

*Auditors' Report and Consolidated Financial Statements of*

**BRIDGES.COM INC.**

*November 30, 2002 and 2001*

Deloitte & Touche LLP  
P.O. Box 49279  
Four Bentall Centre  
2800 - 1055 Dunsmuir Street  
Vancouver, British Columbia  
V7X 1P4

Tel: (604) 669 4466  
Fax: (604) 685 0395  
www.deloitte.ca

**Deloitte  
& Touche**

## **Auditors' Report**

To the Shareholders of  
Bridges.com Inc.

We have audited the consolidated balance sheets of Bridges.com Inc. as at November 30, 2002 and 2001 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

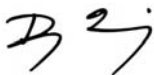
Chartered Accountants  
Vancouver, British Columbia  
January 17, 2003

**Deloitte  
Touche  
Tohmatsu**

**BRIDGES.COM INC.**  
**Consolidated Balance Sheets**

	November 30	
	2002	2001
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 4,328,116	\$ 6,952,794
Accounts receivable	3,987,314	6,611,783
Prepaid expenses and other	656,875	690,369
	8,972,305	14,254,946
Capital assets (Note 4)	7,928,313	4,681,239
Future income taxes (Note 8)	-	542,127
Intangibles (Note 5)	-	842,232
Goodwill (Note 5)	-	2,235,114
	\$ 16,900,618	\$ 22,555,658
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 2,345,722	\$ 3,155,955
Deferred revenue	3,592,126	3,246,207
Accrued restructuring charge (Note 3)	2,330,856	-
Current portion of capital lease obligations (Note 6)	74,193	149,196
	8,342,897	6,551,358
Capital lease obligations, net of current portion (Note 6)	-	96,001
	8,342,897	6,647,359
COMMITMENTS (Note 6)		
<b>SHAREHOLDERS' EQUITY</b>		
Common shares (Note 7)	17,857,264	18,220,754
Deficit	(9,299,543)	(2,312,455)
	8,557,721	15,908,299
	\$ 16,900,618	\$ 22,555,658

APPROVED BY THE BOARD



Douglas J. Manning, Director



John C. Simmons, Director

See accompanying Notes to the Consolidated Financial Statements.

**BRIDGES.COM INC.**  
**Consolidated Statements of Operations and Deficit**

	Years ended November 30	
	2002	2001
REVENUE	\$ 18,533,185	\$ 19,524,945
COSTS OF REVENUE	6,031,521	5,715,298
<b>GROSS MARGIN</b>	<b>12,501,664</b>	<b>13,809,647</b>
EXPENSES		
Sales and marketing	7,429,412	6,406,281
Research and development	326,386	632,015
General and administrative	3,236,322	3,499,523
	<b>10,992,120</b>	<b>10,537,819</b>
EARNINGS BEFORE RESTRUCTURING CHARGE, IMPAIRMENT OF GOODWILL, AMORTIZATION, OTHER INCOME AND INCOME TAXES	1,509,544	3,271,828
Restructuring charge	(3,142,021)	-
Amortization of capital assets	(1,083,429)	(1,083,962)
Amortization of other intangibles	(806,010)	(2,200,697)
Other income	75,687	650,906
(LOSS) EARNINGS BEFORE INCOME TAXES, IMPAIRMENT AND AMORTIZATION OF GOODWILL	(3,446,229)	638,075
Income tax expense (Note 8)	565,156	259,158
(LOSS) EARNINGS BEFORE IMPAIRMENT OF GOODWILL AND AMORTIZATION OF GOODWILL	(4,011,385)	378,917
Impairment of goodwill	(2,235,114)	-
Amortization of goodwill, net of future income taxes of (2001 - \$116,686)	-	(1,559,649)
NET LOSS	(6,246,499)	(1,180,732)
DEFICIT, BEGINNING OF YEAR	(2,312,455)	(956,572)
Excess of purchase cost over carrying value of common shares cancelled (Note 7 (c))	(740,589)	(175,151)
<b>DEFICIT, END OF YEAR</b>	<b>\$ (9,299,543)</b>	<b>\$ (2,312,455)</b>
Basic (loss) earnings before amortization of goodwill per share	\$ (0.32)	\$ 0.03
Basic and diluted loss per share	\$ (0.49)	\$ (0.09)
Diluted earnings before amortization of goodwill per share		\$ 0.03
Weighted average number of shares used to calculate basic (loss) earnings per share	12,668,979	12,995,409
Weighted average number of shares used to calculate diluted earnings before amortization of goodwill per share		13,576,192

See accompanying Notes to the Consolidated Financial Statements.

**BRIDGES.COM INC.**  
**Consolidated Statements of Cash Flows**

	Years ended November 30	
	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (6,246,499)	\$ (1,180,732)
Items not affecting cash		
Amortization of capital assets	1,083,429	1,083,962
Amortization of intangibles	806,010	2,200,697
Non-cash portion of restructuring charge	386,050	-
Impairment of goodwill	2,235,114	-
Amortization of goodwill, net of future income taxes	-	1,559,649
Future income taxes	542,127	217,158
Changes in operating assets and liabilities (Note 9)	4,451,540	(699,639)
	<u>3,257,771</u>	<u>3,181,095</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets, net of related accounts payable	(4,644,345)	(2,735,160)
	<u>(4,644,345)</u>	<u>(2,735,160)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common shares	55,156	23,725
Shares purchased for cancellation	-	(55,470)
Shares purchased and cancelled	(1,159,235)	(816,640)
Repayment of obligations under capital lease	(134,025)	(127,753)
Advances for share purchase loans (Note 7 (d))	-	(749,900)
	<u>(1,238,104)</u>	<u>(1,726,038)</u>
<b>NET CASH OUTFLOW DURING THE YEAR</b>	<b>(2,624,678)</b>	<b>(1,280,103)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>6,952,794</b>	<b>8,232,897</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 4,328,116</b>	<b>\$ 6,952,794</b>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>		
Interest paid	\$ 43,443	\$ 50,738

See accompanying Notes to the Consolidated Financial Statements.

# **BRIDGES.COM INC.**

## **Notes to the Consolidated Financial Statements**

**November 30, 2002 and 2001**

---

### **1. NATURE OF OPERATIONS**

Bridges.com Inc. ("the Company") was incorporated on March 10, 1994 under the Business Corporations Act of Alberta and was registered extra provincially in British Columbia on December 15, 1994. The Company's principal business activity is the development, marketing and delivery of career information database products and services through the Internet and on CD-ROM.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

*(a) Basis of presentation*

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bridges.com Co. All significant intercompany balances and transactions are eliminated on consolidation.

*(b) Estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used, but not limited to, the accounting for doubtful accounts, amortization, determination of net recoverable value of assets, deferred revenue, sales returns, taxes and contingencies.

*(c) Foreign currency translation*

The functional currency of the Company is the Canadian dollar. Assets and liabilities denominated in currencies other than the Canadian dollar are translated using the rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated using the exchange rate prevailing on the transaction date. Gains or losses on translation are included in operations.

*(d) Cash and cash equivalents*

Cash and cash equivalents include highly liquid investments that are readily convertible to cash.

---

# BRIDGES.COM INC.

## Notes to the Consolidated Financial Statements

November 30, 2002 and 2001

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) *Capital assets*

Capital assets are recorded at cost less accumulated amortization. The carrying value of capital assets is reviewed periodically for any impairment in value. Amortization is provided annually using the following methods and rates:

Furniture and equipment	20% declining balance basis
Computer equipment	30% to 100% declining balance basis
Leased computer equipment	3 years straight-line basis
Online network infrastructure costs	20% to 100% declining balance basis
Leasehold improvements	20% straight-line basis

The Company reviews for the impairment of capital assets whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected future cash flows.

#### (f) *Goodwill and other intangibles*

As of December 1, 2001, the Company adopted the standard in Section 3062 "Goodwill and Other Intangible Assets", of the Canadian Institute of Chartered Accountant Handbook to be applied prospectively. Under the new standard, goodwill is no longer amortized but tested for impairment on an annual basis and the excess of the carrying value amount over the fair value of goodwill is charged to earnings. Other intangibles include acquired software and trademarks which are amortized on a straight-line basis over periods of two and three years, respectively.

At the end of the fourth quarter of fiscal 2002, following the decision to restructure the Company, and due to economic events and circumstances relating to expected growth and changes in the family of products, the Company recognized an impairment of the remaining goodwill amounting to \$2,235,114 (Note 3).

#### (g) *Revenue recognition*

The Company generates revenue through two sources: (1) information database product revenues and (2) service revenues as follows:

- (1) Information database product revenues are generated from the licensing of the right to use the Company's information database directly to end users. Service revenues are generated from consulting services related to the implementation of information database products.
-

# BRIDGES.COM INC.

## Notes to the Consolidated Financial Statements

November 30, 2002 and 2001

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) *Revenue recognition (continued)*

Revenues from information database products are earned under three types of arrangements: (1) delivery of a CD information database; (2) on-line subscription services and database access provided over the license period; and (3) both provision of CD information database and on-line subscription services.

Revenue from CD information database licences is recognized upon delivery of the CD where persuasive evidence of an arrangement exists, collection is probable, and the fee is fixed or determinable. Revenue from on-line subscription services and database access is recognized ratably over the term of the contract, typically one year. Where arrangements include the delivery of both an online subscription service and delivery of a CD information database, the Company recognizes revenue based upon external evidence of the fair value of the individual elements. This evidence is based on the price charged when the elements are sold and used separately by a customer and management's best estimate.

As of December 1, 2002, the Company will recognize revenue from all subscription products on a fully ratable basis. This is the result of the commissioning of the Company's new technical infrastructure which will give all subscribers access to on-going and topical information via the Internet.

(2) Revenues from other services are recognized upon substantial completion of service, provided the fee is fixed or determinable and collection is reasonably assured.

Revenues that have been prepaid or invoiced but do not yet qualify for recognition under the Company's policies are reflected as deferred revenues. The Company has a high rate of resubscription for products licensed annually. Renewal sales are invoiced on receipt of a customer's purchase order or other form of customer commitment. When the invoice predates the subscription renewal date, related invoiced revenue is fully deferred and becomes recognized in accordance with the product type only once the subscription renewal date is passed.

(h) *Income taxes*

Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized.

---

# BRIDGES.COM INC.

## Notes to the Consolidated Financial Statements

November 30, 2002 and 2001

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) *Income taxes (continued)*

Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

(i) *(Loss) earnings per common share*

Basic (loss) earnings per common share has been computed by dividing (loss) income applicable to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Diluted earning per share calculations assume exercise of options and warrants if dilutive, effective on their dates of issue.

(j) *Stock-based compensation plans*

The Company has a stock-based compensation plan which is described in Note 7. Under the plan, options are granted at fair value. No compensation expense has been recognized for options granted under the plan when stock options are issued to employees and directors. Any consideration paid by employees and directors on exercise of stock options is credited to share capital.

(k) *Comparative figures and year end*

Certain of the prior year's comparative figures have been reclassified to conform with current year's presentation. Subsequent to November 30, 2002, the Company changed its fiscal reporting period from a fiscal year ended November 30, to a fiscal year ended June 30, to align better with its customer buying patterns.

---

# BRIDGES.COM INC.

## Notes to the Consolidated Financial Statements

November 30, 2002 and 2001

---

### 3. RESTRUCTURING CHARGE

	Restructuring Charge	Cumulative Drawdowns		Accrued Restructuring as at November 30, 2002
		Cash	Non-cash	
Restructuring Activities				
Workforce reduction	\$ 2,237,638	\$ 404,832	\$ -	\$ 1,832,806
Excess facility costs	518,333	20,283	-	498,050
Asset writedowns	386,050	-	386,050	-
	3,142,021	425,115	386,050	2,330,856
Impairment of goodwill	2,235,114	-	2,235,114	-
	<u>\$ 5,377,135</u>	<u>\$ 425,115</u>	<u>\$ 2,621,164</u>	<u>\$ 2,330,856</u>

During the fourth quarter of 2002, the Company recorded charges of \$3,142,021 in connection with the Company's decision to reduce its workforce and close the Ottawa branch office. These charges were recorded as restructure costs. The balance of accrued restructuring charge of \$2,330,856 at November 30, 2002 is expected to be substantially drawn down by the end of November 30, 2003.

As part of this restructuring, employee termination and related costs of \$2,237,638 for approximately 42 employees associated with the Company's operation will be paid to employees. At November 30, 2002, \$404,832 has been paid for these costs.

The Company accrued charges of \$518,333 relating to excess facility costs and other costs to be incurred by the Company. At November 30, 2002, \$20,283 has been paid for these costs.

In connection with its decision to reduce its workforce and close the Ottawa branch office, the Company evaluated the ongoing value of certain assets. Based on this evaluation, the Company identified approximately \$492,168 of capital and other assets that were determined to be impaired. These assets were written down by \$386,050 to their estimated fair market value.

At the end of the fourth quarter, following the decision to restructure the Company, and due to economic events and circumstances relating to expected growth and changes in the family of products, the Company recognized an impairment of goodwill amounting to \$2,235,114.

---

# BRIDGES.COM INC.

## Notes to the Consolidated Financial Statements

November 30, 2002 and 2001

---

### 4. CAPITAL ASSETS

	November 30			
	2002		2001	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 385,931	\$ 277,689	\$ 108,242	\$ 263,415
Computer equipment	2,367,949	1,717,521	650,428	954,631
Online network infrastructure costs	9,507,499	2,399,538	7,107,961	3,211,181
Leasehold improvements	139,680	77,998	61,682	252,012
	<u>\$ 12,401,059</u>	<u>\$ 4,472,746</u>	<u>\$ 7,928,313</u>	<u>\$ 4,681,239</u>

The net book value of assets under capital lease at November 30, 2002 totalled \$52,669 (November 30, 2001 - \$208,300), net of accumulated amortization of \$399,782 (November 30, 2001 - \$244,151).

### 5. GOODWILL AND OTHER INTANGIBLES

	November 30	
	2002	2001
Intangibles:		
Acquired software (net of accumulated amortization of \$4,184,060; 2000 - \$3,486,716)	-	697,343
Acquired trademarks (net of accumulated amortization of \$289,778 and impairment of \$36,222; 2001 - \$181,111)	-	144,889
	<u>\$ -</u>	<u>\$ 842,232</u>
Goodwill on acquisition of Careerware (net of accumulated amortization of \$2,793,892 and impairment of \$2,235,114; November 30, 2001 - \$2,793,892)	<u>\$ -</u>	<u>\$ 2,235,114</u>

---

# BRIDGES.COM INC.

## Notes to the Consolidated Financial Statements

November 30, 2002 and 2001

---

### 6. COMMITMENTS

(a) *Capital and operating leases*

Minimum future payments under capital leases (secured by certain computer equipment) and non-cancelable operating leases for computer equipment, furniture and office space are as follows:

	Operating leases November 30, 2002	Capital leases November 30, 2002
	<u>                    </u>	<u>                    </u>
2003	\$ 458,074	\$ 78,298
2004	319,876	-
2005	249,974	-
2006	160,301	-
Total minimum lease payments	<u>\$ 1,188,225</u>	78,298
Less: amounts representing imputed interest at 11% to 16% per annum		<u>(4,105)</u>
Present value of net future minimum lease payments		74,193
Less current portion		<u>(74,193)</u>
		<u>\$ -</u>

(b) *Credit facilities*

On January 7, 2003 the Company negotiated and drew on a term line of credit for \$1,200,000 with the Business Development Bank of Canada. This facility bears interest at 75 basis points over the bank's floating base rate and is secured by a direct charge against online network infrastructure assets of \$1,400,000 and a general security agreement. Funds from this facility will be used for general working capital purposes.

On December 20, 2000 the Company negotiated an operating line of credit with a Canadian commercial bank to borrow up to \$3,000,000, which bears interest at 150 basis points over prime rates and is secured by a first charge and general security agreement over all assets. As of November 30, 2002, no amounts were outstanding under the facility.

---

# BRIDGES.COM INC.

## Notes to the Consolidated Financial Statements

November 30, 2002 and 2001

---

### 7. SHARE CAPITAL

(a) *Authorized*

Unlimited common shares without par value  
Unlimited preferred shares without par value

(b) *Common shares issued and outstanding*

	November 30,			
	2002		2001	
	Shares	Amount	Shares	Amount
Balance, beginning of year	12,972,750	\$ 18,220,754	13,192,250	\$ 19,643,889
Shares repurchased and held in treasury	-	-	(18,800)	(55,470)
Shares repurchased and cancelled	(302,413)	(418,646)	(431,200)	(641,490)
Share purchase loans	-	-	-	(749,900)
Stock options exercised	126,366	55,156	50,500	23,725
	<u>12,796,703</u>	<u>\$ 17,857,264</u>	<u>12,792,750</u>	<u>\$ 18,220,754</u>

(c) *Normal course issuer bid*

On February 21, 2001, the Company announced a normal course issuer bid. Under the terms of the bid the Company, during the 12-month period beginning February 26, 2001, and ending February 25, 2002, was eligible to purchase on the Toronto Stock Exchange up to a maximum of 661,713 common shares in total. As at February 25, 2002, 661,713 shares have been purchased all of which have been cancelled as at February 28, 2002.

On February 21, 2002, the Company announced its intentions to initiate a second normal course issuer bid. Under the terms of the bid the Company, during the 12-month period beginning February 26, 2002, and ending February 25, 2003, may purchase on the Toronto Stock Exchange up to a maximum of 643,378 common shares in total. The actual number of common shares which may be purchased and the timing of any such purchases will be determined by the Company. The Company intends to cancel any common shares acquired under the bid. As at November 30, 2002, 90,700 shares have been purchased and cancelled.

During the year ended November 30, 2002, 302,413 shares were purchased at an average price of \$3.79 and a total cost of \$ 1,159,235. 321,213 shares were cancelled. The excess of the carrying value of the common shares over the purchase cost, amounting to \$740,589 has been charged to deficit.

---

# BRIDGES.COM INC.

## Notes to the Consolidated Financial Statements

November 30, 2002 and 2001

---

### 7. SHARE CAPITAL (Continued)

#### (d) *Share purchase incentive program*

During the year ended November 30, 2001, share purchase loans of \$749,900 were issued for the purpose of purchasing 437,400 common shares of the Company at an average purchase price of \$1.71 per share. The loans have a maximum term of five years and bear interest at a rate of 5% per annum payable annually on December 31. Security for the loan consists of a pledge of the common shares acquired under the loan plus a promissory note in an amount equal to 50% of the value of the pledged common shares at the time the loan is called.

#### (e) *Stock option plan*

Under the Company's stock option plan, the Company may grant options to acquire common shares to directors, officers, employees and other key personnel of the Company.

The Company has options outstanding under this plan as follows:

Options	November 30			
	2002		2001	
	Common Shares	Weighted- Average Exercise Price	Common Shares	Weighted- Average Exercise Price
Outstanding at beginning of year	1,357,300	\$ 3.71	1,446,000	\$ 3.00
Granted	159,800	1.16	92,600	2.60
Exercised	(126,366)	0.44	(50,500)	0.47
Cancelled	(42,600)	3.80	(130,800)	5.29
Outstanding at end of year	1,348,134	\$ 3.71	1,357,300	\$ 3.71
Exercisable at end of year	958,266	\$ 4.07	817,800	\$ 3.53

---

# BRIDGES.COM INC.

## Notes to the Consolidated Financial Statements

November 30, 2002 and 2001

---

### 7. SHARE CAPITAL (Continued)

(e) *Stock option plan (continued)*

The following tables summarize information about stock options outstanding and exercisable at November 30, 2002:

Options Outstanding			
Exercise Price per share	Number Outstanding	Average Remaining Contractual Life (in years)	Number Exercisable
\$ 0.50	5,000	0.9	5,000
0.65	29,500	1.0	29,500
2.05	50,000	2.3	50,000
4.75	299,000	1.5	299,000
3.00	30,000	2.0	30,000
4.60	50,000	3.3	34,000
7.00	70,000	2.4	47,000
3.90	150,000	2.5	150,000
3.55	90,000	2.7	60,000
3.65	155,600	2.8	104,000
4.26	189,000	2.9	126,000
3.80	10,500	3.1	3,500
2.85	20,500	3.1	6,800
2.62	9,634	3.3	3,200
2.25	11,000	3.7	3,600
1.55	3,200	3.8	1,066
2.05	16,800	3.8	5,600
3.35	7,000	4.0	-
3.60	1,400	4.5	-
1.01	150,000	4.9	-
	<u>1,348,134</u>		<u>958,266</u>

Subsequent to November 30, 2002, the Company undertook an employee share option reset program. Under this program non-executive employees have the choice of surrendering their options. Employees surrendering their options would be entitled to receive new share options at the ratio of one new share option per two share options surrendered, issued at a strike price to be determined on June 23, 2003 based on the closing share price that day. As of the completion date, December 20, 2002, a total of 229,100 share options have been surrendered and cancelled under this program

---

# BRIDGES.COM INC.

## Notes to the Consolidated Financial Statements

November 30, 2002 and 2001

---

### 8. INCOME TAXES

The Company's income tax expense for the years ended November 30, 2002 and 2001 consists of the following:

	Years ended November 30	
	2002	2001
Current tax expense	\$ 23,029	\$ 42,000
Future tax expense	542,127	217,158
	<u>\$ 565,156</u>	<u>\$ 259,158</u>

The reported income tax expense differs from the amount computed applying Canadian basic statutory rate to the income before income taxes. The reasons for this difference and the related tax effect are as follows:

	Years ended November 30	
	2002	2001
Canadian basic statutory tax rate	37%	43%
Expected income tax (recovery) provision	\$(2,101,000)	\$ 274,372
Non-deductible portion of expenses and goodwill impairment	454,000	94,457
Capital taxes included in provision	23,029	42,000
Benefit of accrued restructuring charge not recognized	854,000	-
Benefit of losses not tax effected	399,000	-
Benefit of temporary differences not recognized (recognized)	394,000	(151,671)
Reversal of benefit of previously recognized tax assets and rate reductions	542,127	-
	<u>\$ 565,156</u>	<u>\$ 259,158</u>

Temporary differences and carryforwards which give rise to the following future income tax assets and liabilities as at November 30 are as follows:

	November 30	
	2002	2001
Future income tax assets		
Tax loss carryforwards	\$ 880,000	\$ 481,000
Deferred financing fees and other	431,000	449,000
Intangibles	1,185,000	773,000
Accrued restructuring charge	854,000	-
Valuation allowance for future income tax assets	(2,991,000)	(543,000)
Future income tax liabilities		
Capital assets	(359,000)	(617,873)
Net future income tax assets	<u>\$ -</u>	<u>\$ 542,127</u>

---

# BRIDGES.COM INC.

## Notes to the Consolidated Financial Statements

November 30, 2002 and 2001

---

### 8. INCOME TAXES (Continued)

As of November 30, 2002, the Company assessed forecasts of future taxable income to support realization of the net future income tax assets, and concluded that the certainty and timing of realization of the future income tax asset of \$1,459,771 would be unknown until a profit trend was established.

As at November 30, 2002, the Company has Canadian tax loss carry-forwards of approximately \$1,590,000, which expire on various dates between 2003 and 2009. In addition, the Company has US net operating loss carryforwards of \$840,000.

### 9. CHANGES IN OPERATING ASSETS AND LIABILITIES

	November 30	
	2002	2001
Accounts receivable	\$ 2,624,469	\$(1,431,804)
Prepaid expenses and other	33,494	(77,953)
Accounts payable and accrued liabilities	(883,198)	821,872
Deferred revenue	345,919	(11,754)
Accrued restructuring charge	2,330,856	-
	<u>\$ 4,451,540</u>	<u>\$ (699,639)</u>

### 10. FINANCIAL INSTRUMENTS

(a) *Fair value*

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities as reflected in the balance sheets approximates their respective fair values as at November 30, 2002 and 2001 because of the demand or short-term maturity of these instruments.

(b) *Credit risk*

The Company is subject to normal credit risk as it carries significant accounts receivable from many customers. Bad debt experience has not been significant. Cash and cash equivalents are held in high quality financial to mitigate exposure to credit risk.

---

# BRIDGES.COM INC.

## Notes to the Consolidated Financial Statements

November 30, 2002 and 2001

---

### 10. FINANCIAL INSTRUMENTS (Continued)

(c) *Foreign exchange risk*

The Company undertakes significant sales in United States dollars and as such is subject to risk due to fluctuations in exchange rates. From time to time the Company enters into forward exchange contracts to limit its exposure to foreign exchange risk.

As at November 30, 2002, the Company had entered into foreign exchange contracts expiring at various dates between December 2, 2002 and February 28, 2003 to sell US\$600,000. The fair value of the contracts at November 30, 2002 was approximately \$940,000. The settlement value of these contracts at maturity is approximately \$952,000, which would result in a foreign exchange charge of \$12,000.

### 11. SEGMENTED INFORMATION

The Company manages its operations in one business segment, the development, marketing and delivery of career information database products and services through the Internet and on CD-ROM. All of the Company's long-lived assets are located in Canada. The Company attributes revenue among geographical areas based on the location of the customers involved.

	Years ended November 30			
	2002		2001	
Canada	12%	\$ 2,230,536	14%	\$ 2,737,201
United States	88%	16,302,649	86%	16,787,744
		\$ 18,533,185		\$ 19,524,945

---

### 12. CONTINUITY OF DEFERRED REVENUE

The company invoices customers at the outset of the subscription or for non-subscription products, at the time of shipment. Revenue is recognized based on the nature of the product or service provided. The following is a continuity reconciling annual billings to revenue recognized:

---

# BRIDGES.COM INC.

## Notes to the Consolidated Financial Statements

November 30, 2002 and 2001

---

	Years ended November 30	
	2002	2001
Billings	\$ 18,879,104	\$ 19,513,191
Plus revenue brought forward from previous year	3,246,207	3,257,961
Less revenue deferred at the end of year	(3,592,126)	(3,246,207)
Revenue	\$ 18,533,185	\$ 19,524,945

---

### 13. RELATED PARTY TRANSACTIONS

During the year ended November 30, 2002, the Company paid \$195,165 (2001 - \$156,000) in consulting fees to the CEO who is also the chairman and a director of the Company. In addition, during the year ended November 30, 2002, the Company incurred charges of \$1,579,330 (2001 - \$170,122) relating to online network infrastructure costs (computer software and hardware of \$415,693 (2001 - \$11,254)), consulting of \$1,159,515 (2001 - \$156,320) and related expenses of \$4,122 (2001 - \$2,548) from a company related by way of a director in common.

---