

TUCOWS FINANCIAL STATEMENTS, Q1 2005

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

	March 31, 2005	December 31, 2004
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,007,050	\$ 13,914,988
Restricted cash	-	460,398
Accounts receivable	1,262,679	1,111,082
Prepaid expenses and deposits	1,721,738	2,156,702
Prepaid domain name registry and ancillary fees, current portion	17,082,065	15,601,786
Deferred tax asset, current portion	1,000,000	1,000,000
Total current assets	36,073,532	34,244,956
Prepaid domain name registry and ancillary fees, long-term portion	6,993,852	6,471,916
Property and equipment	976,272	1,017,237
Deferred tax asset, long-term portion	2,000,000	2,000,000
Intangible assets	1,183,200	1,242,240
Goodwill	964,467	964,467
Investment	353,737	353,737
Cash held in escrow	1,013,366	1,009,650
Total assets	\$ 49,558,426	\$ 47,304,203

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable	\$	1,526,505	\$	1,483,543
Accrued liabilities		1,677,947		2,688,738
Customer deposits		2,169,135		2,247,262
Deferred revenue, current portion		25,493,236		23,648,381
Accreditation fees payable, current portion		303,891		144,483
Total current liabilities		31,170,714		30,212,407
Deferred revenue, long term portion		10,263,233		9,602,599
Accreditation fees payable, long term portion		43,265		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; 67,297,465 shares issued and outstanding at March 31, 2005 and 66,817,250 shares issued and outstanding at December 31, 2004		9,722,300		9,541,277
Additional Paid-in Capital		50,061,866		50,061,866
Deficit		(51,702,952)		(52,145,762)
Total stockholders' equity		8,081,214		7,457,381
Total liabilities and stockholders' equity	\$	49,558,426	\$	47,304,203

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

	Three months ended March 31,	
	2005	2004
Net revenues	\$ 11,801,706	\$ 10,174,909
Cost of revenues	7,221,205	6,445,415
Gross profit	4,580,501	3,729,494

Operating expenses:		
Sales and marketing (*)	1,352,454	1,220,534
Technical operations and development	1,322,785	1,011,422
General and administrative(*)	1,390,762	1,073,072
Depreciation of property and equipment	241,873	312,986
Amortization of intangible assets	59,040	-
Total operating expenses	4,366,914	3,618,014
Income from operations	213,587	111,480
Other income		
Interest income, net	77,248	37,633
Total other income	77,248	37,633
Income before provision for income taxes	290,835	149,113
Provision for (recovery of) income taxes	(151,975)	-
Net income for the period	\$ 442,810	\$ 149,113
Basic and diluted earnings per share	\$ 0.01	\$ 0.00
Shares used in computing basic earnings per common share	66,883,487	64,690,887
Shares used in computing diluted earnings per common share	71,604,368	66,989,744

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

Sales and marketing	\$ -	\$ 16,834
General and administrative	\$ -	\$ 3,759

Tucows Inc.
Consolidated Statements of Cash Flows

(Dollar amounts in U.S. dollars)
(unaudited)

	Three months ended March 31,	
	2005	2004
Cash provided by:		
Operating activities:		
Net Income for the period	\$ 442,810	\$ 149,113
Items not involving cash:		
Depreciation of property and equipment	241,873	312,986
Amortization of intangible assets	59,040	-
Loss on change in the fair value of forward contracts	107,628	18,885
Stock-based compensation	-	20,593
Change in non-cash operating working capital:		
Accounts receivable	(151,597)	(62,668)
Prepaid expenses and deposits	327,336	35,120
Prepaid domain name registry fees	(2,002,215)	(2,037,012)
Accounts payable	42,962	(375,449)
Accrued liabilities	(1,010,791)	(255,421)
Customer deposits	(78,127)	(46,881)
Deferred revenue	2,505,489	2,807,463
Accreditation fees payable	170,857	-
Cash provided by operating activities	655,265	566,729
Financing activities:		
Proceeds received on exercise of stock options	181,023	153,062
Cash provided by financing activities	181,023	153,062
Investing activities:		
Additions to property and equipment	(200,908)	(108,144)
Decrease in restricted cash - being margin security against forward exchange contracts	460,398	132,500
Increase in cash held in escrow	(3,716)	-

Cash provided by investing activities	255,774	24,356
Increase in cash and cash equivalents	1,092,062	744,147
Cash and cash equivalents, beginning of period	13,914,988	12,912,811
Cash and cash equivalents, end of period	\$ 15,007,050	\$ 13,656,958