Registered No 3625145

Illumina Cambridge Limited

Report and Financial Statements

3 January 2010

Directors
J Flatley
C Henry

Secretary
C Cabou

Auditors
Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge CB5 8DZ

Bankers
Bank of America Inc
5 Canada Square
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Registered Office
Chesterford Research Park
Little Chesterford
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Directors' report

The directors present their report and financial statements for the period ended 3 January 2010

Results and dividends

The profit for the period amounted to £10,559,358 (2008 loss £7,299,509 restated) The directors do not recommend the payment of an ordinary dividend (2008 £nil)

Principal activities, review of the business and future developments

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

This year 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 period 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

	Period ended 3 January 2010 £000	*Period ended 28 December 2008 £000*	*Change %*
Royalty income	47,257	20,039	136%
Research & development expenditure	34,751	19,019	83%
Investment in tangible fixed assets	12,893	3,744	244%

	No	*No*	*Change %*
Headcount at year end	130	124	5%

Royalty income more than doubled compared with 2008 reflecting the continued commercial success of the company's sequencing products

Research and development expenditure has increased by more than 80% on account of the continued development of the company s sequencing technology

Investment in tangible fixed assets more than doubled in the period due to expenditure on new premises

Directors' report

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

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

Cash flow for the group is managed at head office Cash is transferred to the company from group as required

Research and development

Expenditure on research and development during the period amounted to £34,751,152 (2008 £19,018,731), all of which has been written off to the profit and loss account

Events since the balance sheet date

During February 2010, the company invested a further £2,597,792 in Oxford Nanopore Technology Ltd

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 period the company made a profit of £10,559,358 (2008 loss £7,299,509 restated), and had net liabilities at the period end of £13,139,636 (2008 £23,574,713 restated)

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

Directors' report

Directors

The directors who served during the period were as follows

J Flatley
C Henry

Directors' liabilities

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

Disclosure of information to the auditors

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 Having made enquiries of fellow directors and the company's auditor the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is 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

C Caboud
Secretary

Date 9 August 2010

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

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

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditor's report

to the members of Illumina Cambridge Limited

We have audited the company's financial statements for the period ended 3 January 2010 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) These standards require us to comply with the Auditing Practices Board s (APB s) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company s circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 3 January 2010 and of the company s profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report

to the members of Illumina Cambridge Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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

Ernst & Young LLP

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

Date 10 September 2010

Profit and loss account

for the period ended 3 January 2010

	Notes	*Period ended 3 January 2010* £	*Period ended 28 December 2008 (restated*)* £
Turnover	2	52,631,313	29,884,561
Cost of sales		(4,886,200)	(5,060,737)
Gross profit		47,745,113	24,823,824
Other operating income		–	4,517
Administrative expenses - Research and development		(34,751,152)	(19,018,731)
Administrative expenses - Foreign exchange gain/(loss)		2,813,045	(9,810,551)
Administrative expenses - Other		(4,808,573)	(2,909,448)
Operating profit/(loss)	3	10,998,433	(6,910,389)
Interest receivable and other similar income	7	664	39 432
Interest payable and similar charges	8	(530,667)	(409,100)
Profit/(loss) on ordinary activities before taxation		10,468,430	(7,280,057)
Tax on profit/(loss) on ordinary activities	9	90,928	(19,452)
Profit/(loss) for the financial period	19	10 559,358	(7,299,509)

All activities are continuing

* Restated after revising inter-company balances denominated in a foreign currency (note 20)

Statement of total recognised gains and losses

for the period ended 3 January 2010

	Notes	*Period ended 3 January 2010* £	*Period ended 28 December 2008 (restated*)* £
Profit / (loss) for the financial period		10,559,358	(7,299,509)
Total recognised gains and losses relating to the period		10,559,358	(7,299,509)
Prior year adjustment	20	(2,521,114)	
Total gains and losses since last annual report		8,038,244	

*Restated after revising inter-company balances denominated in a foreign currency (note 20)

Balance sheet

at 3 January 2010

	Notes	*As at 3 January 2010* £	*As at 28 December 2008 (restated*)* £
Fixed assets			
Intangible fixed assets	10	212,347	371,607
Tangible fixed assets	11	15,790,316	5,086,174
Investments	12	11,833,542	–
		27,836,205	5,457,781
Current assets			
Stocks	13	4,276,981	2,023,241
Debtors	14	9,216,714	30,567,685
Cash at bank		2,064,254	867,236
		15,557,949	33,458,162
Creditors: amounts falling due within one year	15	(56,533,790)	(62,490,656)
Net current liabilities		(40,975,841)	(29 032,494)
Total assets less current liabilities, being net liabilities		(13 139,636)	(23,574,713)
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	(35,499,821)	(45,934,898)
Shareholders' deficit	19	(13,139,636)	(23,574,713)

*Restated after revising inter-company balances denominated in a foreign currency (note 20)

C Henry
Director

Date 9 August 2010

Notes to the financial statements

at 3 January 2010

1. Accounting policies

Basis of preparation

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

The company operates on a 52 week financial period For this year, the accounting period was from 29th December 2008 through to 3rd January 2010

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 period the company made a profit of £10,559,358 (2008 loss £7,299,509 restated), and had net liabilities at the period end of £13,139,636 (2008 £23,574,713 restated)

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

Statement of cash flows

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

Intangible fixed assets

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

Intangible assets are amortised on a straight line basis over their estimated useful lives 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

Investments

Investments are stated at cost less any provision for impairment

Notes to the financial statements
at 3 January 2010

1. Accounting policies (continued)

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

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 period in which it is incurred

Notes to the financial statements
at 3 January 2010

1. Accounting policies (continued)

Deferred taxation

Deferred taxation 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 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, or 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

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

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

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

Notes to the financial statements
at 3 January 2010

1. Accounting policies (continued)

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

Leasing and hire purchase commitments

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

Pensions

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

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

	Period ended 3 January 2010	*Period ended 28 December 2008*
	£	*£*
United Kingdom	44,910	71,447
USA	52,586,403	29,813,114
	52,631,313	29,884,561

USA sales include £47,257,351 (2008 £20 039,067) of royalty income from Illumina Inc on the sales of the company's products to third parties

Notes to the financial statements
at 3 January 2010

3. Operating profit/(loss)

This is stated after charging/(crediting)

		Period ended 3 January 2010 £	Period ended 28 December 2008 (restated)* £
Foreign exchange (gain)/loss*		(2,813,045)	9,810,551
Auditor s remuneration			
Audit of the financial statements		34,397	65,500
Tax compliance services		18,400	21,350
Depreciation of owned fixed assets		1,725,348	1,094,480
Amortisation of intangible fixed assets		159,260	159,260
Government grant income		–	(4,517)
Research and development expenditure written off		34,751,152	19,018,731
Operating lease rentals	– land and buildings	1,129,646	408,776
	– plant and machinery	5,285	9,736

*Restated after revising inter-company balances denominated in a foreign currency (note 20)

4. Staff costs

	Period ended 3 January 2010 £	Period ended 28 December 2008 £
Wages and salaries	7,628,798	7,187,306
Social security costs	739,014	484 650
Other pension costs	459,320	397,983
	8 827,132	8 069,939

Wages and salaries include equity settled share based payments of £2,608,138 (2008 £2,757,462)

Notes to the financial statements
at 3 January 2010

4. Staff costs (continued)

The average monthly number of employees during the year was made up as follows

	Period ended 3 January 2010 No	*Period ended 28 December 2008 No*
Administrative staff	21	25
Manufacturing	13	23
Research and development	91	72
	125	120

5. Directors' emoluments

The company did not provide remuneration for the directors during the period (2008 £nil) No director was a member of a pension scheme to which the company contributes in the current or preceding year The directors' remuneration was paid by another group company in both years

	Period ended 3 January 2010 No	*Period ended 28 December 2008 No*
Number of directors who received shares in respect of qualifying services	2	2
Number of directors who exercised share options	2	2

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% (2008 15% 20%, 30% 35%)

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

Notes to the financial statements
at 3 January 2010

6. Share based payments (continued)

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

	Period ended 3 January 2010 £	Period ended 28 December 2008 £
Profit and Loss Account		
Increase in administrative expenses	2,608,138	2,757,462
Balance Sheet		
Increase in profit & loss account reserve	2,608,138	2,757,462

In addition, the group charge for share options passed down to the company of £2,732,419 (2008 £2,149,665) 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 period

	Period ended 3 January 2010 No	Period ended 3 January 2010 WAEP	Period ended 28 December 2008 No	Period ended 28 December 2008 WAEP
Outstanding as at the beginning of the period [1]	1,001,639	$17 79	605,328	$31 02
Equivalent number following 2 1 split	–	–	1,210,656	$15 51
Granted during period	42,000	$28 45	71,600	$32 07
Lapsed during period	(37,921)	$18 00	(42,882)	$16 48
Exercised during period	(236,728)	$14 02	(216,639)	$10 17
Trf'd to another group company	–	–	(21,096)	$16 29
Outstanding at the end of the period	768,990	$19 58	1,001,639	$17 79
Exercisable at end of period	461,279	$17 13	443,329	$14 46

[1] Included within this balance are options over 32,528 (2008 36,291) 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

Notes to the financial statements
at 3 January 2010

6. Share based payments (contınued)

The range of exercıse prıces for optıons outstandıng at the perıod end was $1 86 - $37 79 (2008 $1 86 - $37 79)

The weıghted average expected lıfe of optıons outstandıng at the perıod end ıs 7 0 years (2008 7 7 years)

The weıghted average share prıce at the date of exercıse for those optıons exercısed durıng the perıod was $35 36 (2008 $37 19)

The faır value of share optıons ıs calculated usıng the Black-Scholes optıon prıcıng model The weıghted average assumptıons used to estımate the faır value of share optıons were as follows

	Perıod ended 3 January 2010	*Perıod ended 28 December 2008*
Faır value of common stock	$28 45	$17 54
Faır value of stock optıons granted	$14 64	$17 54
Rısk-free ınterest rate	1 69%	2 91%
Expected lıfe (ın years)	5 19	6 00
Expected volatılıty	58 21%	55 84%
Expected dıvıdend yıeld	0%	0%

Restrıcted Stock Unıts

Durıng the perıod, Illumına Inc , the ultımate parent of the company, granted restrıcted stock unıts (RSU s) to certaın employees representıng a rıght to receıve, ın the aggregate 89,012 (2008 87,689) shares of ıts common stock Such awards generally vest ın 4 ınstalments on each of the fırst four annıversarıes of the date of grant ın the proportıons 15%, 20%, 30% and 35% The weıghted average faır value of the RSU s at the date of grant was $33 32

The followıng table ıllustrates the number and weıghted average market value at date of grant (WAMV) of, and movements ın restrıcted stock unıts ın the perıod

		Perıod ended 3 January		*Perıod ended 28 December*
	2010	*2010*	*2008*	*2008*
	No	*WAMV*	*No*	*WAMV*
Outstandıng as at the begınnıng of the perıod	129,269	$30 98	10,200	$25 63
Equıvalent number followıng 2 1 share splıt	–	–	20,400	$12 82
Granted durıng perıod	89,012	$33 32	87,689	$33 76
Lapsed	(23 580)	$34 38	(5,200)	$29 85
Vested durıng perıod	(17,278)	$29 95	(7,620)	$25 64
Outstandıng at the end of the perıod	177,423	$31 80	129,269	$30 98

The same assumptıons as were used for the share optıons granted ın the perıod and the precedıng perıod above were used to obtaın thıs valuatıon

Notes to the financial statements
at 3 January 2010

6. Share based payments (continued)

Employee Stock Purchase Plan

Employees are able to save up to 15% of their gross salary and purchase shares in Illumina Inc at a discount

The following table illustrates the number and weighted average market value at the date of grant (WAMV) of employee stock purchase plan shares in the period

		Period ended 3 January		*Period ended 28 December*
	2010	*2010*	*2008*	*2008*
	No	*WAMV*	*No*	*WAMV*
Granted during period	21,388	$23 30	-	-

7. Interest receivable and other similar income

	Period ended 3 January 2010	*Period ended 28 December 2008*
	£	*£*
Interest received on treasury deposits	664	8,132
Interest received on inter-company balances	-	31,300
	664	39,432

8 Interest payable and similar charges

	Period ended 3 January 2010	*Period ended 28 December 2008*
	£	*£*
Finance charges payable under finance leases	-	189
Interest expense on inter-company balances	529,556	407 489
Other interest	1,111	1,422
	530,667	409,100

Notes to the financial statements
at 3 January 2010

9. Tax

(a) Tax on profit/(loss) on ordinary activities

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

	Period ended 3 January 2010	*Period ended 28 December 2008 (restated)**
	£	£
Current tax		
Prior year adjustment to research and development tax credit	(90,928)	19,452
Total current tax (note 9(b))	(90,928)	19,452

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2008 – 28 5%) The differences are explained below

	Period ended 3 January 2010	*Period ended 28 December 2008 (restated)**
	£	£
Profit/(loss) on ordinary activities before tax	10,468,430	(7,280,057)
Profit/(loss) on ordinary activities multiplied by standard rate of (composite) of tax of 28% (2008 28 5%)	2,931,160	(2,074,816)
Effects of		
Expenses not deductible for tax purposes	707	(31,297)
Losses arising in the period not relievable against current tax	438,368	2,738,578
Permanent differences on share based payments	(303,949)	–
Capital allowances in arrears of depreciation	(241,802	(572,069)
Prior year adjustment to research and development tax credit	(90,928)	19,452
Other timing differences	(14,412)	114,005
Enhanced R&D deduction	(1,383,656)	(174,401)
R&D allowance for leasehold improvements	(1,69,288)	–
Group relief surrendered for nil payment	242,872	–
Total current tax (note 9(a))	(90,928)	19,452

*Restated after revising inter-company balances denominated in a foreign currency (note 20)

Notes to the financial statements
at 3 January 2010

9. Tax (continued)

(c) Factors that may affect future tax charges

The company has tax losses arising in the UK of £32,396,668 (2008 £33,901,204) 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

(d) Deferred tax

The elements of deferred taxation, which result in a nil balance at the end of the period, together with details of other amounts not provided for, are as follows

	Period ended 3 January 2010		*Period ended 28 December 2008 (restated)**	
	Provided	*Not provided*	*Provided*	*Not provided*
	£	*£*	*£*	*£*
Depreciation in advance of capital allowances	1,983,519	–	1,034,483	–
Tax losses available	(1,971,202)	(2,099,865	(434,681)	(9,430,129)
Short term timing differences	(12,318)	–	(599,802)	–
Share based payments	–	(1,084,412)	–	(514,879)
Provision for deferred taxation	–	(8,184,277)	–	(9,945,008)

*Restated after revising inter-company balances denominated in a foreign currency (note 20)

10 Intangible fixed assets

	Intellectual property
	£
Cost	
As at the beginning of the period	1,114,821
At the end of the period	1,114,821
Amortisation	
At the beginning of the period	743,214
Provided during the period	159,260
At the end of the period	902,474
Net book value	
At the end of the period	212,347
At the beginning of the period	371,607

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

Notes to the financial statements
at 3 January 2010

11 Tangible fixed assets

	Leasehold Improvements £	*Assets under construction* £	*Laboratory equipment* £	*Furniture and fittings* £	*Computer equipment* £	*Total* £
Cost or valuation						
At the beginning of the period	626,021	721,125	4,685,473	104,940	2,434,096	8,571,655
Additions	10,322,455	–	989,667	240,496	1,340,239	12,892,857
Disposals	–	(28,719)	(186,913)	–	(445,056)	(660,688)
Transfers	692,406	(692,406)	–	–	–	–
At the end of the period	11,640,882	–	5,488,227	345,436	3,329,279	20,803,824
Depreciation						
At the beginning of the period	506,330	–	2,030,087	38,153	910,911	3,485,481
Provided during the period	215 867	–	795,979	20,277	693,225	1,725,348
Disposals	–	–	(73,162)	–	(124,159)	(197,321)
At the end of the period	722,197	–	2,752,904	58,430	1,479,977	5,013,508
Net book value						
At the end of the period	10,918,685	–	2 735,323	287,006	1,849 302	15,790 316
At beginning of the period	119,691	721,125	2 655,386	66,787	1,523,185	5,086,174

12 Investments

	3 January 2010 £	*28 December 2008* £
Cost	11,833,542	–

During the period the company made an equity investment in Oxford Nanopore Technologies Ltd, which has been classified as a trade investment

Notes to the financial statements
at 3 January 2010

13. Stocks

	3 January 2010	*28 December 2008*
	£	*£*
Raw materials	1,621,549	1,034,770
Work in progress	2,597,582	944,892
Finished goods	57,850	43,579
	4,276,981	2,023,241

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

14 Debtors

	3 January 2010	*28 December 2008 (restated)**
	£	*£*
Trade debtors	–	16,767
Amounts owed by group undertakings	8,490,718	28,366,170
Other debtors	219,578	1,799,348
Prepayments and accrued income	506,418	385,400
	9,216,714	30,567,685

*Restated after revising inter-company balances denominated in a foreign currency (see note 20)

15 Creditors: amounts falling due within one year

	3 January 2010	*28 December 2008 (restated)**
	£	*£*
Trade creditors	1,851,061	978,936
Amounts owed to group undertakings	51 645,586	59,983,258
Other taxation and social security	269,682	219,179
Pension creditor (note 16)	56,633	49,933
Accruals	2,710,828	1,259,350
	56,533,790	62,490,656

*Restated after revising inter-company balances denominated in a foreign currency (see note 20)

Notes to the financial statements
at 3 January 2010

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 period end were £56,633 (2008 £49,933)

17. Commitments under operating leases

At 3 January 2010 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	3 January 2010	*28 December 2008*
	£	£
Operating leases which expire		
Within one year	29,217	515,510
Within two to five years	10,143	-
After five years	830,000	830,000
	860,360	1,345,510

18 Issued share capital

		3 January 2010		*28 December 2008*
Allotted, called up and fully paid	*No*	£	*No*	£
Ordinary shares of £0 0025 each	12,089,515	30,244	12,089,515	30,244

Notes to the financial statements
at 3 January 2010

19. Reconciliation of shareholders' deficit and movements on reserves

	Share capital £	*Share premium account* £	*Profit and loss account* £	*Total shareholders deficit* £
At 30 December 2007	30,224	22,329,961	(39,243,186)	(16,883,001)
Loss for the period				
As previously reported	–	–	(4,778,395)	(4,778,395)
Prior year adjustment (note 20)	–	–	(2,521,114)	(2,521,114)
As restated	–	–	(7,299 509)	(7,299,509)
Share based payments				
Group charge	–	–	(2,149,665)	(2,149,665)
FRS20	–	–	2,757,462	2,757,462
At 28 December 2008	30,224	22,329,961	(45,934,898)	(23,574,713)
Profit for period	–	–	10,559,358	10,559,358
Share based payments				
Group charge	–	–	(2,732,419)	(2,732 419)
FRS20	–	–	2,608,138	2,608,138
At 3 January 2010	30,224	22,329,961	(35,499,821)	(13,139,636)

Notes to the financial statements
at 3 January 2010

20. Prior year adjustments

As a consequence of revising inter-company foreign currency balances, a prior year restatement has resulted, the effect, of which is as follows

	2008
	£
Profit and loss account	
Administrative expenses – Foreign exchange loss	
As previously stated	7,289,437
Revised foreign currency exchange on inter-company balances	2,521,114
As restated	9,810,551
Increase in loss for the period	2,521,114
Balance sheet	
Debtors – Amounts owed by group undertakings	
As previously stated	31,058,718
Revised foreign currency exchange on inter-company balances	(2 692,548)
As restated	28,366,170
Creditors amounts falling due within one year – Amounts due by group undertakings	
As previously stated	60,154,692
Revised foreign currency exchange on inter-company balances	(171,434)
As restated	59,983,258
Increase in net liabilities	2,521,114

21. Ultimate parent undertaking and controlling party

The company's parent undertaking and controlling party is 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 FRS8

22. Post balance events

During February 2010, the company invested a further £2,597,792 in Oxford Nanopore Technology Ltd