

TUCOWS FINANCIAL STATEMENTS, Q3 2003

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

	September 30, 2003 (unaudited)	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,824,783	\$ 8,844,829
Restricted cash (note 1)	262,612	937,500
Accounts receivable	412,175	338,697
Prepaid expenses and deposits	1,855,956	1,951,086
Prepaid domain name registry fees, current portion	12,478,496	11,145,187
Total current assets	26,834,022	23,217,299
Prepaid domain name registry fees, long term portion	4,839,643	3,700,340
Property and equipment	1,195,855	1,581,321
Investments	353,737	353,737
Total assets	\$ 33,223,257	\$ 28,852,697
Liabilities and Stockholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable	\$ 1,304,822	1,605,630
Accrued liabilities	2,006,955	2,288,412
Customer deposits	2,034,310	1,957,657
Deferred revenue, current portion	20,006,309	18,431,100
Total current liabilities	25,352,396	24,282,799

Deferred revenue, long term portion	7,471,600	5,929,917
Stockholders' equity (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, 2003 and December 31, 2002	8,540,687	8,540,687
Additional Paid-in Capital	49,992,129	49,992,129
Deferred stock-based compensation	(61,605)	(183,297)
Deficit	(58,071,950)	(59,709,538)
Total stockholders' equity (deficiency)	399,261	(1,360,019)
Total liabilities and stockholders' equity (deficiency)	\$ 33,223,257	\$ 28,852,697

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 \$262,612 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,	
	2003	2002	2003	2002
Net revenues	\$ 9,315,760	\$ 8,879,281	\$ 27,479,973	\$ 28,286,001
Cost of revenues	5,807,808	5,413,730	17,067,173	17,645,243
Gross profit	3,507,952	3,465,551	10,412,800	10,640,758
Operating expenses:				
Sales and marketing (*)	922,028	926,098	2,791,251	2,831,851
Technical operations and development	1,016,404	866,061	2,867,098	2,883,770

General and administrative(*)	1,266,708	1,444,629	3,044,907	3,631,082
Depreciation of property and equipment	289,424	378,913	1,166,340	2,273,587
Amortization of intangible assets	-	-	-	222,222
Total operating expenses	3,494,564	3,615,701	9,869,596	11,842,512
Income (loss) from operations	13,388	(150,150)	543,204	(1,201,754)
Other income (expenses)				
Interest income, net	37,888	21,299	94,384	60,164
Write down of investment in bigchalk.com	-	-	-	(1,013,335)
Gain on disposal of Electric Library subscription assets	-	725,237	-	725,237
Gain on disposal of Liberty Registry Management Services Inc.	128,110	-	1,000,000	1,955,443
Loss on disposal of Eklektix Inc.	-	-	-	(44,304)
Total other income (expenses)	165,998	746,536	1,094,384	1,683,205
Income before provision for income taxes	179,386	596,386	1,637,588	481,451
Provision for income taxes	-	-	-	-
Net income for the period	\$ 179,386	\$ 596,386	\$ 1,637,588	\$ 481,451
Basic and diluted earnings per share	\$ 0.00	\$ 0.01	\$ 0.03	\$ 0.01
Shares used in computing basic earnings per common share	64,626,429	64,626,429	64,626,429	64,626,429
Shares used in computing diluted earnings per common share	64,726,663	64,626,429	64,677,776	64,626,429

(*) 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	\$ 13,303	\$ 13,302	\$ 39,474	\$ 39,474

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

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Cash provided by (used in):				
Operating activities:				
Net Income (loss) for the period	\$ 179,386	\$ 596,386	\$ 1,637,588	\$ 481,451
Items not involving cash:				
Depreciation of property and equipment	289,424	378,913	1,166,340	2,273,587
Amortization of intangible assets	-	-	-	222,222
(Gain) loss on change in fair value of forward contracts	307,758	530,381	(576,470)	400,488
Write down of investment in bigchalk.com	-	-	-	1,013,335
Stock-based compensation	41,010	41,009	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.	(128,110)	-	(1,000,000)	(1,955,443)
Loss on write-off of Eklektix Inc.	-	-	-	44,304
Change in non-cash operating working capital:				
Accounts receivable	(107,592)	(51,270)	(73,478)	271,613
Prepaid expenses and deposits	414,888	296,718	411,311	233,754
Prepaid domain name registry fees	(803,976)	(481,381)	(2,472,612)	(2,321,352)
Accounts payable	(90,237)	(192,794)	(300,808)	(371,943)
Accrued liabilities	(317,806)	387,166	(21,168)	(354,102)
Customer deposits	(65,056)	(224,762)	76,653	84,455
Deferred revenue	856,702	634,973	3,116,892	3,609,422
 Cash provided by operating activities	 576,391	 1,190,102	 2,085,940	 3,028,246
Financing activities:				

Repayments of obligations under capital leases	-	(65,588)	-	(111,160)
Cash used in financing activities	-	(65,588)	-	(111,160)
Investing activities:				
Additions to property and equipment	(160,252)	(160,710)	(780,874)	(608,767)
(Increase)/Decrease in restricted cash - being margin security against forward exchange contracts	224,888	131,250	674,888	(1,064,750)
Net proceeds on disposal of Electric Library subscription assets	-	455,649	-	455,649
Proceeds on disposal of Liberty Registry Management Services Inc., net of cash disposed	128,110	-	1,000,000	938,889
Proceeds on disposal of Eklektix Inc., net of cash disposed	-	-	-	(30,628)
Cash provided by (used in) investing activities	192,746	426,189	894,014	(309,607)
Increase in cash and cash equivalents	769,137	1,550,703	2,979,954	2,607,479
Cash and cash equivalents, beginning of period	11,055,646	5,870,965	8,844,829	4,814,189
Cash and cash equivalents, end of period	\$ 11,824,783	\$ 7,421,668	\$ 11,824,783	\$ 7,421,668
Supplemental cash flow information:				
Interest paid	\$ 39	\$ 12,304	\$ 355	\$ 23,932
Supplemental disclosure of non-cash investing and financing activities:				
Promissory note receivable on disposal of Electric Library	-	1,121,480	-	1,121,480

subscription assets