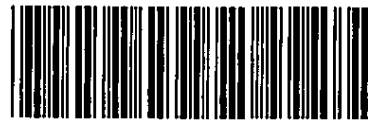


Illumina Cambridge Limited

Annual Report and Financial Statements

1 January 2012

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COMPANIES HOUSE

Directors

J Flatley
C Henry

Secretary

C Cabou

Auditors

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

Bankers

Bank of America Inc
5 Canada Square
London
E14 5AQ

Registered office

Chesterford Research Park
Little Chesterford
Saffron Walden
Essex
CB10 1XL

Directors' report

The directors present their annual report and financial statements for the period ended 1 January 2012

Results and dividends

The profit for the period amounted to £32,070,805 (Period ended 2 January 2011 £23,253,053) The directors do not recommend the payment of an ordinary dividend (Period ended 2 January 2011 £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

The company is entitled to a 25% royalty on net group sales of sequencing instruments and reagents originating from the US, and a 16.8% royalty on net group sales of sequencing instruments and reagents originating from Singapore, for the use of Illumina Cambridge Limited intellectual property (IP)

The company continues to invest in research and development and the directors regard investment in this area as a prerequisite for continued success in the medium to long-term future

The directors are satisfied with the results for the period and are confident that future developments will generate satisfactory results, and that future growth is expected in the business

The company's financial performance is assessed primarily by royalty income and expenditure on research and development

	Period ending 1 Jan 2012 £'000	Period ending 2 Jan 2011 £'000	Change %
Royalty income	95,136	82,379	15.5%
Research & development expenditure	62,130	62,675	-0.9%
	No	No	Change %
Headcount at year end	152	139	9.4%

Royalty income increased by 15% over prior period reflecting the continued commercial success of the company's sequencing products

Research and development expenditure has decreased by 1%. There has been a continuation of the development of the company's sequencing technology as per the previous year with headcount increasing by 9%

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

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

Research and development

Expenditure on research and development during the period amounted to £62,130,211 (Period ended 2 January 2011: £62,674,722), all of which has been expensed in the profit and loss account.

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 £32,070,805 (Period ended 2 January 2011: profit £23,253,053), and had net assets at the period end of £42,443,146 (As at 2 January 2011: net assets of £9,744,360).

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.

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 auditor, the directors confirm that:

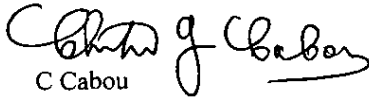
- to the best of their knowledge and belief, there is no information relevant to the preparation of this report of which the company's auditor is unaware, and
- they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish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

Directors' report (continued)

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

Date *October 16, 2012*

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

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

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

Independent auditor's report

to the members of Illumina Cambridge Limited

We have audited the company's financial statements for the period ended 1 January 2012 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 21. 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 1 January 2012 and of the company's profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

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

Date *22 October 2012*

Profit and loss account
for the period ended 1 January 2012

		Period ended 1 January 2012	Period ended 2 January 2011
	<i>Notes</i>	£	£
Turnover	2	112,746,421	97,618,210
Cost of sales		(5,510,151)	(10,544,762)
Gross profit		107,236,270	87,073,448
Administrative expenses - Research and development		(62,130,211)	(62,674,722)
Administrative expenses - Foreign exchange gain/(loss)		603,134	(1,558,743)
Administrative expenses - Other		(2,776,692)	(2,860,686)
Operating profit	3	42,932,501	19,979,297
Interest receivable and other similar income	7	6,292	177,603
Interest payable and similar charges	8	(149,299)	(1,502,660)
Profit on ordinary activities before taxation		42,789,494	18,654,240
Tax on profit on ordinary activities	9	(10,718,689)	4,598,813
Profit for the financial period	20	32,070,805	23,253,053

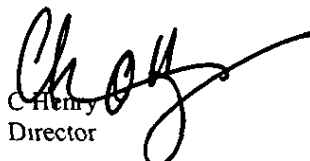
All activities are continuing

The company has no recognised gains and losses other than those included in the profit and loss account

Balance sheet
at 1 January 2012

	As at 1 January 2012	As at 2 January 2011
Notes	£	£
Fixed assets		
Intangible fixed assets	10 -	53,087
Tangible fixed assets	11 13,352,915	14,824,297
Investments	12 18,162,878	14,431,333
	<u>31,515,793</u>	<u>29,308,717</u>
Current assets		
Stocks	13 3,526,726	5,263,048
Debtors	14 4,858,486	5,545,356
Cash at bank	27,247,342	5,414,385
	<u>35,632,554</u>	<u>16,222,789</u>
Creditors amounts falling due within one year	15 (24,080,833)	(35,787,146)
Net current assets/(liabilities)	<u>11,551,721</u>	<u>(19,564,357)</u>
Total assets less current liabilities	43,067,514	9,744,360
Provisions for liabilities	16 (624,368)	-
Net assets	<u>42,443,146</u>	<u>9,744,360</u>
Capital and reserves		
Called up share capital	19 30,224	30,224
Share premium account	20 22,329,961	22,329,961
Profit and loss account	20 20,082,961	(12,615,825)
Shareholders' funds	<u>42,443,146</u>	<u>9,744,360</u>

These financial statements were approved by the board on ~~16 October~~ 2012, and signed on its behalf


Director

Date 16/10/12

Notes to the financial statements

at 1 January 2012

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 3rd January 2011 through to 1st January 2012

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 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.

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 (continued)

at 1 January 2012

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.

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

Revenue recognition

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

Sale of 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 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.

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.

Notes to the financial statements (continued) at 1 January 2012

1. Accounting policies (continued)

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

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

Notes to the financial statements (continued)

at 1 January 2012

1. Accounting policies (continued)

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.

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 1 January 2012 £	Period ended 2 January 2011 £
United Kingdom	530,292	711,467
USA	97,814,030	94,579,843
Singapore	14,402,099	2,326,900
	<u>112,746,421</u>	<u>97,618,210</u>

USA sales include £91,387,072 (Period ended 2 January 2011 £81,133,978) of royalty income from Illumina Inc. on the sale of the company's products to third parties.

Singapore sales represents £14,402,099 (Period ended 2 January 2011 £2,326,900) from Illumina Singapore. During the year Illumina Singapore paid Illumina Cambridge to fund R&D spend amounting to £9,885,993 (Period ended 2 January 2011 £1,081,851). Illumina Cambridge granted Illumina Singapore a non-exclusive license of the rights to manufacture products using certain sequencing IP and to sell the products that it manufactures. As consideration for the right to benefit from sequencing IP, Illumina Cambridge is entitled to a royalty on sales made by Illumina Singapore, which in the period amounted to £3,748,945 (Period ended 2 January 2011 £1,245,049).

	Period ended 1 January 2012 £	Period ended 2 January 2011 £
Royalty income	95,136,017	82,379,027
Reagent sales	6,061,166	11,956,652
Service revenue	1,659,110	2,190,837
R&D reimbursement	9,885,993	1,081,851
Grant revenue	4,135	9,843
	<u>112,746,421</u>	<u>97,618,210</u>

Notes to the financial statements (continued)
at 1 January 2012

3. Operating profit

This is stated after charging/(crediting)

	Period ended 1 January 2012 £	<i>Period ended</i> <i>2 January</i> <i>2011</i> £
Foreign exchange (gain)/loss	<u>(603,134)</u>	<u>1,558,743</u>
Auditor's remuneration		
Audit of the financial statements	33,344	31,512
Tax compliance services	<u>4,316</u>	<u>32,265</u>
Depreciation of owned fixed assets	2,676,731	2,566,269
Amortisation of intangible fixed assets	<u>53,087</u>	<u>159,260</u>
Government grant income	4,134	9,842
Research and development expenditure written off	<u>62,130,211</u>	<u>62,674,722</u>
Operating lease rentals - land and buildings	754,692	823,594
- plant and machinery	<u>13,257</u>	<u>17,350</u>

4. Staff costs

	Period ended 1 January 2012 £	<i>Period ended</i> <i>2 January</i> <i>2011</i> £
Wages and salaries	10,247,377	8,411,540
Social security costs	820,779	794,087
Other pension costs	619,429	533,709
	<u>11,687,585</u>	<u>9,739,336</u>

Wages and salaries include equity settled share based payments of £3,425,519 (Period ended 2 January 2011 £2,408,412)

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

	Period ended 1 January 2012 No	<i>Period ended</i> <i>2 January</i> <i>2011</i> No
Administrative staff	29	24
Manufacturing	11	12
Research and development	112	98
	<u>152</u>	<u>134</u>

Notes to the financial statements (continued)

at 1 January 2012

5. Directors' emoluments

	Period ended 1 January 2012 £	Period ended 2 January 2011 £
Directors' emoluments	-	-
Company contributions to money purchase pension schemes	-	-
	<i>No</i>	<i>No</i>
Number of directors accruing benefits under defined benefit pension schemes	-	-
Number of directors accruing benefits under money purchase schemes	2	2
Number of directors who received shares for qualifying services	2	2
Number of directors who exercised share options	2	2

Both of the directors of the company are also directors of the holding company and fellow subsidiaries. These directors received total basic remuneration for the year of £1,280,208 (Period ended 2 January 2011 £1,521,957), plus company pension contributions of £8,769 (Period ended 2 January 2011 £9,408), all of which was paid by the holding company. The aggregate emoluments of the highest paid director was £889,940 (Period ended 2 January 2011 £1,078,442) and company pension contributions of £4,573 (Period ended 2 January 2011 £4,740) were made to a money purchase scheme on his behalf. All these amounts were paid by the holding company. The highest paid director did receive shares and exercise options, in both the current and prior year. The directors do not believe that it is practicable to apportion these amounts between their services as directors of the company and their services as directors of other group undertakings.

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% (Period ended 2 January 2011 15%, 20%, 30%, 35%).

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

Notes to the financial statements (continued)

at 1 January 2012

6. Share based payments (continued)

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

	Period ended 1 January 2012 £	<i>Period ended</i> <i>2 January</i> <i>2011</i> £
Profit and Loss Account		
Increase in administrative expenses	<u>3,425,519</u>	<u>2,408,412</u>
Balance Sheet		
Increase in profit & loss account reserve	<u>3,425,519</u>	<u>2,408,412</u>

In addition, the group charge for share options passed down to the company of £2,797,538 (Period ended 2 January 2011 £2,777,469) 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 1 January 2012 No	Period ended 1 January 2012 WAEP	<i>Period</i> <i>ended 2</i> <i>January</i> <i>2011</i> <i>No</i>	<i>Period</i> <i>ended 2</i> <i>January</i> <i>2011</i> <i>WAEP</i>
Outstanding as at the beginning of the period ¹	491,268	\$20 95	768,990	\$19 58
Granted during period	30,300	\$69 34	26,475	\$37 04
Lapsed during period	(494)	\$21 78	(9,379)	\$11 31
Exercised during period	(113,142)	\$19 88	(295,798)	\$19 18
Transfers in from other group companies	-	-	2,400	\$24 39
Transfers out to other group companies	<u>(1,683)</u>	<u>\$13 64</u>	<u>(1,420)</u>	<u>\$17 05</u>
Outstanding at the end of the period	<u>406,249</u>	<u>\$24 62</u>	<u>491,268</u>	<u>\$20 95</u>
Exercisable at end of period	321,141	\$20 53	343 339	\$17 81

¹ Included within this balance are options on 4,393 (Period ended 2 January 2011 9,551) 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 period end was \$1 86 - \$69 34 (As at 2 January 2011 \$1 86 - \$37 79)

The weighted average expected life of options outstanding at the period end is 5 6 years (As at 2 January 2011 6 25 years)

The weighted average share price at the date of exercise for those options exercised during the period was \$19 88 (Period ended 2 January 2011 \$43 38)

Notes to the financial statements (continued)
at 1 January 2012

6. Share based payments (continued)

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:

	Period ended 1 January 2012	<i>Period ended 2</i> <i>January 2011</i>
Fair value of common stock	\$69.34	\$53.17
Fair value of stock options granted	\$29.27	\$18.17
Risk-free interest rate	0.85%	2.73%
Expected life (in years)	5.54	6.01
Expected volatility	52.97%	48.25%
Expected dividend yield	0%	0%

Restricted Stock Units

During the period, 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, 96,566 (Period ended 2 January 2011: 82,234) 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%, 20%, 30% and 35%. The weighted average fair value of the RSU's at the date of grant was \$35.15 (Period ended 2 January 2011: \$53.68).

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

	Period ended 1 January 2012 No	Period ended 1 January 2012 WAMV	<i>Period ended 2 January 2011 No</i>	<i>Period ended 2 January 2011 WAMV</i>
Outstanding as at the beginning of the period	215,131	\$40.19	177,423	\$31.80
Granted during period	96,566	\$35.15	82,234	\$53.68
Lapsed	(5,941)	\$43.29	(7,632)	\$29.92
Vested during period	(63,725)	\$35.11	(38,155)	\$30.96
Transfers in from other group companies	-	-	1,426	\$31.92
Transfers out to other group companies	(5,222)	\$16.92	(165)	\$31.72
Outstanding at the end of the period	236,809	\$41.30	215,131	\$40.19

The same assumptions as were used for the share options granted in the period and the preceding period above were used to calculate the fair value of the restricted shares.

Notes to the financial statements (continued)
at 1 January 2012

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 1 January 2012 No	Period ended 1 January 2012 WAMV	Period ended 2 January 2011 No	Period ended 2 January 2011 WAMV
Granted during period	20,094	\$66 48	22,979	\$41 01

The same assumptions as were used for the share options granted as above were used to calculate the fair value of the restricted shares

7. Interest receivable and other similar income

	Period ended 1 January 2012 £	Period ended 2 January 2011 £
Exchange gain on intercompany loan	2,927	177,603
Interest received on treasury deposits	3,365	-
	<u>6,292</u>	<u>177,603</u>

8. Interest payable and similar charges

	Period ended 1 January 2012 £	Period ended 2 January 2011 £
Interest expense on inter-company balances	147,594	1,502,233
Other interest	1,705	427
	<u>149,299</u>	<u>1,502,660</u>

Notes to the financial statements (continued)

at 1 January 2012

9. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

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

	Period ended 1 January 2012 £	Period ended 2 January 2011 £
<i>Current tax</i>		
UK corporation tax at 26.49% (28%) (note 9(b))	5,495,508	-
<i>Deferred tax</i>		
Deferred taxation	5,223,181	(4,598,813)
Tax charge/(credit)	<u>10,718,689</u>	<u>(4,598,813)</u>

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

The differences are reconciled below

	Period ended 1 January 2012 £	Period ended 2 January 2011 £
Profit on ordinary activities before tax	<u>42,789,494</u>	<u>18,654,240</u>
Profit on ordinary activities multiplied by the standard rate (composite) of tax of 26.49% (Period ended 2 January 2011 28%)	11,336,285	5,223,188
Effect of		
Expenses not deductible for tax purposes	176,939	62,749
Permanent differences on share based payments	(473,577)	(1,038,564)
Capital allowances in excess/arrears of depreciation	18,772	121,767
Other timing differences	(554,294)	(8,490)
Utilisation of tax losses	(4,239,354)	(3,467,527)
Enhanced R&D deduction	(769,263)	(893,123)
Total current tax (note 9(a))	<u>5,495,508</u>	<u>-</u>

Notes to the financial statements (continued)
at 1 January 2012

9. Taxation on ordinary activities (continued)

(c) Factors that may affect future tax charges

Finance Act 2011, enacted on 19 July 2011, reduced the main rate of corporation tax to 26% from 1 April 2011 and to 25% from 1 April 2012. Deferred tax has been restated accordingly in these financial statements.

The UK government announced on 21 March 2012 further reductions in the standard rate of corporation tax to 24% from 1 April 2012 and to 23% from 1 April 2013, which were enacted by Finance Act 2012 on 17 July 2012, and by a further 1% to 22% from 1 April 2014. These reductions had not been substantively enacted at the balance sheet date and consequently their effects are not included in these financial statements. The effect of these announced reductions is not likely to be material.

Finance Act 2011 also enacted a reduction from 1 April 2012 in the rate of capital allowances applicable to plant and machinery and to integral features from 20% to 18% and from 10% to 8% respectively.

The above changes to the rates of corporation tax and capital allowances will impact the amount of future cash tax payments to be made by the company.

(d) Deferred tax

The elements of deferred taxation that has been provided for, are as follows:

	As at 1 January 2012		As at 2 January 2011	
	Provided £	Not provided £	Provided £	Not provided £
Capital allowances in advance of depreciation	1,615,957	–	1,759,556	–
Tax losses available	–	–	(4,546,791)	–
Short term timing differences	(2,650)	–	(567,761)	–
Share based payments	(988,939)	–	(1,243,817)	–
Deferred tax liability/(asset)	<u>624,368</u>	<u>–</u>	<u>(4,598,813)</u>	<u>–</u>

£

At 2 January 2011 included in debtors (note 14)	(4,598,813)
Deferred tax debit in profit and loss account (note 9(a))	4,992,039
Adjustment in respect of prior years	<u>231,142</u>
At 1 January 2012 included in creditors (note 16)	<u>624,368</u>

Notes to the financial statements (continued)
at 1 January 2012

10. Intangible fixed assets

	Intellectual property £
Cost	
As at the beginning of the period	1,114,821
At the end of the period	<u>1,114,821</u>
Amortisation	
At 2 January 2011	1,061,734
Provided during the period	53,087
At the end of the period	<u>1,114,821</u>
Net book value	
At the end of the period	<u>-</u>
At the beginning of the period	<u>53,087</u>

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

11. Tangible fixed assets

	Leasehold improvements £	Assets under construction £	Laboratory equipment £	Furniture & fixtures £	Computer equipment £	Total £
Cost or valuation						
At the beginning of the period	11,545,679	250,944	5,069,795	355,399	3,287,198	20,509,015
Additions	91,972	65,226	1,285,055	(30)	30,601	1,472,824
Disposals	(46,671)	-	(62,280)	-	-	(108,951)
Transfers	(59,210)	(316,170)	110,216	-	133,709	(131,455)
Adjustments	-	-	(83,447)	-	-	(83,447)
At the end of the period	<u>11,531,770</u>	<u>-</u>	<u>6,319,339</u>	<u>355,369</u>	<u>3,451,508</u>	<u>21,657,986</u>
Depreciation						
At the beginning of the period	1,222,965	-	2,640,851	79,165	1,741,737	5,684,718
Provided during the period	767,666	-	1,148,784	50,939	709,342	2,676,731
Disposals	(5,895)	-	(52,520)	-	-	(58,415)
Transfers	-	-	-	-	2,232	2,232
Adjustments	-	-	-	(195)	-	(195)
At the end of the period	<u>1,984,736</u>	<u>-</u>	<u>3,737,115</u>	<u>129,909</u>	<u>2,453,311</u>	<u>8,305,071</u>
Net book value						
At the end of the period	<u>9,547,034</u>	<u>-</u>	<u>2,582,224</u>	<u>225,460</u>	<u>998,197</u>	<u>13,352,915</u>
At the beginning of the period	<u>10,322,714</u>	<u>250,944</u>	<u>2,428,944</u>	<u>276,234</u>	<u>1,545,461</u>	<u>14,824,297</u>

Notes to the financial statements (continued)

at 1 January 2012

12. Investments

	Trade investment £
Cost and net book value at the beginning of the period	14,431,333
Additions	3,731,545
Cost and net book value at the end of the period	<u>18,162,878</u>

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

13. Stock

	As at 1 January 2012 £	As at 2 January 2011 £
Raw materials	1,203,008	2,199,474
Work in progress	2,312,960	2,995,984
Finished goods	10,758	67,590
	<u>3,526,726</u>	<u>5,263,048</u>

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

14. Debtors

	As at 1 January 2012 £	As at 2 January 2011 £
Amounts owed by group undertakings	4,197,794	-
Other debtors	185,455	500,535
Prepayments and accrued income	475,237	446,008
Deferred tax asset	-	4,598,813
	<u>4,858,486</u>	<u>5,545,356</u>

15. Creditors: amounts falling due within one year

	As at 1 January 2012 £	As at 2 January 2011 £
Trade creditors	363,763	514,026
Amounts owed to group undertakings	275,125	27,830,657
Corporation tax	2,085,508	-
Pension creditor (note 17)	78,103	62,746
Accruals and deferred income	21,278,334	6,804,392
	<u>24,080,833</u>	<u>35,787,146</u>

Notes to the financial statements (continued)

at 1 January 2012

16. Provisions for liabilities

	<i>Deferred tax</i>
	£
At 3 January 2011	-
Deferred tax (note 9(d))	624,368
At 1 January 2012	<u>624,368</u>

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 period end were £78,103 (As at 2 January 2011: £62,746).

18. Commitments under operating leases

At 1 January 2012 the company had annual commitments under non-cancellable operating leases as set out below:

	As at 1 January 2012	Other As at 2 January 2011	Land and buildings As at 1 January 2012	Land and buildings As at 2 January 2011
	£	£	£	£
Operating leases which expire				
Within one year	5,200	1,563	-	-
Within two to five years	8,045	11,721	-	-
After five years	-	-	830,000	830,000
	<u>13,245</u>	<u>13,284</u>	<u>830,000</u>	<u>830,000</u>

19. Share capital

	<i>Authorised</i>	
	As at 1 January 2012	As at 2 January 2011
	£	£
Ordinary shares of £0.0025 each	<u>34,849</u>	<u>34,849</u>
		<i>Allotted and called up</i>
	As at 1 January 2012	As at 2 January 2011
	No	No
	£	£
Ordinary shares of £0.0025 each	<u>12,089,515</u>	<u>30,224</u>
	<u>12,089,515</u>	<u>30,224</u>

Notes to the financial statements (continued)

at 1 January 2012

20. Reconciliation of shareholders' funds/(deficit) and movements on reserves

	Share capital £	Share premium account £	Profit and loss account £	Total share- holders' funds/(deficit) £
At 3 January 2010	30,224	22,329,961	(35,499,821)	(13,139,636)
Profit for the period	--	--	23,253,053	23,253,053
Share based payments				
Group charge	--	--	(2,777,469)	(2,777,469)
FRS20	--	--	2,408,412	2,408,412
At 2 January 2011	30,224	22,329,961	(12,615,825)	9,744,360
Profit for period	--	--	32,070,805	32,070,805
Share based payments				
Group charge	--	--	(2,797,538)	(2,797,538)
FRS20	--	--	3,425,519	3,425,519
At 1 January 2012	30,224	22,329,961	20,082,961	42,443,146

21. Ultimate parent undertaking and related party transactions

During the period 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 , 5200 Illumina Way, San Diego, CA 92122, USA

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