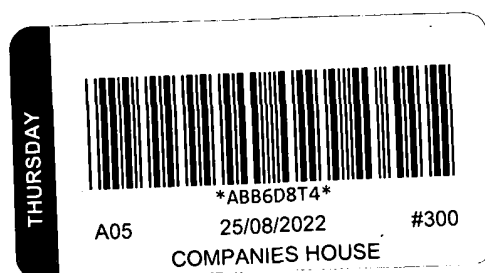


Company Registration No. 03625145

ILLUMINA CAMBRIDGE LIMITED

Annual Report and Financial Statements

2 January 2022



ILLUMINA CAMBRIDGE LIMITED

Registered No: 03625145

REPORT AND FINANCIAL STATEMENTS

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REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N Cranfield
M Robinson

SECRETARY

C Dadswell

REGISTERED OFFICE

Illumina Centre
19 Granta Park
Great Abington
Cambridge
Cambridgeshire
CB21 6DF

BANKERS

Bank of America
5 Canada Square
London
E14 5AQ

AUDITOR

Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

STRATEGIC REPORT

The directors present their strategic report for the period ended 2 January 2022.

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 manufacture and sale of the group's instruments and consumables for the large-scale analysis of genetic variation to customers and other group customers.

The Intellectual Property generated through this R&D activity underpins the market leading position of Illumina group's sequencing instruments. Accordingly, the company is entitled to royalties for the use of its intellectual property from group companies and customers.

The company manufactures and sells Illumina, Inc. instruments and consumables for the large-scale analysis of genetic variation to customers in the UK and to other group entities. The company also achieves revenue through the sale of separable warranty contracts and other servicing related activity of those instruments sold to customers in the UK.

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 BUSINESS

The company's financial performance is assessed primarily by third party and intra-group product sales, expenditure on research and development and headcount.

	Period ended 2 January 2022	Period ended 3 January 2021	Change
	\$'000	\$'000	%
Third party sales	231,441	173,957	33%
Intra-group sales	3,058,043	2,120,148	44%
Research & development expenditure	660,162	559,882	19%
Profit for the period	962,493	439,057	144%
	Number	Number	Change
Average headcount	718	651	10%

Third party sales increased by 33% and intragroup sales increased by 44% in 2021. Increases in third party revenue were seen in the following lines of business; consumables and instruments, due to the strong demand

seen in the industry. 2020 third party revenue was impacted by the COVID-19 pandemic and the lockdown restrictions in place during the year.

Services represent 16% of total third-party sales in 2021 (32% in 2020), the decrease is mainly driven by a decrease in revenue from collaboration projects.

Research and development expenditure has increased by 19% in the period. In 2021, the company continued 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 increase in performance and expenditure in research and development is supported by the growth in headcount, which has increased by 10% in the year.

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 product releases.

PRINCIPLE RISKS AND UNCERTAINTIES

The directors consider that the following are the principal risks and uncertainties which the company faces:

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.

Competitive risks

The company operates in a competitive environment and other companies may market products more successfully. However, there has been continued investment in the company's marketing and sales teams so that the company is able to maintain its market position against the competition.

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 company 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 risk

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 discipline. Stock options and RSU awards vesting over several years aim to minimise 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 risk

The company is exposed to foreign exchange rate risks in the normal course of business and uses derivative financial instruments to partially offset this exposure. We do not use derivative financial instruments for speculative or trading purposes.

Liquidity risk

To maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the company maintains cash balances. The directors are responsible for assessing and approving all dividends to the parent company.

SECTION 172(1) STATEMENT

The directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The company engages with a wide range of stakeholders to inform decision making. Our internal engagement included all levels of the organization. Our external engagement included representatives from global, national and local interests.

Stakeholder Groups

- | | |
|------------------------|-----------------------------|
| • Customers | • Distributors |
| • Employees | • Investors |
| • Healthcare Providers | • Government and Regulators |
| • Suppliers | • Industry Leaders |
| • Community partners | • Non-profit |
| • Channel partners | • CSR peer groups |

As part of our ongoing stakeholder engagement, we use a variety of ways to gather feedback and gauge interests including customer surveys, employee surveys, industry trade group participation, and guidance from relevant frameworks such as the UN Global Compact and Sustainable Development Goals. In addition, we use external benchmarking data such as Dow Jones Sustainability Index, CDP, Gender Equality Index, and Corporate Equality Index to identify areas of focus and opportunities. These are just a few examples of how we stay connected to our stakeholders.

One of the most critical ways we continuously listen to our employees is through our employee surveys. With very strong survey participation from our dedicated employees, we gather actionable insights to help create an environment where everyone can contribute to our mission.

ILLUMINA CAMBRIDGE LIMITED

Registered No: 03625145



N Cranfield

Director

Date: 12 August 2022

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report for the 52 weeks ended 2 January 2022.

DIRECTOR

The directors, who served throughout the period and to the date of this report, unless stated otherwise, were as follow:

P Dowdy (resigned 23 July 2021)
R Edwards (resigned 19 November 2021)
M Robinson
N Cranfield (appointed 3 December 2021)

DIVIDENDS

The directors paid total dividends in the period of \$1,022 million (2020: \$575 million).

FUTURE DEVELOPMENTS

The directors do not currently anticipate any material changes to the nature of company's activities in the foreseeable future.

GOING CONCERN

The directors have prepared an assessment of the going concern of the company based on available resources, both cash and tangible assets, to sustain the company's activities for the period to 31 August 2023, being the going concern period.

The company generates a significant portion of its revenue from intragroup sales. The directors have considered the contractual arrangements with other Group companies and are satisfied that the company will be able to continue to rely on intergroup sales for a significant portion of its revenue. The Company is an integral and key component of the Illumina group, which operates under a toll manufacturing agreement. This toll manufacturing agreement is expected to be renewed within the going concern period.

Based upon scenario analysis of the uncertainties resulting from the COVID-19 pandemic, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the period to 31 August 2023. Thus, they continue to adopt the going concern basis in preparing the financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

On 17 March 2022, the subsidiary Enancio SAS was dissolved.

On 6 May 2022, Longas Technologies Pty Ltd was sold to Illumina Australia for \$99m.

On 6 May 2022, the Company increased its investment in Illumina Singapore Pte by \$99m.

On 1 June 2022, the Company received a dividend from Illumina Singapore Pte for \$175m.

On 6 June 2022, the Company paid a dividend to Illumina Inc of \$300m.

EVENTS AFTER THE BALANCE SHEET DATE (cont'd)

On 6 May 2022 the District Court for the District of Delaware rendered a verdict against Illumina in relation to three patents owned by CGI (Complete Genomics Inc.). On 14 July 2022 Illumina entered into a settlement and license agreement with CGI and BGI (subsidiary of CGI) resulting in a one-off payment of \$325m, for both damages incurred and licensing in relation to the patents. The payment has been allocated as follows; an estimated \$156m allocated to the release of past damages claimed, an estimated \$177m intangible asset representing the value of the license granted, \$8m gain awarded to Illumina in damages. Illumina Cambridge has considered it appropriate to include a provision for the expense of \$156m in FY21 as an adjusting post balance sheet event. The expense carries an offsetting tax deduction at the UK standard rate of corporation tax. This provision is management's best estimate of the value of the historical settlement amount at the date of signing these financial statements. The license will be recorded in FY22, as of its commencement date in July 2022.

On 3 August 2022, the Company paid a dividend to Illumina Inc of \$100m.

DISABLED EMPLOYEES

The company considers applications for employment from disabled persons where the candidate's aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

EMPLOYEE ENGAGEMENT

During the period, the policy of providing employees with information about the Illumina group and performance has continued through monthly company meetings. Employee surveys were undertaken throughout the year for employees to provide their feedback on the group's performance. Employees are encouraged to invest in the Illumina group through participation in the employee share purchase plan.

BUSINESS RELATIONSHIPS

The Company builds relationships with suppliers, vendors, and other third parties who share our commitment to satisfying all legal and ethical obligations. We will not knowingly do business with suppliers who employ underage individuals, employ forced labour, or use corporal punishment to discipline employees, regardless of whether such practices are permitted by applicable law. We will favour competitive suppliers who are proactive in contributing to the continued education and betterment of employees and who provide equal employment opportunity.

EMISSIONS AND ENERGY CONSUMPTION

	2021	2020
Greenhouse gas footprint emissions (tonnes CO ₂ e)	1,720	1,607
Energy consumption (kWh)	4,157,443	3,802,280
Emissions as a percentage of other administrative expenses	2.6%	2.4%

Energy consumption is recorded monthly using meter readings. It is converted to CO₂ emissions using the Government conversion factors for company reporting. All emissions information has been included in the figures above.

Actions that have been taken to reduce emissions include adjusting heating and cooling systems, installing charging points, installing our own renewable electricity, and heating, insulating the buildings, introducing a cycle to work scheme and switching to LED bulbs.

DIRECTORS' INDEMNITIES

The company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Each director has taken all the steps relevant 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 auditor is aware of that information.

RE-APPOINTMENT OF AUDITOR

Ernst & Young LLP have expressed their willingness to continue in office as auditor and, in accordance with s.485 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:



N Cranfield
Director
Date: 12 August 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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

Opinion

We have audited the financial statements of Illumina Cambridge Limited for the year ended 2 January 2022 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 2 January 2022 and of its 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 31 August 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

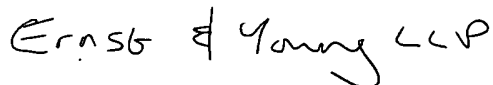
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework FRS 102 and the Companies Act 2006, Her Majesty's Revenue and Customs tax compliance regulations, and Miscellaneous Reporting Regulations 2018. In addition, the company has to comply with laws and regulations including money laundering regulations, health and safety, employment law, data protection and anti-bribery and corruption.
- We understood how Illumina Cambridge Limited is complying with those frameworks by making inquiries of management and those charged with governance. We corroborated our enquiries through our review of board minutes and noted that there was no contradictory evidence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We considered performance targets and their potential influence and incentive for management over-ride of controls. Where this risk was considered to be higher, we performed audit procedures to address the identified fraud risk. We identified a fraud risk in relation to the potential for the revenue to be misstated. Our procedures were designed with appropriate consideration of risk and included work on revenue journals.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of the management and those charged with governance. We also reviewed the board minutes to identify any non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Adrian Bennett (Statutory Senior Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

Cambridge, UK

Date: 12 August 2022

INCOME STATEMENT**for the period ended 2 January 2022**

		Period ended 2 January 2022	Period ended 3 January 2021
	Note	\$'000	\$'000
Turnover	2	3,289,484	2,294,105
Cost of sales		(1,962,272)	(1,355,892)
Gross profit		1,327,212	938,213
Research and development costs		(660,162)	(559,882)
Net foreign exchange (gain)/loss		(2,212)	1,399
Other administrative expenses		(132,775)	(88,925)
Other operating income/(expenses)		(71,858)	9,003
Exceptional litigation settlement	26	(156,000)	—
Operating profit		304,205	299,808
Income from investments		720,103	175,000
Interest receivable and similar income	4	927	1,610
Interest payable and similar charges	5	(667)	(48)
Profit on ordinary activities before taxation	3	1,024,568	476,370
Tax on profit on ordinary activities	8	(62,075)	(37,313)
Profit for the financial period		962,493	439,057

All activities in both the current period and preceding period derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME**for the period ended 2 January 2022**

	Period ended 2 January 2022	Period ended 3 January 2021
Profit for the financial period	962,493	439,057
Cash flow hedges		
Gains/(losses) arising during the year	14,853	31
Total comprehensive income for the period	977,346	439,088

STATEMENT OF CHANGES IN EQUITY

for the period ended 2 January 2022

	Called-up share capital	Share premium account	Profit and loss account	Hedging reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
At 29 December 2019	59	18,985	717,758	—	736,802
Profit for the period	—	—	439,057	31	439,088
Total comprehensive income for the period	—	—	439,057	31	439,088
Share based payment recharge by group	—	—	(14,729)	—	(14,729)
Share based payment expense	—	—	16,656	—	16,656
Dividends paid in the period	—	—	(575,000)	—	(575,000)
Share issue	—	27,526	—	—	—
As At 03 January 2021	59	46,511	583,742	31	630,343
Profit for the period	—	—	962,493	—	962,493
Cash flow hedges	—	—	—	—	—
Gains/(losses) arising during the year	—	—	—	14,853	14,853
Total comprehensive income for the period	—	—	962,493	14,853	977,346
Share based payment recharge by group	—	—	(17,133)	—	(17,133)
Share based payment expense	—	—	15,375	—	15,375
Dividends paid in the period	—	—	(1,021,603)	—	(1,021,603)
Share issue	—	—	—	—	—
At 02 January 2022	59	46,511	522,874	14,884	584,328

ILLUMINA CAMBRIDGE LIMITED

Registered No: 03625145

STATEMENT OF FINANCIAL POSITION

As at 2 January 2022

	Note	2 January 2022 \$'000	3 January 2021 \$'000
FIXED ASSETS			
Investments	11	251,114	152,388
Tangible assets	10	63,319	65,052
Intangible assets	12	65,556	44,444
		<u>379,989</u>	<u>261,884</u>
CURRENT ASSETS			
Stocks	13	456,643	390,203
Debtors	14	350,436	184,559
Cash and cash equivalents		116,548	64,276
		<u>923,627</u>	<u>639,038</u>
CREDITORS: amounts falling due within one year	15	(528,970)	(243,322)
NET CURRENT ASSETS		<u>394,657</u>	<u>395,716</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>774,646</u>	<u>657,600</u>
CREDITORS: amounts falling due after more than one year	16	(24,473)	(19,438)
PROVISIONS FOR LIABILITIES	17	(165,845)	(7,819)
NET ASSETS		<u>584,328</u>	<u>630,343</u>
CAPITAL AND RESERVES			
Called-up share capital	21	59	59
Share premium account	22	46,511	46,511
Profit and loss account		522,874	583,742
Hedging reserve		14,884	31
SHAREHOLDERS' FUNDS		<u>584,328</u>	<u>630,343</u>

The financial statement of Illumina Cambridge Limited were approved by the board of directors and authorised for issue on 12 August 2022.

They were signed on its behalf by:



N Cranfield

Director

NOTES TO THE FINANCIAL STATEMENTS**52 weeks ended 2 January 2022****1. ACCOUNTING PRINCIPLES****Legal form of the entity**

Illumina Cambridge Limited is a limited liability company incorporated in England. The registered office is Illumina Centre, 19 Granta Park, Great Abington, Cambridge, Cambridgeshire CB21 6DF.

Statement of compliance

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the period ended 2 January 2022.

Basis of preparation and change in accounting policy

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

Going concern

The directors have prepared an assessment of the going concern of the company based on available resources, both cash and tangible assets, to sustain the company's activities for the period to 30 July 2023, being the going concern period.

The company generates a significant portion of its revenue from intragroup sales. The directors have considered the contractual arrangements with other Group companies and are satisfied that the company will be able to continue to rely on intergroup sales for a significant portion of its revenue.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the period to 30 July 2023. Thus, they continue to adopt the going concern basis in preparing the financial statements. The Company is an integral and key component of the Illumina group, which operates under a toll manufacturing agreement. This toll manufacturing agreement is expected to be renewed within the going concern period.

Disclosure exemptions

Under Financial Reporting Standard 102, the Company is exempt from several disclosures as a qualifying entity since it is included in the consolidated financial statements of Illumina, Inc. whose financial statements are publicly available. The following disclosure exemptions have been taken by the Company:

- Statement of cash flow for the reporting period
- Disclosures in relation to the fair value of financial liabilities and financial assets
- Weighted average exercise price of share options
- Information input into the fair value model of equity instruments
- Key management personnel compensation
- Reconciliation of the number of share-based awards outstanding at the beginning and end of the period

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the

amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

Impairment of inventory

Due to the nature of the inventory there is a risk that inventory may be impaired. An estimation for the impairment of inventory held at the year-end is undertaken, considering factors such as slow-moving, obsolete, and excess stock based on product life cycles, quality issues, historical experience, and usage forecasts.

Warranty provision

A provision for warranty expense is based on management's historical experience as well as anticipated product performance. The Company periodically reviews the warranty provision for adequacy and adjusts, if necessary, based on actual experience and estimated costs to be incurred.

Accounting policies**Research and development**

Research and development expenditure is written off in the year in which it is incurred.

Intangible assets - licences

Licences are included at cost and amortised in equal annual instalments over a period of 3-4 years according to their estimated useful economic life. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, except for assets in the course of construction, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	term of lease
Plant and machinery	2-5 years
Office equipment	2-3 years

Assets in the course of construction are not depreciated.

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at an effective rate on the carrying value.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

i. Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of being 'basic' financial instruments as defined in FRS 102.11.9 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled, or expires.

ii. Investments

Investments in subsidiaries are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

iii. Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of transaction costs.

iv. Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

v. Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

vi. Hedge accounting

The company designates certain derivatives as hedging instruments in cash flow hedges. At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the company determines, and documents causes for hedge ineffectiveness.

Note 19 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving, or defective items where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profit and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the finance statements except that:

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover 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

Turnover 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 delivery of the goods.

Product warranty and service-related income

The Company sells contracts that require a warranty service to be provided over a period, often several 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 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 Illumina, Inc. group sales to third parties.

Interest income

Income is recognised as interest accrues using the effective interest method.

Research and development services

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

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions

payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Warranty provision

The Company provides a one-year warranty on instruments. Additionally, the Company provides a warranty on consumables through the expiration date which generally ranges from six to twelve months after the manufacture date. At the time revenue is recognised, the Company establishes an accrual for estimated warranty expenses based on historical experience as well as anticipated product performance.

Share-based payment

The parent company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2. TURNOVER

An analysis by geographical market is given below:

	Period ended 2 January 2022	Period ended 3 January 2021
Turnover by geographical market	\$'000	\$'000
United Kingdom	222,995	123,033
Rest of Europe	900,776	639,187
North America	1,320,192	948,161
Rest of the World	845,521	583,723
	<u>3,289,484</u>	<u>2,294,104</u>

An analysis of turnover by revenue stream is given below:

	Period ended 2 January 2022	Period ended 3 January 2021
	\$'000	\$'000
Turnover by revenue stream		
Royalty income (intragroup)	186,970	210,207
Consumable sales (third party)	158,447	94,304
Consumable sales (intragroup)	2,249,936	1,603,574
Instrument sales (third party)	33,294	13,792
Instrument sales (intragroup)	422,726	190,184
Product warranty revenue and service-related income (third party)	35,837	65,861
Product warranty revenue and service-related income (intragroup)	198,411	116,381
Research and development services (third Party)	3,863	—
Research and development services (intragroup)	—	(198)
	<u>3,289,484</u>	<u>2,294,105</u>

The increase in consumables revenue in the current period was driven by a general increase in demand for both microarray and sequencing consumables. This increase is in part driven by a bounce back from the prior period which was negatively impacted by COVID-19 pandemic, in addition to a general increase in awareness and demand in the genetics sphere.

The decrease in service related income is driven by a large decrease in Sequencing FTS & Other Services. Service and other revenue consists primarily of revenue generated from genotyping and sequencing services, instrument service contracts, and development and licensing agreements.

Sequencing instrument sales increased dramatically by 144% in 2021. Again, this is generally driven by the increase in demand, the bounce back from the COVID-19 and the increased awareness in the biotech market.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	Period ended 2 January 2022	Period ended 3 January 2021
	\$'000	\$'000
Depreciation of owned tangible fixed assets	9,409	8,383
Amortisation of intangible assets	8,889	5,555
Research and development		
Costs incurred	660,162	559,882
Research and development expenditure credit	(2,756)	(2,535)
Operating lease rentals		
Land and buildings	6,726	6,536
Plant and machinery	7	7
Share based payment expense	15,375	16,656
Net loss/(gain) on foreign exchange transactions	2,212	(1,399)
Fees payable to the Company's auditor for: the audit of the Company's annual accounts	<u>157</u>	<u>153</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 2 January 2022	Period ended 3 January 2021
	\$'000	\$'000
Interest receivable on treasury deposits	707	1,533
Interest receivable in amounts due from group undertakings	220	77
	<u>927</u>	<u>1,610</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 2 January 2022	Period ended 3 January 2021
	\$'000	\$'000
Interest payable on loans from other group undertakings	654	46
Bank interest payable	13	2
	<u>667</u>	<u>48</u>

6. STAFF COSTS

The aggregate remuneration comprised:

	Period ended 2 January 2022	Period ended 3 January 2021
	\$'000	\$'000
Wages and salaries	84,380	68,923
Social security costs	10,434	6,412
Other pension costs	5,039	4,012
	<u>99,853</u>	<u>79,347</u>

Included within wages and salaries is a total expense of share-based payments of \$15,375,000 (period ended 3 January 2021: \$16,656,000) which arises from transactions accounted for as equity settled share-based payments.

The average number of monthly employees (including executive directors) was:

	Number 2021	Number 2020
R&D	260	209
Sales and marketing	255	235
Administration	119	100
Manufacturing	84	79
	<u>718</u>	<u>623</u>

7. DIRECTORS' REMUNERATION AND TRANSACTIONS

	Period ended 2 January 2022 \$'000	Period ended 3 January 2021 \$'000
Directors' emoluments paid by the company	1,216	1,321
Company contributions to money purchase pension schemes	37	32

	Period ended 2 January 2022 Number	Period ended 3 January 2021 Number
Number of directors accruing benefits under money purchase schemes	3	2
Number of directors who received shares (RSU's) for qualifying services	4	2
Number of directors who exercised share options	4	2

The directors of the company are also directors of other fellow group undertakings. These directors received total remuneration for their services, including amounts stated above for the period of \$1,215,751 (period ended 3 January 2021: \$1,321,343), plus company pension contributions of \$36,675 (period ended 3 January 2021: \$31,913). The aggregate emoluments of the highest paid director were \$553,785 (period ended 3 January 2021: \$790,341) and company pension contributions of \$0 (period ended 3 January 2021: \$0) were made to a money purchase scheme on their behalf. The highest paid director received shares (RSUs) for qualifying services in both the current and prior periods and exercised share options, in 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 other fellow group undertakings.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES
(a) Tax on profit on ordinary activities

The tax charge comprises as follows:

	Period ended 2 January 2022 \$'000	Period ended 3 January 2021 \$'000
<i>Current tax:</i>		
UK Corporation Tax at 19.00%	58,874	37,891
Adjustment in respect of prior periods	453	(167)
Foreign tax relief	(3,385)	(2,123)
Total current tax	55,942	35,601
Foreign tax suffered	3,875	2,102
Total current tax	59,817	37,703

	Period ended 2 January 2022 \$'000	Period ended 3 January 2021 \$'000
<i>Deferred taxation:</i>		
Origination and reversal of timing differences	963	(237)
Adjustment in respect of prior periods	329	(153)
Effect of changes in tax rates	965	—
Total deferred tax	2,257	(390)
Tax on profit on ordinary activities	62,075	37,313

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

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19.00% (period ended 3 January 2021: 19.00%). The differences are explained below:

	Period ended 2 January 2022	Period ended 3 January 2021
	\$'000	\$'000
Profit on ordinary activities before tax	1,024,568	476,370
Profit on ordinary activities multiplied by the standard rate of tax of 19.00%	194,668	90,510
Effect of:		
Expenses not deductible for tax purposes	16,766	220
Tax Rate changes	965	—
Non-taxable income	(137,091)	(35,032)
Effects of overseas tax rates	490	—
Adjustment from previous periods	782	(320)
Share options	(1,545)	(1,291)
Effect of patent box deduction	(12,961)	(16,774)
Total tax (see note 8(a))	<u>62,075</u>	<u>37,313</u>

(c) Factors that may affect future tax charges

The Finance Act 2021, substantively enacted on 24 May 2021, increased the UK corporation tax rate from 19% to 25% effective from 1 April 2023 for companies with profits in excess of GBP 250,000. As this change was substantively enacted at the balance sheet date, the deferred tax balances have been recognised at 25% (2020: 19%). The changes to the Corporate Tax main rate will impact the amount of future cash tax payments to be made by the company.

(d) Deferred tax asset/(liability)

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

	Period ended 2 January 2022	Period ended 3 January 2021
	\$'000	\$'000
At start of period	(1,765)	(2,155)
Adjustment in respect of prior periods	(329)	153
Deferred tax charge to income statement for the period	(1,928)	237
Movement arising from the transfer of trade	(3,721)	—
	<u>(7,744)</u>	<u>(1,765)</u>
Accelerated capital allowances	(7,527)	(4,932)
Share-based payments	3,307	3,047
Unpaid remuneration adjustments	11	8
Pension costs	171	103
Bad debt expense	15	9
Deferred tax charge in OCI for the period	(3,721)	—
	<u>(7,744)</u>	<u>(1,765)</u>
Deferred tax assets		
Recoverable within 12 months	2,129	2,159
Recoverable after 12 months	1,375	1,008
	<u>3,504</u>	<u>3,167</u>
Deferred tax liabilities		
Payable within 12 months	3,514	(400)
Payable after 12 months	7,734	(4,532)
	<u>11,248</u>	<u>(4,932)</u>

9. SHARE BASED PAYMENTS

Employees are granted share options and restricted stock units (RSU's) in the ultimate parent company Illumina, Inc. Share options and RSU's 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.

RSU's 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.

Employee Stock Purchase Plan

Employees can save up to 15% of their gross salary and then periodically use these funds to purchase shares in Illumina Inc. at a discount.

10. TANGIBLE FIXED ASSETS

	Leasehold improvements \$'000	Assets under construction \$'000	Machinery equipment \$'000	Furniture and fixtures \$'000	Computer equipment \$'000	Total \$'000
Cost or valuation						
At 3 January 2021	48,198	2,172	38,737	3,564	16,307	108,978
Additions	1,500	(45)	5,748	—	855	8,058
Disposals	(156)	—	(3,904)	—	(1,409)	(5,469)
Transfers/Adjustments	1,814	(1,827)	—	—	13	—
At 02 January 2022	51,356	300	40,581	3,564	15,766	111,567
Depreciation						
At 3 January 2021	(4,703)	—	(25,053)	(1,203)	(12,967)	(43,926)
Charge for the period	(2,737)	—	(4,837)	(512)	(1,323)	(9,409)
Disposals	20	—	3,658	—	1,409	5,087
Transfers/Adjustments	—	—	—	—	—	—
At 02 January 2022	(7,420)	—	(26,232)	(1,715)	(12,881)	(48,248)
Net book value						
At 02 January 2022	43,936	300	14,349	1,849	2,885	63,319
At 3 January 2021	43,495	2,172	13,684	2,361	3,340	65,052

11. INVESTMENTS

	Shares in subsidiary undertakings \$'000
Cost	
At 03 January 2021	152,388
Additions	170,067
Disposal	(641)
At 02 January 2022	321,814
Accumulated impairment	
At 03 January 2021	—
Impairment	(70,700)
At 02 January 2022	(70,700)
Net Book Value	
At 02 January 2022	251,114
At 03 January 2021	152,388

The company owns 1% of the equity ordinary share capital of Illumina India Biotechnology Private Ltd. The principal activity of Illumina India Biotechnology Private Ltd, is the sale of Illumina, Inc. group instruments and consumables. Illumina India Biotechnology Private Ltd was incorporated on 20 June 2018 in India.

The company holds 100% of the issued ordinary share capital of Illumina Singapore Pte. Ltd. The principal activity of Illumina Singapore Pte. Ltd, is the manufacturer and sale of Illumina, Inc. group instruments and consumables. Illumina Singapore Pte. Ltd, is a company incorporated in Singapore.

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Registered No: 03625145

The company holds 100% of the issued ordinary share capital of Illumina Canada ULC. The principal activity of Illumina Canada ULC, is the sale of Illumina, Inc. group instruments and consumables. Illumina Canada ULC, is a company incorporated in Canada. In 2020, Genologics Life Sciences Software, Inc was amalgamated into Illumina Canada ULC resulting in an additional investment in Illumina Canada ULC of \$27,526,000.

The company holds 100% of the issued ordinary share capital of BlueBee Holding B.V. which is a cloud-based software company that provides genomics analysis solutions for research and clinical customers. BlueBee Holding B.V., is a company incorporated in the Netherlands and the purchase price paid in 2020 was \$101,260,000. As at the 2 January 2022 the investment held in BlueBee Holdings B.V. has been impaired to the net asset value of the company, due to the intention to dissolve the company during 2022. This is supported by the transfer of IP in 2021, in addition to all decisions being made in 2021.

The company holds 100% of the issued ordinary share capital of Enancio SAS which is a genomic compression software company. Enancio SAS, is a company incorporated in France and the purchase price paid in 2020 was \$4,615,000. Enancio was dissolved post year end on the 17 March 2022.

The company holds 100% of the issued ordinary share capital of Emedgene Technologies Ltd which is a data driven AI solutions company for genomic diagnostics. Emedgene Technologies is a company incorporated in Israel and the purchase price paid in 2021 was \$78,000,000.

The company holds 100% of the issued ordinary share capital of Longas Tech Pty Ltd which is a Next Generation Sequencing technologies developing company. Longas Technologies is a company incorporated in Australia and the purchase price paid in 2021 was \$94,627,316, acquired on the 27 May 2021. The investment has since been sold to Illumina Australia on the 6th June 2022.

A listing of indirect investments is given as follows:

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Name of Entity	Country of Incorporation
Illumina Trading (Shanghai) Co., Ltd	China
Illumina Trading (Shanghai) Co., Ltd Beijing Branch	China
Illumina Diagnostics (Shanghai) Co., Ltd	China
Illumina Australia Pty Ltd	Australia
Illumina Hong Kong Ltd	Hong Kong
Illumina New Zealand Ltd	New Zealand
Illumina Netherlands B.V.	Netherlands
Illumina Korea Ltd	Korea
Conexio Genomics Pty Ltd	Australia
Illumina GmbH	Germany
Illumina AB	Sweden
Illumina Denmark ApS	Denmark
Illumina Productos de Espana S.L.U	Spain
Illumina France Holding SARL	France
Illumina France SARL	France
Illumina Italy Srl	Italy
Illumina Switzerland GmbH	Switzerland
Illumina Finland Oy	Finland
Illumina Norway AS	Norway
Illumina Belgium BVBA	Belgium
Illumina (China) Scientific Co., Ltd	China
Illumina Rus Limited Liability Company	Russia
Illumina Ireland Commercial Limited	Ireland
Illumina Mexico Productos de Biotecnologia	Mexico
Illumina Colombia S. A. S.	Colombia
Illumina Taiwan Biotechnology Co. Ltd	Taiwan
Illumina India Biotechnology Private Ltd	India
Illumina Turkey Biyoteknoloji Limited Sirketi	Turkey
Illumina Middle East FZE	United Arab Emirates

12. INTANGIBLE ASSETS

	Licenses
	\$'000
<i>Cost</i>	
At 03 January 2021	50,000
Additions	30,000
At 02 January 2022	80,000
<i>Amortisation</i>	
At 03 January 2021	(5,556)
Charge for the period	(8,889)
At 02 January 2022	(14,445)
<i>Net Book Value</i>	
At 02 January 2022	65,556
At 03 January 2021	44,444

On 15 May 2020, the company signed a technology license agreement with Illumina Inc. The agreement is effective for 5 years from the last day of the year of the effective date. Therefore, the intangible asset is being amortised over the duration of the agreement. After the initial term, the agreement automatically renews for successive 1-year periods, unless either party provides written notice of its intention to not renew the agreement. Periodic royalty payments based on the contingent use of the Intellectual Property are payable annually.

On 31 December 2021, the company signed an access agreement with SomaLogic to allow integration of their technology into our products. Whilst the agreement has no set expiry date, the time before commercialisation has been estimated at 5 years. Therefore, the intangible asset is being amortised over this duration.

13. STOCKS

	2 January 2022	3 January 2021
	S'000	S'000
Raw materials and consumables	35,993	77,923
Work in progress	396,721	285,908
Finished goods and goods for resale	23,929	26,372
	<u>456,643</u>	<u>390,203</u>

The difference between the purchase price or production costs of stocks and their replacement cost is not material. Stocks recognised as expense in the period were \$1,510,904,722 (period ended 3 January 2021: \$1,250,245,000).

14. DEBTORS

	2 January 2022	3 January 2021
	S'000	S'000
Trade debtors	29,498	24,701
Amounts owed by subsidiary companies	196,516	104,342
Amounts owed by fellow group undertakings	47,442	16,581
Deferred tax asset (note 8)	3,504	3,167
Prepayments and accrued income	30,602	32,311
Other debtors	13,777	3,003
Corporation Tax Asset	9,481	—
Derivative financial assets	19,616	454
	<u>350,436</u>	<u>184,559</u>

Prepayments and accrued income include \$26,580,000 (2020: \$29,047,000) falling due after more than one year.

Amount owed by the parent company, subsidiary companies and fellow group undertakings are unsecured and repayable on demand without interest. They will be settled in cash with no guarantees given or received. Interest is calculated quarterly on balances aged over 90 days using the mid-term annual applicable federal rate for the last month of the quarter.

15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2 January 2022	3 January 2021
	\$'000	\$'000
Trade creditors	89,464	29,686
Payments on account	1,119	515
Amounts owed to parent company	94,448	65,642
Amounts owed to subsidiary companies	144,588	3,206
Amounts owed to fellow group undertakings	159,797	113,028
Other taxation and social security	18,361	14,180
VAT	3,657	707
Accruals and deferred income	13,599	11,281
Corporation tax payable	—	4,254
Derivative financial liabilities	423	423
Deferred tax liability	3,514	400
	<u>528,970</u>	<u>243,322</u>

Amount owed by the parent company, subsidiary companies and fellow group undertakings are unsecured and repayable on demand without interest. They will be settled in cash with no guarantees given or received. Interest is calculated quarterly on balances aged over 90 days using the mid-term annual applicable federal rate for the last month of the quarter.

16. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

	2 January 2022	3 January 2021
	\$'000	\$'000
Accrued expenses	—	592
Deferred revenue	3,624	3,565
Deferred rent	13,115	10,748
Deferred tax payable	7,734	4,533
	<u>24,473</u>	<u>19,438</u>

17. PROVISIONS FOR LIABILITIES

	Warranty Provision	Litigation Provision	Total
	\$'000	\$'000	\$'000
At 03 January 2021	7,819	0	7,819
Additions charged to cost of revenue	24,852	0	24,852
Changes to prior period estimates	(1,144)	0	(1,144)
Repairs and replacements	(22,034)	0	(22,034)
Legal provision	—	156,352	156,352
At 02 January 2022	<u>9,493</u>	<u>156,352</u>	<u>165,845</u>

Warranty provision

As the manufacturer of the goods for Illumina a warranty reserve is held to cover for returns of products, based on shipments in the past 12 months, in line with the standard warranty period.

18. FINANCIAL INSTRUMENTS

The carrying value of the company's financial assets and liabilities are summarised by category below:

	2 January 2022 \$'000	3 January 2021 \$'000
Financial assets		
Measured at undiscounted amount receivable		
Trade receivables (see note 14)	29,498	24,701
Amounts owed by parent company	—	—
Amounts owed by subsidiary companies (see note 14)	196,516	104,342
Amounts owed by fellow group undertakings (see note 14)	47,442	16,581
Measured at fair value and designated in an effective hedging relationship		
Derivative financial assets (see note 19)	19,616	454
Financial liabilities		
Measured at undiscounted amount payable		
Trade payables (see note 15)	89,464	29,686
Amounts owed to parent company (see note 15)	94,448	65,642
Amounts owed to subsidiary companies (see note 15)	144,588	3,206
Amounts owed to fellow group undertakings (see note 15)	159,797	113,028
Measured at fair value and designated in an effective hedging relationship		
Derivative financial liabilities (see note 19)	(423)	(423)

The company's income, expense, gains, and losses in respect of financial instruments are summarised below:

	2 January 2022 \$'000	3 January 2021 \$'000
Fair value gains and losses		
On derivative financial assets designated in an effective hedging relationship (see note 19)	432,605	305,659

19. DERIVATIVE FINANCIAL INSTRUMENTS

	Due within one year		Due after one year	
	2 January 2022 \$'000	3 January 2021 \$'000	2 January 2022 \$'000	3 January 2021 \$'000
Derivatives that are designated and effective as hedging instruments carried at fair value				
Assets				
Forward foreign currency contracts	19,616	454	—	—
Liabilities				
Forward foreign currency contracts	(423)	(423)	—	—

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Cash flow hedges

Forward currency contracts

The following table details the forward foreign currency contracts outstanding as at the year-end:

Outstanding contracts	Average contractual exchange rate		Notional value		Market to Market Value	
	2 January 2022	3 January 2021	2 January 2022	3 January 2021	2 January 2022	3 January 2021
Back to back EUR						
Less than 12 months	1.19	1.23	303,450,272	188,811,963	13,919,056	438,706
Back to back JPY						
Less than 12 months	110.14	103.05	75,978,411	53,797,934	2,919,410	16,371
Back to back CAD						
Less than 12 months	1.25	1.28	51,072,372	34,250,326	1,015,563	(140,163)
Back to back AUD						
Less than 12 months	0.75	0.76	40,554,198	28,860,701	1,403,966	(283,660)
			471,055,253	305,720,924	19,257,995	31,254

To hedge the FX exposure for each currency, Illumina Cambridge enter into an internal company foreign currency derivative with Illumina Inc for each currency exposure. Illumina Inc will then also enter into a “back-to-back” third-party foreign exchange derivative that has terms identical to the corresponding Intercompany FX Derivative.

The structure of the program is such that it will layer 12-month hedges of 50% of forecast sales, on a quarterly basis, an additional layer of hedges will be put in place to cover exposure in the next fiscal year.

Gains of \$14,852,776 (2020 \$31,188) were recognised in other comprehensive income and hedge ineffectiveness resulting in a gain of \$4,308,764 (2020: \$nil) was recognised in profit or loss.

20. PENSION

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 \$5,039,000 (period ended 3 January 2021: \$4,012,000). Contributions outstanding at the period end were \$684,000 (period ended 3 January 2021: \$542,000).

21. CALLED UP SHARE CAPITAL

	2 January 2022 \$'000	3 January 2021 \$'000
Allotted, called-up and fully paid		
12,129,188 (period ended 03 January 2021: 12,129,188) ordinary shares of £0.0025	59	59

22. RESERVES**Share premium account**

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

23. OBLIGATIONS UNDER OPERATING LEASES

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2 January 2022	3 January 2021	2 January 2022	3 January 2021
	\$'000	\$'000	\$'000	\$'000
Within one year	6,925	6,795	7	7
Between two to five years	28,568	26,861	2	2
After five years	77,870	85,866	—	—
	113,363	119,522	9	9

24. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption not to disclose transactions between group undertakings where 100% of the voting rights are controlled within the group and the consolidated financial statements, in which the results of Illumina, Inc. are publicly available. Amounts owed by and to related parties are disclosed in note 14 and 15.

25. 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., 5300 Illumina Way, San Diego, CA92122, USA.

26. EVENTS AFTER THE BALANCE SHEET DATE

On 17 March 2022, the subsidiary Enancio SAS was dissolved.

On 6 May 2022, Longas Technologies Pty Ltd was sold to Illumina Australia for \$99m.

On 6 May 2022, the Company increased its investment in Illumina Singapore Pte by \$99m.

On 1 June 2022, the Company received a dividend from Illumina Singapore Pte for \$175m.

On 6 June 2022, the Company paid a dividend to Illumina Inc of \$300m.

26. EVENTS AFTER THE BALANCE SHEET DATE (Cont'd)

On 6 May 2022 the District Court for the District of Delaware rendered a verdict against Illumina in relation to three patents owned by CGI (Complete Genomics Inc.). On 14 July 2022 Illumina entered into a settlement and license agreement with CGI and BGI (subsidiary of CGI) resulting in a one-off payment of \$325m, for both damages incurred and licensing in relation to the patents. The payment has been allocated as follows; an estimated \$156m allocated to the release of past damages claimed, an estimated \$177m intangible asset representing the value of the license granted, \$8m gain awarded to Illumina in damages. Illumina Cambridge has considered it appropriate to include a provision for the expense of \$156m in FY21 as an adjusting post balance sheet event. The expense carries an offsetting tax deduction at the UK standard rate of corporation tax. This provision is management's best estimate of the value of the historical settlement amount at the date of signing these financial statements. The license will be recorded in FY22, as of its commencement date in July 2022.

On 3 August 2022, the Company paid a dividend to Illumina Inc of \$100m.