Illumina Cambridge Limited

Annual Report and Financial Statements

28 December 2014

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COMPANIES HOUSE

Directors
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C O Henry
A Nel
R Compton

Secretary
C Dadswell

Auditor
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Strategic report

As required by the amendments to the Companies Act 2006, effective 30 September 2013, the directors of Illumina Cambridge Limited ("the company") present their annual report containing a Strategic Report, Directors' Report and the financial statements for the period ended 28 December 2014.

Principal activity

The principal activities of the company during the period were:

- the development and commercialisation of novel techniques for the analysis of DNA, as one of the principal Research and Development centres for the worldwide Illumina, Inc. group ("the Illumina group"); and
- the sale of Illumina, Inc. group's instruments and consumables for the large scale analysis of genetic variation to customers in the UK.

The Intellectual Property generated through this R&D activity underpins the market leading position of the Illumina group's sequencing instruments. Accordingly, the company is entitled to a royalty for the use of its intellectual property. This royalty is 25% on net worldwide group sales of sequencing instruments and reagents manufactured in the US, and 16.8% on net worldwide group sales of sequencing instruments and reagents manufactured in Singapore.

The company sell Illumina, Inc. instruments and consumables for the large scale analysis of genetic variation to customers in the UK, together with associated revenues arising from the separable warranty contracts and other servicing related activities of those instruments.

The Illumina group has developed a comprehensive line of products that address the scale of experimentation and the breadth of functional analysis required to advance disease research, drug development, and the development of molecular tests. The Illumina group's broad portfolio of leading-edge sequencing and array-based solutions address a range of genomic complexity and throughputs, enabling researchers to select the best solution for the scientific challenge. The Illumina group's products and services are used by a broad range of academic, government, pharmaceutical, biotechnology, and other leading institutions around the globe.

Review of the business and future developments

The company's financial performance is assessed primarily by royalty income, third party product sales, and expenditure on research and development.

	Period ended 28 December 2014 £ '000	*Period ended 29 December 2013 £'000*	Change %
Royalty revenue	170,197	130,529	30
Third party sales	61,436	13,601	352
Research & development expenditure	133,990	123,699	8
Profit for the period	83,930	84,876	(1)
	No.	*No.*	*Change No*
Average headcount	253	156	97

Royalty income increased by 30% over the prior period reflecting the continued commercial worldwide success of the group's sequencing products. The company's third party sales have increased from £13,601,164 to £61,436,272 due to the full year of trade of selling Illumina, Inc. instruments and consumables in together with associated separable warranty contracts and other servicing related activities of those instruments previously accounted for in Illumina UK, Limited, until October 2013.

Strategic report (continued)

Review of the business and future developments (continued)

Research and development expenditure has increased by 8% to £133,989,615 in the period due to a continuation of the development of the company's sequencing technology. The company continues to invest in research and development and the directors regard investment in this area as a prerequisite for continued success in the medium to long-term future.

The directors are satisfied with the results for the period and are confident that future developments will generate satisfactory results, and that future growth is expected in the business, due to innovative technologies and continued new products releases. The majority of revenue is from royalties linked to worldwide sequencing sales, and there has continued to be significant growth in the sale of Illumina group sequencing products in all regions of the world, especially the HiSeq and MiSeq instruments.

The increase in performance and expenditure on research and development has been supported by an increase in headcount to 253 from 156 in prior year.

Research and development

Expenditure on research and development during the period amounted to £133,989,615 (period ended 29 December 2013: £123,699,262), all of which has been expensed in the profit and loss account.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are as follows:

- Competitive risks

The company operates in a competitive environment and other companies may market products more successfully. However there has been continued investment in our marketing and sales teams so that the company is able to compete with the competition.

- Credit risks

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the company's debtors are shown in note 14 to the financial statements. Customer credit limits and outstanding balances are reviewed regularly.

- Product development risks

The company's products may have reduced life cycles because of the development of competitive technologies / products. The company's continued success relies on the development of new products. The Illumina group aims to produce solutions that are innovative and to continue to launch successful new products in the future and continues to invest heavily in research and development in order to do this.

- Employment risks

The company's technology is diverse but specialised, and the company's success will depend on its ability to attract and retain staff with the relevant experience in a particular discipline. Share options and restricted stock units awards vesting over a number of years aim to minimize this retention risk.

- Foreign exchange risk

The directors acknowledge that there exists a foreign exchange risk at a local entity level. Foreign exchange risk for the Illumina, Inc. group is managed by Illumina, Inc.

- Cash flow and liquidity risk

Cash flow for the company is managed at Illumina, Inc. group level. Cash is transferred to the company from the ultimate parent undertaking as and when required. However the company has a large net current asset position at 28 December 2014.

Strategic report (continued)

By order of the board

R Compton
Director

5 August 2015

Directors' report

The directors present their report and financial statements for the period ended 28 December 2014. The company operates on a 52 week financial period. This accounting period was from 30 December 2013 to 28 December 2014.

Results and dividends

The profit for the period amounted to £83,930,295 (period ended 29 December 2013: £84,876,482). During the period the company paid an interim dividend of £nil (period ended 29 December 2013: £60,699,998). The directors do not recommend the payment of a final dividend (period ended 29 December 2013: £nil).

Going Concern

The company's business activities together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to price, credit, liquidity and interest rate cash flow risk are set out in the Strategic Report.

The directors have prepared the financial statements on the going concern basis. In making this assessment the directors have considered the financial position of the company both at 28 December 2014 and the date of approval of these financial statements and consider that the company has adequate cash resources, maintains a strong net asset position and has made significant accounting profits in 2014 and to date in 2015. Furthermore the directors have prepared a cash flow forecast for the foreseeable future which indicates that the company will remain cash positive and meet its liabilities as they fall due for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Events after the balance sheet date

On the 23 January 2015, Illumina Cambridge obtained 100% of the share capital of Illumina Singapore from Illumina Inc. in exchange for 39,670 ordinary shares in the share capital of Illumina Cambridge.

On 25 June 2015, Illumina Cambridge announced the plan to consolidate all UK operations to one site at Granta Park, Great Abington.

Directors

The directors who served during the period and to the date of this report, except as stated otherwise, were as follows:

J Flatley (Resigned 29 April 2015)
C O Henry
M A Stapley (Resigned 29 April 2015)
T S Orpin (Resigned 29 April 2015)
A Nel (Appointed 29 April 2015)
F DeSouza (Appointed 29 April 2015)
R Compton (Appointed 29 April 2015)

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Directors' report (continued)

Statement as to disclosure of information to auditor

The directors, who were members of the board at the time of approving this report, are listed above. Having made enquiries of company management and of the company's auditor, the directors confirm that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of this report of which the company's auditor is unaware; and
- they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Ernst & Young LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an AGM.

By order of the board

R Compton

R Compton
Director

Date: 5 August 2015

Statement of directors' responsibilities in respect of 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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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

Independent auditor's report
to the members of Illumina Cambridge Limited

We have audited the company's financial statements for the period ended 28 December 2014 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 23. 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).

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.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 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 the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 December 2014 and of the company's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report (continued)
to the members of Illumina Cambridge Limited

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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.

Ernst & Young LLP

Rachel Wilden (Statutory Senior Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge, UK

Date: 10 August 2015

Profit and loss account
for the period ended 28 December 2014

	Notes	Period ended 28 December 2014 £	*Period ended 29 December 2013 £*
Turnover	2	285,480,362	203,717,898
Cost of sales		(97,212,425)	(71,707,132)
Gross profit		188,267,937	132,010,766
Research and development costs	3	(80,447,697)	(65,013,494)
Net foreign exchange gain / (losses)	3	5,965,101	(3,858,729)
Other administrative expenses		(22,422,775)	(7,385,398)
Other operating income		4,961,641	2,630,875
Operating profit	3	96,324,207	58,384,020
Interest receivable and similar income	7	276,935	613,523
Interest payable and similar charges	8	(31,224)	(118,965)
Profit on disposal of trade investment	12	-	33,575,229
Profit on ordinary activities before taxation		96,569,918	92,453,807
Tax on profit on ordinary activities	9	(12,639,623)	(7,577,325)
Profit for the financial period	19	83,930,295	84,876,482

All activities are continuing.

There were no recognised gains and losses other than the profit for the current and prior period included in the profit and loss account above, therefore no statement of total recognised gains and losses is presented.

Balance sheet
at 28 December 2014

	Notes	As at 28 December 2014 £	*As at 29 December 2013 £*
Fixed assets			
Intangible fixed assets	10	15,663,009	19,835,274
Tangible fixed assets	11	18,541,226	14,117,428
Investments	12	32,224,400	32,224,400
		66,428,635	66,177,102
Current assets			
Stocks	13	805,209	382,149
Debtors	14	49,173,517	46,040,915
Cash at bank		74,806,759	46,457,110
Investments		56,861,104	-
		181,646,589	92,880,174
Creditors: amounts falling due within one year	15	(67,325,322)	(60,485,894)
Net current assets		114,321,267	32,394,280
Total assets less current liabilities		180,749,902	98,571,382
Creditors: amounts falling due after more than one year	16	(499,320)	(513,816)
Net assets		180,250,582	98,057,566
Capital and reserves			
Called up share capital	18	30,224	30,224
Share premium account	19	-	-
Profit and loss account	19	180,220,358	98,027,342
Shareholders' funds	19	180,250,582	98,057,566

The financial statements were approved by the board and authorised for issue, and signed on its behalf.

R Compton
Director
5 August 2015

Notes to the financial statements
at 28 December 2014

1. Accounting policies

Basis of preparation

The financial statements have been prepared using the historical cost convention and in accordance with applicable UK accounting standards.

The company operates on a 52 week financial period. For this financial period, the accounting period was from 30 December 2013 to 28 December 2014.

Going concern

The company's business activities together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to price, credit, liquidity and interest rate cash flow risk are set out in the Strategic Report.

The directors have prepared the financial statements on the going concern basis. In making this assessment the directors have considered the financial position of the company both at 28 December 2014 and the date of approval of these financial statements and consider that the company has adequate cash resources, maintains a strong net asset position and has made significant accounting profits in 2014 and to date in 2015. Furthermore the directors have prepared a cash flow forecast for the foreseeable future which indicates that the company will remain cash positive and meet its liabilities as they fall due for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Consolidated accounts

In accordance with Section 401 of the Companies Act 2006, the company is not required to prepare group financial statements, as at 28 December 2014 it was a wholly owned subsidiary of Illumina, Inc. which prepares consolidated financial statements, incorporating this company. The scope of entities included within those financial statements is equivalent with the European Union's Seventh Directive.

These financial statements present information about the company as an individual undertaking and not about its group.

Cash flow statement

The company has taken advantage of the exemption in FRS 1 "Cash Flow Statements" which exempts a company from the requirement to prepare a cash flow statement on the grounds that the company is wholly owned and its ultimate parent publishes consolidated financial statements which are publicly available.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets created within the business are not capitalised and expenditure is charged to the profit and loss account in the period in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives of 5 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments held are stated at cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value in use.

Notes to the financial statements (continued)
at 28 December 2014

1. Accounting policies (continued)

Current asset investments are stated at cost plus any interest or less any impairment. These are short term trade investments which can be redeemed in short notice. There is no contractual maturity date with these trade investments.

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on historical cost of each asset evenly over its expected useful life, as follows:

Leasehold improvements	-	Over the shorter of the lease term and the estimated useful life
Laboratory equipment	-	Over 4 to 5 years
Furniture and fittings	-	Over 4 to 5 years
Computer equipment	-	Over 3 to 4 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be reasonable.

Assets under construction are recorded at cost and depreciated when the asset is brought into use.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials the FIFO cost method is used. For work in progress and finished goods, cost is taken as production cost including direct labour and an apportionment of overhead.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of instruments and consumables

Revenue from the sale of instruments and consumables is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on dispatch of the goods.

Product warranty and service related income

The company sells contracts that require a warranty service to be provided over a period of time, often a number of years. The revenue is recognised on a straight line basis over the contract term. In addition, the company receives income for ad-hoc servicing and repair of machines that are not covered by a warranty. These revenues are recognised as the service or repair is performed.

Royalty revenue

Royalty revenue receivable from other group undertakings on sequencing product sales is recognised on net Illunmina, Inc. group sales to third parties.

Interest income

Revenue is recognised as interest accrues issuing the effective interest method.

Research and development services

Revenue from research and development services is recognised as the services are provided.

Notes to the financial statements (continued)
at 28 December 2014

1. Accounting policies (continued)

Other operating income

The company provides certain shared services to other group companies, and receives payment for these services.

Research and development

Research and development expenditure, including patent costs, is written off to the profit and loss account in the period in which it is incurred.

Research and development expenditure credit

Costs incurred on activities which qualify as research and development entitles the company to either a payment from HM Revenue & Customs or a reduction in the Corporation Tax liability. This payment, which has the nature of a government grant, is credited against research and development costs, so as to match the expenditure to which it relates.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Government grants

Government grants of a revenue nature are credited to the profit and loss account so as to match them with the expenditure to which they relate.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and monetary liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet and the gains or losses are included in the profit and loss account.

Share based payments

Employees of the company are granted share options and restricted stock units in the ultimate parent undertaking, Illumina, Inc. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by means of an appropriate pricing model.

No expense is recognised for awards that do not ultimately vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account with a corresponding entry in equity. The company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Notes to the financial statements (continued)
at 28 December 2014

1. Accounting policies (continued)

Pension costs

The company operates a Group Personal Pension Plan with defined contributions for all its directors and employees. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Lease arrangements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

2. Turnover and segmental disclosures

Turnover, which is stated net of value added tax, arises from the following two principal sources.

The first of these represents amounts invoiceable to other group companies. This turnover is attributable to service revenue from the use of the NMR machine, reagent kit components supplied to Illumina, Inc. and Illumina Singapore Pte.Ltd., and royalty payments due from Illumina, Inc. and Illumina Singapore Pte.Ltd..

The second source of revenue arises from third party sales of Illumina, Inc. instruments and consumables for the large scale analysis of genetic variation to customers in the UK, together with associated revenues arising from the separable warranty contracts and other servicing related activities of those instruments.

An analysis by geographical market is given below.

Period ended 28 December 2014

	United Kingdom	USA	Singapore	Total
	£	£	£	£
Turnover	61,740,770	115,619,748	108,119,844	285,480,362
Profit Before Tax	(127,169,674)	115,619,748	108,119,844	96,569,918
Net Assets	180,250,582	-	-	180,250,582

Period ended 29 December 2013

	United Kingdom	USA	Singapore	Total
	£	£	£	£
Turnover	13,603,630	98,269,859	91,844,409	203,717,898
Profit Before Tax	(97,660,461)	98,269,859	91,844,409	92,453,807
Net Assets	98,057,566	-	-	98,057,566

USA sales include £115,619,496 (period ended 29 December 2013: £97,369,949) of royalty income from Illumina, Inc. on the sale of the company's products to third parties.

Singapore sales represents £108,119,844 (period ended 29 December 2013: £91,844,409) from Illumina Singapore Pte.Ltd. During the period Illumina Singapore Pte.Ltd. paid the company to fund research and development spend amounting to £53,541,918 (period ended 29 December 2013: £58,685,768). In a prior period the company granted Illumina Singapore Pte.Ltd. a non-exclusive license of the rights to

Notes to the financial statements (continued)
at 28 December 2014

2. Turnover and segmental disclosures (continued)

manufacture products using certain sequencing IP and to sell the products that it manufactures. As consideration for the right to benefit from sequencing IP, the company is entitled to a royalty on sales made by Illumina Singapore Pte.Ltd., which in the period amounted to £54,577,926 (period ended 29 December 2013: £33,158,641).

The remaining turnover represents amounts invoiced to third parties. This is principally attributable to consumable and instrument sales within the UK. In addition the company receives revenues in relation product warranty contracts and servicing related income of instruments sold by the company to third parties.

An analysis of turnover by revenue stream is given below

	Period ended 28 December 2014 £	Period ended 29 December 2013 £
Royalty income (intragroup)	170,197,422	130,528,590
Reagent sales (intragroup)	145,768	823,975
Reagent sales (third party)	37,235,561	11,190,446
Instrument sales (third party)	17,202,891	1,502,524
Instrument sales (intragroup)	158,982	78,401
Product warranty revenue and service related income (third party)	6,997,820	908,194
Research and development services (intragroup)	53,541,918	58,685,768
	285,480,362	203,717,898

3. Operating profit

This is stated after charging:

	Period ended 28 December 2014 £	*Period ended 29 December 2013 £*
Net foreign exchange (gain)/losses	(5,965,101)	3,858,729
Auditor's remuneration:		
- Audit of the financial statements for the company	69,650	37,830
- Other assurance services – iXBRL tagging	1,100	1,000
Depreciation of owned tangible fixed assets	3,876,640	2,431,104
Loss on disposal of tangible fixed assets	60,377	25,517
Amortisation of intangible fixed assets	4,172,265	1,026,051

Notes to the financial statements (continued)
at 28 December 2014

3. Operating profit (continued)

Research and development expenditure		
- Included in administrative expenses		
- Costs incurred	81,364,654	65,711,055
- Research and development expenditure credit	(916,957)	(697,561)
	80,447,697	65,013,494
- Included in cost of sales and recharged to Illumina Singapore Pte. Ltd	53,541,918	58,685,768
Total research and development expenditure	133,989,615	123,699,262
Operating lease rentals - land and buildings	1,248,289	1,108,000
- plant and machinery	30,159	22,084
Other operating income – shared service charges to other group undertakings	4,961,641	2,630,875

4. Staff costs

	Period ended 28 December 2014 £	*Period ended 29 December 2013 £*
Wages and salaries	18,597,906	12,837,924
Social security costs	1,820,058	1,355,693
Other pension costs (see note 17)	1,118,212	708,068
	21,536,176	14,901,685

Included within wages and salaries is a charge relating to equity settled share based payments of £4,598,678 (period ended 29 December 2013: £4,101,790).

The monthly average number of employees during the period, including one executive director, was as follows:

	Period ended 28 December 2014 No.	*Period ended 29 December 2013 No.*
Administrative staff	42	31
Manufacturing	-	-
Commercial	101	18
Research and development	110	107
	253	156

Notes to the financial statements (continued)
at 28 December 2014

5. Directors' emoluments

	Period ended 28 December 2014 £	Period ended 29 December 2013 £
Directors' emoluments paid by company	-	70,759
Company contributions to money purchase pension schemes	-	-

All of the directors of the company are also directors of the ultimate parent company and other fellow group undertakings. These directors received total remuneration for their services, including amounts stated above, for the period of £2,870,829 (period ended 29 December 2013: £2,512,848), plus company pension contributions of £14,222 (period ended 29 December 2013: £13,030). The aggregate emoluments of the highest paid director was £1,285,475 (period ended 29 December 2013: £1,326,297) and company pension contributions of £4,741 (period ended 29 December 2013: £4,886) were made to a money purchase scheme on his behalf. The highest paid director received shares (RSUs) for qualifying services and exercised share options, in both the current and prior periods. The directors do not believe that it is practicable to apportion this amount between their qualifying services as directors of the company and their services as directors of the ultimate parent company and other fellow group undertakings.

	Period ended 28 December 2014 No.	*Period ended 29 December 2013 No.*
Number of directors accruing benefits under money purchase schemes	3	3
Number of directors who received shares (RSUs) for qualifying services	4	4
Number of directors who exercised share options	4	4

6. Share based payments

Employees are granted share options and restricted stock units (RSUs) in the ultimate parent company Illumina, Inc. Share options and RSUs vest over 4 years from the date of grant.

Share options granted to new employees have a 1 year cliff where 25% of the grant vests on the anniversary of the start date, with the remainder vesting over 3 years on a straight line monthly basis. Subsequent awards vest over 4 years on a straight line monthly basis. Share options must be exercised within 10 years of the grant date otherwise they expire.

RSUs typically vest in 4 instalments on each of the first four anniversaries of the date of grant in the proportions 25%, 25%, 25% and 25% (prior to 1 January 2012 the vesting schedule was: 15%, 20%, 30%, 35%). Options and RSUs are equity settled, and there are no other vesting conditions.

Notes to the financial statements (continued)
at 28 December 2014

6. Share based payments (continued)

The charge to the profit and loss account in accordance with FRS 20 is set out below

	Period ended 28 December 2014 £	*Period ended 29 December 2013 £*
Profit and Loss Account		
Increase in administrative expenses	4,598,678	4,101,790

Share options
The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options in the period.

	Period ended 28 December 2014 No.	Period ended 28 December 2014 WAEP	*Period ended 29 December 2013 No.*	*Period ended 29 December 2013 WAEP*
Outstanding as at the beginning of the period	126,762	$23.14	245,670	$27.23
Lapsed during period	-	-	-	-
Exercised during period	(31,259)	$30.04	(135,011)	$29.04
Transfers in from other group companies	-	-	16,103	$10.22
Outstanding at the end of the period	95,503	$20.88	126,762	$23.14
Exercisable at the end of the period	86,212	$19.51	117,372	$19.47

The range of exercise prices for share options outstanding at the period end was $1.86 - $69.34 (29 December 2013: $1.86 - $69.34).

The weighted average remaining contractual life of share options outstanding at the period end is 2.20 years (29 December 2013: 3.35 years).

The weighted average share price at the date of exercise for those share options exercised during the period was $170.96 (period ended 29 December 2013: $72.62).

Restricted Stock Units
During the period, Illumina, Inc., the ultimate parent of the company, granted RSUs to certain employees representing a right to receive, in the aggregate, 56,849 (period ended 29 December 2013: 103,050) shares of its common stock. The weighted average fair value of the RSU's at the date of grant was $174.83 (period ended 29 December 2013: $70.04).

Notes to the financial statements (continued)
at 28 December 2014

6. Share based payments (continued)

The following table illustrates the number and weighted average market value at date of grant (WAMV) of, and movements in, RSUs in the period.

	Period ended 28 December 2014 No.	Period ended 28 December 2014 WAMV	*Period ended 29 December 2013 No.*	*Period ended 29 December 2013 WAMV*
Outstanding as at the beginning of the period	327,875	$54.66	245,295	$45.16
Granted during period	56,849	$174.83	103,050	$70.04
Lapsed during period	(17,148)	$63.44	(15,002)	$44.54
Vested during period	(97,725)	$54.55	(102,218)	$42.74
Transfers out to other group companies	(64,311)	$54.48	(14,854)	$50.10
Transfers from other group companies	4,830	$58.20	111,604	$48.46
Outstanding at the end of the period	210,370	$86.60	327,875	$54.66

Market value at date of grant was used to calculate the fair value of the RSUs in the period and the preceding periods.

Employee Stock Purchase Plan
Employees are able to save up to 15% of their gross salary and then periodically use these funds to purchase shares in Illumina, Inc. at a discount.
The following table illustrates the number and weighted average purchase price (WAPP) of, and movements in, share options in the period.

	Period ended 28 December 2014 No.	Period ended 28 December 2014 *WAPP*	*Period ended 29 December 2013 No.*	*Period ended 29 December 2013 WAPP*
Outstanding as at the beginning of the period	19,288	$64.71	11,961	$35.62
Granted during period	16,755	$156.96	29,775	$53.25
Exercised during period	(20,427)	$69.35	(23,544)	$39.63
Transfers from other group companies	-	-	1,096	$67.43
Outstanding at the end of the period	15,616	$159.05	19,288	$64.71
Exercisable at the end of the period	-	-	-	-

The range of exercise prices for options outstanding at 28 December 2014 were $128.36 - $160.87 (29 December 2013, $35.62 - $43.78).

The weighted average remaining contractual life of ESPP share outstanding at 28 December 2014 is 5 months (29 December 2013: 1 month). The weighted average share price at the date of exercise for those share options exercised during the period was $156.54 (period ended 29 December 2013: $65.77).

The expense recognised in the profit and loss account of the company has been derived by using the Black-Scholes option pricing model to calculate the market value of the right to purchase shares at the grant of these rights, and the expense is then amortised over the vesting period.

Notes to the financial statements (continued)
at 28 December 2014

6. Share based payments (continued)

The assumptions used to estimate the fair value of share options granted in the period were as follows:

	Period ended 28 December 2014	*Period ended 29 December 2013*
Fair value of common stock	$151.01-160.87	$51.50-79.45
Fair value of stock options granted	$38.71-48.98	$12.26-19.18
Risk-free interest rate	0.05-0.13%	0.08-0.15%
Expected life (in years)	0.5-1.0	0.5-1.0
Expected volatility	37.70-40.91%	30.57-32.44%
Expected dividend yield	-%	-%

7. Interest receivable and similar income

	Period ended 28 December 2014 £	*Period ended 29 December 2013 £*
Net foreign exchange gains on loans from other group undertakings	238,079	468,929
Interest receivable on treasury deposits	38,856	144,594
	276,935	613,523

8. Interest payable and similar charges

	Period ended 28 December 2014 £	*Period ended 29 December 2013 £*
Interest payable on loans from other group undertakings	28,290	109,052
Other interest payable	2,934	9,913
	31,224	118,965

Notes to the financial statements (continued)
at 28 December 2014

9. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge comprises as follows:

	Period ended 28 December 2014 £	*Period ended 29 December 2013 £*
Current tax:		
UK Corporation Tax at 21.50% (period ended 29 December 2013: 23.25%)	13,552,354	8,242,546
Adjustment in respect of prior periods	59,095	(145,817)
Foreign tax	(100,942)	(9,778)
Total current tax (see note 9(b))	13,510,507	8,086,951
Deferred taxation:		
Origination and reversal of timing differences	(886,203)	(627,482)
Adjustment in respect of prior periods	(46,720)	(16,027)
Effect of changes in tax rates	62,079	133,883
Total deferred tax (see note 9(d))	(870,884)	(509,626)
Tax on profit on ordinary activities	12,639,623	7,577,325

(b) Factors affecting the current tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 21.50% (period ended 29 December 2013: 23.25%). The differences are explained below:

	Period ended 28 December 2014 £	*Period ended 29 December 2013 £*
Profit on ordinary activities before tax	96,569,918	92,453,807
Profit on ordinary activities multiplied by the standard rate of tax of 21.50% (period ended 29 December 2013: 23.25%)	20,762,532	21,495,510
Effect of:		
Expenses not deductible for tax purposes	1,038,886	315,784
Non taxable income primarily relates to the profit on sale of trade investment	-	(11,546,089)
Depreciation in excess of capital allowances	276,844	77,578
Other timing differences	5,654	13,965
Effect of patent box deduction	(5,974,430)	-
Adjustments in respect of prior periods	59,095	(145,817)
Foreign tax	-	(9,778)
Transfer pricing adjustment	(645,008)	(665,002)
Share option timing differences	(2,013,066)	(833,397)
Group relief received for nil consideration	-	(430,610)
Enhanced R&D deduction	-	(185,193)
Total current tax (see note 9(a))	13,510,507	8,086,951

Notes to the financial statements (continued)
at 28 December 2014

9. Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

The standard rate of UK Corporation Tax was reduced from 21% to 20% on 1 April 2015. The Finance Act 2015, which received Royal Assent on 26 March 2015, states that this rate will not change for financial year 2016. Deferred tax has been calculated accordingly in these financial statements.
In his budget of 8 July 2015, the Chancellor of the Exchequer announced tax rate changes, which, if enacted in the proposed manner, will have an effect on the company's future tax position. These additional changes will reduce the standard rate of UK corporation tax from 20% to 19% from 1 April 2017, and 18% from 1 April 2020. These proposed changes had not been substantively enacted at the balance sheet date and consequently their effects are not included in these financial statements. The effect of these announced reductions is not likely to be material.

The above changes to the rate of corporation tax will impact the amount of future cash tax payments to be made by the company.

(d) Deferred tax asset/(liability)

	£
At 30 December 2013	405,525
Credit to profit and loss	824,164
Adjustment in respect of prior years	46,720
At 28 December 2014 (see note 14)	1,276,409

The elements of the deferred tax asset/(liability) that has been provided for, are as follows:

	Period ended 28 December 2014 £	*Period ended 29 December 2013 £*
Capital allowances in advance of depreciation	(857,140)	(1,162,434)
Short term timing differences	27,448	23,300
Share based payments	2,106,101	1,544,659
	1,276,409	405,525

10. Intangible fixed assets

	Goodwill £
Cost:	
At 30 December 2013 and 28 December 2014	20,861,325
Amortisation:	
At 30 December 2013	1,026,051
Charge for the period	4,172,265
At 28 December 2014	5,198,316
Net book value:	
At 28 December 2014	15,663,009
At 29 December 2013	19,835,274

The goodwill arising from the acquisition of the trade and certain assets and liabilities of Illumina UK, Limited is being amortised over five years as this is the period over which the directors expect the company to derive economic benefit.

Notes to the financial statements (continued)
at 28 December 2014

11. Tangible fixed assets

	Leasehold improvements £	Assets under construction £	Laboratory equipment £	Furniture and fixtures £	Computer equipment £	Total £
Cost or valuation:						
At 30 December 2013	12,451,674	536,575	8,825,746	625,362	4,578,027	27,017,384
Additions	1,001,241	808,340	4,120,488	42,885	1,125,595	7,098,549
Reclassification	536,575	(536,575)	-	-	-	-
Disposals	(271,358)	-	(645,227)	(4,059)	(1,026,664)	(1,947,308)
Transfers*	-	-	1,122,458	-	139,808	1,262,266
At 28 December 2014	13,718,132	808,340	13,423,465	664,188	4,816,766	33,430,891
Depreciation:						
At 30 December 2013	3,528,978	-	5,878,070	253,126	3,239,782	12,899,956
Charge for the period	911,214	-	2,164,262	90,244	710,920	3,876,640
Disposals	(271,358)	-	(580,487)	(4,059)	(1,031,027)	(1,886,931)
At 28 December 2014	4,168,834	-	7,461,845	339,311	2,919,675	14,889,665
Net book value:						
At 28 December 2014	9,549,298	808,340	5,961,620	324,877	1,897,091	18,541,226
At 29 December 2013	8,922,696	536,575	2,947,676	372,236	1,338,245	14,117,428

*Net transfers from/(to) other group undertakings.

12. Investments

	Shares in subsidiary undertaking £
Cost and net book value:	
At 30 December 2013 and 28 December 2014	32,224,400

Illumina Cambridge hold 100% of the issued ordinary share capital of Illumina UK, Limited. The principal activity of Illumina UK, Limited was the sale of Illumina, Inc. group instruments and consumables. This trade was however transferred to Illumina Cambridge Limited in 2013 and hence Illumina UK Limited is no longer trading. Illumina UK, Limited is a company incorporated in England and Wales.

During 2013 the company disposed of its trade investment in Oxford Nanopore Technologies Limited for a consideration of £56,369,000, resulting in a profit on disposal of £33,575,229.

Notes to the financial statements (continued)
at 28 December 2014

13. Stocks

	As at 28 December 2014 £	*As at 29 December 2013 £*
Raw materials and consumables	150,552	382,149
Work in progress	589,806	-
Finished goods	64,851	-
	805,209	382,149

The difference between purchase price or production cost of stocks and their replacement cost is not material.

14. Debtors

	As at 28 December 2014 £	*As at 29 December 2013 £*
Trade debtors	9,062,074	8,908,148
Amounts owed by group undertakings	35,301,838	34,919,652
VAT receivable	407,354	1,136,631
Other debtors	2,507,461	20,195
Prepayments and accrued income	618,381	650,764
Deferred tax asset (see note 9(d))	1,276,409	405,525
	49,173,517	46,040,915

15. Creditors: amounts falling due within one year

	As at 28 December 2014 £	*As at 29 December 2013 £*
Trade creditors	1,285,680	931,845
Payments received on account	607,804	1,486,663
Amounts owed to group undertakings	48,693,688	45,722,499
Corporation tax payable	3,762,815	173,779
Other taxes and social security	5,110,571	3,238,913
Pension creditor (see note 17)	137,242	110,950
Accruals and deferred revenue	7,727,522	8,821,245
	67,325,322	60,485,894

16. Creditors: amounts falling due after one year

	As at 28 December 2014 £	*As at 29 December 2013 £*
Deferred revenue	499,320	513,816

Notes to the financial statements (continued)
at 28 December 2014

17. Pensions

The company operates a Group Personal Pension Plan with defined contributions, for all its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The charge to the profit and loss account in the period amounted to £1,118,212 (period ended 29 December 2013: £708,068). Contributions outstanding at the period end were £137,242 (29 December 2013: £110,950).

18. Share capital

	Allotted and called up	
	As at 28 December 2014 £	As at 29 December 2013 £
12,089,515 Ordinary shares of £0.0025 each	30,224	30,224

19. Reconciliation of shareholders' funds and movements on reserves

	Share capital £	Share premium account £	Profit and loss account £	Total share-holders' funds £
At 30 December 2012	30,224	22,329,961	55,172,650	77,532,835
Profit for period	-	-	84,876,482	84,876,482
Dividend to parent Illumina, Inc.	-	-	(60,699,998)	(60,699,998)
Share based payments:				
Group charge*	-	-	(7,753,543)	(7,753,543)
FRS20**	-	-	4,101,790	4,101,790
Cancellation of share premium account	-	(22,329,961)	22,329,961	-
At 29 December 2013	30,224	-	98,027,342	98,057,566
Profit for period	-	-	83,930,295	83,930,295
Share based payments:				
Group charge*	-	-	(6,335,957)	(6,335,957)
FRS20**	-	-	4,598,678	4,598,678
At 28 December 2014	30,224	-	180,220,358	180,250,582

* Payment to Illumina, Inc. for share based payments
** Credit to equity for share based payments

On 7 June 2013, the company undertook a capital reduction whereby the share premium account was cancelled, resulting in the transfer of £22,329,961 to the profit and loss account reserve as part of distributable reserves.

Notes to the financial statements (continued)
at 28 December 2014

20. Commitments under operating leases

At 28 December 2014 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	As at 28 December 2014 £	*As at 29 December 2013 £*	As at 28 December 2014 £	*As at 29 December 2013 £*
Operating leases which expire:				
Within one year	–	–	8,749	8,412
Between two to five years	561,140	–	7,289	24,173
After five years	1,108,000	1,108,000	–	–
	1,669,140	1,108,000	16,038	32,585

21. Related party transactions

As the company is a wholly owned subsidiary of Illumina, Inc., which prepares group financial statements which are publically available, the company has taken advantage of the exemption in FRS 8 'Related party disclosures' from disclosing transactions with wholly owned members of the Illumina, Inc. group.

22. Ultimate parent undertaking

The company's ultimate and immediate parent undertaking and controlling party is Illumina, Inc., a company registered in the USA. The smallest and largest group in which the results of the company are included within is headed by Illumina, Inc. Copies of which are available from.Illumina, Inc., 5200 Illumina Way, San Diego, CA 92122, USA.

23. Events after the balance sheet date

On 23 January 2015, Illumina Cambridge obtained 100% of the share capital of Illumina Singapore from Illumina Inc. in exchange for 39,670 ordinary shares in the share capital of Illumina Cambridge.

On 25 June 2015, Illumina Cambridge announced the plan to consolidate all UK operations to one site at Granta Park, Great Abington.