant and machinery		
Expiring within one year	9,289	10,382
Expiring between two and five years inclusive	41,285	24,554
	100,574	84,936

16 Related party transactions

The company is exempt under the terms of Financial Reporting Standard No 8 "Related party transactions" from disclosing details of transactions with either its parent company, or fellow subsidiaries, as it is a wholly-owned subsidiary of another group company.

17 Ultimate parent company

The company is a wholly owned subsidiary of Teva Pharmaceuticals Europe BV, Mijdrecht, The Netherlands. The ultimate holding company and controlling party is Teva Pharmaceutical Industries Limited, Tel Aviv, Israel, in whose accounts the company's results are consolidated.

Copies of the consolidated accounts of Teva Pharmaceutical Industries Limited can be obtained from Teva Pharmaceuticals Limited, Barclays House, 1 Gatehouse Way, Aylesbury, Bucks, HP19 8DB.