

# TUCOWS FINANCIAL STATEMENTS, Q4 2005

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)**

	December 31, 2005	December 31, 2004
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 17,348,088	\$ 13,914,988
Short-term investments	1,771,569	-
Restricted cash (note 1)	60,000	460,398
Interest receivable	39,574	-
Accounts receivable	1,439,329	1,111,082
Prepaid expenses and deposits	1,999,820	2,156,702
Prepaid domain name registry and ancillary services fees, current portion	18,175,988	15,601,786
Deferred tax asset, current portion	1,000,000	1,000,000
Total current assets	41,834,368	34,244,956
Prepaid domain name registry and ancillary services fees, long-term portion	7,701,939	6,471,916
Deferred acquisition costs	46,034	-
Property and equipment	1,542,671	1,017,237
Deferred tax asset, long-term portion	2,000,000	2,000,000
Intangible assets	1,006,080	1,242,240
Goodwill	1,951,067	964,467
Investments	353,737	353,737
Cash held in escrow	621,412	1,009,650
Total assets	\$ 57,057,308	\$ 47,304,203

**Liabilities and Stockholders' Equity**

## Current liabilities:

Accounts payable	\$	1,655,195	\$	1,483,543
Accrued liabilities		1,417,035		2,688,738
Customer deposits		2,276,637		2,247,262
Deferred revenue, current portion		26,790,166		23,648,381
Accreditation fees payable, current portion		651,811		144,483
Total current liabilities		32,790,844		30,212,407
Deferred revenue, long-term portion		11,079,537		9,602,599
Accreditation fees payable, long-term portion		94,785		31,816

## Stockholders' equity:

Preferred stock - no par value, 1,250,000,000 shares authorized; none issued and outstanding		-		-
Common stock - no par value, 250,000,000 shares authorized; 71,840,267 shares issued and outstanding at December 31, 2005 and 66,817,250 shares issued and outstanding at December 31, 2004		12,403,422		9,541,277
Additional Paid-in Capital		50,061,866		50,061,866
Deficit		(49,373,146)		(52,145,762)
Total stockholders' equity		13,092,142		7,457,381
Total liabilities and stockholders' equity	\$	57,057,308	\$	47,304,203

## Note 1:

The restricted cash represents margin security against a series of forward exchange contracts.

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

	Three months ended December 31,		Year ended December 31,	
	2005	2004	2005	2004
Net revenues	\$ 12,658,399	\$ 11,521,955	\$ 48,517,039	\$ 44,717,155
Cost of revenues	8,160,474	6,907,776	30,645,004	27,566,066

Gross profit	4,497,925	4,614,179	17,872,035	17,151,089
Operating expenses:				
Sales and marketing (*)	1,185,865	1,351,649	4,855,050	5,067,841
Technical operations and development	1,479,959	1,289,486	5,627,426	4,549,368
General and administrative(*)	987,877	811,985	4,346,224	4,107,981
Depreciation of property and equipment	219,527	301,259	951,692	1,118,734
Amortization of intangible assets	59,040	59,040	236,160	157,760
Total operating expenses	3,932,268	3,813,419	16,016,552	15,001,684
Income from operations	565,657	800,760	1,855,483	2,149,405
Other Income:				
Interest income, net	165,565	64,216	462,424	200,501
Other income	302,734	-	302,734	-
Total other income	468,299	64,216	765,158	200,501
Income before provision for income taxes	1,033,956	864,976	2,620,641	2,349,906
Provision for (recovery of) income taxes	-	(3,000,000)	(151,975)	(3,150,432)
Net income for the year	\$ 1,033,956	\$ 3,864,976	\$ 2,772,616	\$ 5,500,338
Basic and diluted income per share	\$ 0.01	\$ 0.06	\$ 0.04	\$ 0.08
Shares used in computing basic earnings per common share	71,898,247	66,817,250	69,077,329	66,079,104
Shares used in computing diluted income per common share	74,810,799	68,893,918	72,481,204	68,051,579

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

Sales and marketing	\$ -	\$ -	\$ -	\$ 16,835
Technical operations and development	\$ -	\$ 69,737	\$ -	\$ 69,737
General and administrative	\$ -	\$ -	\$ -	\$ 3,759

**Tucows Inc.**  
**Consolidated Statements of Cash Flows**

(Dollar amounts in U.S. dollars)

	Three months ended December 31,		Year ended December 31,	
	2005	2004	2005	2004
Cash provided by (used in):				
Operating activities:				
Net income for the year	\$ 1,033,956	\$ 3,864,976	\$ 2,772,616	\$ 5,500,338
Items not involving cash:				
Depreciation of property and equipment	219,527	301,259	951,692	1,118,734
Amortization of intangible assets	59,040	59,040	236,160	157,760
Unrealized change in the fair value of forward contracts	212,668	100,032	30,119	(88,743)
Stock-based compensation	-	69,737	-	69,737
Amortization of stock-based compensation	-	-	-	20,593
Deferred taxes	-	(3,000,000)	-	(3,000,000)
Change in non-cash operating working capital:				
Interest receivable	76,165	-	(39,574)	-
Accounts receivable	(76,442)	(89,847)	(328,247)	(546,762)
Prepaid expenses and deposits	(524,722)	(180,526)	126,763	(1,333)
Prepaid domain name registry fees	(430,973)	(806,264)	(3,804,225)	(3,732,942)
Accounts payable	(60,214)	139,182	171,652	(148,751)
Accrued liabilities	(326,808)	(42,295)	(1,271,703)	403,404
Customer deposits	106,747	241,361	29,375	77,772
Deferred revenue	550,242	745,203	4,618,723	4,661,788
Accreditation fees payable	302,241	176,299	570,297	176,299
Cash provided by operating activities	1,141,427	1,578,157	4,063,648	4,667,894
Financing activities:				
Proceeds received on exercise of stock options	49,254	-	300,870	726,050
Net proceeds received on issuance of common stock, net of issue costs	-	-	1,574,675	-
Cash provided by financing activities	49,254	-	1,875,545	726,050

Investing activities:

Additions to property and equipment	(349,445)	(538,220)	(1,477,126)	(1,034,709)
Investment in short-term investments	5,999,884	-	(1,771,569)	-
Decrease (increase) in restricted cash - being margin security against forward exchange contracts	240,000	(247,898)	400,398	(327,898)
Deferred acquisition costs	(46,034)	-	(46,034)	-
Acquisition of Boardtown Corporation, net of cash acquired	-	-	-	(2,019,510)
Increase in cash held in escrow	(2,330)	(9,650)	388,238	(1,009,650)
Cash provided by (used in) investing activities	5,842,075	(795,768)	(2,506,093)	(4,391,767)
Increase in cash and cash equivalents	7,032,756	782,389	3,433,100	1,002,177
Cash and cash equivalents, beginning of year	10,315,332	13,132,599	13,914,988	12,912,811
Cash and cash equivalents, end of year	\$ 17,348,088	\$ 13,914,988	\$ 17,348,088	\$ 13,914,988
Supplemental cash flow information:				
Interest paid	\$ -	\$ -	\$ 300	\$ 166
Supplemental disclosure of non-cash investing and financing activities:				
Common stock issued on the acquisition of Boardtown Corporation	\$ -	\$ -	\$ 986,600	\$ 274,540