

Boehringer Ingelheim Limited

**Directors' Report and
Consolidated Financial Statements**

31 December 2013

Registered No. 00711858

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Strategic Report

The Directors submit their strategic report on the group and the company for the year ended 31 December 2013.

Review of the Business

The group operates in the pharmaceutical business which has a complex and regulated environment. Management use and review many Key Performance Indicators (KPIs) as follows:

Turnover increased from £352.9m in 2012 to £402.0m in 2013. The group made a profit on ordinary activities before taxation of £24.0m (2012: £14.7m). The group's turnover relates to its three business sales units - Prescription Medicines, Consumer Healthcare and Animal Health. Turnover in the year increased primarily due to growth of core products. Management also monitor the group's market share (based on ex-factory sales and parallel trade) and the growth within that market.

2013 (2012)	Market Size	Market Growth	BI Growth in Market	Rank	Share of Market
PM UK	£14.74bn (£13.90bn)	5.7% (1.4%)	9.8% (5.1%)	11th (11th)	2.5% (2.45%)
PM Ireland	€1.46bn (€1.51bn)	-5.5% (4.1%)	-1.8% (9.3%)	12th (12th)	2.5% (2.4%)
Consumer Healthcare	£2.38bn (£2.31bn)	3.6% (1.7%)	1.8% (3.1%)	15th (15th)	0.8% (0.8%)
Animal Health	£769m (£729m)	5.6% (7.7%)	7.1% (5.3%)	5th (5th)	7.4% (7.3%)

Prescription Medicine Sales

Turnover increased from £299.6m in 2012 to £347.8m in 2013. The main drivers behind this was a strong increase in net sales of the group's blockbuster drug, Spiriva®, for treatment of Chronic Obstructive Pulmonary Disease together with growth in two recently launched products - Pradaxa® for treatment of Atrial Fibrillation and Trajenta® for treatment of Diabetes.

Consumer Healthcare Sales

Turnover for Consumer Healthcare increased from £18.1m in 2012 to £19.9m in 2013 due to increased sales of existing products.

Animal Health Sales

Turnover for Animal Health dropped from £35.2m in 2012 to £34.2m in 2013 due to increased generic competition.

Future Developments

The group seeks to deal positively with market changes, particularly within the NHS. The group is focusing on continually building on its achievements through innovation and therapeutic progress. This vision helps to foster value through innovation throughout the group and to look to the future with constantly renewed commitment and ambition.

Principal Risks and Uncertainties

Principal risks facing the business are increased generic competition and parallel trade, together with ongoing market access issues. The risks regarding increased generic competition and ongoing market access issues are managed and mitigated by continued research and development of new products and ongoing internal initiatives to enable the company to best support its customers. The company does not seek to encourage or prohibit parallel trade.

A new Pharmaceutical Price Regulation Scheme (PPRS) scheme came into place on 1 January 2014. As part of this new scheme in 2014 the company is required to pay 3.74% of sales on existing products to the Department of Health. In future years of the scheme, this percentage will be based on the future NHS drugs bill.

The Directors are satisfied with the position of the group and company at the year end.

On behalf of the board,


Mr B Moynihan
Finance & Administration Director

20 May 2014

Directors' Report

The Directors submit their report and the audited consolidated financial statements of the group and the company for the year ended 31 December 2013.

Results and Dividends

The group's consolidated profit for the financial year was £18.8m (2012: £10.6m). The directors did not propose any dividend in 2013. The directors proposed and paid an interim dividend during 2012 of £20.0m.

Political donations

The group has made no donations to any political party in the year (2012: £nil).

Financial Risk Management

The group'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 group 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 group does not use derivative financial instruments to manage interest costs and as such, no hedge accounting is applied. The group had no bank loans or overdrafts at the balance sheet date (2012 : £nil). The group monitors its credit risk by continually reviewing the financial strength of both its suppliers and customers. The group 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 who held office during the year and up to the date of signing the financial statements, except as otherwise indicated, were as follows:

Mr J Dixon	Managing Director (Resigned 31 Dec 2013)
Ms Z Krumins	Managing Director (Appointed 01 Jan 2014)
Mr F Huebler	Finance & Administration Director (Resigned 01 May 2013)
Mr B Moynihan	Finance & Administration Director (Appointed 01 May 2013)

Director's 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

The group carries out research and development activities in the UK, totalling £26.1m in 2013 (2012: £32.5m), some of which are on behalf of the parent group in Germany. This investment contributes to placing the group amongst the world's leading pharmaceutical companies in research and development. In Clinical Research the year end recruitment stood at 393 (2012: 695) new patients randomized with 456 (2012: 422) new patients screened.

Employees

Employee Numbers

There was an average number of 646 (2012: 628) employees during 2013.

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.

The UK company participates fully in the Boehringer Ingelheim Forum (a European Works Council) which meets annually. Two representatives from the UK, 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. A company newspaper and notice board campaigns are produced frequently. The parent company Annual Report is distributed each year.

Health and safety improvements are given the highest priority and the Group's health and safety record is reviewed regularly by the Executive Management Group.

Directors' Report (*continued*)

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.

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 prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report (*continued*)

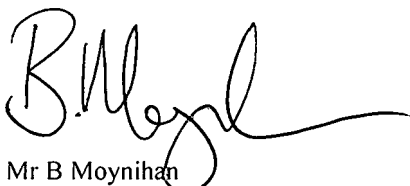
In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) 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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they may be reappointed will be proposed at the annual general meeting.

On behalf of the board,



Mr B Moynihan
Finance & Administration Director

20 May 2014

Independent Auditors' Report to the Members of Boehringer Ingelheim Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and parent company financial statements (the "financial statements"), which are prepared by Boehringer Ingelheim Limited, comprise:

- the consolidated and parent company balance sheets as at 31 December 2013;
- the consolidated profit and loss account and consolidated statement of total recognised gains and losses for the year then ended;
- the consolidated and parent company reconciliation of movements in shareholders' funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report and consolidated financial statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other Matters

The company has passed a resolution in accordance with section 506 of the Companies Act 2006 that the Senior Statutory Auditor's name should not be stated.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

20 May 2014

Consolidated Profit and Loss Account
For the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Turnover	2	402,005	352,878
Change in stocks of finished goods and work in progress	10	12,584	13,725
Other operating income	3	33,397	57,549
		447,986	424,152
Raw materials and consumables		(274,208)	(241,778)
Staff costs	5	(57,130)	(51,671)
Depreciation and other amounts written off tangible fixed assets	8	(2,479)	(2,659)
Other operating charges		(90,583)	(113,320)
Operating profit	3	23,586	14,724
Interest receivable and similar income	6a	43	20
Interest payable and similar charges	6b	(338)	(669)
Other finance income	6c	700	600
Profit on ordinary activities before taxation		23,991	14,675
Tax on profit on ordinary activities	7	(5,156)	(4,072)
Profit for the financial year	15	18,835	10,603

There is no material difference for the years 2013 and 2012 between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents. All activities relate to continuing operations.

Consolidated Statement of Total Recognised Gains and Losses
For the year ended 31 December 2013

		2013 £000	2012 £000
Profit for the financial year		18,835	10,603
Actuarial loss on pension and post retirement liabilities	17	(3,700)	(3,800)
Current tax deduction allocated to actuarial losses		860	856
Movement on deferred tax		81	47
Total recognised gains relating to the year		16,076	7,706

The notes on pages 11 to 27 form part of these financial statements.

**Consolidated Balance Sheet
as at 31 December 2013**

		2013		2012	
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	8		15,278		15,512
Current assets					
Stocks	10	25,074		37,658	
Debtors	11	112,097		110,781	
Cash at bank and in hand		314		667	
		<u>137,485</u>		<u>149,106</u>	
Creditors: amounts falling due within one year	12	<u>(90,351)</u>		<u>(118,081)</u>	
Net current assets			<u>47,134</u>		<u>31,025</u>
Total assets less current liabilities			<u>62,412</u>		<u>46,537</u>
Provisions for liabilities	13		<u>(3,089)</u>		<u>(2,994)</u>
Net assets excluding pension asset and healthcare liability			<u>59,323</u>		<u>43,543</u>
Pension asset	17		4,000		3,619
Healthcare liability	17		<u>(4,100)</u>		<u>(4,000)</u>
Net assets including pension asset and healthcare liability			<u><u>59,223</u></u>		<u><u>43,162</u></u>
Capital and reserves					
Called up share capital	14		16,900		16,900
Revaluation reserve	15		3,310		3,325
Profit and loss account	15		<u>39,013</u>		<u>22,937</u>
Total shareholders' funds			<u><u>59,223</u></u>		<u><u>43,162</u></u>

These financial statements were approved by the Board of Directors and were signed on its behalf by:


Ms Z Krums
Managing Director

20 May 2014


Company No. 00711858
Boehringer Ingelheim Limited

The notes on pages 11 to 27 form part of these financial statements.

**Company Balance Sheet
as at 31 December 2013**

		2013		2012	
	Notes	£000	£000	£000	£000
Fixed Assets					
Tangible Assets	8		15,278		15,512
Investments	9		3,400		3,400
			<u>18,678</u>		<u>18,912</u>
Current Assets					
Stocks	10	25,074		37,658	
Debtors	11	112,097		110,781	
Cash at bank and in hand		314		667	
		<u>137,485</u>		<u>149,106</u>	
Creditors: amounts falling due within one year	12	<u>(94,221)</u>		<u>(121,951)</u>	
Net current assets			<u>43,264</u>		<u>27,155</u>
Total assets less current liabilities			<u>61,942</u>		<u>46,067</u>
Provisions for liabilities	13		<u>(3,089)</u>		<u>(2,994)</u>
Net assets excluding pension asset and healthcare liability			<u>58,853</u>		<u>43,073</u>
Pension asset	17		4,000		3,619
Healthcare liability	17		<u>(4,100)</u>		<u>(4,000)</u>
Net assets including pension asset and healthcare liability			<u><u>58,753</u></u>		<u><u>42,692</u></u>
Capital and reserves					
Called up share capital	14		16,900		16,900
Revaluation reserve	15		3,310		3,325
Profit and loss account	15		<u>38,543</u>		<u>22,467</u>
Total shareholders' funds			<u><u>58,753</u></u>		<u><u>42,692</u></u>

These financial statements were approved by the Board of Directors and were signed on its behalf by:


Ms Z. Krums
Managing Director

20 May 2014

Company No. 00711858
Boehringer Ingelheim Limited

The notes on pages 11 to 27 form part of these financial statements.

Reconciliation of Movements in Shareholders' Funds
For the year ended 31 December 2013

	Group 2013 £000	Company 2013 £000	Group 2012 £000	Company 2012 £000
Profit for the financial year	18,835	18,835	10,603	10,603
Dividends (note 19)	-	-	(20,000)	(20,000)
Movement in revaluation reserve (note 15)	(15)	(15)	-	-
Actuarial loss on pension (note 17)	(3,700)	(3,700)	(3,500)	(3,500)
Actuarial loss on healthcare (note 17)	-	-	(300)	(300)
Current tax deduction allocated to actuarial losses	860	860	856	856
Movement on deferred tax	81	81	47	47
Net addition / (deduction) from shareholders' funds	16,061	16,061	(12,294)	(12,294)
Opening shareholders' funds	43,162	42,692	55,456	54,986
Closing shareholders' funds	59,223	58,753	43,162	42,692

Notes to the consolidated financial statements
For the year ended 31 December 2013

1. Accounting Policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Consolidation

The consolidated financial statements incorporate the financial statements of the company and the subsidiaries over which control is exercised. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated results from the date of acquisition or up to the date of disposal. Throughout the year subsidiary companies continued to be dormant.

In accordance with Section 408 of the Companies Act 2006, a separate Profit and Loss Account of Boehringer Ingelheim Limited is not presented. The profit after tax of the company was £18.8m (2012: £10.6m).

Cash flow statement

The company is a wholly owned subsidiary company of a group headed by C.H. Boehringer Sohn, and is included in the consolidated financial statements of that company, which are publicly available (note 18). Consequently, the company has taken advantage of the exemption within FRS 1 'Cash flow statements (revised 1996)' from preparing a cash flow statement.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost or revaluation cost, less accumulated depreciation and any provision for impairment. Depreciation is not provided on freehold land. On other assets it is provided to write off the cost or revalued amount less the estimated residual value in equal annual instalments over their estimated useful economic lives as follows:

Freehold buildings	10 to 25 years
Motor vehicles	5 years
Plant and machinery	3 to 10 years
Fixtures, fittings, tools and equipment	5 to 10 years

Freehold land and buildings are revalued periodically and stated at the valuation amount under FRS 15 'Tangible Fixed Assets' (note 8). Cost is the original purchase price of the asset.

Foreign currencies

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.

Notes to the consolidated financial statements (continued)

1. Accounting Policies (continued)

Related party transactions

In accordance with FRS 8 'Related Party Transactions', the company is exempt from disclosing transactions with other companies in the Boehringer Ingelheim Group, because its financial statements are consolidated in the financial statements of C. H. Boehringer Sohn which are publicly available and it is a wholly owned subsidiary of the Group (note 18).

Defined contribution pension scheme

The group operates a defined contribution pension scheme for employees who joined the group from 1999. The assets of the scheme are held separately from those of the group in the Boehringer Ingelheim Horizon Pension Plan. The pension cost disclosed in note 17 represents contributions payable by the company to the fund.

Defined benefit pension scheme

The group operates a defined benefit pension scheme for the benefit of its employees who joined the group prior to 1999, the assets of which are held separately from those of the group in independently administered funds.

The assets of the defined benefit scheme are measured using market value. The scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities expected to arise from employee service in the year is charged to operating profit. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

Pension schemes surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax. The defined benefit pension scheme is accounted for in accordance with FRS 17 'Retirement Benefits' including the valuation of investments at current bid price.

Other Retirement Benefits

The company provides healthcare cover for certain retired employees. Post retirement healthcare benefits are accounted for in accordance with FRS 17. The costs of post retirement healthcare benefits are calculated in a similar way to defined benefit pension schemes and were allocated to the period which the benefit was derived from the employees' services in accordance with advice from a qualified actuary.

Research and Development

All research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value and are net of the provision for obsolete and slow moving items.

Deferred tax and Current Tax

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 would be regarded as recoverable and therefore only recognised 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 years 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.

Current tax is calculated on the taxable profits of the company at the prevailing rate of 23.25% and a creditor recognised at the balance sheet date less any payments on account made during the year.

Notes to the consolidated financial statements (continued)

1. Accounting Policies (continued)

Investments

Investments held as fixed assets are stated at cost less provision for impairment. The directors perform impairment reviews annually (Note 9).

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation (Note 13). Provisions are measured based on available factual information and management judgement.

Other operating charges

Other operating charges include overhead administration, distribution, marketing, and research and development costs on an accruals basis.

Other operating income

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

Turnover

Turnover represents the sale of goods at invoiced value, excluding value added tax, less rebates and discounts, on an accruals basis. Revenue is recognised on delivery of the product to the customer, where the customer has accepted the product and collectability of the related receivables are reasonably assured. An estimate is made of outstanding rebates due on sales made during the year based on available information and management judgement.

2. Turnover

	2013 Turnover £000	2013 Profit £000	2012 Turnover £000	2012 Profit £000
By geographical market				
United Kingdom	369,372	20,106	324,845	12,324
Other European Countries	32,633	1,776	28,033	1,064
All turnover originates from the UK.	402,005	21,882	352,878	13,388

Class of Business	2013 Turnover £000	2013 Profit £000	2012 Turnover £000	2012 Profit £000
Prescription Medicine	347,816	18,933	299,582	11,366
Consumer Healthcare	19,940	1,085	18,084	686
Animal Health	34,249	1,864	35,212	1,336
	402,005	21,882	352,878	13,388

Other profit and loss items	1,704	1,336
Operating profit	23,586	14,724
Net interest receivable/(payable)	405	(49)
Profit on ordinary activities before taxation	23,991	14,675

Notes to the consolidated financial statements (*continued*)

2. Turnover (<i>continued</i>)	2013 £000	2012 £000
Net Assets		
By geographical market		
United Kingdom	53,984	39,300
Ireland	4,769	3,392
	<u>58,753</u>	<u>42,692</u>

The split of the net assets of the group is in line with the above, the only difference being a net intercompany debtor of £470k which is a common asset that cannot be reasonably split between the geographical markets or classes of business.

Class of Business	2013 £000	2012 £000
Prescription Medicine	50,834	36,244
Consumer Healthcare	2,914	2,188
Animal Health	5,005	4,260
	<u>58,753</u>	<u>42,692</u>

3. Operating Profit

Operating Profit is stated after charging/(crediting):	2013 £000	2012 £000
Research and development expenditure	26,122	32,493
Restructuring costs	469	-
Depreciation of owned assets (note 8)	2,479	2,659
<u>Services provided by the group's auditor:</u>		
Fees payable to the group's auditor for the audit of the group's annual financial statements	60	60
Fees payable to the group's auditor and its associates for other non audit services:		
Non audit services	10	4
Fees in respect of the Boehringer Ingelheim pension schemes:		
Audit of defined benefit pension scheme	12	10
Profit on disposal of fixed assets	(313)	(240)
Foreign exchange net (gain)/loss	(133)	658
Other operating income (including R&D income)	(33,397)	(57,549)

4. Directors' emoluments

	2013 £000	2012 £000
Aggregate emoluments	<u>707</u>	<u>636</u>
Company contributions to defined benefit pension scheme	<u>16</u>	<u>1</u>

The aggregate emoluments of the highest paid director were £441,000 (2012: £369,000) and pension contributions were £nil (2012: £nil).

Retirement benefits under a defined benefit scheme are accruing to the following number of directors:

<u>1</u>	<u>2</u>
----------	----------

The highest paid director is a member of a defined benefit scheme operated by Boehringer Ingelheim Limited but did not receive any contribution from the company in the year. The amount of the end of year pension accrued in respect of company service of the highest paid director is £nil (2012: £nil).

Notes to the consolidated financial statements (continued)

5. Employee information

The average monthly number of persons on a Full Time Equivalent basis, including directors, employed by the company and the group during the year was 646 (2012: 628). All employees were engaged in the principal activity of the group.

The employee split for the company and the group was as follows:	2013	2012
Sales and Marketing	384	374
Research and Development	146	140
Management and Administration	116	114
	<u>646</u>	<u>628</u>

The aggregate payroll costs of those persons were as follows:	2013 £000	2012 £000
Wages and Salaries	44,801	40,716
Social Security costs	7,590	6,643
Pension costs (note 17)	4,739	4,312
	<u>57,130</u>	<u>51,671</u>

6a. Interest receivable and similar income

	2013 £000	2012 £000
On cash and bank deposits	<u>43</u>	<u>20</u>
	<u>43</u>	<u>20</u>

6b. Interest payable and similar charges

	2013 £000	2012 £000
On intercompany loans	<u>338</u>	<u>669</u>
	<u>338</u>	<u>669</u>

6c. Other finance income/(charges) (note 17.3)

	2013 £000	2012 £000
Expected return on pension scheme assets	8,200	7,700
Interest on pension scheme liabilities	(6,600)	(6,600)
Interest on healthcare scheme liabilities	(200)	(200)
Restriction on expected return due to balance sheet limit	<u>(700)</u>	<u>(300)</u>
	<u>700</u>	<u>600</u>

Notes to the consolidated financial statements (*continued*)

7. Tax on profit on ordinary activities

Analysis of charge in year:

	2013 £000	2012 £000
Current tax		
UK corporation tax on profits of the year at 23.25% (2012: 24.5%)	5,367	3,634
Adjustment in respect of previous years	(576)	29
Total current tax charge	<u>4,791</u>	<u>3,663</u>
Deferred tax		
Origination and reversal of timing differences	303	231
Adjustment in respect of previous years	62	178
Total deferred tax charge (note 11)	<u>365</u>	<u>409</u>
Tax charge on profit on ordinary activities	<u><u>5,156</u></u>	<u><u>4,072</u></u>

Factors affecting tax charge for year:

The tax assessed for the year is lower (2012: higher) than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before taxation	<u>23,991</u>	<u>14,675</u>
Profit on ordinary activities multiplied by standard rate in the UK 23.25% (2012 : 24.5%)	5,578	3,596
Effects of:		
Expenses not deductible for tax purposes	395	528
R&D tax credit	(488)	(504)
Capital allowances less than depreciation	(70)	65
Other timing differences	(48)	(51)
Adjustment in respect of previous years	<u>(576)</u>	<u>29</u>
Current tax charge for the year	<u><u>4,791</u></u>	<u><u>3,663</u></u>

Factors that may affect future tax charges:

The availability of R&D incentives may affect the future tax rate of the group.

A number of further changes to the UK Corporation tax system were announced in the March 2014 UK Budget Statement. The main rate of corporation tax has been reduced to 21% from 1 April 2014, with a further planned reduction to 20% from 1 April 2015. The rate of 20% from 1 April 2015 was substantially enacted by the balance sheet date and therefore the relevant deferred tax balances as at 31 December 2013 were calculated using a deferred tax rate of 20%.

Notes to the consolidated financial statements (*continued*)

8. Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Vehicles, fixtures, fittings, tools and equipment	Total
	£000	£000	£000	£000
The group and company				
Cost/valuation				
At 1 January 2013	8,784	514	21,339	30,637
Additions	15	11	2,896	2,922
Movement in revaluation reserve	(15)	-	-	(15)
Disposals	-	(1)	(5,501)	(5,502)
At 31 December 2013	8,784	524	18,734	28,042
Accumulated Depreciation				
At 1 January 2013	34	321	14,770	15,125
Charge for the year	-	13	2,466	2,479
On disposals	-	(1)	(4,839)	(4,840)
At 31 December 2013	34	333	12,397	12,764
Net book value				
At 31 December 2013	8,750	191	6,337	15,278
At 31 December 2012	8,750	193	6,569	15,512

Comparable amounts determined according to the historical cost convention.

	£000
Cost	5,459
Accumulated depreciation	(34)
Additions	15
Net book value	
At 31 December 2013	5,440
At 31 December 2012	5,425

Freehold land and buildings includes freehold land at a cost of £1,473,000 which is not depreciated (2012: £1,473,000).

Notes to the consolidated financial statements (*continued*)

8. Tangible Fixed assets (continued)

Freehold land and buildings are revalued periodically and stated at the valuation amount. The revaluation policy follows the requirements of FRS 15. As required under FRS 15, a full valuation as at 31 December 2011 was carried out by GL Hearn, Chartered Surveyors, on 31 March 2012 in accordance with the RICS Appraisal and Valuation Standards. The valuation of freehold land and buildings on the basis of Existing Use Value is made up of two amounts: £3.95m for the buildings plus £4.8m for the site land. The Directors are of the opinion that the Existing Use Value as at 31 December 2013 has not materially changed.

No deferred tax has been provided on the gain arising from revaluation, whilst there may be an intention to enter into an agreement to sell the revalued assets in the future there are sufficient tax losses to absorb any future gain.

9. Fixed Asset Investments

The company

£000

Shares in subsidiary undertakings at cost and net book value as at 1 January 2013 and 31 December 2013	3,400
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The companies in which Boehringer Ingelheim Limited has a greater than 20% stake are as follows:

<i>Subsidiary undertakings</i>	<i>Country of registration</i>	<i>Principal activity</i>	<i>% of shares held</i>
Medica Limited	England and Wales	Dormant	100%
Windsor Healthcare Limited	England and Wales	Dormant	100%

All shares held are £1 ordinary shares.

The Directors confirm that the book value of the investments is less than the value of the underlying net assets.

10. Stocks

	2013	2012
The group and company	£000	£000
Finished goods and goods for resale	25,074	37,658
	25,074	37,658

Notes to the consolidated financial statements (*continued*)

11. Debtors

The group and company

	2013 £000	2012 £000
Trade debtors	92,452	58,822
Amounts owed by group undertakings	14,525	46,441
Other debtors	1,930	2,029
Deferred tax asset	1,301	1,666
Prepayments	1,889	1,639
Corporation Tax	-	184
	<u>112,097</u>	<u>110,781</u>

Amounts owed by group companies are unsecured and no interest is charged as they relate to normal trading transactions.

Deferred taxation:

	2013 £000	2012 £000
Accelerated capital allowances	683	978
Other timing differences	618	688
Deferred tax asset	<u>1,301</u>	<u>1,666</u>

The movement on deferred taxation comprises:

	2013 £000	2012 £000
At 1 January	1,666	2,075
Debit to profit and loss account (note 7)	(365)	(409)
At 31 December	<u>1,301</u>	<u>1,666</u>

12. Creditors - Amounts falling due within one year

	2013 £000	2012 £000
The group		
Trade creditors	4,284	6,886
Amounts owed to group undertakings	49,020	85,676
Corporation tax	541	-
Other taxation and social security	13,428	4,736
Other creditors	128	141
Accruals	22,950	20,642
	<u>90,351</u>	<u>118,081</u>

The company

Trade creditors	4,284	6,886
Amounts owed to group undertakings	52,890	89,546
Corporation tax	541	-
Other taxation and social security	13,428	4,736
Other creditors	128	141
Accruals	22,950	20,642
	<u>94,221</u>	<u>121,951</u>

Amounts owed to group companies are unsecured and repayable on demand. Interest is charged at rates up to LIBOR plus 0.75% (2012: LIBOR plus 1%).

Notes to the consolidated financial statements (*continued*)

13. Provisions for liabilities

The group and company	Restructuring Provision	Long Term Compensation Plan	Total
	£000	£000	£000
At 1 January 2013	320	2,674	2,994
Profit and loss account	469	318	787
Provision utilised in year	-	(692)	(692)
At 31 December 2013	<u>789</u>	<u>2,300</u>	<u>3,089</u>

The long term compensation plan is a bonus scheme based on the global performance of the Boehringer Ingelheim Group and is paid out on an annual basis. The restructuring provision is expected to be fully utilised in 2014.

Deferred tax liability relating to pension asset	2013 £000	2012 £000
At 1 January	(1,081)	(1,128)
Deferred tax credited to the statement of total recognised gains and losses	<u>81</u>	<u>47</u>
At 31 December	<u>(1,000)</u>	<u>(1,081)</u>

The deferred tax liability of £1.0m (2012: £1.081m) has been deducted in arriving at the net pension asset on the balance sheet.

14. Called up share capital

	2013 £000	2012 £000
Authorised, allotted and fully paid:		
Equity share capital		
Ordinary shares - 16,900,000 (2012: 16,900,000) of £1 each	<u>16,900</u>	<u>16,900</u>

Notes to the consolidated financial statements (*continued*)

15. Reserves

The group	Profit and loss account £000	Revaluation reserve £000
At 1 January 2013	22,937	3,325
Profit for the financial year	18,835	-
Movement on revaluation reserve	-	(15)
Actuarial loss on pension asset and healthcare liability (note 17)	(3,700)	-
Current tax deduction allocated to actuarial losses	860	-
Movement on deferred tax	81	-
At 31 December 2013 including FRS 17 pension asset and healthcare liability	<u>39,013</u>	<u>3,310</u>
Pension asset (note 17)	(4,000)	-
Healthcare liability (note 17)	4,100	-
At 31 December 2013 excluding FRS 17 pension asset and healthcare liability	<u>39,113</u>	<u>3,310</u>
The company	Profit and loss account £000	Revaluation reserve £000
At 1 January 2013	22,467	3,325
Profit for the financial year	18,835	-
Movement on revaluation reserve	-	(15)
Actuarial loss on pension asset and healthcare liability (note 17)	(3,700)	-
Current tax deduction allocated to actuarial losses	860	-
Movement on deferred tax	81	-
At 31 December 2013 including FRS 17 pension asset and healthcare liability	<u>38,543</u>	<u>3,310</u>
Pension asset (note 17)	(4,000)	-
Healthcare liability (note 17)	4,100	-
At 31 December 2013 excluding FRS 17 pension asset and healthcare liability	<u>38,643</u>	<u>3,310</u>

The revaluation reserve arises from the revaluation of land and buildings as explained in note 8.

16. Contingent liabilities

Pharmaceutical Price Regulation Scheme (PPRS)

The company is a member of the PPRS, a voluntary agreement between the Department of Health (DoH) and the pharmaceutical industry.

The company complies with the terms of the PPRS and, in order to do so, it is often involved in confidential correspondence with the DoH based on the company's annual financial statements. The directors of the company may, from time to time, need to make an appropriate accrual for liabilities under the scheme.

Notes to the consolidated financial statements (*continued*)

16. Contingent liabilities (*continued*)

Legal and other disputes

The company is subject to other legal disputes, including notification of possible claims. The company's Directors, having taken legal and other specialist advice, have not deemed it necessary to establish provisions in the year after taking into account insurance and other agreements and having regard to the relevant facts and circumstances of each matter and in accordance with accounting requirements.

17. Retirement Benefits

The company operates a defined benefit pension scheme, the Boehringer Ingelheim 1965 Pension Scheme and a defined contribution scheme, the Boehringer Ingelheim Horizon Pension Plan.

The Boehringer Ingelheim Horizon Pension Plan replaced the Boehringer Ingelheim 1999 Scheme and remains a defined contribution scheme.

The company also operates an unfunded post-retirement healthcare arrangement which covers certain retired employees for future healthcare costs.

17.1.1 Boehringer Ingelheim Horizon Pension Plan

This scheme is a defined contribution scheme. Contributions are made in accordance with the scheme rules. The pension cost is determined as the contributions payable by the company to the scheme in respect of the year, plus the premiums for the death in service benefit insurance which are also met by the company.

The pension cost for the year ended 31st December 2013 was £3.2m (2012: £3.2m). At the balance sheet date there were no costs outstanding nor were any amounts prepaid (2012: £nil).

17.1.2 Boehringer Ingelheim 1965 Pension Scheme

This is a defined benefit scheme. The scheme funds are administered by trustees and are independent from the Company's finances. Contributions are paid to the scheme as determined by the Trustees having considered the advice of an independent actuarial adviser.

The most recent full actuarial valuation of the scheme was carried out as at 31 December 2011. The results of this valuation have been projected forwards to the balance sheet date by an independent qualified actuary in accordance with FRS 17. As required by FRS 17, the value of the defined benefit liabilities has been measured using the projected unit method.

The key FRS 17 assumptions used for the scheme are set out in note 17.3, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS 17 liabilities and the surplus of assets below the FRS 17 liabilities (which equals the Net Pension asset).

17.2 Post Retirement Healthcare

The group conforms with the provisions of FRS 17, which requires accrual of these costs over the year during which employees become eligible for such benefits. The provision for these costs was £4.1m as at 31st December 2013 (2012: £4.0m). The amount was calculated by an independent qualified actuary using an assumed price inflation rate of 3.4%pa (2012: 3.0%), a rate of inflation for medical expenses of 6.4% pa (2012: 6.0%) and a discount rate of 4.6% pa (2012: 4.5%).

Notes to the consolidated financial statements (*continued*)

17.3 Retirement Benefits

Assumptions	2013	2012
Price Inflation	3.4% pa	3.0% pa
Discount Rate	4.6% pa	4.5% pa
Pension increases (LPI)	3.3% pa	2.9% pa
Salary growth	3.3% pa	2.9% pa
Healthcare cost inflation	6.4% pa	6.0% pa
	2011	2010
Price Inflation	3.1% pa	3.5% pa
Discount Rate	4.9% pa	5.5% pa
Pension increases (LPI)	3.0% pa	3.4% pa
Salary growth	3.1% pa	3.5% pa
Healthcare cost inflation	6.1% pa	6.5% pa

On the basis of assumptions used for life expectancy, a male pensioner currently aged 65 would be expected to live for a further 24.2 years (2012 - 24.1 years) and a female pensioner currently aged 65 would be expected to live for a further 26.3 years (2012 - 26.2 years). Allowance is made for future improvements in life expectancy.

Asset distribution and expected return	2013		2012	
	Expected Return	Fair Value £000	Expected Return	Fair Value £000
Equities	7.4% pa	88,900	6.8% pa	79,900
Bonds - Government	3.4% pa	33,900	2.8% pa	30,300
- Corporate	4.6% pa	51,000	4.2% pa	47,500
Other (cash)	1.3% pa	100	0.5% pa	900
Total		<u>173,900</u>		<u>158,600</u>
	2011		2010	
	Expected Return	Fair Value £000	Expected Return	Fair Value £000
Equities	6.8% pa	71,900	7.5% pa	72,200
Bonds				
Bonds - Government	2.8% pa	30,500	4.0% pa	27,700
- Corporate	4.6% pa	42,500	5.2% pa	39,900
Other (cash)	0.6% pa	600	4.2% pa	100
Total		<u>145,500</u>		<u>139,900</u>

Notes to the consolidated financial statements (*continued*)

17.3 Retirement Benefits (*continued*)

Balance Sheet	2013 £000 '1965' Pension Scheme	2013 £000 Healthcare Scheme	2013 £000 Total	2012 £000 '1965' Pension Scheme	2012 £000 Healthcare Scheme	2012 £000 Total
Total market value of assets	173,900	-	173,900	158,600	-	158,600
Present value of scheme liabilities	(158,200)	(4,100)	(162,300)	(149,600)	(4,000)	(153,600)
Gross surplus/(deficit) in scheme	15,700	(4,100)	11,600	9,000	(4,000)	5,000
Adjustment to reflect asset limit	(10,700)	-	(10,700)	(4,300)	-	(4,300)
Adjusted pension assets/(liabilities)	5,000	(4,100)	900	4,700	(4,000)	700
Deferred tax (liability)/asset	(1,000)	-	(1,000)	(1,081)	-	(1,081)
Net pension assets/(liabilities)	4,000	(4,100)	(100)	3,619	(4,000)	(381)

FRS 17 only allows a surplus to be recognised to the extent that the group may in future benefit from this surplus via either a reduction to future contributions or a refund to the group that has already been agreed. An adjustment of £10.7m was made in the current year to limit the surplus to £5.0m (2012 : an adjustment of £4.3m was made to limit the surplus to £4.7m) as this is the estimated present value of benefits expected to accrue in the future for in service members and which is therefore the amount by which future contributions may be reduced.

	2011 £000 '1965' Pension Scheme	2011 £000 Healthcare Scheme	2011 £000 Total	2010 £000 '1965' Pension Scheme	2010 £000 Healthcare Scheme	2010 £000 Total
Total market value of assets	145,500	-	145,500	139,900	-	139,900
Present value of scheme liabilities	(135,600)	(3,600)	(139,200)	(123,300)	(3,100)	(126,400)
Gross surplus/(deficit) in scheme	9,900	(3,600)	6,300	16,600	(3,100)	13,500
Adjustment to reflect asset limit	(5,200)	-	(5,200)	(11,100)	-	(11,100)
Adjusted pension assets/(liabilities)	4,700	(3,600)	1,100	5,500	(3,100)	2,400
Deferred tax (liability)/asset	(1,128)	-	(1,128)	(1,485)	-	(1,485)
Net pension liabilities	3,572	(3,600)	(28)	4,015	(3,100)	915

Over the year to 31st December 2013, contributions by the company of £4.0m (2012 - £3.5m) were made to the scheme. Of this amount, £2.8m amounted to additional scheme funding. Future employer contributions will be at a rate of 32.9% of pensionable salaries to cover current service costs. A payment of £4.2m was made in January 2014 with further annual payments to follow from 2015 onwards, to fund the scheme's valuation deficit, as calculated under the Trustees' funding assumptions.

Notes to the consolidated financial statements (*continued*)

17.3 Retirement Benefits (*continued*)

Reconciliation of present value of scheme liabilities	2013 £000	2012 £000
1 January	149,600	135,600
Current service cost	900	800
Employee contributions	100	100
Interest cost	6,600	6,600
Benefits paid	(5,500)	(4,400)
Actuarial loss	6,500	10,900
31 December	<u>158,200</u>	<u>149,600</u>

Reconciliation of fair value of scheme assets	2013 £000	2012 £000
1 January	158,600	145,500
Expected return on scheme assets	8,200	7,700
Actuarial gains/(losses)	8,500	6,200
Benefits paid	(5,500)	(4,400)
Contributions paid by employer	4,000	3,500
Contributions paid by employee	100	100
31 December	<u>173,900</u>	<u>158,600</u>

Return on Scheme Assets

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The expected returns on government and corporate bonds are based on long term yields at the balance sheet date. The expected return on equities reflect long term real rates of return experienced in the various equity markets.

The actual return on scheme assets for 2013 was a gain of £16.7m (2012: *gain of £13.9m*).

Notes to the consolidated financial statements (*continued*)

17.3 Retirement Benefits (*continued*)

	Defined Benefit Pension Scheme		Healthcare Scheme	
	2013 £000	2012 £000	2013 £000	2012 £000
Operating Profit				
Current service cost	900	800	-	-
Operating charge	900	800	-	-
Other finance income/(expense) (note 6c)				
Expected return on pension scheme assets	8,200	7,700	-	-
Restriction on expected return due to balance sheet limit	(700)	(300)	-	-
Interest on pension scheme liabilities	(6,600)	(6,600)	(200)	(200)
Net credit/(charge)	900	800	(200)	(200)
Statement of total recognised gains and losses (STRGL)				
Actual return less expected return on pension scheme assets	8,500	6,200	-	-
Experience gains/(losses) arising on the scheme liabilities	(700)	400	-	(100)
Changes in assumptions underlying the present value of scheme liabilities	(5,800)	(11,300)	-	(200)
(Loss) / Gain due to movements in balance sheet limitation	(5,700)	1,200	-	-
Actuarial loss recognised in STRGL	(3,700)	(3,500)	-	(300)
Tax credit at 23.25% (2012 : 24.5%)	860	856	-	-
Net Actuarial loss recognised in STRGL	(2,840)	(2,644)	-	(300)
Movement in surplus/(deficit) during the year				
Surplus/(deficit) 1st January	4,700	4,700	(4,000)	(3,600)
Current service cost	(900)	(800)	-	-
Contributions	4,000	3,500	100	100
Other net finance income/(expense)	900	800	(200)	(200)
Actuarial loss	(3,700)	(3,500)	-	(300)
Surplus/(Deficit) at 31 December	5,000	4,700	(4,100)	(4,000)
Deferred tax liability at 20% (2012 : 23%) (note 13)	(1,000)	(1,081)	-	-
Surplus/(deficit) at 31 December net of deferred tax	4,000	3,619	(4,100)	(4,000)

Notes to the consolidated financial statements (*continued*)

17.3 Retirement Benefits (continued)

Details of experience gains and losses

	2013		2012		2011		2010		2009	
P = Pension										
HC = Healthcare										
Defined Benefit Obligation £m	P	HC	P	HC	P	HC	P	HC	P	HC
	(158.2)	(4.1)	(149.6)	(4.0)	(135.6)	(3.6)	(123.3)	(3.1)	(124.3)	(4.1)
Plan Assets £m	173.9	-	158.6	-	145.5	-	139.9	-	126.3	-
Surplus / (Deficit) £m	15.7	(4.1)	9.0	(4.0)	9.9	(3.6)	16.6	(3.1)	2.0	(4.1)
Experience gains and (losses) on scheme assets										
Amount - (£000)	8,500	-	6,200	-	(2,400)	-	6,600	-	7,200	-
Experience gains and (losses) on scheme liabilities										
Amount - (£000)	(700)	100	400	(100)	(2,300)	(300)	900	1,100	(300)	-
Total amount recognised in statement of total recognised gains and (losses)										
Amount - (£000)	(3,700)	-	(3,500)	(300)	(4,400)	(400)	(1,000)	1,100	(4,700)	(1,100)
Current asset at 23.25% (2012 24.5%, 2011 26.5%, 2010 27%, 2009 28%)	860	-	856	-	1,165	-	270	-	1,316	-
Amount net of tax - (£000)	(2,840)	-	(2,644)	(300)	(3,235)	(400)	(730)	1,100	(3,384)	(1,100)

The cumulative actuarial loss recognised in the statement of total recognised gains/losses since the adoption of the amendment to FRS 17 is £23.1m (2012: £19.4m).

The 1965 pension scheme is closed to new entrants and, under the method used to calculate pension costs in accordance with FRS 17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

18. Ultimate parent and controlling party

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

The ultimate parent undertaking and controlling party is C. H. Boehringer Sohn, 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.

19. Dividends

The directors did not propose or pay an interim dividend during 2013 (2012 : proposed and paid £20.0m).

The dividend per share for 2012 was 118.3p.