

TUCOWS FINANCIAL STATEMENTS, Q1 2004

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

	March 31, 2004	December 31, 2003
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,656,958	\$ 12,912,811
Restricted cash	-	132,500
Accounts receivable	548,957	486,289
Prepaid expenses and deposits	2,007,943	2,061,948
Prepaid domain name registry fees, current portion	14,564,254	13,204,566
Total current assets	30,778,112	28,798,114
Prepaid domain name registry fees, long-term portion	5,813,518	5,136,194
Property and equipment	843,558	1,048,400
Investments	353,737	353,737
Total assets	\$ 37,788,925	\$ 35,336,445
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,256,845	\$ 1,632,294
Accrued liabilities	1,832,814	2,088,235
Customer deposits	2,113,720	2,160,601
Deferred revenue, current portion	22,595,093	20,715,191
Total current liabilities	27,798,472	26,596,321

Deferred revenue, long-term portion	8,801,562	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; 65,039,717 shares issued and outstanding as of March 31, 2004 and 64,626,429 shares issued and outstanding as of December 31, 2003	8,693,749	8,540,687
Additional Paid-in Capital	49,992,129	49,992,129
Deferred stock-based compensation	-	(20,593)
Deficit	(57,496,987)	(57,646,100)
Total stockholders' equity	1,188,891	866,123
Total liabilities and stockholders' equity	\$ 37,788,925	\$ 35,336,445

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

	Three months ended March 31,	
	2004	2003
Net revenues	\$ 10,174,909	\$ 8,996,914
Cost of revenues	6,445,415	5,576,643
Gross profit	3,729,494	3,420,271
Operating expenses:		
Sales and marketing (*)	1,220,534	912,336
Technical operations and development	1,011,422	831,769
General and administrative(*)	1,073,072	622,980
Depreciation of property and equipment	312,986	434,965
Total operating expenses	3,618,014	2,802,050

Income from operations	111,480	618,221
Other income		
Interest income, net	37,633	26,449
Gain on disposal of Liberty Registry Management Services Inc.	-	235,613
Total other income	37,633	262,062
Income before provision for income taxes	149,113	880,283
Provision for income taxes	-	-
Net income for the period	\$ 149,113	\$ 880,283
Basic and diluted earnings per share	\$ 0.00	\$ 0.01
Shares used in computing basic earnings per common share	64,690,887	64,626,429
Shares used in computing diluted earnings per common share	72,098,757	64,626,429

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

Sales and marketing	\$ 16,834	\$ 27,105
General and administrative	\$ 3,759	\$ 13,013

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

Three months ended March 31,

2004

2003

Cash provided by:

Operating activities:

Net Income for the period	\$ 149,113	\$ 880,283
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Items not involving cash:		
Depreciation of property and equipment	312,986	434,965
Loss (gain) on change in the fair value of forward contracts	18,885	(546,870)
Stock-based compensation	20,593	40,118
Gain on disposal of Liberty Registry Management Services Inc.	-	(235,613)
Change in non-cash operating working capital:		
Accounts receivable	(62,668)	72,374
Prepaid expenses and deposits	35,120	(5,839)
Prepaid domain name registry fees	(2,037,012)	(959,424)
Accounts payable	(375,449)	(201,423)
Accrued liabilities	(255,421)	(182,772)
Customer deposits	(46,881)	(1,814)
Deferred revenue	2,807,463	1,415,702
Cash provided by operating activities	566,729	709,687
Financing activities:		
Proceeds received on exercise of stock options	153,062	-
Cash provided by financing activities	153,062	-
Investing activities:		
Additions to property and equipment	(108,144)	(468,197)
Decrease in restricted cash - being margin security against forward exchange contracts	132,500	225,000
Proceeds on disposal of Liberty Registry Management Services Inc., net of cash disposed	-	235,613
Cash provided by (used in) investing activities	24,356	(7,584)
Increase in cash and cash equivalents	744,147	702,103
Cash and cash equivalents, beginning of period	12,912,811	8,844,829
Cash and cash equivalents, end of period	\$ 13,656,958	\$ 9,546,932

Supplemental cash flow information:

Interest paid	\$	-	\$	172
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