

TUCOWS FINANCIAL STATEMENTS, Q3 2002

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Tucows Inc.
Consolidated Balance Sheets
(Dollar amounts in U.S. dollars)

	September 30, 2002 (unaudited)	December 31, 2001
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,421,668	\$ 4,814,189
Restricted cash (note 1)	839,750	-
Accounts receivable	374,035	817,990
Promissory note, secured and bearing interest at the rate of 6% per annum due on October 31, 2002	1,121,480	-
Prepaid expenses and deposits	1,637,059	2,041,927
Prepaid domain name registry fees, current portion	11,146,638	10,034,413
Total current assets	22,540,630	17,708,519
Restricted cash (note 1)	225,000	-
Prepaid domain name registry fees, long term portion	3,531,857	2,599,962
Property and equipment	1,747,828	3,691,390
Investments	353,737	1,367,072
Intangible assets	-	222,222
Total assets	\$ 28,399,052	\$ 25,589,165
Liabilities and Stockholders' Deficiency		
Current liabilities:		
Accounts payable	\$ 1,249,357	1,958,744
Accrued liabilities	2,554,406	2,242,858

Customer deposits	2,021,196	1,951,336
Obligations under capital lease, current portion	-	58,772
Deferred revenue, current portion	18,494,147	18,444,280
Deferred gain on disposition of Electric Library subscription assets	1,121,480	-
Total current liabilities	25,440,586	24,655,990
Deferred revenue, long term portion	5,744,877	4,270,341
Obligations under capital lease, net of current portion	-	52,387
Stockholders' deficiency:		
Preferred stock - no par value, 1,250,000 shares authorized; none issued and outstanding	-	-
Common stock - no par value, 250,000,000 shares authorized; 64,626,429 shares issued and outstanding at September 30, 2002 and December 31, 2001	8,540,687	8,540,687
Additional Paid-in Capital	49,992,129	49,992,129
Deferred stock-based compensation	(224,309)	(346,000)
Deficit	(61,094,918)	(61,576,369)
Total stockholders' deficiency	(2,786,411)	(3,389,553)
Total liabilities and stockholders' deficiency	\$ 28,399,052	\$ 25,589,165

Note 1:

The Company has entered into a series of forward exchange contracts, whereby an amount of U.S.\$375,000 is converted into Canadian dollars on a semi-monthly basis from June 2002 until the end of December 2003. As margin security against these Contracts, the Company placed \$1,196,000 into secured term deposits, which mature on a monthly basis in line with the Contracts. The outstanding margin security in the amount of \$1,064,750 is reflected as restricted cash on the balance sheet.

Tucows Inc.
Consolidated Statements of Operations
(Dollar amounts in U.S. dollars)
(unaudited)

Three months ended September 30,		Nine months ended September 30,	
2002	2001	2002	2001

Net revenues	\$ 8,879,281	\$ 8,200,917	\$ 28,286,001	\$ 21,779,959
Cost of revenues	5,413,730	5,929,612	17,645,243	14,500,083
Gross profit	3,465,551	2,271,305	10,640,758	7,279,876
Operating expenses:				
Sales and marketing (*)	926,098	1,522,296	2,831,851	5,292,725
Technical operations and development	866,061	1,411,193	2,883,770	4,054,074
General and administrative(*)	914,248	912,277	3,230,594	2,850,088
Depreciation of property and equipment	378,913	631,024	2,273,587	2,462,042
Amortization of intangible assets	-	1,325,700	222,222	3,189,146
(Gain) loss on change in fair value of forward contracts	530,381	-	400,488	-
Total operating expenses	3,615,701	5,802,490	11,842,512	17,848,075
Loss from operations	(150,150)	(3,531,185)	(1,201,754)	(10,568,199)
Other income (expenses)				
Interest income (expense), net	21,299	(156,428)	60,164	(157,184)
Gain on disposal of Electric Library subscription assets	725,237	-	725,237	-
Gain on disposal of Liberty Registry Management Services Inc.	-	-	1,955,443	-
Loss on disposal of Eklektix Inc.	-	-	(44,304)	-
Write down of investment in bigchalk.com	-	-	(1,013,335)	-
Total other income (expenses)	746,536	(156,428)	1,683,205	(157,184)
Income (loss) before provision for income taxes	596,386	(3,687,613)	481,451	(10,725,383)
Provision for income taxes	-	-	-	-
Net income (loss) for the period	\$ 596,386	\$ (3,687,613)	\$ 481,451	\$ (10,725,383)
Basic and diluted earnings (loss) per share	\$ 0.01	\$ (0.07)	\$ 0.01	\$ (0.20)
Shares used in computing basic and diluted earnings (loss) per common share	64,626,429	56,574,253	64,626,429	53,297,131

(*) Stock-based compensation has been included in operating expenses as follows:

Sales and marketing	\$ 27,707	\$ 27,707	\$ 82,218	\$ 82,218
General and administrative	\$ 13,302	\$ 13,303	\$ 39,474	\$ 39,474

Tucows Inc.
Consolidated Statements of Cash Flows
(Dollar amounts in U.S. dollars)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
Cash provided by (used in):				
Operating activities:				
Net Income (loss) for the period	\$ 596,386	\$ (3,687,613)	\$ 481,451	\$ (10,725,383)
Items not involving cash:				
Depreciation of property and equipment	378,913	631,024	2,273,587	2,462,042
Amortization of intangible assets	-	1,325,700	222,222	3,189,146
(Gain) loss on change in fair value of forward contracts	530,381	-	400,488	-
Write down of investment in bigchalk.com	-	-	1,013,335	-
Stock-based compensation	41,009	41,010	121,692	121,692
Gain on disposal of Electric Library subscription assets	(725,237)	-	(725,237)	-
Gain on disposal of Liberty Registry Management Services Inc.	-	-	(1,955,443)	-
Loss on write-off of Eklektix Inc.	-	-	44,304	-
Change in non-cash operating working capital:				
Accounts receivable	(51,270)	(930,753)	271,613	(724,661)
Prepaid expenses and deposits	296,718	258,292	233,754	(456,489)
Prepaid domain name	(481,381)	491,973	(2,321,352)	(2,717,198)

registry fees				
Accounts payable	(192,794)	(501,500)	(371,943)	(1,235,813)
Accrued liabilities	387,166	(1,868,244)	(354,102)	(1,183,757)
Customer deposits	(224,762)	362,955	84,455	380,962
Deferred revenue	634,973	1,784,512	3,609,422	4,464,134
Cash provided by (used in) operating activities	1,190,102	(2,092,644)	3,028,246	(6,425,325)
Financing activities:				
Proceeds on issuance of promissory notes	-	2,500,000	-	2,500,000
Repayment of promissory note	-	(2,500,000)	-	(2,500,000)
Proceeds on rights issue	-	-	-	2,999,973
Loans payable	-	(3,800,000)	-	-
Proceeds recieved on exercise of stock options	-	-	-	24,396
Repayments of obligations under capital leases	(65,588)	(5,821)	(111,160)	(5,821)
Cash provided by (used in) financing activities	(65,588)	(3,805,821)	(111,160)	3,018,548
Investing activities:				
Additions to property and equipment	(160,710)	(337,310)	(608,767)	(2,308,524)
Decrease (Increase) in restricted cash - being margin security against forward exchange contracts (note 1)	131,250	-	(1,064,750)	-
Net proceeds on disposal of Electric Library subscription assets	455,649	-	455,649	-
Investment in Afiliias Limited	-	(158,031)	-	(253,737)
Proceeds on disposal of Liberty Registry Management Services Inc., net of cash disposed	-	-	938,889	-
Proceeds on disposal of Eklektix Inc., net of cash disposed	-	-	(30,628)	-
Aquisition of Infonautics Inc.,				

net of cash acquired	-	8,833,431	-	8,833,431
Deferred acquisition costs	-	313,098	-	-
Cash provided by (used in) investing activities	426,189	8,651,188	(309,607)	6,271,170
Increase in cash and cash equivalents	1,550,703	2,752,723	2,607,479	2,864,393
Cash and cash equivalents, beginning of period	5,870,965	2,281,865	4,814,189	2,170,195
Cash and cash equivalents, end of period	7,421,668	5,034,588	7,421,668	5,034,588
	\$	\$	\$	\$
Supplemental cash flow information:				
Interest paid	\$ 12,304	\$ 143,736	\$ 23,932	\$ 181,400
Supplemental disclosure of non-cash investing and financing activities:				
Common stock issued on the acquisition of Infonautics, Inc.	\$ -	\$ 8,489,000	\$ -	\$ 8,489,000
Value assigned to Infonautics, Inc. outstanding option on acquisition of Infonautics, Inc.	-	44,000	-	44,000
Promissory note receivable on disposal of Electric Library subscription assets	1,121,480	-	1,121,480	-