

# TUCOWS FINANCIAL STATEMENTS, Q3 2004

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

	September 30, 2004	December 31, 2003
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 13,132,599	\$ 12,912,811
Restricted cash	212,500	132,500
Accounts receivable	1,021,235	486,289
Prepaid expenses and deposits	2,076,208	2,061,948
Prepaid domain name registry fees, current portion	14,965,313	13,204,566
Total current assets	31,407,855	28,798,114
Prepaid domain name registry fees, long-term portion	6,302,125	5,136,194
Property and equipment	780,276	1,048,400
Intangible assets	1,301,280	-
Goodwill	964,467	-
Investments	353,737	353,737
Cash held in escrow	1,000,000	-
Total assets	\$ 42,109,740	\$ 35,336,445
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,344,361	\$ 1,632,294
Accrued liabilities	2,731,033	2,088,235
Customer deposits	2,005,901	2,160,601

Deferred revenue, current portion	23,085,010	20,715,191
Total current liabilities	29,166,305	26,596,321
Deferred revenue, long-term portion	9,420,767	7,874,001
Stockholders' equity:		
Preferred stock - no par value, 1,250,000 shares authorized; none issued and outstanding	-	-
Common stock - no par value, 250,000,000 shares authorized; 66,817,250 shares issued and outstanding as of September 30, 2004 and 64,626,429 shares issued and outstanding as of December 31, 2003	9,541,277	8,540,687
Additional Paid-in Capital	49,992,129	49,992,129
Deferred stock-based compensation	-	(20,593)
Deficit	(56,010,738)	(57,646,100)
Total stockholders' equity	3,522,668	866,123
Total liabilities and stockholders' equity	\$ 42,109,740	\$ 35,336,445

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

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Net revenues	\$ 12,381,326	\$ 9,315,760	\$ 33,195,200	\$ 27,479,973
Cost of revenues	7,654,475	5,807,808	20,658,290	17,067,173
Gross profit	4,726,851	3,507,952	12,536,910	10,412,800
Operating expenses:				
Sales and marketing (*)	1,370,932	922,028	3,716,192	2,791,251
Technical operations and development	1,107,590	1,016,404	3,259,882	2,867,098
General and administrative(*)	1,388,421	1,266,708	3,295,996	3,044,907
Depreciation of property and equipment	187,158	289,424	817,475	1,166,340
Amortization of intangible assets	59,040	-	98,720	-

Total operating expenses	4,113,141	3,494,564	11,188,265	9,869,596
income from operations	613,710	13,388	1,348,645	543,204
<b>Other Income</b>				
Interest income, net	56,549	37,888	136,285	94,384
Gain on disposal of Liberty Registry Management Services Inc.	-	128,110	-	1,000,000
Total other income	56,549	165,998	136,285	1,094,384
Income before provision for income taxes	670,259	179,386	1,484,930	1,637,588
Provision for (recovery of) income taxes	(150,432)	-	(150,432)	-
Net income for the period	\$ 820,691	\$ 179,386	\$ 1,635,362	\$ 1,637,588
Basic and diluted earnings per common share	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.03
Shares used in computing basic earnings per common share	66,800,369	64,626,429	65,831,258	64,626,429
Shares used in computing diluted earnings per common share	68,477,632	64,726,663	67,728,525	64,677,776

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

Sales and marketing	\$ -	\$ 27,707	\$ 16,834	\$ 82,218
General and administrative	\$ -	\$ 13,303	\$ 3,759	\$ 39,474

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

Three months ended		Nine months ended	
September 30,		September 30,	
2004	2003	2004	2003

Cash provided by:				
Operating activities:				
Net income for the period	\$ 820,691	\$ 179,386	\$ 1,635,362	\$ 1,637,588
Items not involving cash:				
Depreciation of property and equipment	187,158	289,424	817,475	1,166,340
Amortization of intangible assets	59,040	-	98,720	-
(Gain) loss on change in the fair value of forward contracts	(97,512)	307,758	(188,775)	(576,470)
Stock-based compensation	-	41,010	20,593	121,692
Gain on disposal of Liberty Registry Management Services Inc.	-	(128,110)	-	(1,000,000)
Change in non-cash operating working capital:				
Accounts receivable	(382,631)	(107,592)	(456,915)	(73,478)
Prepaid expenses and deposits	68,578	414,888	179,193	411,311
Prepaid domain name registry fees	369,522	(803,976)	(2,926,678)	(2,472,612)
Accounts payable	61,324	(90,237)	(287,933)	(300,808)
Accrued liabilities	668,181	(317,806)	445,699	(21,168)
Customer deposits	(167,189)	(65,056)	(163,589)	76,653
Deferred revenue	(460,375)	856,702	3,916,585	3,116,892
Cash provided by operating activities	1,126,787	576,391	3,089,737	2,085,940
Financing activities:				
Proceeds received on exercise of stock options	81,581	-	726,050	-
Cash provided by financing activities	81,581	-	726,050	-
Investing activities:				
Additions to property and equipment	(143,239)	(160,252)	(496,489)	(780,874)
(Increase) decrease in restricted cash - being margin security against forward exchange contracts	148,750	224,888	(80,000)	674,888
Acquisition of Boardtown Corporation, net of cash acquired	-	-	(2,019,510)	-
Increase in cash held in escrow	-	-	(1,000,000)	-
Proceeds on disposal of Liberty Registry Management Services Inc., net of cash disposed	-	128,110	-	1,000,000

Cash provided by (used in) investing activities	5,511	192,746	(3,595,999)	894,014
Increase in cash and cash equivalents	1,213,879	769,137	219,788	2,979,954
Cash and cash equivalents, beginning of period	11,918,720	11,055,646	12,912,811	8,844,829
Cash and cash equivalents, end of period	\$ 13,132,599	\$ 11,824,783	\$ 13,132,599	\$ 11,824,783
Supplemental cash flow information:				
Interest paid	\$ 113	\$ 39	\$ 166	\$ 355
Supplemental disclosure of non-cash investing and financing activities:				
Common stock issued on the acquisition of Boardtown Corporation	\$ -	\$ -	\$ 274,540	\$ -