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Illumina Cambridge Limited (formerly Solexa Limited)

Report and Financial Statements

30 December 2007

Directors
J Flatley
C Henry

Secretary
C Cabou

Auditors
Ernst & Young LLP
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Cambridge
CB5 8DZ

Bankers
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Director's report

The directors present their report and financial statements for the year ended 30 December 2007
On 4 January 2008, the Company changed its name from Solexa Limited to Illumina Cambridge Limited

Results and dividends

The loss for the year amounted to £4,722,227 (2006 £13,668,776) The directors do not recommend the payment of an ordinary dividend

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

2007 saw the commercial launch of the company's genome analyser and cluster station 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

Following a transfer pricing study it has been determined that 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)

On 26 January 2007, the ultimate holding company of Illumina Cambridge Limited (formerly Solexa Limited) changed to Illumina Inc following the acquisition of Solexa Inc by Illumina Inc

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 & development, and investment in tangible fixed assets These are reported in the management accounts and reviewed by the Board and operational managers

	2007	*2006*	*Change*
	£'000	*£'000*	*%*
Royalty income	10,557	304	3372 7%
Research & development expenditure	16,065	14,795	8 6%
Investment in tangible fixed assets	1,912	986	93 9%

Royalty income has increased dramatically in 2007 which was due to 2007 being the first full year of commercial sales of sequencing products
Research & development expenditure has increased by 9% in 2007 which is on account of the continued development of our sequencing technology
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 broadly grouped as – competitive, product development and employment risk

- 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

Director's report (continued)

Principal risks and uncertainties (continued)

- Employment Risks

The company's technology is diverse but specialized, and the company's success will depend on its ability to attract and retain staff with the relevant experience in a particular discipline

Research and development

Expenditure on research and development during the year amounted to £16,065,048 (2006 £14,794,513), all of which has been written off to the profit and loss account

Directors

The directors who served during the year were as follows

S D Allen	(resigned 26 January 2007)
S Balasubramanian	(resigned 26 January 2007)
T Rink	(resigned 26 January 2007)
A Smith	(resigned 26 January 2007)
J West	(resigned 26 January 2007)
J Flatley	(appointed 26 January 2007)
C Henry	(appointed 20 December 2007)

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 and of any subsidiary, associate or joint venture This cover, together with that taken out by certain subsidiaries, where relevant, indemnifies all employees of the group who serve on the boards of all subsidiaries, associates and joint ventures 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

C Cabou
Secretary

October 31, 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing this report and the accounts in accordance with applicable law and Generally Accepted Accounting Practice Company law requires the directors to prepare financial statements for each financial year which 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 judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts, 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 which 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

Independent auditor's report

to the members of Illumina Cambridge Limited (formerly Solexa Limited)

We have audited the company's financial statements for the year ended 30 December 2007 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 22 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 (formerly Solexa 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 30 December 2007 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

12 November 2008

Profit and loss account
for the year ended 30 December 2007

	Notes	2007 £	2006 £
Turnover	2	16,483,478	837,073
Cost of sales		(5,158,220)	(282,512)
Gross profit		11,325,258	554,561
Other income		53,199	96,431
Administrative expenses		(16,787,543)	(15,008,857)
Operating loss	3	(5,409,086)	(14,357,865)
Interest receivable and other similar income	7	61,076	608,607
Interest payable and similar charges	8	(783,289)	(907,611)
		(722,213)	(299,004)
Loss on ordinary activities before taxation		(6,131,299)	(14,656,869)
Tax on loss on ordinary activities	9	1,409,072	988,093
Loss for the financial year		(4,722,227)	(13,668,776)

All activities are continuing

There were no recognised gains or losses other than the loss for the period attributable to shareholders of the Company of £4,722,227 (2006 £13,668,776)

Balance sheet
at 30 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Intangible assets	10	530,867	690,128
Tangible assets	11	2,436,207	1,237,846
		2,967,074	1,927,974
Current assets			
Stocks	12	1,389,624	579,648
Debtors	13	12,400,038	4,994,348
Cash at bank		1,118,407	4,529,819
		14,908,069	10,103,815
Creditors amounts falling due within one year	14	34,758,144	24,899,029
Net current liabilities		(19,850,075)	(14,795,214)
Total assets less current liabilities		(16,883,001)	(12,867,240)
Creditors amounts falling due after more than one year	15	–	7,835
		(16,883,001)	(12,875,075)
Capital and reserves			
Called up share capital	20	30,224	30,224
Share premium account	21	22,329,961	22,329,961
Profit and loss account	21	(39,243,186)	(35,235,260)
		(16,883,001)	(12,875,075)

C Henry
Director

31/10, 2008

Notes to the financial statements

at 30 December 2007

1. Accounting policies

Basis of preparation

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

The Company is reliant on the continued support of the ultimate parent undertaking, Illumina Inc , who have indicated that they will continue such support for the foreseeable future, being no less than 12 months from the date of signing of the financial statements No adjustments have been made to the financial statements should such support not be forthcoming

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 statement of cash flows 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 against profits 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 fixtures	-	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 30 December 2007

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 using the effective interest method

Government grants

Government grants of a revenue nature are credited to income 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, and

- 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 30 December 2007

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 recognized 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 30 December 2007

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

	2007	2006
	£	£
United Kingdom	53,290	52,480
USA	16,430,188	784,593
	16,483,478	837,073

USA sales include £10,556,723 (2006 £304,269) 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)

	2007	2006
	£	£
Auditor's remuneration		
Audit of the financial statements	48,500	60,500
Other fees to auditors - tax services	9,000	14,000
Depreciation of owned fixed assets	553,870	285,220
Depreciation of assets held under finance leases	17,001	28,099
Amortisation of intangible fixed assets	159,260	159,260
Government grant income	(53,199)	(96,431)
Research and development expenditure written off	16,065,048	14,794,513
Operating lease rentals - land and buildings	312,846	251,407
- plant and machinery	10,543	6,570

4. Staff costs

	2007	2006
	£	£
Wages and salaries	3,250,403	3,511,313
Social security costs	350,296	274,828
Other pension costs	301,732	251,357
	3,902,431	4,037,498

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

	2007	2006
	No	No
Administrative staff	16	9
Manufacturing	21	14
Research and development	54	47
	91	70

Notes to the financial statements

at 30 December 2007

5. Directors' emoluments

	2007	*2006*
	£	*£*
Emoluments	34,886	425,036

Included within the above is a non-monetary charge relating to share based payments of £18,293 (2006 £229,636)

Value of company pension contributions to money purchase schemes	1,268	14,840

	2007	*2006*
	No	*No*
Members of money purchase pension schemes	1	1

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

	2007	*2006*
	£	*£*
Emoluments	12,676	148,400
Value of company pension contributions to money purchase schemes	1,268	14,840

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 On the merger with Illumina Inc , share options over Solexa Inc stock were converted to share options over Illumina stock at the ratio 1,000 Solexa Inc shares for 344 Illumina Inc shares
After the merger Illumina introduced RSU awards RSU's vest in 4 parts on the anniversary dates of the date of grant as follows year 1 - 15%, year 2 - 15%, year 3 - 30% and year 4 - 40%
Options and RSU's are equity settled, and there are no other vesting conditions

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

	2007	*2006*
	£	*£*
Profit and Loss Account		
Increase in administrative expenses	2,178,585	966,013
Balance Sheet		
Increase in profit & loss account reserve	2,178,585	966,013

In addition, the group charge for share options passed down to the company of £1,464,284 (2006 £524,690) has been debited to the profit and loss account reserve

Notes to the financial statements

at 30 December 2007

6. Share based payments (continued)

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

	2007 No	*2007 WAEP*	*2006 No*	*2006 WEAP*
Outstanding as at January 1 [1]	1,493,363	$6 35	1,102,613	$4 81
Converted to options over Illumina stock	513,624	$18 46		
Granted during year	357,508	$42 02	513,512	$9 39
Lapsed during year	(107,122)	$29 63	(50,161)	$5 99
Exercised during year	(158,682)	$16 11	(72,601)	$4 70
Outstanding at 30 December	605,328	$31 02	1,493,363	$6 35
Exercisable at 30 December	186,807	$20 89	596,377	$4 58

[1] Included within this balance are options over 89,195 (2006 530,102) 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 $3 72 - $58 39 (2006 $1 28 - $10 74)

The weighted average expected life of options outstanding at 30 December 2007 is 8 4 years (2006 8 2 years) The weighted average share price at the date of exercise for those options exercised during the year was $46 89 (2006 $11 48)

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

	2007	*2006*
Fair value of common stock	$42 08	$9 28
Fair value of stock options granted	$42 08	$9 28
Risk-free interest rate	4 58%	4 83%
Expected life (in years)	6	6
Expected volatility	65 69%	87 64%
Expected dividend yield	0%	0%

Restricted Stock Units

In November 2007, Illumina Inc , the ultimate parent of the Company, granted restricted stock units (RSU's) to certain employees representing a right to receive, in the aggregate, 27,200 shares of its common stock Such awards generally vest in 4 instalments on each of the first four anniversaries of the date of grant in the proportions 15%, 15%, 30% and 40% The weighted average fair value of the RSU's at the date of grant was $51 28

The same assumptions as were used for the share options granted in 2007 above were used to obtain this valuation

Notes to the financial statements
at 30 December 2007

7. Interest receivable and other similar income

	2007	*2006*
	£	*£*
Interest received on treasury deposits	61,076	344,693
Interest from group undertakings	–	263,914
	61,076	608,607

8. Interest payable and similar charges

	2007	*2006*
	£	*£*
Finance charges payable under finance leases	1,481	3,241
Interest expense on inter company loan	781,808	902,920
Other interest	–	1,450
	783,289	907,611

9. Taxation on ordinary activities

(a) Tax on loss on ordinary activities

The tax credit is made up as follows

	2007	*2006*
	£	*£*
Current tax		
Research and development tax credit	(1,409,072)	(988,093)
Total current tax (note 9(b))	(1,409,072)	(988,093)

(b) Factors affecting current tax credit

The differences are reconciled below

	2007	*2006*
	£	*£*
Loss on ordinary activities before tax	(6,131,299)	(14,656,869)
Loss on ordinary activities multiplied by the standard rate of tax of 30%	(1,839,390)	(4,397,060)
Effect of		
Expenses not deductible for tax purposes	(7,127)	228,499
Losses arising in the year not relievable against current tax	78,810	3,642,084
Capital allowances in arrears of depreciation	(283,074)	(124,447)
Research and development tax credit – current year	(1,409,072)	(988,093)
Other timing differences	224,942	8,316
Enhanced R&D deduction	(880,670)	(1,210,066)
Losses surrendered for R&D tax credit	2,642,009	1,852,674
Group relief surrendered for nil payment	64,500	–
Total current tax (note 9(a))	(1,409,072)	(988,093)

Notes to the financial statements
at 30 December 2007

9. Taxation on ordinary activities (continued)

(c) Factors that may affect future tax charges

The company has tax losses arising in the UK of £25,574,915 (2006 £26,452,890) 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 The company has also surrendered an element of their losses relating to research and development in exchange for the payment of a tax credit The company anticipates that similar surrenders will be made in the future

(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

		2007		*2006*
	Provided	*Not provided*	*Provided*	*Not provided*
	£	*£*	*£*	*£*
Depreciation in advance of capital allowances	503,227	–	286,299	–
Tax losses available	(20,891)	(7,140,085)	(268,383)	(7,607,084)
Short term timing differences	(482,336)	–	(17,916)	–
Share based payments	–	(438,806)	–	(240,578)
Provision for deferred taxation	–	(7,578,891)	–	(7,847,662)

10. Intangible fixed assets

	Intellectual property
	£
Cost	
As at 1 January 2007	1,114,821
At 30 December 2007	1,114,821
Amortisation	
At 1 January 2007	424,693
Provided during the year	159,260
At 30 December 2007	583,954
Net book value	
At 30 December 2007	530,867
At 1 January 2007	690,128

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

Notes to the financial statements
at 30 December 2007

11. Tangible fixed assets

	Leasehold property	*Assets under construction*	*Laboratory equipment*	*Furniture & fixtures*	*Computer equipment*	*Total*
	£	*£*	*£*	*£*	*£*	*£*
Cost or valuation						
At 1 January 2007	423,810	123,250	1,826,996	79,151	654,275	3,107,482
Additions	37,286	299,227	1,328,246	1,744	245,419	1,911,922
Disposals	–	–	(192,196)	–	–	(192,196)
Transfers	–	(148,250)	196,392	(48,142)	–	–
At 30 December 2007	461,096	274,227	3,159,438	32,753	899,694	4,827,208
Depreciation						
At 1 January 2007	263,869	–	1,195,288	65,725	344,754	1,869,636
Provided during the year	91,598	–	290,646	2,848	185,779	570,871
Reversal of impairment	–	–	–	(20,000)	(12,001)	(32,001)
Disposals	–	–	(17,505)	–	–	(17,505)
Transfers	–	–	22,528	(22,528)	–	–
At 30 December 2007	355,467	–	1,490,957	26,045	518,532	2,391,001
Net book value						
At 30 December 2007	105,629	274,227	1,668,481	6,708	381,162	2,436,207
At 1 January 2007	159,941	123,250	631,708	13,426	309,521	1,237,846

The net book value of assets above includes an amount of £35,420 (2006 £52,421) in respect of assets held under finance leases

12. Stock

	2007	*2006*
	£	*£*
Raw materials	787,895	329,695
Work in progress	493,711	76,583
Finished goods	108,018	173,370
	1,389,624	579,648

Notes to the financial statements

at 30 December 2007

13. Debtors

	2007 £	2006 £
Trade debtors	14,453	7,990
Amounts owed by group undertakings	9,372,835	3,386,850
Other debtors	2,735,170	1,357,270
Prepayments and accrued income	277,580	242,238
	12,400,038	4,994,348

14. Creditors: amounts falling due within one year

	2007 £	2006 £
Obligations under finance leases (note 16)	7,835	17,454
Trade creditors	1,209,454	607,595
Amounts owed to group undertakings	32,321,256	23,498,707
Other taxation and social security	146,981	97,166
Pension creditor (note 17)	76,443	37,902
Accruals	996,175	640,205
	34,758,144	24,899,029

15. Creditors: amounts falling due after more than one year

	2007 £	2006 £
Obligations under finance leases (note 16)	–	7,835

16. Obligations under finance leases

The maturity of these amounts is as follows

	2007 £	2006 £
Amounts payable		
Within one year	8,025	19,115
In two to five years	–	8,025
	8,025	27,140
Less finance charges allocated to future periods	(190)	(1,851)
	7,835	25,289
Finance leases are analysed as follows		
Current obligations (note 14)	7,835	17,454
Non-current obligations (note 15)	–	7,835
	7,835	25,289

Notes to the financial statements

at 30 December 2007

17. 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 £76,443 (2006 £37,902)

18. Commitments under operating leases

At 30 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	2007	*2006*
	£	*£*
Operating leases which expire		
Within one to five years	1,115,186	455,255

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

20. Share capital

		Authorised
	2007	*2006*
	£	*£*
Ordinary shares of £0 0025 each	34,849	34,849

			Allotted and called up	
		2007		*2006*
	No	*£*	*No*	*£*
Ordinary shares of £0 0025 each	12,089,515	30,224	12,089,515	30,224

As at 30 December 2007, all share capital is in the form of ordinary shares

Ordinary shares

Each Ordinary share entitles the holder to one vote on all matters submitted to a vote of the Company's shareholders

To date, no dividends have been declared

Notes to the financial statements
at 30 December 2007

21. Reconciliation of shareholders' deficit and movement on reserves

	Share capital	*Share premium account*	*Profit and loss account*	*Total share-holders' deficit*
	£	£	£	£
At 1 January 2006	30,224	22,329,961	(22,007,807)	352,378
Loss for the year	–	–	(13,668,776)	(13,668,776)
Share based payments	–	–	441,323	441,323
At 1 January 2007	30,224	22,329,961	(35,235,260)	(12,875,075)
Loss for the year	–	–	(4,722,227)	(4,722,227)
Share based payments	–	–	714,301	714,301
At 30 December 2007	30,334	22,329,961	(39,243,186)	(16,883,001)

22. 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