

TUCOWS FINANCIAL STATEMENTS, Q4 2002

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

	December 31, 2002	December 31, 2001
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,844,829	\$ 4,814,189
Restricted cash (note 1)	937,500	-
Accounts receivable	338,697	817,990
Prepaid expenses and deposits	1,951,086	2,041,927
Prepaid domain name registry fees, current portion	11,145,187	10,034,413
Total current assets	23,217,299	17,708,519
Prepaid domain name registry fees, long term portion	3,700,340	2,599,962
Property and equipment	1,581,321	3,691,390
Investments	353,737	1,367,072
Intangible assets	-	222,222
 Total assets	 \$ 28,852,697	 \$ 25,589,165
 Liabilities and Stockholders' Deficiency		
Current liabilities:		
Accounts payable	\$ 1,605,630	\$ 1,958,744
Accrued liabilities	2,288,412	2,242,858
Customer deposits	1,957,657	1,951,336
Obligations under capital lease, current portion	-	58,772
	18,431,100	18,444,280
Deferred revenue, current portion		
Total current liabilities	24,282,799	24,655,990

Deferred revenue, long term portion	5,929,917	4,270,341
Obligations under capital lease, net of current portion	-	52,387
Stockholders' 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 December 31, 2002 and December 31, 2001	8,540,687	8,540,687
Additional Paid-in Capital	49,992,129	49,992,129
Deferred stock-based compensation	(183,297)	(346,000)
Deficit	(59,709,538)	(61,576,369)
Total stockholders' deficiency	(1,360,019)	(3,389,553)
Total liabilities and stockholders' deficiency	\$ 28,852,697	\$ 25,589,165

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 \$937,500 is reflected as restricted cash on the balance sheet.

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

	Three months ended December 31,		Year ended December 31,	
	2002	2001	2002	2001
Net revenues	\$ 8,760,374	\$ 9,809,800	\$ 37,046,375	\$ 31,589,759
	5,462,628	6,605,707	23,107,871	21,105,790
Cost of revenues				
Gross profit	3,297,746	3,204,093	13,938,504	10,483,969
Operating expenses:				
Sales and marketing (*)	939,062	1,087,377	3,770,913	6,380,102
Technical operations and development	842,196	998,495	3,725,966	5,052,569
General and administrative(*)	1,032,431	1,162,881	4,263,025	4,012,969

Depreciation of property and equipment	402,249	740,906	2,675,836	3,202,948
Loss on write-off of property and equipment	-	130,000	-	130,000
Amortization of intangible assets	-	467,700	222,222	3,656,846
Write-down of intangible assets	-	1,325,378	-	1,325,378
(Gain) loss on change in fair value of forward contracts	(140,199)	-	260,289	-
Total operating expenses	3,075,739	5,912,737	14,918,251	23,760,812
Income (loss) from operations	222,007	(2,708,644)	(979,747)	(13,276,843)
Other income (expenses)				
Interest income (expense), net	41,893	21,264	102,057	(135,920)
Gain on disposal of Electric Library subscription assets	1,121,480	-	1,846,717	-
Gain on disposal of Liberty Registry Management Services Inc.	-	-	1,955,443	-
Loss on disposal of Eklektix Inc.	-	-	(44,304)	-
Write down of investment in bigchalk.com	-	-	(1,013,335)	-
Total other income (expenses)	1,163,373	21,264	2,846,578	(135,920)
Income (loss) before provision for income taxes	1,385,380	(2,687,380)	1,866,831	(13,412,763)
Provision for income taxes	-	-	-	-
Net income (loss) for the period	\$ 1,385,380	\$ (2,687,380)	\$ 1,866,831	\$ (13,412,763)
Basic and diluted earnings (loss) per share	\$ 0.02	\$ (0.04)	\$ 0.03	\$ (0.24)
Shares used in computing basic and diluted earnings (loss) per common share	64,626,429	64,626,429	64,626,429	56,152,735

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

Sales and marketing	\$ 27,708	\$ 27,708	\$ 109,926	\$ 109,926
General and administrative	\$ 13,303	\$ 13,304	\$ 52,777	\$ 52,778

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

	Three months ended December 31,		Year ended December 31,	
	2002	2001	2002	2001
Cash provided by (used in):				
Operating activities:				
Net Income (loss) for the period	\$ 1,385,380	\$ (2,687,380)	\$ 1,866,831	\$ (13,412,763)
Items not involving cash:	-	-		
Depreciation of property and equipment	402,249	740,906	2,675,836	3,202,948
Amortization of intangible assets	-	467,700	222,222	3,656,846
(Gain) loss on change in fair value of forward contracts	(140,199)	-	260,289	-
Write-down of intangible assets	-	1,325,378	-	1,325,378
Loss on write-off of property and equipment	-	130,000	-	130,000
Write down of investment in bigchalk.com	-	-	1,013,335	-
Stock-based compensation	41,011	41,012	162,703	162,704
Gain on disposal of Electric Library subscription assets	(1,121,480)	-	(1,846,717)	-
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:				
Accounts receivable	35,338	782,508	306,951	57,847
Prepaid expenses and deposits	(314,026)	(176,546)	(80,272)	(633,035)
Prepaid domain name registry fees	(167,032)	(459,092)	(2,488,384)	(3,176,290)
Accounts payable	356,274	620	(15,669)	(1,235,193)
Accrued liabilities	(125,796)	(667,881)	(479,898)	(1,851,638)
Customer deposits	(63,540)	(579,812)	20,915	(198,850)
Deferred revenue	121,993	1,444,192	3,731,415	5,908,326
Cash provided by (used in) operating activities	410,172	361,605	3,438,418	(6,063,720)

Financing activities:				
Proceeds on issuance of promissory notes	-	-	-	2,500,000
Repayment of promissory note	-	-	-	(2,500,000)
Proceeds on rights issue	-	-	-	2,999,973
Proceeds recieved on exercise of stock options	-	-	-	24,396
Repayments of obligations under capital leases	-	(18,953)	(111,160)	(24,774)
Cash provided by (used in) financing activities	-	(18,953)	(111,160)	2,999,595
Investing activities:				
Additions to property and equipment	(235,741)	(563,051)	(844,508)	(2,871,575)
Increase in restricted cash- being margin security against forward exchange contracts	127,250	-	(937,500)	-
Net proceeds on disposal of Electric Library subscription assets	1,121,480	-	1,577,129	-
Investment in Afilias Limited	-	-	-	(253,737)
Proceeds on disposal of Liberty Registry Management Services Inc., net of cash disposed	-	-	938,889	-
Proceeds on disposal of Eklektix Inc., net of cash disposed	-	-	(30,628)	-
Aquisition of Infonautics Inc., net of cash acquired	-	-	-	8,833,431
Cash provided by (used in) investing activities	1,012,989	(563,051)	703,382	5,708,119
Increase in cash and cash equivalents	1,423,161	(220,399)	4,030,640	2,643,994
Cash and cash equivalents, beginning of period	7,421,668	5,034,588	4,814,189	2,170,195
Cash and cash equivalents, end of period	8,844,829	4,814,189	8,844,829	4,814,189
	\$	\$	\$	\$
Supplemental cash flow information:				
Interest paid	\$ 1,081	\$ 39,968	\$ 25,013	\$ 221,368

Supplemental disclosure of non-cash investing and financing activities:

Common stock issued on the acquisition of Infonautics, Inc.	\$	-	\$	-	\$	-	\$	8,489,000
Value assigned to Infonautics, Inc. outstanding option on acquisition of Infonautics, Inc.	\$	-	\$	-	\$	-	\$	44,000
Promissory note receivable on disposal of Electric Library subscription assets	\$	-	\$	-	\$	1,121,480	\$	-