

# NEWS RELEASE

## Bridges Announces Financial Results for Second Interim Period of Fiscal 2005

For immediate release February 14, 2005

Kelowna, B.C. – Bridges Transitions Inc. (TSX: BIT) today releases its financial results for the six months ending December 31, 2004. The following comments are excerpts from the Company's Interim Report mailed to shareholders and available online at [www.bridges.com](http://www.bridges.com) on February 14<sup>th</sup>, 2005.

The Company's two-year restructuring plan successfully concluded at the end of the first quarter of Fiscal 2005. As Bridges moves from that phase of its history, the Company has a new focus – the long-term growth and profitability of Bridges. To this end, the management team has developed a new strategic plan that was announced at the end of our first quarter of Fiscal 2005.

To repeat, Bridges strategic plan calls for the Company to:

**Maintain Market Share** – Bridges has long term relationships with more than 13,000 sites in the United States and Canada inclusive of approximately 30% of North American high schools. Keeping this market share is fundamental to the plan.

**Deepen Customer Relationships** – Education customers have a long and trusted relationship with Bridges. Bridges plans to deepen its relationship with these customers by offering an ever widening array of high quality products and services. In short, sell more to existing customers.

**Develop New Sources of Revenue** – Bridges' market position in North American high schools is unique. The Company believes that it can develop new revenues, directly or in conjunction with partners, in the field of workforce development and college admission services.

Bridges' strategic plan has tactical elements to accomplish each of these components. During the second quarter, the Company took definitive steps that are supportive of these strategies. These actions include:

### Market Share

- **Price Reforms** – In the second quarter, Bridges began the process of simplifying the pricing system for its legacy products and lowering prices. Both of these actions are designed to improve customer value and hold the Company's high market share.

Reducing prices takes courage. Lower prices create an immediate reduction in revenue as customers re-subscribe but it takes longer for such changes to yield the positive market share result that is Bridges' goal. In spite of this, the Company is committed to this tactical plan and committed to providing better customer value.

- **Product Updates** – In the second quarter, Bridges continued the rollout of new features for its new Choices Planner product – a product which, when complete, should leapfrog Bridges over every competitive product in the market. Unfortunately this rollout was not fault free and some customers were inconvenienced by periodic poor or intermittent service which took a significant amount of time to diagnose and repair.

The cause of the problem was a "bug" in vendor-purchased software that has now been fixed. Notwithstanding this, the Company has lost time and momentum in the rollout of this great new product. Ultimately, and with hard work, Bridges will regain the pace and the Company is confident that Choices Planner will be the flagship for achieving Bridges' market share objective.

### Deepening Revenue

New revenues, while still growing slowly, are likely to comprise 10% of our overall sales in fiscal 2005. These include:

- **Professional Services Division** – New initiatives in education together with growth in teacher retirement mean that more and more professional development will be needed by Bridges' customers. The Professional Services Division was created to meet this growing need.

This important new division made significant headway in the quarter. During this period the Company recruited, trained and equipped a North American-wide network of contract trainers. Bridges also acquired and is in the process of implementing a sophisticated learning management system. All of these steps advance the Company's ability to provide both web delivered and face-to-face training. The investment that Bridges is making in its Professional Services Division is significant and the Company has high expectations for growth and profitability. That said, education markets have long sales cycles and growth will initially be slow.

- **testGEAR™ Test Preparation Products** – The U.S. "No Child Left Behind" initiatives are continuing to guide educational demand. These initiatives increasingly require that students meet or exceed levels of achievement. To this end, many states have developed and deployed high school exit exams as well as standardized tests at various grade levels and put in place legislative requirements for both preparation and remediation. These new initiatives dovetail with the longstanding college entry tests – the SAT and ACT. Clearly these new and developing requirements are building the market for test preparation products.

Bridges testGEAR™ Pre-Collegiate (PSAT, SAT and ACT) and Skill Navigator (exit exam) versions are highly effective preparation and remediation products that can be easily deployed and managed in a school environment. Given expected market growth, Bridges is devoting significant resources towards creating testGEAR™ success in the market. But, as with all new initiatives in education, the development of this market will be slower than we would like.

### **New Revenue Sources**

- Bridges' planning process for the development of new revenue from college admissions services and workforce development is well underway but as of this writing, the Company has taken no actions in the market. By year end, the plans for this are expected to be announced.
- Bridges' overall strategy is sound and is being executed as planned. However, financial outcomes resulting from this plan will take well into Fiscal year 2006 to become evident. During the interim, the Company asks our shareholders for their continuing support and patience while we continue our work.

### **BRIDGES TRANSITIONS INC.**

Consolidated Interim Financial Statements – Six Months Ended December 31, 2004

Balance Sheets (unaudited)

	December 31 2004	June 30 2004
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 4,848,654	\$ 4,250,069
Accounts receivable	1,337,944	3,549,827
Prepaid expenses and other	858,632	501,146
Deferred costs	381,628	647,083
	7,426,858	8,948,125
Restricted cash	200,000	200,000
Property and equipment	2,308,813	2,663,385
	\$ 9,935,671	\$ 11,811,510
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 1,492,241	\$ 2,613,384
Accrued restructuring charge	263,973	511,012
Current portion of long-term debt	332,822	340,800
Deferred revenue	7,691,458	7,540,847
	9,780,494	11,006,043
Long-term debt	441,038	662,200
	10,221,532	11,668,243
<b>(DEFICIENCY IN ASSETS) SHAREHOLDERS' EQUITY</b>		
Common stock	35,537	17,690,721
Contributed surplus	37,123	85,584
Deficit	(358,521)	(17,633,038)
	(285,861)	143,267
	\$ 9,935,671	\$ 11,811,510

**BRIDGES TRANSITIONS INC.**

Consolidated Interim Statements of Operations and Deficit (unaudited)

	Three months ending December 31	Three months ending December 31	Six months ending December 31	Six months ending December 31
	2004	2003	2004	2003
REVENUE	\$ 3,421,722	\$ 3,634,791	\$ 6,661,289	\$ 6,533,458
COSTS OF REVENUE	1,464,800	1,200,621	2,715,775	2,459,955
GROSS MARGIN	1,956,922	2,434,170	3,945,514	4,073,503
EXPENSES				
Sales and marketing	1,103,739	1,252,071	2,333,559	2,370,986
Research and development	145,283	70,742	238,354	138,439
General and administrative	449,543	454,267	968,545	883,934
	1,698,565	1,777,080	3,540,458	3,393,359
EARNINGS BEFORE RECOVERY OF RESTRUCTURING CHARGES, AMORTIZATION, FOREIGN CURRENCY EXCHANGE AND OTHER LOSS AND INCOME TAXES	258,357	657,090	405,056	680,144
Recovery of restructuring charges	74,796	-	74,796	-
Amortization of property and equipment	(181,795)	(417,832)	(363,860)	(818,635)
Foreign currency exchange and other loss	(54,626)	(79,079)	(278,099)	(114,724)
INCOME (LOSS) BEFORE INCOME TAXES	96,732	160,179	(162,107)	(253,215)
Income tax expense	2,114	-	3,876	-
NET EARNINGS (LOSS) FOR THE PERIOD	94,618	160,179	(165,983)	(253,215)
DEFICIT, BEGINNING OF PERIOD	(17,884,188)	(14,575,875)	(17,633,038)	(14,171,932)
Capital reduction	17,633,038	-	17,633,038	-
Interest on shareholder loans	9,451	9,533	18,902	19,004
Excess of purchase cost over carrying value of common shares cancelled	(211,440)	-	(211,440)	-
DEFICIT, END OF PERIOD	\$ (358,521)	\$ (14,406,143)	\$ (358,521)	\$ (14,406,143)
Basic earnings (loss) per share	\$ 0.01	\$ 0.01	\$ (0.01)	\$ (0.02)
Diluted earnings per share	\$ 0.01	\$ 0.01		
Weighted average number of shares used to calculate basic earnings (loss) per share	11,875,110	12,141,403	11,939,534	12,158,331
Weighted average number of shares used to calculate diluted earnings per share	12,182,610	12,144,482		

**BRIDGES TRANSITIONS INC.**Consolidated Interim Statements of Cash Flows  
(unaudited)

	Three months ending December 31		Three months ending December 31		Six months ending December 31		Six months ending December 31	
	2004		2003		2004		2003	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Earnings (loss) for the period	\$	94,618	\$	160,179	\$	(165,983)	\$	(253,215)
Items not affecting cash								
Amortization of property and equipment		181,795		417,832		363,860		818,635
Non-cash portion of restructuring (recovery) charge		(74,796)		-		(74,796)		31,908
Stock-based compensation		11,782		-		20,742		-
		213,399		578,011		143,823		597,328
Changes in operating assets and liabilities:								
Accounts receivable		1,772,088		1,765,517		2,211,882		1,948,108
Prepaid expenses and other		35,476		(22,868)		(357,486)		(55,788)
Deferred costs		26,628		-		265,455		-
Accounts payable and accrued liabilities		(23,487)		36,382		(1,103,865)		(536,464)
Deferred revenue		(1,029,846)		(812,930)		150,611		2,092,145
Accrued restructuring charge		(25,773)		(209,175)		(172,243)		(625,612)
		968,485		1,334,937		1,138,177		3,419,717
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>								
Purchase of property and equipment, net of related accounts payable		(80,015)		(10,001)		(95,681)		(37,928)
Proceeds on sale of property and equipment		-		2,255		-		10,755
		(80,015)		(7,746)		(95,681)		(27,173)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Issuance of common shares on exercise of stock options		233		-		1,637		65
Shares purchased for cancellation		(20,260)		-		(20,260)		-
Shares purchased and cancelled		(69,574)		(35)		(284,165)		(32,423)
Interest on shareholder loans		9,451		9,553		18,902		19,004
Repayment of obligations under long-term debt		(88,025)		(72,000)		(160,025)		(72,000)
		(168,175)		(62,482)		(443,911)		(85,354)
<b>NET CASH INFLOW DURING THE PERIOD</b>		720,295		1,264,709		598,585		3,307,190
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>		4,128,359		4,458,708		4,250,069		2,416,227
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$	4,848,654	\$	5,723,417	\$	4,848,654	\$	5,723,417
<b>Supplemental Cash Flow Disclosure:</b>								
Interest earned	\$	25,928	\$	29,926	\$	43,743	\$	46,068
Interest paid	\$	17,477	\$	19,135	\$	28,948	\$	39,550
Income taxes paid	\$	2,114	\$	-	\$	55,060	\$	-

**About Bridges**

Bridges is a leading provider of products and services used by schools, universities and agencies to help people achieve education and career success. Over 13,000 schools and agencies use Bridges' products and services. Bridges serves the needs of millions of people seeking educational or career planning assistance. For more information, visit <http://www.bridges.com>. The Company is listed on the Toronto Stock Exchange under the symbol: BIT.

**Forward-Looking Statements**

The foregoing includes forward-looking statements which are based on management's beliefs as well as on a number of assumptions concerning future events made by and information currently available to management.

These forward-looking statements relate to, among other things, plans and timing for the introduction or enhancement to the Company's services and products; customer demand for its products and services; expectations concerning future revenue and earnings; control of costs and expenses; loss of key employees; stock market volatility; changes in laws and regulations; Bridges' ability to compete successfully and adapt to technological advances and changing industry standards; currency exchange rate fluctuations; economic, political, and other risks associated with international sales and operations; U.S. government regulation; price and product competition; the ability to implement in a timely manner the Company's restructuring plans; the ability to form and implement alliances, and other factors and risks.

All forward-looking statements in this news release are based on management's reasonable beliefs, intentions, and expectations with respect to future events and are subject to certain risks, uncertainties, and assumptions as of the date of this release. In light of the many risks and uncertainties, readers are cautioned not to put undue reliance on such forward-looking statements which are not a guarantee of performance and are subject to a number of uncertainties and other factors -- many of which are outside of Bridges' control -- that could cause actual results, performances or achievements of Bridges to differ materially from any future results, performances or achievements expressed or implied by such forward-looking statements. The Company cannot give assurance that the forward-looking statements contained in this news release will be realized. Bridges assumes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

**CONTACT: Norm Thompson**, VP Corporate Development  
Bridges Transitions Inc. Tel: 250-869-4200 or 1-800-281-1168 or E-mail: [nthompson@bridges.com](mailto:nthompson@bridges.com)