

Boehringer Ingelheim Animal Health UK Limited

**Annual Report and Financial Statements
31 December 2021**

Registered No. 01961886

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Strategic Report
For the Year Ended 31 December 2021

The directors present their Strategic Report on the affairs of the company for the year ended 31 December 2021.

Review of the business

Boehringer Ingelheim Animal Health UK Limited ("the company") manufactures, markets and distributes animal health products and veterinary medicines which are sold within the United Kingdom and the rest of the European Union.

The results for the company show a loss before tax for the year of £1.2m (2020: profit before tax £3.4m) and turnover of £150.4m (2020: £144.2m).

The prevailing market environment continues to be one of strong competition and indirect customer consolidation as well as the growing influence of internet sales. Nevertheless, the company saw a 7% rise in sales within the domestic market (being the United Kingdom and Ireland), all of which are made to third parties, as sales increased from £111.9m to £119.5m. This was mainly due an increase in volume growth of commercial sales across the portfolio including a significant rise in online sales.

The value of manufacturing output, consisting of foot and mouth disease vaccines, which are all sold on an intercompany basis outside of the United Kingdom and Ireland, remained stable. This part of the business is subject to demand levels generated elsewhere within the group.

The directors use a range of regular Key Performance Indicators (KPIs) to assess the development of the business.

In commercial operations the areas of focus include measurement of wholesaler sales out into the market, market share analyses, sales analyses versus plan and prior periods and the expansion of new products. The directors feel that disclosures of values and performance under those headings would be prejudicial to the business.

In the manufacturing division these include analyses of production variances against standard, the value and causes of inventory reserves/destructions and analyses of cost based spending. Manufacturing performance was slightly below that of the prior year, with increased idle capacity and a higher value of destructions. Production variances were, again, unfavourable. The directors feel that disclosures of values and performance under those headings would be prejudicial to the business.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are in the following areas:

The company operates in a highly competitive market in which it faces competition from both proprietary and generic products. Therefore significant technical innovations or intensifications of price competition by competitors have the potential to adversely affect the company's financial results.

The company relies on retaining, and where necessary, recruiting employees with a range of skills necessary to ensure that it can meet its annual objectives and fulfil its longer term plans. Where the supply of people with the requisite skill sets is limited, the company will face competition to attract and retain the most talented people. The inability to attract and retain such people or to have effective succession planning in place for critical positions may adversely affect the company's results.

The products offered in the market in which the company operates are subject to regulatory classifications. Changes in the classification of competitor products have the potential to reduce the company's market share in certain channels it supplies and could lead to a reduction of turnover and margins for those products affected.

Strategic Report (continued)
For the Year Ended 31 December 2021**Principal risks and uncertainties (continued)**

The company has an established risk and financial management framework where the primary objective is to protect the company from events that hinder the achievement of the company's performance objectives. The framework aims to limit undue counterparty exposure, ensure sufficient working capital exists and to monitor the management of risk on an ongoing basis.

Since the identification of a novel strain of coronavirus ("COVID-19") in December 2019, COVID-19 has spread globally and the company has adapted to continue with its normal business operations. Employees have been able to work effectively from home when required with increased digital interaction with customers. The company's supply chain has been successfully maintained and as such, the company managed to maintain net sales and costs since the balance sheet date up to the date of approval of these financial statements.

Interaction with stakeholders to promote the success of the company

Under s172 (1) CA 2006, the directors have a duty to act in good faith and to promote the success of the company whilst having regard to interactions with key stakeholders. As an animal health company, the needs and welfare of all animal patients is at the centre of every decision taken. If the company is doing the right thing for the patient then this will only help the success of the company going forwards.

The company also sees that its number one priority is its employees and takes into account employee needs and input in major decisions by making use of its Information and Consultation Forum – please see the additional comments on Employee Involvement in the Directors' report.


The company understands the need to have positive working relationships with all suppliers and regularly reports on its payment practices in the gov.uk portal. The company also has a supplier code of conduct which can be found on the company's internet page.

The company understands its impact on the local community and environment and has various ongoing initiatives including Sustainable Development - For Generations. As part of this initiative, the company has launched a recyclable equine inhaler device which has had a beneficial impact on its carbon footprint.

The company has high standards of business conduct and this is enshrined in the company's Code of Conduct which can be found on the company's internet page. The Code of Conduct is shared with all direct customers and suppliers.

The directors are satisfied with the position of the company at the year end.

This report was approved by the Board on 25 May 2022 and signed on its behalf

DocuSigned by:

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B Moynihan
Director

Directors' Report
For the Year Ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The loss for the year amounted to £0.2m (2020: profit £1.2m).

The directors do not recommend the payment of a dividend in respect of the year (2020: £nil).

Future developments

The company seeks to deal positively with market changes. The Boehringer Ingelheim Group is focusing on continually building on its achievements through innovation and therapeutic progress. This vision helps to foster value through innovation throughout the company and to look to the future with constantly renewed commitment and ambition.

Financial Risk Management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, exchange risk, credit risk, liquidity risk, interest rate risk and cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects of movement in foreign currencies and cash flow risk by monitoring levels of currency exposure and the related finance costs. The company does not use derivative financial instruments to manage interest costs and as such, no hedge accounting is applied. The company had no bank loans or overdrafts at the balance sheet date (2020: £nil). The company monitors its credit risk by continually reviewing the financial strength of both its suppliers and customers. The company maintains a mixture of long term and short term finance that is designed to ensure the company has sufficient funds available for operations.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements unless otherwise indicated, were:

U Bose
B Moynihan
G Ensink

Directors' indemnities

The company maintains liability insurance for its directors and officers, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Research and development activities

Primary product research and development is largely carried out elsewhere within the Boehringer Ingelheim global group of companies but the company continues to invest in technology and product development processes in order to provide a high level of support to its customers.

Employees

Employee numbers

There was a monthly average number of 258 employees during the year (2020: 258).

Employee involvement

Involving staff in the business is an important objective of company management. Active steps are taken to communicate business results and developments. Specific steps are taken to generate opportunities for consultation on current issues, the implications of main decisions and to gain ideas for improving results by changing company operations. Regular staff surveys check on employees' attitudes, wellbeing and views on the group.

Directors' Report (continued)
For the Year Ended 31 December 2021**Employees (continued)**

The company participates fully in the Boehringer Ingelheim European Forum (a European Works Council) which meets annually. Two representatives from the United Kingdom, elected directly by employees, attend to discuss developments in the international business including sales and profit performance, investment strategies and various personnel and safety matters.

Communication and involvement of employees is therefore taken seriously and all managers have regular staff discussions. Company news is updated on the intranet regularly. The parent company's Annual Report is distributed each year. Health and safety improvements are given the highest priority and the company's health and safety record is reviewed regularly by the Executive Management Group.

Employment of disabled persons

Full consideration is given to applications for employment made by disabled persons having regard to their particular aptitude and abilities. When a disabled person is employed or an employed person becomes disabled during the year, appropriate training and retraining is arranged, as necessary, to ensure as far as possible their progress within the organisation. Any reasonable amendments to equipment or work facilities needed to ensure the normal continuation of their work are made as appropriate.

Business Relationships

The directors have had regard to the company's need to foster business relationships with suppliers, customers and others. Further information is provided in our Strategic Report.

Streamlined Energy and Carbon Reporting (SECR)

In accordance with new reporting requirements introduced by the UK government for accounting periods beginning on or after 1 April 2019, the greenhouse gas (GHG) emissions and energy use by Boehringer Ingelheim Animal Health UK Limited operations in the United Kingdom during the financial period ending 31 December 2021 are recorded in the table below and include the carbon intensity metric, total gross emissions by unit turnover/revenue (tCO₂e/£M).

Emissions data for year ended 31 December 2021	2021	2020
Energy consumption: Fuels (MWh)	5,205	6,665
Purchases electricity/heat/steam (MWh)	5,544	5,401
Total energy consumption (MWh)	10,749	12,066
Emissions from energy consumption tCO ₂ e	2,282	2,813
Emissions from other activities (water extraction and waste tCO ₂ e)	49	53
Business travel	63	53
GHG emissions by scope		
Scope 1	1,143	1,432
Scope 2	1,547	1,506
Scope 3	118	122
Total Scope 1, Scope 2 and Scope 3 emissions tCO ₂ e	2,808	3,060
Total emissions	5,202	5,979
Total GHG emissions per unit turnover/revenue (tCO ₂ e/£M)	0.03	0.02

All data converted to kgCO₂e using United Kingdom Government GHG Conversion Factors. Multiplied by 0.001 to calculate tCO₂e

Boehringer Ingelheim Animal Health UK Limited is committed to making all reasonable efforts to minimise the impact placed on the environment as a result of business activities. As an organisation we seek to reduce the burden placed on the environment through sustainable business practices and providing sustainable products and services globally by regularly reviewing the environmental aspects and impacts associated with the company's activities and monitoring environmental performance and ensure a process of continual improvement is maintained. Non-essential air travel is discouraged throughout the business, and the holding of virtual meetings has been supported by an increase in the provision of audio and video conferencing technology during the pandemic.

Directors' Report (continued)
For the Year Ended 31 December 2021

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

Independent auditors

C.H. Boehringer Sohn AG & Co. KG has appointed KPMG LLP as its group auditors and they have also been appointed as auditors of this company.

The financial statements on pages 9 to 28 were approved by the Board of Directors on 25 May 2022 and signed on its behalf by

DocuSigned by:

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B Moynihan
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOEHRINGER INGELHEIM ANIMAL HEALTH UK LIMITED

Opinion

We have audited the financial statements of Boehringer Ingelheim Animal Health UK Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 3.

In our opinion the 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 UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We performed procedures including:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and other relevant meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

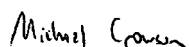
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. ,

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Michael Crowson (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants, 2 Forbury Place, 33 Forbury Road, Reading, RG1 3AD

26 May 2022

**Statement of Comprehensive Income
For the Year Ended 31 December 2021**

	Note	2021 £000	2020 £000
Turnover	5	150,422	144,171
Cost of sales		(95,776)	(92,220)
Gross profit		54,646	51,951
Distribution costs		(4,179)	(3,487)
Administrative expenses		(57,755)	(57,060)
Other operating income	6	6,688	12,790
Operating (loss)/profit	6	(600)	4,194
Interest receivable and similar income		-	18
Interest payable and similar expenses	8	(641)	(829)
(Loss)/profit before tax		(1,241)	3,383
Tax on loss/(profit)	9	1,027	(2,154)
(Loss)/profit for the financial year		(214)	1,229

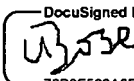
The notes on pages 12 to 28 form part of these financial statements.

All income and expenses have been dealt with through the Statement of Comprehensive Income, there is no other comprehensive income.

Balance Sheet
As at 31 December 2021

	Note	2021 £000	2020 £000
Intangible assets	10	7,340	8,429
Tangible assets	11	20,534	13,522
		<u>27,874</u>	<u>21,951</u>
Current assets			
Stocks	12	63,741	65,330
Debtors: amounts falling due within one year	13	32,586	29,148
		<u>96,327</u>	<u>94,478</u>
Creditors: amounts falling due within one year	15	(103,435)	(95,488)
Net current liabilities		<u>(7,108)</u>	<u>(1,010)</u>
Total assets less current liabilities		<u>20,766</u>	<u>20,941</u>
Provisions for liabilities	16	(64)	(25)
Net assets		<u><u>20,702</u></u>	<u><u>20,916</u></u>
Capital and reserves			
Called up share capital	18	1,850	1,850
Share premium account		29,348	29,348
Profit and loss account deficit		(10,496)	(10,282)
Total equity		<u><u>20,702</u></u>	<u><u>20,916</u></u>

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 25 May 2022.

DocuSigned by:

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 Director

Boehringer Ingelheim Animal Health UK Limited
Company No. 01961886

The notes on pages 12 to 28 form part of these financial statements.

**Statement of Changes in Equity
For the Year Ended 31 December 2021**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance as at 1 January 2020	1,850	29,348	(11,511)	19,687
Comprehensive income for the year				
Profit for the year	-	-	1,229	1,229
Total comprehensive income for the year	-	-	1,229	1,229
Balance as at 31 December 2020	<u>1,850</u>	<u>29,348</u>	<u>(10,282)</u>	<u>20,916</u>
Balance as at 1 January 2021	1,850	29,348	(10,282)	20,916
Comprehensive income for the year				
Loss for the year	-	-	(214)	(214)
Total comprehensive expense for the year	-	-	(214)	(214)
Balance as at 31 December 2021	<u>1,850</u>	<u>29,348</u>	<u>(10,496)</u>	<u>20,702</u>

The notes on pages 12 to 28 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2021****1. General information**

Boehringer Ingelheim Animal Health UK Limited is a private company limited by share capital, incorporated in the United Kingdom and registered in England and Wales under company number 01961886. Its registered office address is Ellesfield Avenue, Bracknell, Berkshire RG12 8YS.

2. Statement of compliance

The financial statements of Boehringer Ingelheim Animal Health UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going Concern

Notwithstanding a loss for the year of £0.2m and net current liabilities of £7.1m the financial statements have been prepared on a going concern basis which the directors consider appropriate for the following reasons:

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements ("the going concern period") which indicate that, taking account of reasonably possible downsides, including the impact of COVID-19 and the company's continued access to the Boehringer Ingelheim Auslandsbeteiligungs GmbH cash-pooling facility, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

3. Accounting policies (continued)

(c) Financial Reporting Standard 102 - reduced disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions. The exemptions that have been utilised are:

- (i) a reconciliation of the number of shares outstanding at the beginning and end of the period. [FRS 102 para 4.12(a)(iv)]; and
- (ii) preparing a statement of cashflows, on the basis that it is a qualifying entity and its ultimate parent company, C.H.Boehringer Sohn AG & Co. KG includes the company's cash flows in its own consolidated financial statements. [FRS 102 paragraph 1.12(b)].

(d) Foreign currency translation

The company's functional and presentation currency is the pound sterling. Monetary assets and liabilities are converted into local currency at the exchange rate as at the balance sheet date, with any gains or losses recognised in the profit and loss statement. Transactions during the year are converted into local currency at the exchange rate prevailing in the month of the transaction.

(e) Revenue recognition

Revenue represents the sale of goods at invoiced value, excluding value added tax, less rebates and discounts, on an accruals basis. Revenue is recognised when the product is despatched to the customer and the significant risks and rewards of ownership have been transferred to the buyer. An estimate is made of outstanding rebates due on sales made during the year based on available information and management judgement.

Other operating income includes the intra-group recharge of costs for provision of manufacturing and services to other group companies.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

3. Accounting policies (continued)

(f) Employee benefits

(i) Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

(g) Current and deferred taxation

Tax 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 tax 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.

Notes to the Financial Statements
For the Year Ended 31 December 2021**3. Accounting policies (continued)****(g) Current and deferred 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 except for certain exceptions. 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.

(h) Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Software

Amortisation is calculated, using the straight line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software	-	20 - 33%
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Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of identifiable net assets acquired. Goodwill arising on acquisitions has been capitalised and is amortised through the Statement of Comprehensive Income on a straight-line basis over its estimated economic life. Goodwill is assessed for impairment when there are indicators of impairment. Any impairment is charged to the Statement of Comprehensive Income. No reversals of impairment are recognised.

Goodwill of £10.9m arising on the acquisition of the animal health business in 2018 (see note 10) has been capitalised and is amortised through the Statement of Comprehensive Income on a straight-line basis over its estimated economic life which has been assessed by the directors to be 10 years.

Notes to the Financial Statements
For the Year Ended 31 December 2021**3. Accounting policies (continued)****(i) Tangible assets**

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

(i) Leasehold building and land improvements

Leasehold building and land improvements are stated at deemed cost less accumulated depreciation and any accumulated impairment losses.

(ii) Plant, machinery and equipment

Plant, machinery and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

(iii) Depreciation and residual values

Depreciation is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives as follows:

Leasehold building and land improvements	-	5 - 10%
Plant, machinery and equipment	-	7 - 33%

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(iv) Subsequent additions

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced asset is derecognised.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(v) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating expenses'.

(j) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Notes to the Financial Statements
For the Year Ended 31 December 2021**3. Accounting policies (continued)****(j) Leased assets (continued)***(ii) Finance leased assets*

The company does not hold any assets under finance leases.

(k) Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the period in which the related revenue is recognised.

Cost includes the purchase price, including taxes, duties, transport and handling directly attributable to bringing the stock to its present location and condition.

At the end of each reporting period stocks are assessed for any impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the Statement of Comprehensive Income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the Statement of Comprehensive Income.

(l) Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and intercompany balances.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(m) Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Notes to the Financial Statements
For the Year Ended 31 December 2021**(n) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Reserves

Share premium and other reserves are recognised as a liability in the financial statements in the period in which movements in these reserves occur. These amounts are recognised in the statement of changes in equity. Retained earnings represents accumulated comprehensive income for the year and prior periods less dividends paid.

(p) Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

4. Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Rebates

Sales rebate accruals are established in the same period as the related sales. The sales rebate accruals are recorded as a reduction in sales and are included in the relevant balance sheet account. The accruals are based upon historical rebate payments and also take into account future expectations on rebate payments. They are calculated based upon a percentage of sales for each product as defined by the contracts with the various customer groups. Regular reviews within the business are mandatory to ensure external factors are taken into consideration in the calculation of any required accruals.

(ii) Inventory

It is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 12 for net carrying amount of the inventory.

**Notes to the Financial Statements
For the Year Ended 31 December 2021****5. Turnover**

Analysis of turnover by geographical market:

	2021 £000	2020 £000
United Kingdom	119,448	111,859
Rest of the world	30,974	32,312
	<u>150,422</u>	<u>144,171</u>

Analysis of turnover by category:

	2021 £000	2020 £000
Animal Health	150,422	144,171
	<u>150,422</u>	<u>144,171</u>

6. Operating loss/profit

The operating loss/profit is stated after charging/(crediting):

	2021 £000	2020 £000
Wages and salaries	17,659	15,374
Social security costs	2,478	2,478
Other pension costs	1,739	1,443
Staff costs	<u>21,876</u>	<u>19,295</u>
Depreciation of tangible fixed assets (note 11)	1,888	1,479
Loss on disposal of tangible fixed assets	57	3
Amortisation of intangible assets (note 10)	1,089	1,096
Loss on disposal of intangible assets	-	3
Foreign exchange loss/(gain) for the year	316	(483)
Impairment of inventory (included in 'cost of sales')	7,575	5,239
Inventory recognised as an expense	88,482	86,990
Operating lease payments	960	878
Other operating income	(6,688)	(12,790)
Fees paid to the company's auditor for:		
- Audit of the company	74	64
- Other services	104	72

Other operating income includes the inter group recharge of costs for provision of manufacturing and services to other group companies.

Notes to the Financial Statements
For the Year Ended 31 December 2021**7. Employees and directors****Employees**

The average monthly number of employees, including the directors, during the year was as follows:

	2021	2020
	No.	No.
Production	116	121
Selling and distribution	91	92
Office and management	51	45
	258	258

Directors

	2021	2020
	£000	£000
The directors' emoluments were as follows:		
Aggregate emoluments	401	390
Aggregate amounts (excluding shares) received under long term incentive schemes		-
Number of directors in defined contribution pension scheme	1	2

One director (2020: nil) is accruing benefits under a long term incentive scheme.

Highest paid director

The highest paid director's emoluments were as follows:

Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	401	362
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The highest paid director has accrued benefits under a long term incentive scheme in 2021.

Key management remuneration

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2021	2020
	£000	£000
Salaries and other short term benefits	778	657
Post employment benefits	51	39
	829	696

8. Interest payable and similar expenses

	2021	2020
	£000	£000
Interest on amounts owed to group undertakings	641	829
	641	829

Notes to the Financial Statements
For the Year Ended 31 December 2021**9. Tax on loss/profit****(a) Tax expense included in the loss/profit:**

	2021	2020
	£000	£000
Current tax		
Current income tax (credit)/charge	-	-
Adjustment in respect of previous periods	-	(103)
	<u>-</u>	<u>(103)</u>
Total current tax	<u>-</u>	<u>(103)</u>
Deferred tax		
Origination and reversal of timing differences	(494)	795
Adjustment in respect of previous periods	(533)	1,462
	<u>(1,027)</u>	<u>2,257</u>
Total deferred tax	<u>(1,027)</u>	<u>2,257</u>
Tax on loss/profit	<u>(1,027)</u>	<u>2,154</u>

Notes to the Financial Statements
For the Year Ended 31 December 2021**9. Tax on profit (continued)****(b) Reconciliation of tax (credit)/charge**

The tax assessed on the (loss)/profit before taxation for the year is higher (2020: higher) than the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%). The differences are reconciled below:

	2021	2020
	£000	£000
(Loss)/profit before taxation	(1,241)	3,383
(Loss)/profit multiplied by standard rate of corporation tax in the United Kingdom of 19% (2020: 19%)	(236)	643
Effects of:		
Expenses not deductible for tax purposes	41	34
Adjustments in respect of previous periods	(533)	1,359
Timing differences recognised	(386)	805
Tax losses carried forward	87	-
Tax losses carried utilised	-	(687)
Total tax (credit)/charge for the year	(1,027)	2,154

(c) Tax rate changes

The tax rate for the current year is the same as the prior year, the United Kingdom corporation tax rate which decreased from 20% to 19% from 1 April 2017.

**Notes to the Financial Statements
For the Year Ended 31 December 2021****10. Intangible assets**

	Goodwill	Computer software	Total
	£000	£000	£000
Cost			
At 1 January 2021	10,875	13	10,888
Additions	-	-	-
Disposals	-	-	-
At 31 December 2021	10,875	13	10,888
Accumulated amortisation			
At 1 January 2021	2,448	11	2,459
Charge for the year	1,088	1	1,089
Disposals	-	-	-
At 31 December 2021	3,536	12	3,548
Net book value			
At 31 December 2021	7,339	1	7,340
At 31 December 2020	8,427	2	8,429

The goodwill arose on the acquisition of the animal health business from Boehringer Ingelheim Limited in 2018.

Notes to the Financial Statements
For the Year Ended 31 December 2021**11. Tangible assets**

	Leasehold building and land improvements £000	Plant, machinery and equipment £000	Total £000
Cost or valuation			
At 1 January 2021	15,516	28,639	44,155
Additions	600	8,357	8,957
Disposals	(27)	(61)	(88)
At 31 December 2021	<u>16,089</u>	<u>36,935</u>	<u>53,024</u>
Accumulated depreciation			
At 1 January 2021	14,000	16,633	30,633
Charge for the year	377	1,511	1,888
Disposals	(27)	(4)	(31)
At 31 December 2021	<u>14,350</u>	<u>18,140</u>	<u>32,490</u>
Net book value			
At 31 December 2021	<u>1,739</u>	<u>18,795</u>	<u>20,534</u>
At 31 December 2020	<u>1,516</u>	<u>12,006</u>	<u>13,522</u>

Notes to the Financial Statements
For the Year Ended 31 December 2021**12. Stocks**

	2021	2020
	£000	£000
Raw materials and work in progress	20,764	16,054
Finished goods and goods for resale	42,977	49,276
	63,741	65,330

13. Debtors: amounts falling due within one year

	2021	2020
	£000	£000
Trade debtors	28,280	26,987
Amounts owed by group undertakings	1,619	191
Other debtors	444	387
Prepayments and accrued income	1,054	1,001
Tax recoverable	582	582
Deferred taxation (note 14)	607	-
	32,586	29,148

Amounts owed by group undertakings are current, unsecured and repayable on demand. Interest is earned on amounts receivable at LIBOR less 0.25% (2020: LIBOR less 0.25%).

Notes to the Financial Statements
For the Year Ended 31 December 2021**14. Deferred tax**

	2021	2020
	£000	£000
Deferred tax (asset)/liability		
Accelerated capital allowances	766	1,127
Tax losses carried forward	(1,016)	(675)
Other short term timing differences	(357)	(32)
	<u>(607)</u>	<u>420</u>

Disclosed in the company Balance Sheet:

	2021	2020
	£000	£000
Deferred tax asset as 1 January	420	(1,837)
Deferred tax (credit)/charge in the income statement	(1,027)	2,257
Deferred tax (asset)/liability at 31 December	<u>(607)</u>	<u>420</u>

Deferred tax in the Statement of Comprehensive Income:

	2021	2020
	£000	£000
Accelerated capital allowances	361	1,152
Tax losses carried forward	341	1,080
Other short term timing differences	325	25
Deferred tax credit	<u>1,027</u>	<u>2,257</u>

Unrecognised tax losses

The company has recognised tax assets of £1.0m (2020: £0.7m) in respect of tax losses which arose in the United Kingdom that are available for offset against future taxable profits of the company; directors believe they are recoverable based on future forecasts.

**Notes to the Financial Statements
For the Year Ended 31 December 2021****15. Creditors: Amounts falling due within one year**

	2021	2020
	£000	£000
Trade creditors	4,252	5,027
Amounts owed to group undertakings	73,860	72,589
Other taxation and social security	4,238	3,680
Other creditors	23	518
Accruals and deferred income	21,062	13,254
Deferred taxation (note 14)	-	420
	<u>103,435</u>	<u>95,488</u>

Amounts owed to group undertakings are current, unsecured and repayable on demand. Interest is charged on amounts owed at LIBOR plus 0.75% (2020: LIBOR plus 0.75%).

16. Provisions for liabilities

	2021
	£000
	SMP
At 1 January	25
Profit and loss account	39
Provision utilised in year	-
	<u>64</u>
At 31 December	<u>64</u>

The Senior Management Programme (SMP) is a bonus scheme based on the global performance of the Boehringer Ingelheim Group and is paid out when certain conditions are met.

17. Financial instruments

The company has the following financial instruments:

	Note	2021	2020
		£000	£000
Financial assets that are debt instruments measured at amortised cost:			
Trade debtors	13	28,280	26,987
Amounts owed by group undertakings	13	1,619	191
Other debtors	13	444	387
		<u>30,343</u>	<u>27,565</u>
Financial liabilities measured at amortised cost:			
Trade creditors	15	4,252	5,027
Amounts owed to group undertakings	15	73,860	72,589
Other creditors	15	23	518
Accruals and deferred income	15	21,062	13,254
		<u>99,197</u>	<u>91,388</u>

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

18. Called up share capital	2021	2020
	£000	£000

Shares classified as equity**Allotted, called up and fully paid**

1,850,000 (2020: 1,850,000) Ordinary shares of £1 each	1,850	1,850
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No dividends have been proposed or paid in the year (2020: £nil).

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

19. Capital commitments

At 31 December 2021 the company had capital commitments as follows:

	2021	2020
	£000	£000
Contracted for but not provided in these financial statements	379	3,366
	379	3,366

20. Commitments under operating leases

At 31 December 2021 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2021	2020
	£000	£000
Not later than 1 year	704	659
Later than 1 year and not later than 5 years	1,372	1,715
	2,076	2,374

21. Ultimate parent undertaking and controlling party

The company is controlled by its immediate holding company Boehringer Ingelheim Animal Health International GmbH, which is incorporated in Germany.

The ultimate parent company and controlling party is C. H. Boehringer Sohn AG & Co. KG, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. The consolidated financial statements are publicly available at: Boehringer Ingelheim, D-55216, Ingelheim am Rhein, Germany.