

TUCOWS FINANCIAL STATEMENTS, Q4 2004

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

	December 31, 2004	December 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,914,988	\$ 12,912,811
Restricted cash (note 1)	460,398	132,500
Accounts receivable	1,111,082	486,289
Prepaid expenses and deposits	2,156,702	2,061,948
Prepaid domain name registry fees, current portion	15,601,786	13,204,566
Deferred tax asset, current portion	1,000,000	-
Total current assets	34,244,956	28,798,114
Prepaid domain name registry fees, long-term portion	6,471,916	5,136,194
Property and equipment	1,017,237	1,048,400
Deferred tax asset, long-term portion	2,000,000	-
Intangible assets	1,242,240	-
Goodwill	964,467	-
Investments	353,737	353,737
Cash held in escrow	1,009,650	-
Total assets	\$ 47,304,203	\$ 35,336,445
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,483,543	\$ 1,632,294

Accrued liabilities	2,688,738	2,088,235
Customer deposits	2,247,262	2,160,601
Deferred revenue, current portion	23,648,381	20,715,191
Accreditation fees payable, current portion	144,483	-
Total current liabilities	30,212,407	26,596,321
Deferred revenue, long-term portion	9,602,599	7,874,001
Accreditation fees payable, long-term portion	31,816	-
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; 66,817,250 shares issued and outstanding at December 31, 2004 and 64,626,429 shares issued and outstanding at December 31, 2003	9,541,277	8,540,687
Additional Paid-in Capital	50,061,866	49,992,129
Deferred stock-based compensation	-	(20,593)
Deficit	(52,145,762)	(57,646,100)
Total stockholders' equity	7,457,381	866,123
Total liabilities and stockholders' equity	\$ 47,304,203	\$ 35,336,445

Note 1:

Of the restricted cash, \$310,000 represents margin security against a series of forward exchange contracts, and \$150,398 represents security against 2 letters of credit.

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

	Three months ended		Year ended	
	December 31,		December 31,	
	2004	2003	2004	2003
Net revenues	\$ 11,521,955	\$ 9,714,774	\$ 44,717,155	\$ 37,194,747
Cost of revenues	6,907,776	5,923,054	27,566,066	22,990,227
Gross profit	4,614,179	3,791,720	17,151,089	14,204,520

Operating expenses:				
Sales and marketing (*)	1,351,649	1,058,830	5,067,841	3,850,081
Technical operations and development	1,289,486	1,067,963	4,549,368	3,935,061
General and administrative(*)	811,985	953,166	4,107,981	3,998,073
Depreciation of property and equipment	301,259	323,230	1,118,734	1,489,570
Amortization of intangible assets	59,040	-	157,760	-
Total operating expenses	3,813,419	3,403,189	15,001,684	13,272,785
Income from operations	800,760	388,531	2,149,405	931,735
Other Income:				
Interest income, net	64,216	37,319	200,501	131,703
Gain on disposal of Liberty Registry Management Services Inc.	-	-	-	1,000,000
Total other income	64,216	37,319	200,501	1,131,703
Income before provision for income taxes	864,976	425,850	2,349,906	2,063,438
Provision for (recovery of) income taxes	(3,000,000)	-	(3,150,432)	-
Net income for the year	\$ 3,864,976	\$ 425,850	\$ 5,500,338	\$ 2,063,438
Basic and diluted income per share	\$ 0.06	\$ 0.01	\$ 0.08	\$ 0.03
Shares used in computing basic earnings per common share	66,817,250	64,626,429	66,079,104	64,626,429
Shares used in computing diluted income per common share	68,893,918	70,858,586	68,051,579	64,725,929

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

Sales and marketing	\$ -	\$ 27,708	\$ 16,835	\$ 109,926
Technical operations and development	\$ 69,737	\$ -	\$ 69,737	\$ -
General and administrative	\$ -	\$ 13,304	\$ 3,759	\$ 52,778

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

Three months ended

Year ended

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2004	2003	2004	2003
Cash provided by (used in):				
Operating activities:				
Net income for the year	\$ 3,864,976	\$ 425,850	\$ 5,500,338	\$ 2,063,438
Items not involving cash:				
Depreciation of property and equipment	301,259	323,230	1,118,734	1,489,570
Amortization of intangible assets	59,040	-	157,760	-
Unrealized change in the fair value of forward contracts	100,032	297,296	(88,743)	(279,174)
Stock-based compensation	69,737	-	69,737	-
Amortization of stock-based compensation	-	41,012	20,593	162,704
Deferred taxes	(3,000,000)	-	(3,000,000)	-
Gain on disposal of Liberty Registry Management Services Inc.	-	-	-	(1,000,000)
Change in non-cash operating working capital:				
Accounts receivable	(89,847)	(74,114)	(546,762)	(147,592)
Prepaid expenses and deposits	(180,526)	(503,288)	(1,333)	(91,977)
Prepaid domain name registry fees	(806,264)	(1,022,621)	(3,732,942)	(3,495,233)
Accounts payable	139,182	327,472	(148,751)	26,664
Accrued liabilities	(42,295)	81,280	403,404	60,112
Customer deposits	241,361	126,291	77,772	202,944
Deferred revenue	745,203	1,111,283	4,661,788	4,228,175
Accreditation fees payable	176,299	-	176,299	-
Cash provided by operating activities	1,578,157	1,133,691	4,667,894	3,219,631
Financing activities:				
Proceeds received on exercise of stock options	-	-	726,050	-
Cash provided by financing activities	-	-	726,050	-
Investing activities:				
Additions to property and equipment	(538,220)	(175,775)	(1,034,709)	(956,649)
Decrease (increase) in restricted cash - being margin security against forward exchange contracts	(247,898)	130,112	(327,898)	805,000
Acquisition of Boardtown Corporation, net of				

Acquisition of Boardtown Corporation, net of cash acquired	-	-	(2,019,510)	-
Increase in cash held in escrow	(9,650)	-	(1,009,650)	-
Proceeds on disposal of Liberty Registry Management Services Inc., net of cash disposed	-	-	-	1,000,000
Cash provided by (used in) investing activities	(795,768)	(45,663)	(4,391,767)	848,351
Increase in cash and cash equivalents	782,389	1,088,028	1,002,177	4,067,982
Cash and cash equivalents, beginning of year	13,132,599	11,824,783	12,912,811	8,844,829
Cash and cash equivalents, end of year	\$ 13,914,988	\$ 12,912,811	\$ 13,914,988	\$ 12,912,811
Supplemental cash flow information:				
Interest paid	\$ -	\$ 113	\$ 166	\$ 383
Supplemental disclosure of non-cash investing and financing activities:				
Common stock issued on the acquisition of Boardtown Corporation	\$ -	\$ -	\$ 274,540	\$ -