Solexa Limited

Report and Financial Statements

31 December 2003

ERNST & YOUNG

Registered No: 3625145

Directors
S Balasubramanian
M Carthy
T Daniel
S Eletr
G Lloyd-Harris
N McCooke
T Rink
A Smith
A Williamson
S D Allen

Secretary
L Palmer

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

Bankers
Barclays Bank plc
28 Chesterton Road
Cambridge
CB4 3UT

Registered office
Chesterford Research Park
Little Chesterford
Saffron Walden
Essex
CB10 1XL

Directors' report

The directors present their report and financial statements for the year ended 31 December 2003.

Results and dividends

The loss for the year amounted to £3,453,796. The directors do not recommend the payment of any dividends. Preference dividends were not paid nor are proposed.

Principal activities and review of the business

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

Future developments

The Company is currently investing in research and development. The directors regard investments in this area as a prerequisite for success in the medium to long-term future.

Research and development

Expenditure on research and development during the year amounted to £3,450,732 (2002: £2,864,985), all of which has been written off to the profit and loss account.

Events since the balance sheet date

On 25 March 2004, Solexa Ltd and Lynx Therapeutics Inc. jointly acquired from Manteia SA the rights to proprietary technology assets for DNA colony generation. Solexa intends to use the Intellectual Property, in conjunction with its existing technology for the comprehensive and economical analysis of individual genomes.

Directors and their interests

The Directors who served during the year and their interests in the ordinary share capital of the company at the start and the end of the year were as follows:

	31 December 2003 No.	*31 December 2002 or on joining board No.*
J Berriman	30,000	30,000
S Balasubramanian	212,500	212,500
N McCooke	20,000	20,000
T Rink	40,000	40,000
A Williamson	20,000	20,000
T Daniel	-	-
M Carthy	-	-
S Eletr	-	-
A Smith	-	-
S D Allen	-	-

Directors' report

The following directors had interests in options over the ordinary share capital of the company as follows:

		Exercise price	*At 31 December 2002 No.*	*Granted during the year No.*	*At 31 December 2003 No.*
N McCooke	(1)	100p	220,000	-	220,000
J Berriman	(2)	72.5p	20,000	-	20,000
T Rink	(3)	100p	50,000	-	50,000
A Williamson	(4)	100p	10,000	-	10,000
	(4)	72.5p	10,000	-	10,000
	(4)	54p	-	12,000	12,000
			20,000	12,000	32,000
A Smith	(5)	41p	20,000	-	20,000
	(5)	100p	100,000	-	100,000
			120,000	-	120,000
S Eletr	(6)	41p	32,000	-	32,000

(1) Exercisable between 11 December 2001 and 19 November 2011.
(2) Exercisable between 15 September 2001 and 14 September 2008.
(3) Exercisable between 01 August 2003 and 28 November 2011.
(4) Exercisable between 01 January 2002 and 08 December 2013.
(5) Exercisable between 28 January 2003 and 02 December 2012.
(6) Exercisable between 29 January 2005 and 28 January 2013.

None of the directors exercised any options over the company's share capital during the year.

Subsequent to the year-end, the following were appointed as directors of the company:

S D Allen (appointed 27 January 2004)
G Lloyd-Harris (appointed 8 June 2004)

In addition J Berriman resigned on 8 June 2004.

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

L Palmer
Secretary

23 June 2004

Statement of directors' responsibilities in respect of the financial statements

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 year. 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; 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.

Ernst & Young

Independent auditors' report

to the members of Solexa Limited

We have audited the company's financial statements for the year ended 31 December 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of 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 auditors' 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom Auditing Standards 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 judgements 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.

Fundamental uncertainty – going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the ability of the company to raise further capital. In view of the significance of this fundamental uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

ERNST & YOUNG

Independent auditors' report

to the members of Solexa Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Cambridge

21 June 2004

Profit and loss account
for the year ended 31 December 2003

	Notes	*2003* £	*2002* £
Turnover	2	3,990	–
Administrative expenses		4,112,349	3,515,052
Operating loss	3	(4,108,359)	(3,515,052)
Interest receivable	6	224,921	369,096
Interest payable	7	(2,839)	–
		222,082	369,096
Loss on ordinary activities before taxation		(3,886,277)	(3,145,956)
Tax on loss on ordinary activities	8	(432,481)	(194,914)
Loss for the financial year		(3,453,796)	(2,951,042)

Statement of total recognised gains and losses
There are no recognised gains or losses other than the loss of £3,453,796 attributable to the shareholders for the year ended 31 December 2003 (2002 - loss of £2,951,042).

Balance sheet
at 31 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	9	682,306	706,961
Current assets			
Debtors	10	157,959	364,096
Cash at bank		5,008,005	8,286,525
		5,165,964	8,650,621
Creditors: amounts falling due within one year	11	432,872	502,760
Net current assets		4,733,092	8,147,861
Total assets less current liabilities		5,415,398	8,854,822
Creditors: amounts falling due after more than one year	12	14,372	–
		5,401,026	8,854,822
Capital and reserves			
Called up share capital	17	15,845	15,845
Share premium account	18	14,307,706	14,307,706
Profit and loss account	18	(8,922,525)	(5,468,729)
		5,401,026	8,854,822
Shareholders' funds:	19		
Equity		(6,598,974)	(3,145,178)
Non-equity		12,000,000	12,000,000
		5,401,026	8,854,822

N McCooke
Director

21st June 2004

Notes to the financial statements
at 31 December 2003

1. Accounting policies
Basis of preparation
The financial statements are prepared under the historical cost convention.

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. During the year the company incurred a loss of £3,453,796 (2002: £2,951,042).

The company is involved in research and development activities and until it is able to convert this activity into a significant profitable revenue stream it will continue to rely for financial support on funding from investors. If such finance were not available it might not be appropriate to continue recording the assets and liabilities of the company at the values set out in the balance sheet and, accordingly, adjustments might be required to write down the value of assets and recognise contingent and other liabilities.

The directors believe that financial support to carry out the company's activities will continue to be made available. They have therefore prepared these accounts on a going concern basis whilst recognising that the company will require further funding to complete the development of its technology before it is able to generate profits. The terms on which such funding may be available, if at all, will be dependent upon the results of ongoing research and development activities.

Cash flow statement
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small.

Research and development
Research and development expenditure, including patent costs and the costs of purchased intellectual property rights, is written off in the year in which it is incurred.

Fixed assets
All fixed assets are initially recorded at cost.

Depreciation
Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition 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 years
Office Equipment	-	over 4 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.

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;

Notes to the financial statements
at 31 December 2003

Deferred taxation (continued)

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- 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.

Finance lease agreements
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.

Operating lease agreements
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.

Employee share options
The Company may, from time to time, grant share options to employees. In accordance with Urgent Issues Task Force Abstract number 17 ("UITF 17"), the company records a non-cash charge to the profit and loss account for the difference between the exercise price of the option and fair value of the underlying shares on the date of grant. The profit and loss charge is recognised over the period during which the incentive benefits of the option relate. No charges have been recorded in the year to 31 December 2003 (2002: nil).

2. Turnover
Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover is attributable to one continuing activity, the use of the NMR machine.

An analysis of turnover by geographical market is given below:

	2003	*2002*
	£	*£*
United Kingdom	3,990	–

Notes to the financial statements
at 31 December 2003

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

		2003 £	2002 £
Auditors' remuneration	- audit services	7,900	7,500
	- non-audit services	9,070	22,200
		16,970	29,700
Research and development expenditure written off		3,450,732	2,864,985
Depreciation of owned fixed assets		322,886	263,597
Depreciation of assets held under finance leases		6,514	–
		329,400	263,597
Loss on disposal of fixed assets		279	–
Operating lease rentals	- land and buildings	132,584	102,089
	- plant and machinery	2,023	–

4. Staff costs

	2003 £	2002 £
Wages and salaries	1,822,268	1,433,253
Social security costs	202,748	148,017
Other pension costs (note 15)	174,751	131,262
	2,199,767	1,712,532

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

	2003 No.	2002 No.
Administrative staff	5	5
Research and Development	44	32
	49	37

5. Directors' emoluments

	2003 £	2002 £
Emoluments	362,233	336,568
Value of company pension contributions to money purchase schemes	26,713	25,000

Notes to the financial statements
at 31 December 2003

5. Directors' emoluments (continued)

	2003 No.	2002 No.
Members of money purchase pension schemes	2	2

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

	2003 £	2002 £
Emoluments	159,375	146,000
Value of company pension contributions to money purchase schemes	14,438	14,000

6. Interest receivable

	2003 £	2002 £
Interest received on treasury deposits	224,921	369,096

7. Interest payable

	2003 £	2002 £
Finance charges payable under finance leases	2,839	–

8. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2003 £	2002 £
Current tax:		
Research and development tax credit	(432,481)	(194,914)
Total current tax (note 9(b))	(432,481)	(194,914)

Notes to the financial statements
at 31 December 2003

8. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 30%). The differences are reconciled below:

	2003	*2002*
	£	*£*
Loss on ordinary activities before taxation	(3,886,277)	(3,145,956)
Loss on ordinary activities multiplied by the standard rate of tax	(1,166,054)	(943,787)
Expenses not deductible for tax purposes	6,527	3,930
Losses arising in the year not relievable against current tax	1,145,689	973,703
Capital allowances in (arrears)/advance of depreciation	13,838	(34,801)
Research and development tax credit received	(432,481)	(194,914)
Other timing differences	–	955
Total current tax (note 9(a))	(432,481)	(194,914)

(c) Factors that may affect future tax charges

The company has tax losses arising in the UK of £7,520,655 (2002 - £3,701,692) 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 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:

		2003		*2002*
	Provided	*Not provided*	*Provided*	*Not provided*
	£	*£*	*£*	*£*
Capital allowances in advance of depreciation	198,250	–	212,088	–
Tax losses available	(192,598)	(2,063,599)	(210,699)	(1,441,649)
Short term timing differences	(5,652)	–	(1,389)	–
Provision for deferred taxation	–	(2,063,599)	–	(1,441,649)

Notes to the financial statements
at 31 December 2003

9. Tangible fixed assets

	Leasehold Property £	*Laboratory Equipment* £	*Office Equipment* £	*Computer Equipment* £	*Total* £
Cost:					
At 1 January 2003	127,690	788,086	52,440	173,437	1,141,653
Additions	28,629	220,693	3,044	53,148	305,514
Disposals	–	–	(2,051)	–	(2,051)
At 31 December 2003	156,319	1,008,779	53,433	226,585	1,445,116
Depreciation:					
At 1 January 2003	66,261	239,623	19,916	108,892	434,692
Provided during the year	48,583	231,475	13,141	36,201	329,400
Disposals	–	–	(1,282)	–	(1,282)
At 31 December 2003	114,844	471,098	31,775	145,093	762,810
Net book value:					
At 31 December 2003	41,475	537,681	21,658	81,492	682,306
At 1 January 2003	61,429	548,463	32,524	64,545	706,961

The net book value of assets above includes an amount of £27,917 (2002 - £nil) in respect of assets held under finance leases.

10. Debtors

	2003 £	*2002* £
Trade debtors	4,688	–
Other debtors	46,490	287,515
Prepayments and accrued income	106,781	76,581
	157,959	364,096

11. Creditors: amounts falling due within one year

	2003 £	*2002* £
Obligations under finance leases (note 14)	10,223	–
Trade creditors	197,662	195,933
Other taxation and social security	87,473	49,170
Pension creditor	19,961	17,497
Accruals and deferred income	117,553	240,160
	432,872	502,760

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Notes to the financial statements
at 31 December 2003

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

	2003 £	2002 £
Obligations under finance leases (note 14)	14,372	–

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

	2003 £	2002 £
Amounts payable:		
Within one year	13,692	–
In one to two years	13,692	–
In three to five years	3,423	–
	30,807	–
Less: finance charges allocated to future periods	(6,212)	–
	24,595	–
Finance leases are analysed as follows:		
Current obligations (note 12)	10,223	–
Non-current obligations (note 13)	14,372	–
	24,595	–

14. 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 of £19,961 are outstanding at the year-end (2002 - £17,497 unpaid, included in other creditors).

15. Commitments under operating leases
At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings 2003 £	2002 £
Operating leases which expire:		
Within one year	–	95,000
In two to five years	140,395	–
	140,395	95,000

Notes to the financial statements
at 31 December 2003

16. Related party transactions

Dr Balasubramanian, an employee of the University of Cambridge and a shareholder of the company, received £20,000 (2002: £20,000) for consultancy services provided to the company.

£10,750 (2002: £13,250) was paid to Dr Rink in respect of consultancy services provided.

Mr Carthy is a General Partner of OBP Management IV L.P., which serves as general partner of Oxford Bioscience Partners IV L.P., and mRNA Fund II L.P., which own 990,066 and 9,934 'A' Ordinary shares in the company, respectively. Mr Daniel is a General Partner at Schroder Ventures Life Sciences, which advised International Life Sciences Fund II, which owns 1,333,333 'A' Ordinary shares in the company. John Berriman is a Director of Abingworth Management Limited. Abingworth Management Limited acts as manager and advisor respectively to the limited partnerships constituting the Abingworth Bioventures III Fund and to Abingworth Bioventures II SICAV. Abingworth holds 1,656,096 Ordinary shares and 1,333,337 'A' Ordinary shares in the company.

17. Share capital

				Authorised
		2003		*2002*
	No.	*£*	*No.*	*£*
Ordinary shares of £0.0025 each	3,648,513	9,121	3,648,513	9,121
'A' Ordinary shares of £0.0025 each	4,000,000	10,000	4,000,000	10,000
	7,648,513	19,121	7,648,513	19,121

				Allotted, called up and fully paid
		2003		*2002*
	No.	*£*	*No.*	*£*
Ordinary shares of £0.0025 each	2,338,138	5,845	2,338,138	5,845
'A' Ordinary shares of £0.0025 each	4,000,000	10,000	4,000,000	10,000
	6,338,138	15,845	6,338,138	15,845

Ordinary and 'A' Ordinary Shares

Each Ordinary and 'A' Ordinary share entitles the holder to one vote on all matters submitted to a vote of the Company's shareholders. When a dividend is declared by the Board, all 'A' Ordinary shareholders are entitled to receive a fixed non-cumulative participating dividend at 8% per annum of the subscription price of the shares. This is in priority to any dividend, which the Board may declare as payable to the holders of all Ordinary shares.

In the event of liquidation of the Company, the return of assets to Ordinary shareholders shall be applied in the following order of priority:

1. First in paying to the holders of the 'A' Ordinary shares the subscription price paid by them respectively per share together with an amount equal to any arrears or accruals of dividends on the 'A' Ordinary shares, or, if greater, the amount which the holders would receive if their 'A' Ordinary shares had been converted into Ordinary shares immediately prior to such liquidation.

2. Second in paying to the holders of the Ordinary shares any remaining capital after payment of all outstanding liabilities.

Notes to the financial statements
at 31 December 2003

17. Share capital (continued)

Holders of at least 67% of the 'A' Ordinary shares may at any time prior to a sale or listing require the Company to convert all of the 'A' Ordinary shares into a like number of Ordinary shares. Conversion shall be effective by written notice given by the holder to the Company.

The 'A' Ordinary shares shall automatically be converted into Ordinary shares immediately prior to a listing if, following conversion, the Ordinary shares would have an aggregate value of no less than £10 each.

The following options to purchase ordinary shares were outstanding at the year end:

Exercise price	*Number*	*Earliest date of exercise*	*Latest date of exercise*
72.5p	72,625	15 September 1999	31 August 2009
100p	692,708	24 May 2001	21 May 2012
41p	269,450	3 December 2003	2 December 2013
54p	18,000	9 December 2006	8 December 2013
	1,052,783		

At 31 December 2003, 535,593 options had vested (2002: 302,430), but none had been exercised (2002: nil). In addition, the company had commitments at 31 December 2003 to grant a further 56,000 (2002: 34,000) options to purchase ordinary shares.

18. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	*Share premium account* £	*Profit and loss account* £	*Total share-holders' funds* £
At 1 January 2002	15,845	14,307,706	(2,517,687)	11,805,864
Loss for the year	–	–	(2,951,042)	(2,951,042)
At 31 December 2002	15,845	14,307,706	(5,468,729)	8,854,822
Loss for the year	–	–	(3,453,796)	(3,453,796)
At 31 December 2003	15,845	14,307,706	(8,922,525)	5,401,026

19. Post balance sheet events

On 25 March 2004, Solexa Ltd and Lynx Therapeutics Inc. jointly acquired from Manteia SA the rights to proprietary technology assets for DNA colony generation. Solexa intends to use the Intellectual Property, in conjunction with its existing technology for the comprehensive and economical analysis of individual genomes.

Pro Forma US GAAP Balance Sheet

at 31 December 2003 (unaudited)

	2003	2002
	£	£
ASSETS		
Current assets		
Cash and cash equivalents	5,008,005	8,286,525
Prepaid expenses and other current assets	157,959	364,096
Total current assets	5,165,964	8,650,621
Property and equipment, net	682,306	706,961
Total assets	5,848,270	9,357,582
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	305,096	262,600
Accrued liabilities	117,553	240,160
Current portion of equipment financing	10,233	–
Total current liabilities	432,882	502,760
Non-current portion of equipment financing	14,372	–
Shareholders' equity:		
Common shares:		
Convertible 'A' ordinary shares, £0.0025 par value; 4,000,000 shares authorised in 2003 and 2002; 4,000,000 shares issued and outstanding in 2003 and 2002	10,000	10,000
Ordinary shares, £0.0025 par value; 3,648,513 shares authorised in 2003 and 2002; 2,338,138 shares issued and outstanding in 2003 and 2002	5,845	5,845
Additional paid-in capital	14,307,706	14,307,706
Deferred stock compensation	–	–
Accumulated deficit	(8,922,525)	(5,468,729)
Total shareholders' equity	5,401,026	8,854,822
	5,848,280	9,357,582

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