

TUCOWS FINANCIAL STATEMENTS, Q2 2003

This page prints out best in landscape format

[Consolidated Balance Sheets](#)
[Consolidated Statements of Operations](#)
[Consolidated Statements of Cash Flows](#)

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

	June 30, 2003	December 31, 2002
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,055,646	\$ 8,844,829
Restricted cash (note 1)	487,500	937,500
Accounts receivable	304,583	338,697
Prepaid expenses and deposits	2,578,602	1,951,086
Prepaid domain name registry fees, current portion	11,954,743	11,145,187
Total current assets	26,381,074	23,217,299
Prepaid domain name registry fees, long-term portion	4,559,420	3,700,340
Property and equipment	1,325,027	1,581,321
Investments	353,737	353,737
Total assets	\$ 32,619,258	\$ 28,852,697
Liabilities and Stockholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable	\$ 1,395,059	\$ 1,605,630
Accrued liabilities	2,324,761	2,288,412
Customer deposits	2,099,366	1,957,657
Deferred revenue, current portion	19,496,850	18,431,100
Total current liabilities	25,316,036	24,282,799

Deferred revenue, long-term portion	7,124,357	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 as of June 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	(102,615)	(183,297)
Deficit	(58,251,336)	(59,709,538)
Total stockholders' equity (deficiency)	178,865	(1,360,019)
Total liabilities and stockholders' equity (deficiency)	\$ 32,619,258	\$ 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 \$487,500 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		Six months ended	
	June 30,		June 30,	
	2003	2002	2003	2002
Net revenues	\$ 9,167,299	\$ 9,480,187	\$ 18,164,213	\$ 19,406,720
Cost of revenues	5,682,722	5,636,988	11,259,365	12,231,513
Gross profit	3,484,577	3,843,199	6,904,848	7,175,207
Operating expenses:				
Sales and marketing (*)	956,887	800,897	1,869,223	1,905,753
Technical operations and development	1,018,925	958,780	1,850,694	2,017,709
General and administrative(*)	1,492,577	1,281,514	2,662,427	2,316,346
Depreciation of property and equipment	441,951	764,576	876,916	1,894,674

Amortization of intangible assets	-	55,556	-	222,222
Gain on change in fair value of forward contracts	(337,358)	(129,893)	(884,228)	(129,893)
Total operating expenses	3,572,982	3,731,430	6,375,032	8,226,811
(Loss) income from operations	(88,405)	111,769	529,816	(1,051,604)
Other Income (expenses)				
Interest income, net	30,047	21,019	56,496	38,865
Write down of investment in bigchalk.com	-	(1,013,335)	-	(1,013,335)
Gain on disposal of Liberty Registry Management Services Inc.	636,277	-	871,890	1,955,443
Loss on disposal of Eklektix Inc.	-	-	-	(44,304)
Total other income (expenses)	666,324	(992,316)	928,386	936,669
Income (loss) before provision for income taxes	577,919	(880,547)	1,458,202	(114,935)
Provision for income taxes	-	-	-	-
Net income (loss) for the period	\$ 577,919	\$ (880,547)	\$ 1,458,202	\$ (114,935)
Basic and diluted earnings (loss) per common share	\$ 0.01	\$ (0.01)	\$ 0.02	\$ -
Shares used in computing basic earnings (loss) per common share	64,626,429	64,626,429	64,626,429	64,626,429
Shares used in computing diluted earnings (loss) per common share	64,674,737	64,626,429	64,652,926	64,626,429

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

Sales and marketing	\$ 27,406	\$ 27,406	\$ 54,511	\$ 54,511
General and administrative	\$ 13,158	\$ 13,159	\$ 26,171	\$ 26,172

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

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
Cash provided by (used in):				
Operating activities:				
Net income (loss) for the period	\$ 577,919	\$ (880,547)	\$ 1,458,202	\$ (114,935)
Items not involving cash:				
Depreciation of property and equipment	441,951	764,576	876,916	1,894,674
Amortization of intangible assets	-	55,556	-	222,222
Gain on change in the fair value of forward contracts	(337,358)	(129,893)	(884,228)	(129,893)
Write down of investment in bigchalk.com	-	1,013,335	-	1,013,335
Stock-based compensation	40,564	40,565	80,682	80,683
Gain on disposal of Liberty Registry Management Services	(636,277)	-	(871,890)	(1,955,443)
Loss on write-off of Eklektix Inc.	-	-	-	44,304
Change in non-cash operating working capital:				
Accounts receivable	(38,260)	115,049	34,114	322,883
Prepaid expenses and deposits	2,262	(91,615)	(3,577)	(62,965)
Prepaid domain name registry fees	(709,212)	(935,607)	(1,668,636)	(1,839,971)
Accounts payable	(9,148)	(134,651)	(210,571)	(179,149)
Accrued liabilities	479,410	(396,762)	296,638	(741,268)
Customer deposits	143,523	236,021	141,709	309,217
Deferred revenue	844,488	1,476,004	2,260,190	2,974,449
Cash provided by operating activities	799,862	1,132,031	1,509,549	1,838,143
Financing activities:				
Repayments of obligations under capital leases	-	(25,795)	-	(45,571)
Cash used in financing activities	-	(25,795)	-	(45,571)
Investing activities:				
Additions to property and equipment	(152,425)	(242,683)	(620,622)	(448,057)
(Increase)/decrease in restricted cash - being margin security against forward exchange contracts	225,000	(1,196,000)	450,000	(1,196,000)

proceeds on disposal of Liberty Registry Management Services Inc., net of cash disposed	636,277	-	871,890	938,889
Proceeds on disposal of Eklektix Inc., net of cash disposed	-	-	-	(30,628)
Cash provided by (used in) investing activities	708,852	(1,438,683)	701,268	(735,796)
Increase (decrease) in cash and cash equivalents	1,508,714	(332,447)	2,210,817	1,056,776
Cash and cash equivalents, beginning of period	9,546,932	6,203,412	8,844,829	4,814,189
Cash and cash equivalents, end of period	\$ 11,055,646	\$ 5,870,965	\$ 11,055,646	\$ 5,870,965
Supplemental cash flow information:				
Interest paid	\$ 144	\$ 7,130	\$ 316	\$ 11,628