

TUCOWS FINANCIAL STATEMENTS, Q4 2003

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

	December 31, 2003	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,912,811	\$ 8,844,829
Restricted cash (note 1)	132,500	937,500
Accounts receivable	486,289	338,697
Prepaid expenses and deposits	2,061,948	1,951,086
Prepaid domain name registry fees, current portion	13,204,566	11,145,187
Total current assets	28,798,114	23,217,299
Prepaid domain name registry fees, long-term portion	5,136,194	3,700,340
Property and equipment	1,048,400	1,581,321
Investments	353,737	353,737
Total assets	\$ 35,336,445	\$ 28,852,697
Liabilities and Stockholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable	\$ 1,632,294	\$ 1,605,630
Accrued liabilities	2,088,235	2,288,412
Customer deposits	2,160,601	1,957,657
Deferred revenue, current portion	20,715,191	18,431,100
Total current liabilities	26,596,321	24,282,799
Deferred revenue, long-term portion	7,874,001	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 at December 31, 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	(20,593)	(183,297)
Deficit	(57,646,100)	(59,709,538)
Total stockholders' equity (deficiency)	866,123	(1,360,019)
Total liabilities and stockholders' equity (deficiency)	\$ 35,336,445	\$ 28,852,697

Note 1:

In November 2003, the Company entered into a series of forward exchange contracts, whereby amounts of U.S.\$400,000 or U.S.\$650,000 are converted into Canadian dollars on a semi-monthly basis from January 2004 until the end of March 2004. As margin security against these contracts, the Company placed \$132,500 into secured term deposits, which mature on a monthly basis in line with the contracts.

In June 2002, the Company entered into a series of forward exchange contracts, whereby an amount of U.S.\$375,000 was 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 matured on a monthly basis in line with the contracts.

The outstanding margin security in the amount of \$132,500 (2002: \$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,	
	2003	2002	2003	2002
Net revenues	\$ 9,714,774	\$ 8,760,374	\$ 37,194,747	\$ 37,046,375
Cost of revenues	5,923,054	5,462,628	22,990,227	23,107,871
Gross profit	3,791,720	3,297,746	14,204,520	13,938,504
Operating expenses:				
Sales and marketing (*)	1,058,830	939,062	3,850,081	3,770,913
Technical operations and development	1,067,963	842,196	3,935,061	3,725,966
General and administrative (*)	953,166	892,232	3,998,073	4,523,314
Depreciation of property and equipment	323,230	402,249	1,489,570	2,675,836
Amortization of intangible assets	-	-	-	222,222
Total operating expenses	3,403,189	3,075,739	13,272,785	14,918,251
Income (loss) from operations	388,531	222,007	931,735	(979,747)
Other income:				
Interest income, net	37,319	41,893	131,703	102,057
Gain on disposal of Electric Library subscription assets	-	1,121,480	-	1,846,717
Gain on disposal of Liberty Registry Management Services Inc.	-	-	1,000,000	1,955,443

Loss on disposal of Eklektix Inc.	-	-	-	(44,304)
Write-down of investment in bigchalk.com	-	-	-	(1,013,335)
Total other income	37,319	1,163,373	1,131,703	2,846,578
Income before provision for income taxes	425,850	1,385,380	2,063,438	1,866,831
Provision for income taxes	-	-	-	-
Net income for the period	\$ 425,850	\$ 1,385,380	\$ 2,063,438	\$ 1,866,831
Basic and diluted earnings per share	\$ 0.01	\$ 0.02	\$ 0.03	0.03
Shares used in computing basic earnings per common share	64,626,429	64,626,429	64,626,429	64,626,429
Shares used in computing diluted earnings per common share	70,858,586	64,626,429	64,737,429	64,626,429

(*) 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	\$ 13,304	\$ 13,303	\$ 52,778	\$ 52,777

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

	Three months ended December 31,		Year ended December 31,	
	2003	2002	2003	2002
Cash Provided by (used in):				
Operating activities:				
Net income for the period	\$ 425,850	\$ 1,385,380	\$ 2,063,438	\$ 1,866,831
Items not involving cash:				
Depreciation of property and equipment	323,230	402,249	1,489,570	2,675,836
Amortization of intangible assets	-	-	-	222,222
(Gain) loss on change in the fair value of forward contracts	297,296	(140,199)	(279,174)	260,289
Gain on disposal of Liberty RMS	-	-	(1,000,000)	-
Write-down of investment in bigchalk.com	-	-	-	1,013,335
Stock-based compensation	41,012	41,011	162,704	162,703
Gain on disposal of Electric Library subscription assets	-	(1,121,480)	-	(1,846,717)
Gain on disposal of Liberty Registry Management Services	-	-	-	(1,955,443)
Loss on write-off of Eklektix Inc.	-	-	-	44,304
Change in non-cash operating working capital:				
Accounts receivable	(74,114)	35,338	(147,592)	306,951
Prepaid expenses and deposits	(503,288)	(314,026)	(91,977)	(80,272)
Prepaid domain name registry fees	(1,022,621)	(167,032)	(3,495,233)	(2,488,384)

Accounts payable	327,472	356,274	26,664	(15,669)
Accrued liabilities	81,280	(125,796)	60,112	(479,898)
Customer deposits	126,291	(63,540)	202,944	20,915
Deferred revenue	1,111,283	121,993	4,228,175	3,731,415
Cash provided by operating activities	1,133,691	410,172	3,219,631	3,438,418
Financing activities:				
Repayment of obligations under capital leases	-	-	-	(111,160)
Cash used in financing activities	-	-	-	(111,160)
Investing activities:				
Additions to property and equipment	(175,775)	(235,741)	(956,649)	(844,508)
(Increase) decrease in restricted cash - being margin security against forward exchange contracts	130,112	127,250	805,000	(937,500)
Net proceeds on disposal of Electric Library subscription assets	-	1,121,480	-	1,577,129
Proceeds on disposal of Liberty Registry Management Services Inc. , net of cash disposed	-	-	1,000,000	938,889
Proceeds on disposal of Eklektix Inc., net of cash disposed	-	-	-	(30,628)
Cash provided by investing activities	(45,663)	1,012,989	848,351	703,382
Increase in cash and cash equivalents	1,088,028	1,423,161	4,067,982	4,030,640
Cash and cash equivalents, beginning of period	11,824,783	7,421,668	8,844,829	4,814,189
Cash and cash equivalents, end of period	\$ 12,912,811	\$ 8,844,829	\$ 12,912,811	\$ 8,844,829