

TUCOWS FINANCIAL STATEMENTS, Q1 2002

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

	December 31, 2001	March 31, 2002 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,814,189	\$ 6,203,412
Accounts receivable	817,990	437,252
Prepaid expenses and deposits	2,041,927	1,873,855
Prepaid domain name registry fees, current portion	10,034,413	10,344,232
Total current assets	17,708,519	18,858,751
Prepaid domain name registry fees, long term portion	2,599,962	2,917,275
Property and equipment	3,691,390	2,620,320
Intangible assets	222,222	55,556
Investments	1,367,072	1,367,072
Total assets	\$ 25,589,165	\$ 25,818,974
Liabilities and Stockholders' Deficiency		
Current liabilities:		
Accounts payable	\$ 1,958,744	1,576,801
Accrued liabilities	2,242,858	1,779,548
Customer deposits	1,951,336	2,009,938
Obligations under capital lease	58,772	46,000
Deferred revenue, current portion	18,444,280	17,996,933
Total current liabilities	24,655,990	23,409,220

Deferred revenue, long term portion	4,270,341	4,948,194
Obligations under capital lease, net of current portion	52,387	45,383
Capital stock	58,532,816	58,532,816
Deferred stock-based compensation	(346,000)	(305,882)
Deficit	(61,576,369)	(60,810,757)
Total stockholders' deficiency	(3,389,553)	(2,583,823)
Total liabilities and stockholders' deficiency	\$ 25,589,165	\$ 25,818,974

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

	Three months ended March 31,	
	2001	2002
Net revenues	\$ 6,391,648	\$ 9,926,533
Cost of revenues	3,917,300	6,594,525
Gross profit	2,474,348	3,332,008
Operating expenses:		
Sales and marketing	1,951,078	1,104,856
Technical operations and development	1,246,084	1,058,929
General and administrative	844,359	1,034,832
Amortization of property and equipment	864,955	1,130,098
Amortization of intangible assets	925,860	166,666
Total operating expenses	5,832,336	4,495,381
Loss from operations	(3,357,988)	(1,163,373)

Other income (expenses)			
Interest income		26,437	17,846
Gain on disposal of Liberty Registry Management Services Inc.		—	1,955,443
Loss on disposal of Eklektix, Inc.		—	(44,304)
		26,437	1,928,985
Net (loss) income before provision for income taxes	\$	(3,331,551)	\$ 765,612
Provision for income taxes		—	—
Net (loss) income for the period	\$	(3,331,551)	\$ 765,612
Basic and diluted (loss) earnings per share	\$	(0.78)	\$ 0.01
Shares used in computing basic and diluted (loss) earnings per common share		4,291,500	64,626,429

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

		Three months ended March 31,	
		2001	2002
Cash provided by (used in):			
Operating activities:			
Net (loss) income for the period	\$	(3,331,551)	\$ 765,612
Items not involving cash:			
Amortization of property and equipment		864,955	1,130,09
Amortization of intangible assets		925,86	166,666
Stock-based compensation			
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:		(1,145,030)	514,757
		(2,645,648)	706,112
Cash (used in) provided by operating activities			

Financing activities:			
Proceeds on rights issue	2,999,973		–
Proceeds received on common stock to be issued	24,396		–
Repayment of obligations under capital leases	–		(19,776)
Cash provided by (used in) financing activities	3,024,369		(19,776)
Investing activities:			
Additions to property and equipment	(1,154,759)		(205,374)
Proceeds on disposition of Liberty Registry Management Services Inc., net of cash disposed	–		938,889
Proceeds on disposition of Eklektix Inc., net of cash disposed	–		(30,628)
Deferred acquisition costs	(313,098)		–
Cash (used in) provided by investing activities	(1,467,857)		702,887
(Decrease) increase in cash and cash equivalents	(1,089,136)		1,389,223
Cash and cash equivalents, beginning of period	2,170,194		4,814,189
Cash and cash equivalents, end of period	\$ 1,081,058	\$	6,203,412