Registered No: 3625145

Illumina Cambridge Limited

Report and Financial Statements

28 December 2008

Registered No: 3625145

Directors
J Flatley
C Henry

Secretary
C Cabou

Auditors
Ernst & Young LLP
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Cambridge
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Bankers
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Directors' report

The directors present their report and financial statements for the year ended 28 December 2008.

Results and dividends

The loss for the year amounted to £4,778,394 (2007: loss £4,722,227). The directors do not recommend the payment of an ordinary dividend (2007: £nil).

Principal activities, review of the business and future developments

The principal activity of the company during the year was the development and commercialisation of novel techniques for the analysis of DNA.

2008 saw increasing sales of the company's genome analyser, cluster station and related consumables. The company continues to invest in research and development and the directors regard investment in this area as a prerequisite for success in the medium to long-term future.

The company is entitled to a 25% royalty on net group sales of sequencing instruments and reagents for the use of Illumina Cambridge Limited intellectual property (IP).

The directors are satisfied with the results for the year and are confident that future developments will generate satisfactory results.

The company's financial performance is assessed primarily by royalty income, expenditure on research and development and investment in tangible fixed assets.

	2008	2007	Change
	£'000	£'000	%
Royalty income	24,039	10,557	127.7
Research & development expenditure	19,019	16,065	18.4
Investment in tangible fixed assets	3,744	1,912	95.8

	No.	No.	Change
			%
Headcount	124	91	36.3

Royalty income more than doubled compared with 2007 reflecting the continued commercial success of the company's sequencing products.
Research and development expenditure has increased by 18% in 2008 on account of the continued development of the company's sequencing technology. This is partially as a result of an increase in the company's headcount.

Investment in tangible fixed assets nearly doubled due to expenditure on laboratory and computer equipment.

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.

- 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.

Directors' report (continued)

Principal risks and uncertainties (continued)

- 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.

- Foreign exchange risk

The directors acknowledge that there exists a foreign exchange risk at a local entity level. Foreign exchange risk for the group is managed at head office.

- Cash flow and liquidity risk

It is anticipated that the company will continue to need financial support from its parent whilst it continues to make losses. Illumina Inc has confirmed that such support will continue for the foreseeable future.

Research and development and future developments

Expenditure on research and development during the year amounted to £19,018,731 (2007: £16,065,048), all of which has been written off to the profit and loss account.
The directors are committed to the continued investment in research and the further development of its technology. To this end, on 12 January 2009, the company invested £11.8 million for a 15% interest in Oxford Nanopore Technologies Ltd., a company based in Oxford, UK. This has been financed by a group loan.

Directors

The directors who served during the year were as follows:

J Flatley
C Henry

Directors' and officers' indemnity insurance

The company has taken out insurance to indemnify, against third party proceedings, the directors of the company whilst serving on the board of the company. These indemnity policies subsisted throughout the year and remain in place at the date of this report.

Statement as to disclosure of information to auditors

The directors, who were members of the board at the time of approving this report, are listed on page 1. Having made enquiries of company management and of the company's auditors, 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 auditors are 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 auditors are aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

Christian G. Cabou

C Cabou
Secretary

October 14, 2009

Statement of directors' responsibilities in respect of the financial statements

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). The financial statements are required by law to 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 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 disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the company's financial statements for the year ended 28 December 2008 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditor's report

to the members of Illumina Cambridge Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Cambridge

30 October 2009

Profit and loss account
for the year ended 28 December 2008

	Notes	*2008* £	*2007* £
Turnover	2	29,884,561	16,483,478
Cost of sales		(5,060,737)	(5,158,220)
Gross profit		24,823,824	11,325,258
Other income		4,517	53,199
Administrative expenses - Research and development expenditure written off		(19,018,731)	(16,065,048)
Administrative expenses - Foreign exchange (loss)/gain		(7,289,437)	1,568,860
Administrative expenses - Other		(2,909,448)	(2,291,355)
Operating loss	3	(4,389,275)	(5,409,086)
Interest receivable and other similar income	7	39,432	61,076
Interest payable and similar charges	8	(409,100)	(783,289)
Loss on ordinary activities before taxation		(4,758,943)	(6,131,299)
Tax on loss on ordinary activities	9	(19,452)	1,409,072
Loss for the financial year	19	(4,778,395)	(4,722,227)

All activities are continuing.

There were no recognised gains or losses other than the loss for the year attributable to shareholders of the company of £4,778,394 (2007: loss £4,722,227).

Balance sheet
at 28 December 2008

	Notes	2008 £	2007 £
Fixed assets			
Intangible assets	10	371,607	530,867
Tangible assets	11	5,086,174	2,436,207
		5,457,781	2,967,074
Current assets			
Stocks	12	2,023,241	1,389,624
Debtors	13	33,260,233	12,400,038
Cash at bank		867,236	1,118,407
		36,150,710	14,908,069
Creditors: amounts falling due within one year	14	(62,662,090)	(34,758,144)
Net current liabilities		(26,511,380)	(19,850,075)
Total assets less current liabilities		(21,053,599)	(16,883,001)
Capital and reserves			
Called up share capital	18	30,224	30,224
Share premium account	19	22,329,961	22,329,961
Profit and loss account	19	(43,413,784)	(39,243,186)
Shareholders' deficit	19	(21,053,599)	(16,883,001)

C Henry
Director

14 October, 2009

Notes to the financial statements

at 28 December 2008

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.

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of the financial statements. During the year the company incurred a loss of £4,778,394 (2007: loss £4,722,227), and had net liabilities of £21,053,599 at the year end (2007: £16,883,001).

The validity of the going concern assumption depends on the continued financial support from its ultimate parent company Illumina, Inc. The company has obtained confirmation that adequate funding will be made available to enable the company to discharge its liabilities as they fall due. With this support in place, the directors believe that it is appropriate for the financial statements to be prepared on a going concern basis. In the event that this financial support from Illumina, Inc. did not continue then the going concern basis of preparation of the financial statements would no longer be appropriate and adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

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 parent publishes consolidated financial statements.

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 year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 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.

Tangible fixed assets

Tangible fixed assets are initially recorded at cost.

Depreciation

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 property	-	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.

Notes to the financial statements
at 28 December 2008

1. Accounting policies (continued)

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.

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

Rendering of services
Revenue from the analysis of customer samples, is recognised after the results of those analyses are delivered to the customer.

Royalty revenue
Intercompany royalty revenue on sequencing product sales is recognised on net group sales to third parties.

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

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.

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

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:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- 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.

Notes to the financial statements
at 28 December 2008

1. Accounting policies (continued)

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.

Finance costs
Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. An estimate is made by the directors of the company as to what constitutes an appropriate interest rate.

Share based payments
Employees of the company are granted share options 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.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. All charges associated with financial liabilities are classified within finance charges.

Lease arrangements
Where the company enters into a lease, which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on an actuarial basis, and the capital element which reduces the outstanding obligation for future instalments.

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

Pension costs
The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Notes to the financial statements
at 28 December 2008

2. Turnover
Turnover, which is stated net of value added tax, represents amounts invoiced to group companies and third parties. Turnover is attributable to service revenue from the use of the NMR machine, reagent kit components supplied to Illumina Inc. and royalty payments due from Illumina Inc.
An analysis of turnover by geographical market is given below:

	2008	*2007*
	£	*£*
United Kingdom	71,447	53,290
USA	29,813,114	16,430,188
	29,884,561	16,483,478

USA sales include £24,039,067 (2007: £10,556,723) of royalty income from Illumina Inc. on the sale of the company's products to third parties.

3. Operating loss
This is stated after charging/(crediting):

		2008	*2007*
		£	*£*
Foreign exchange loss/(gain)		7,289,437	(1,568,860)
Auditor's remuneration:			
Audit of the financial statements		65,500	48,500
Other fees to auditors	- tax services	21,350	9,000
Depreciation of owned fixed assets		1,094,480	553,870
Depreciation of assets held under finance leases		-	17,001
Amortisation of intangible fixed assets		159,260	159,260
Government grant income		(4,517)	(53,199)
Research and development expenditure written off		19,018,731	16,065,048
Operating lease rentals	- land and buildings	408,776	312,846
	- plant and machinery	9,736	10,543

4. Staff costs

	2008	*2007*
	£	*£*
Wages and salaries	7,187,306	5,428,987
Social security costs	484,650	350,296
Other pension costs	397,983	301,732
	8,069,939	6,081,015

Wages and salaries include share based payments of £2,757,462 (2007: £2,178,585)

Notes to the financial statements
at 28 December 2008

4. Staff costs (continued)
The monthly average number of employees during the year was as follows:

	2008	*2007*
	No.	*No.*
Administrative staff	25	16
Manufacturing	23	21
Research and development	72	54
	120	91

5. Directors' emoluments

	2008	*2007*
	£	*£*
Emoluments	–	34,886

Included within the above is a non-monetary charge relating to share based payments of £nil (2007: £18,293).

Value of company pension contributions to money purchase schemes	–	1,268

	2008	*2007*
	No.	*No.*
Members of money purchase pension schemes	–	1

The amounts in respect of the highest paid director are as follows:

	2008	*2007*
	£	*£*
Emoluments	–	12,676
Value of company pension contributions to money purchase schemes	–	1,268

6. Share based payments

Employees are granted share options and restricted stock units (RSU's) in the ultimate parent company Illumina Inc. Options and RSU's vest over 4 years from the date of grant.

Options granted to new employees have a 1 year cliff and 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.

RSU's generally vest in 4 instalments on each of the first four anniversaries of the date of grant in the proportions 15%, 20%, 30% and 35% (2007: 15%, 15%, 30%, 40%).

Options and RSU's are equity settled, and there are no other vesting conditions.

Notes to the financial statements

at 28 December 2008

6. Share based payments(continued)

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

	2008	*2007*
	£	£
Profit and Loss Account		
Increase in administrative expenses	2,757,462	2,178,585
Balance Sheet		
Increase in profit & loss account reserve	2,757,462	2,178,585

In addition, the group charge for share options passed down to the company of £2,149,665 (2007: £1,464,284) has been debited to the profit and loss account reserve.

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

	2008 No.	*2008 WAEP*	*2007 No.*	*2007 WAEP*
Outstanding as at the beginning of the year [1]	605,328	$31.02	1,493,363	$6.35
Equivalent number following 2:1 split	1,210,656	$15.51	-	-
Converted to options over Illumina stock	-	-	513,624	$18.46
Granted during year	71,600	$32.07	357,508	$42.02
Lapsed during year	(42,882)	$16.48	(107,122)	$29.63
Exercised during year	(216,639)	$10.17	(158,682)	$16.11
Trf'd to another group company	(21,096)	$16.29	-	-
Outstanding at the end of the year	1,001,639	$17.79	605,328	$31.02
Exercisable at 28 December	443,329	$14.46	186,807	$20.89

[1] Included within this balance are options over 36,291 (2007: 89,195) shares that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20.

The range of exercise prices for options outstanding at the year end was $1.86 - $37.79 (2007: $3.72 - $58.39).

The weighted average expected life of options outstanding at 28 December 2008 is 7.7 years (2007: 8.4 years). The weighted average share price at the date of exercise for those options exercised during the year was $37.19 (2007: $46.89).

The fair value of share options is calculated using the Black-Scholes option pricing model. The weighted average assumptions used to estimate the fair value of share options were as follows:

	2008	*2007*
Fair value of common stock	$17.54	$42.08
Fair value of stock options granted	$17.54	$42.08
Risk-free interest rate	2.91%	4.58%
Expected life (in years)	6	6
Expected volatility	55.84%	65.69%
Expected dividend yield	0%	0%

Notes to the financial statements
at 28 December 2008

6. Share based payments (continued)

Restricted Stock Units
The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, restricted stock units in the year.

	2008 No.	*2008 WAEP*	*2007 No.*	*2007 WAEP*
Outstanding as at the beginning of the year [1]	27,200	$0	-	$0
Equivalent number following 2:1 split	54,400	$0	-	$0
Granted during year	90,289	$0	27,200	$0
Lapsed during year	(5,200)	$0	-	$0
Outstanding at the end of the year	139,489	$0	27,200	$0
Vested at the end of the year	7,620	$0	-	$0

The same assumptions as were used for the share options granted in 2008 above were used to obtain this valuation.

7. Interest receivable and other similar income

	2008 £	*2007 £*
Interest received on treasury deposits	8,132	61,076
Interest received on intercompany balances	31,300	-
	39,432	61,076

8. Interest payable and similar charges

	2008 £	*2007 £*
Finance charges payable under finance leases	189	1,481
Interest expense on intercompany loan	407,489	781,808
Other interest	1,422	–
	409,100	783,289

Notes to the financial statements
at 28 December 2008

9. Taxation on ordinary activities

(a) Tax on loss on ordinary activities

The tax charge/(credit) is made up as follows:

	2008 £	2007 £
Current tax:		
Research and development tax credit	–	(1,409,072)
Prior year adjustment to research and development tax credit	19,452	–
Total current tax (note 9(b))	19,452	(1,409,072)

(b) Factors affecting current tax charge/(credit)

The differences are reconciled below:

	2008 £	2007 £
Loss on ordinary activities before tax	(4,758,942)	(6,131,299)
Loss on ordinary activities multiplied by the standard rate (composite) of tax of 28.5% (2007: 30%)	(1,356,299)	(1,839,390)
Effect of:		
Expenses not deductible for tax purposes	(31,297)	(7,127)
Capital allowances in arrears of depreciation	(572,069)	(283,074)
Losses arising in the year not relievable against current tax	2,020,061	78,810
Research and development tax credit	–	(1,409,072)
Prior year adjustment to research and development tax credit	19,452	–
Other timing differences	114,005	224,942
Enhanced R&D deduction	(174,401)	(880,670)
Losses surrendered for R&D tax credit	–	2,642,009
Group relief surrendered for nil payment	–	64,500
Total current tax (note 9(a))	19,452	(1,409,072)

(c) Factors that may affect future tax charges

The company has tax losses arising in the UK of £31,379,910 (2007: £25,622,416) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses on the basis that the company is still investing heavily in research and development and, as a result, the company is uncertain as to when these losses will be used.

Notes to the financial statements
at 28 December 2008

9. Taxation on ordinary activities (continued)

(d) Deferred tax
The elements of deferred taxation, which result in a nil balance at the end of the year, together with details of other amounts not provided for, are as follows:

		2008		*2007*
	Provided	*Not provided*	*Provided*	*Not provided*
	£	*£*	*£*	*£*
Depreciation in advance of capital allowances	1,034,483	–	503,227	–
Tax losses available	(434,681)	(8,724,217)	(20,891)	(7,140,085)
Short term timing differences	(599,802)	–	(482,336)	–
Share based payments	–	(514,879)	–	(438,806)
Provision for deferred taxation	–	(9,239,096)	–	(7,578,891)

10. Intangible fixed assets

	Intellectual property
	£
Cost:	
As at the beginning of the year	1,114,821
At the end of the year	1,114,821
Amortisation:	
At 31 December 2007	583,954
Provided during the year	159,260
At the end of the year	743,214
Net book value:	
At the end of the year	371,607
At the beginning of the year	530,867

Intellectual property is being amortised evenly over its useful economic life of 7 years.

Notes to the financial statements
at 28 December 2008

11. Tangible fixed assets

	Leasehold property	*Assets under construction*	*Laboratory equipment*	*Furniture & fixtures*	*Computer equipment*	*Total*
	£	*£*	*£*	*£*	*£*	*£*
Cost or valuation:						
At the beginning of the year	461,096	274,227	3,159,438	32,753	899,694	4,827,208
Additions	33,865	1,684,307	1,526,035	11,524	488,716	3,744,447
Transfers	131,060	(1,237,409)	–	60,663	1,045,686	–
At the end of the year	626,021	721,125	4,685,473	104,940	2,434,096	8,571,655
Depreciation:						
At the beginning of the year	355,467	–	1,490,957	26,045	518,532	2,391,001
Provided during the year	150,863	–	539,130	12,108	392,379	1,094,480
At the end of the year	506,330	–	2,030,087	38,153	910,911	3,485,481
Net book value:						
At the end of the year	119,691	721,125	2,655,386	66,787	1,523,185	5,086,174
At the end of the year	105,629	274,227	1,668,481	6,708	381,162	2,436,207

The net book value of assets above includes an amount of £nil (2007: £35,420) in respect of assets held under finance leases.

12. Stock

	2008	*2007*
	£	*£*
Raw materials	1,034,770	787,895
Work in progress	944,892	493,711
Finished goods	43,579	108,018
	2,023,241	1,389,624

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

13. Debtors

	2008	*2007*
	£	*£*
Trade debtors	16,767	14,453
Amounts owed by group undertakings	31,058,718	9,372,835
Other debtors	1,799,348	2,735,170
Prepayments and accrued income	385,400	277,580
	33,260,233	12,400,038

Notes to the financial statements
at 28 December 2008

14. Creditors: amounts falling due within one year

	2008	*2007*
	£	*£*
Obligations under finance leases (note 15)	-	7,835
Trade creditors	978,936	1,209,454
Amounts owed to group undertakings	60,154,692	32,321,256
Other taxation and social security	219,179	146,981
Pension creditor (note 16)	49,933	76,443
Accruals	1,259,350	996,175
	62,662,090	34,758,144

15. Obligations under finance leases
The maturity of these amounts is as follows:

	2008	*2007*
	£	*£*
Amounts payable:		
Within one year	–	8,025
In two to five years	–	–
	–	8,025
Less: finance charges allocated to future periods	–	(190)
	–	7,835

Finance leases are analysed as follows:		
Current obligations (note 14)	–	7,835
Non-current obligations	–	–
	–	7,835

16. Pensions
The company operates a Group Personal Pension Plan with defined contributions, managed by The Prudential, for all its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions outstanding at the year end were £49,933 (2007: £76,443).

17. Commitments under operating leases
At 28 December 2008 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2008	*2007*
	£	*£*
Operating leases which expire:		
Within one year	515,510	-
Within two to five years	-	599,676
After five years	830,000	-

On 12 February 2008 the company entered into an agreement to lease 41,500 square feet for 15.5 years at an annual rent of £830,000. Illumina Inc. acted as guarantor on the agreement.

Notes to the financial statements
at 28 December 2008

18. Share capital

		Authorised
	2008	2007
	£	£
Ordinary shares of £0.0025 each	34,849	34,849

				Allotted and called up
		2008		2007
	No.	£	No.	£
Ordinary shares of £0.0025 each	12,089,515	30,224	12,089,515	30,224

19. Reconciliation of shareholders' deficit and movement on reserves

	Share capital	*Share premium account*	*Profit and loss account*	*Total share-holders' deficit*
	£	£	£	£
At the beginning of the year	30,224	22,329,961	(35,235,260)	(12,875,075)
Loss for the year	–	–	(4,722,227)	(4,722,227)
Share based payments:				
Group charge	–	–	(1,464,284)	(1,464,284)
FRS20	–	–	2,178,585	2,178,585
At the beginning of the year	30,224	22,329,961	(39,243,186)	(16,883,001)
Loss for the year	–	–	(4,778,395)	(4,778,394)
Share based payments:				
Group charge	–	–	(2,149,665)	(2,149,665)
FRS20	–	–	2,757,462	2,757,462
At the end of the year	30,224	22,329,961	(43,413,784)	(21,053,599)

20. Ultimate parent undertaking and related party transactions

During the year the company's parent undertaking and controlling party was Illumina Inc., a company registered in the USA. Copies of its group accounts, which include the company, are available from Illumina Inc., 9885 Towne Centre Drive, San Diego, CA 92121-1975, USA.

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

21. Subsequent events

On 12 January 2009, the company invested £11.8 million for a 15% interest in Oxford Nanopore Technologies Ltd., a company based in Oxford, UK. This has been financed by a group loan.