Registered No 3625145

Illumina Cambridge Limited

Annual Report and Financial Statements

2 January 2011

Registered No 3625145

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
London
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Chesterford Research Park
Little Chesterford
Saffron Walden
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Directors' report

The directors present their annual report and financial statements for the period ended 2 January 2011

Results and dividends

The profit for the period amounted to £23,253,053 (Period ended 3 January 2010 £10,559,358) The directors do not recommend the payment of an ordinary dividend (Period ended 3 January 2010 £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

	As at 2 January 2011 £'000	As at 3 January 2010 £'000	Change %
Royalty income	81,379	47,257	72%
Research & development expenditure	62,675	34,751	80%

	No	No	Change %
Headcount at year end	139	130	7%

Royalty income increased by 72% over prior period 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

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 as required

Research and development

Expenditure on research and development during the period amounted to £62,674,722 (Period ended 3 January 2010 £34,751,152), all of which has been written off to 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 £23,253,053 (Period ended 3 January 2010 profit £10,559,358), and had net assets at the period end of £9,744,360 (As at 3 January 2010 net liabilities of £13,139,636) However as the company had net current liabilities of £19,564,357 (As at 3 January 2010 £40,975,841) the company obtained a letter of financial support from its parent undertaking

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 26 September 2011

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 2 January 2011 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdon 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 2 January 2011 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

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 specific 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 30 September 2011

Profit and loss account
for the period ended 2 January 2011

	Notes	*Period ended 2 January 2011* £	*Period ended 3 January 2010* £
Turnover	2	97,618,210	52,631,313
Cost of sales		(10,544,762)	(4,886,200)
Gross profit		87,073,448	47,745,113
Administrative expenses - Research and development		(62,674,722)	(34,751,152)
Administrative expenses - Foreign exchange (loss)/gain		(1,558,743)	1,603,303
Administrative expenses - Other		(2,860,686)	(4,808,573)
Operating profit	3	19,979,297	9,788,691
Interest receivable and other similar income	7	177,603	1,210,406
Interest payable and similar charges	8	(1,502,660)	(530,667)
Profit on ordinary activities before taxation		18,654,240	10,468,430
Tax on profit on ordinary activities	9	4,598,813	90,928
Profit for the financial period	19	23,253,053	10,559,358

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 2 January 2011

	Notes	As at 2 January 2011 £	As at 3 January 2010 £
Fixed assets			
Intangible fixed assets	10	53,087	212,347
Tangible fixed assets	11	14,824,297	15,790,316
Investments	12	14,431,333	11,833,542
		29,308,717	27,836,205
Current assets			
Stocks	13	5,263,048	4,276,981
Debtors	14	5,545,356	9,216,714
Cash at bank		5,414,385	2,064,254
		16,222,789	15,557,949
Creditors: amounts falling due within one year	15	(35,787,146)	(56,533,790)
Net current liabilities		(19,564,357)	(40,975,841)
Total assets less current liabilities, being net assets (net liabilities)		9,744,360	(13,139,636)
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	(12,615,825)	(35,499,821)
Shareholders' funds/(deficit)	19	9,744,360	(13,139,636)

These financial statements were approved by the board on 26 September 2011, and signed on its behalf

C Henry
Director

Date 9/26/2011

Notes to the financial statements
at 2 January 2011

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

Foreign exchange gains on financing loans to other group undertakings amounting to £1,209,742 have been reclassified from "Administrative expenses – Foreign exchange gain/(loss)" to "Interest receivable and similar income" in the comparative period in order to be consistent with current period classification

The company operates on a 52 week financial period For this year, the accounting period was from 4th January 2010 through to 2rd January 2011

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 £23,253,053 (Period ended 3 January 2010 £10,559,358), and had net assets at the period end of £9,744,360 (As at 3 January 2010 net liabilities of £13,139,636) However as the company had net current liabilities of £19,564,356 (As at 3 January 2010 £40,975,841) the company obtained a letter of financial support from its parent undertaking

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
at 2 January 2011

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 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

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
at 2 January 2011

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
at 2 January 2011

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 2 January 2011 £	*Period ended 3 January 2010 £*
United Kingdom	711,467	44,910
USA	94,579,843	52,586,403
Singapore	2,326,900	-
	97,618,210	52,631,313

USA sales include £81,133,978 (Period ended 3 January 2010 £47,257,351) of royalty income from Illumina Inc on the sale of the company's products to third parties

Singapore sales represents £2,326,900 (Period ended 3 January 2010 £nil) from Illumina Singapore During the year Illumina Singapore paid Illumina Cambridge to fund R&D spend amounting to £1,081,851 (Period ended 3 January 2010 £nil) 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 £1,245,049 (Period ended 3 January 2010 £nil)

Notes to the financial statements
at 2 January 2011

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

	Period ended 2 January 2011 £	*Period ended 3 January 2010 £*
Foreign exchange loss/(gain)	1,558,743	(1,603,303)
Auditor's remuneration		
Audit of the financial statements	31,512	34,397
Tax compliance services	32,265	18,400
Depreciation of owned fixed assets	2,566,269	1,725,348
Amortisation of intangible fixed assets	159,260	159,260
Government grant income	9,842	-
Research and development expenditure written off	62,674,722	34,751,152
Operating lease rentals - land and buildings	823,594	1,129,646
- plant and machinery	17,350	5,285

4. Staff costs

	Period ended 2 January 2011 £	*Period ended 3 January 2010 £*
Wages and salaries	8,411,540	7,628,798
Social security costs	794,087	739,014
Other pension costs	533,709	459,320
	9,739,336	8,827,132

Wages and salaries include equity settled share based payments of £2,408,412 (Period ended 3 January 2010 £2,608,138)

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

	Period ended 2 January 2011 No	*Period ended 3 January 2010 No*
Administrative staff	24	21
Manufacturing	12	13
Research and development	98	91
	134	125

Notes to the financial statements
at 2 January 2011

5. Directors' emoluments

	Period ended 2 January 2011	*Period ended 3 January 2010*
	£	*£*
Directors' emoluments	-	-
Company contributions to money purchase pension schemes	-	-
	No	*No*
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 remuneration for the year of £1,521,957 (Period ended 3 January 2010 £1,160,209), all of which was paid by the holding company The aggregate emoluments of the highest paid director was £1,078,442 (Period ended 3 January 2010 £805,373) and company pension contributions of £4,740 (Period ended 3 January 2010 £6,270) 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 for qualifying services and did 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 3 January 2010 15%, 20%, 30%, 35%)

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

Notes to the financial statements
at 2 January 2011

6. Share based payments (continued)

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

	Period ended 2 January 2011 £	*Period ended 3 January 2010 £*
Profit and Loss Account		
Increase in administrative expenses	2,408,412	2,608,138
Balance Sheet		
Increase in profit & loss account reserve	2,408,412	2,608,138

In addition, the group charge for share options passed down to the company of £2,777,469 (Period ended 3 January 2010 £2,732,419) 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 2 January 2011 No	Period ended 2 January 2011 WAEP	*Period ended 3 January 2010 No*	*Period ended 3 January 2010 WAEP*
Outstanding as at the beginning of the period [1]	768,990	$19 58	1,001,639	$17 79
Granted during period	26,475	$37 04	42,000	$28 45
Lapsed during period	(9,379)	$11 31	(37,921)	$18 00
Exercised during period	(295,798)	$19 18	(236,728)	$14 02
Transfers in from other group companies	2,400	$24 39	-	-
Transfers out to other group companies	(1,420)	$17 05	-	-
Outstanding at the end of the period	491,268	$20 95	768,990	$19 58
Exercisable at end of period	343,339	$17 81	461,279	$17 13

[1] Included within this balance are options on over 9,551 (Period ended 3 January 2010 32,528) 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 - $37 79 (As at 3 January 2010 $1 86 - $37 79)

The weighted average expected life of options outstanding at the period end is 6 25 years (As at 3 January 2010 7 0 years)

The weighted average share price at the date of exercise for those options exercised during the period was $43 38 (Period ended 3 January 2010 $35 36)

Notes to the financial statements
at 2 January 2011

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 2 January 2011	Period ended 3 January 2010
Fair value of common stock	$53 17	$28 45
Fair value of stock options granted	$18 17	$14 64
Risk-free interest rate	2 73%	1 69%
Expected life (in years)	6 01	5 19
Expected volatility	48 25%	58 21%
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, 82,234 (Period ended 3 January 2010 89,012) 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 $53 68 (Period ended 3 January 2010 $33 32)

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 2 January 2011 No	Period ended 2 January 2011 WAMV	*Period ended 3 January 2010 No*	*Period ended 3 January 2010 WAMV*
Outstanding as at the beginning of the period	177,423	$31 80	129,269	$30 98
Granted during period	82,234	$53 68	89,012	$33 32
Lapsed	(7,632)	$29 92	(23,580)	$34 38
Vested during period	(38,155)	$30 96	(17,278)	$29 95
Transfers in from other group companies	1,426	$31 92	-	-
Transfers out to other group companies	(165)	$31 72	-	-
Outstanding at the end of the period	215,131	$40 19	177,423	$31 80

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
at 2 January 2011

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 2 January 2011 No	Period ended 2 January 2011 WAMV	*Period ended 3 January 2010 No*	*Period ended 3 January 2010 WAMV*
Granted during period	22,979	$41 01	21,388	$23 30

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 2 January 2011 £	*Period ended 3 January 2010 £*
Exchange gain on foreign currency intercompany loan	177,603	1,209,742
Interest received on treasury deposits	-	664
	177,603	1,210,406

8. Interest payable and similar charges

	Period ended 2 January 2011 £	*Period ended 3 January 2010 £*
Interest expense on inter-company balances	1,502,233	529,556
Other interest	427	1,111
	1,502,660	530,667

Notes to the financial statements
at 2 January 2011

9. Taxation on ordinary activities
(a) Tax on profit on ordinary activities

The tax credit is made up as follows

	Period ended 2 January 2011 £	*Period ended 3 January 2010 £*
Current tax		
Prior year adjustment to research and development tax credit	-	(90,928)
Total current tax (note 9(b))	-	(90,928)
Deferred taxation	(4,598,813)	-
Tax credit	(4,598,813)	(90,928)

(b) Factors affecting current tax credit

The differences are reconciled below

	Period ended 2 January 2011 £	*Period ended 3 January 2010 £*
Profit on ordinary activities before tax	18,654,240	10,468,430
Profit on ordinary activities multiplied by the standard rate (composite) of tax of 28% (Period ended 3 January 2010 28%)	5,223,188	2,931,160
Effect of		
Expenses not deductible for tax purposes	737,104	707
Losses arising in the period not relievable against current tax	-	438,368
Permanent differences on share based payments	(1,712,919)	(303,949)
Capital allowances in excess/arrears of depreciation	121,767	(241,802)
Prior year adjustment to research and development tax credit	-	(90,928)
Other timing differences	(8,490)	(14,412)
Utilisation of tax losses	(3,467,527)	-
Enhanced R&D deduction	(893,123)	(1,383,656)
R&D allowance for leasehold improvements	-	(1,669,288)
Group relief surrendered for nil payment	-	242,872
Total current tax (note 9(a))	-	(90,928)

Notes to the financial statements
at 2 January 2011

9. Taxation on ordinary activities (continued)

(c) Factors that may affect future tax charges

In his budget of 23 March 2011, the Chancellor of the Exchequer announced tax rate changes, which, if enacted in the proposed manner, will have an effect on the company's future tax position As at 31 December 2010, the tax rate changes announced in the Budget had not yet been 'substantively enacted' and as such, in accordance with accounting standards, the changes have not been reflected in the company's financial statements as at 31 December 2010

The Finance (No 2) Act 2010 reduced the main rate of UK Corporation Tax from 28% to 27% from 1 April 2011 Additional changes to the main rate of UK Corporation Tax announced in the Budget reduced the main rate to 26% from 1 April 2011 and by 1% per annum to 23% by 1 April 2014 Deferred tax at 31 December 2010 has been calculated at 27%

(d) Deferred tax

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

	As at 3 January 2011		*As at 3 January 2010*	
	Provided	*Not provided*	*Provided*	*Not provided*
	£	£	£	£
Depreciation in advance of capital allowances	1,759,556	–	1,983,520	–
Tax losses available	(4,546,791)	–	(1,971,202)	(7,099,865)
Short term timing differences	(567,761)	–	(12,318)	–
Share based payments	(1,243,817)	–	–	(1,084,412)
Provision for deferred tax asset	(4,598,813)	–	–	(8,184,277)

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 3 January 2010	902,474
Provided during the period	159,260
At the end of the period	1,061,734
Net book value	
At the end of the period	53,087
At the beginning of the period	212,347

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

Notes to the financial statements
at 2 January 2011

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	11,640,882	-	5,488,227	345,437	3,329,279	20,803,825
Additions	157,882	250,944	943,067	29,506	519,189	1,900,588
Disposals	(253,085)	-	(1,361,499)	(19,544)	(561,272)	(2,195,400)
At the end of the period	11,545,679	250,944	5,069,795	355,399	3,287,196	20,509,013
Depreciation						
At the beginning of the period	722,197	–	2,752,904	58,430	1,479,978	5,013,509
Provided during the period	753,853	–	1,048,173	40,279	723,964	2,566,269
Disposals	(253,085)	–	(1,160,226)	(19,544)	(462,205)	(1,895,060)
At the end of the period	1,222,965	–	2,640,851	79,165	1,741,737	5,684,718
Net book value						
At the end of the period	10,322,714	250,944	2,428,944	276,234	1,545,459	14,824,295
At the beginning of the period	10,918,685	-	2,735,323	287,007	1,849,301	15,790,316

12. Investments

	Equity investments
	£
Cost and net book value at the beginning of the period	11,833,542
Additions	2,597,791
Cost and net book value at the end of the period	14,431,333

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 2 January 2011	*As at 3 January 2010*
	£	*£*
Raw materials	2,199,474	1,621,549
Work in progress	2,995,984	2,597,582
Finished goods	67,590	57,850
	5,263,048	4,276,981

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

Notes to the financial statements
at 2 January 2011

14. Debtors

	As at 2 January 2011 £	As at 3 January 2010 £
Amounts owed by group undertakings	-	8,490,718
Other debtors	500,535	219,578
Prepayments and accrued income	446,008	506,418
Deferred tax asset	4,598,813	-
	5,545,356	9,216,714

15. Creditors: amounts falling due within one year

	As at 2 January 2011 £	As at 3 January 2010 £
Trade creditors	514,026	1,851,061
Amounts owed to group undertakings	27,830,657	51,645,586
Other taxation and social security	575,325	269,682
Pension creditor (note 16)	62,746	56,633
Accruals and deferred income	6,804,392	2,710,828
	35,787,146	56,533,790

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 £62,746 (As at 3 January 2010 £56,633)

17. Commitments under operating leases

At 2 January 2011 the company had annual commitments under non-cancellable operating leases as set out below

	Other		Land and buildings	
	As at 2 January 2011 £	As at 3 January 2010 £	As at 2 January 2011 £	As at 3 January 2010 £
Operating leases which expire				
Within one year	1,563	29,217	–	–
Within two to five years	11,721	10,143	–	–
After five years	–	–	830,000	830,000
After five years	13,284	39,360	830,000	830,000

Notes to the financial statements
at 2 January 2011

18. Share capital

		Authorised
	As at 2 January 2011	As at 3 January 2010
	£	£
Ordinary shares of £0 0025 each	34,849	34,849

				Allotted and called up
		As at 2 January 2011		As at 3 January 2010
	No	£	No	£
Ordinary shares of £0 0025 each	12,089,515	30,224	12,089,515	30,224

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

	Share capital	Share premium account	Profit and loss account	Total shareholders' funds/(deficit)
	£	£	£	£
At 28 December 2008	30,224	22,329,961	(45,934,898)	(23,574,713)
Profit for the 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)
Profit for 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

20. 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 , 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