

REPRESENTATIVE PROJECTS DELIVERED

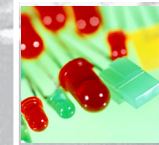
- STOCK INTEGRITY TESTING for a leading Canadian **discounter**.
- SPECIALIZED RECRUITING at a global **engineering** firm.
- COMPETITOR INTELLIGENCE and global acquisition targeting for a renown **toy manufacturer**.
- TREND AND IMPACT ANALYSIS governing changes in national market positioning for a leading **financial services** provider.
- R&D PORTFOLIO ANALYSIS across a major **automotive components manufacturer**.
- BUSINESS PLANNING SUPPORT for the HVAC division of a leading North American **consumer products and services conglomerate**.
- WEBSITE ANALYSIS AND COMPARISON against major telecom players for a Canadian **media** giant.
- OPPORTUNITY SCAN in the wireless systems market for a European **security** company.
- SITUATIONAL ASSESSMENT governing branding, merchandising, and global sourcing for a preeminent Canadian **retailer**.
- CURRENT STATE ASSESSMENT of laboratory operations at a renown international **health science** research company.
- PEER INTELLIGENCE GATHERING of key sales and operational metrics for an American **apparel manufacturer and retailer**.
- Lending platform SOFTWARE ASSESSMENT for a U.S. regional **retail bank**.
- BUSINESS AND ASSET VALUATION governing potential acquisitions for a North American **retailer**.
- PROCESS MAPPING AND OPTIMIZATION governing procurement activity across a global **luxury resort and hotel chain**.
- PROJECT SUPPORT integrating a Canadian **insurance** provider's existing software with real-time financial information.
- IMPLEMENTATION MANAGEMENT specific to a productivity and performance improvement program at a remote hard rock **mine**.
- OPTIMIZATION of expense management processes at a leading **retailer**.
- CURRENT-STATE REVIEW AND NEEDS ASSESSMENT governing underwriting practices at a national **insurance** provider.
- The development of REUSABLE TOOLS AND METHODOLOGIES for a provincial **utility**.
- WEATHER RISK MITIGATION across a multi-brand **retailer**.

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2002 EFF

Year-End Report



sbr global

Professional Services Sector Dynamics

2002 was the sector's third consecutive year of poor performance. With the economy flat, clients remained in cost-control mode. The consequent overhang in capacity triggered significant price pressures and layoffs. Increased competition and continued consolidation witnessed segment-based repositioning defined by the relative value-add of proprietary IP offered by each firm. Practices were sold at all-time lows—typically 0.7 times revenue. Sales for the largest firms fell 20% with operating revenue down often twice this rate.

A pessimistic near-term outlook sweeps across the \$118B global consulting market. Amidst the slump, smaller MSA and niche-based firms are expected to fare better than those whose revenue exceeds \$50M.

Corporate Overview

Operationally, SBR finished 2002 its strongest ever—with all facilities built and the highest year-end backlog of record. The business was ranked by *Profit 2002* as Canada's 164th fastest growing company for the period 1996–2001; SBR was one of but a handful of self-funded companies that has placed in the top 200 for 3 years running. 2002 witnessed over 75,000 hours of SG&A devoted to operations and building out business development. Over \$3.5M has been reinvested in infrastructure since 2000; financial returns on this effort will be realized in 2003-2005.

The business remained focused on the following tactical shifts—

- from an entrepreneurial to professionally managed business;
- from a hyper-growth culture to one of retrenchment;
- from positioning in a vibrant up-cycle professional services market to one amidst continued recession and sector consolidation;
- from equity creation and preservation hinged to aggressive business development, to a focus on front-line operational excellence.

GWA-based work represented 5% of the business' volume and was completed for major resource, software development, and retail banking interests. SBR's legal and political lobby practice met with heads of state in Washington and South America.

Business Development

With over 12 staff, BizDev absorbed 54% of overhead activity. 1,500 sales presentations were made, 125 proposals delivered, 20 full literature suites were reset, 6 additional services launched, 8 new marquee accounts landed. With the year's mailings exceeding 8,000 pieces, some 6,000 business managers were directly contacted in SBR's GTA metro market alone. The Biz Dev unit also set records for sales appointments delivered per month and bookings per week. A sales quota and commission program was established and the telemarketing unit was reset 3 times during the year. Sales literature P&P was developed and construction of a professional development series for sales support staff was brought to close.

Human Resources

4,300 hours of SG&A activity were devoted to HR whose major emphasis remained recruiting. Staff layoffs exceeded 20 professionals across both operating lines and functional units. HR departmental headcount fell from 4 to 1 by YE. Incoming candidate screening credentials were maintained with only the top 5% in terms of intelligence testing permitted to interview. 7,000 applications were received, 575 interviews were conducted, and 40 staff hired at an offer-to-close rate exceeding 80%.

Admin Services

12,000 hours of admin support sustained the business in such areas as standards, IT, and accounting. Over 33,500 job costing entries were made, 13,000 time tickets processed, and some 60 cost centres managed. The unit generated sufficient revenue to cover its basic operating expenses. Admin worked closely with SpecOps in such areas as—facility leasing, security, asset management.

Facilities Management

Seven floors of SBR's Graeme Building in downtown Toronto were occupied by YE. Offices were retained at all 5 Toronto and Washington locations. The reclassification of several key locations to top secret clearance continued. Some 38K s.f. are fully fixtured, furnished and equipped capable of accommodating over 200 professionals. Leasing of fully-serviced and furnished premises continued, making this among the businesses' most profitable areas of activity for the year.

BUSINESS UNIT ACTIVITY

Merged Operations

With reductions in operational complement, 2 locations were reset as lines-of-business within other SBUs—

- DECISION SUPPORT SERVICES/DSS retained its focus on bundled market intelligence (supply and demand side), strategic and operational planning, research, facilitated services.
- FINANCIAL SERVICES GROUP/FSG representing 30% of revenue continued its focus on banks, regulators, and life insurers.

In Q4, both LOBs were placed within the OSS charter together representing 18% of YE revenues.

Command, Control, Communications, Computers, Cybernetics, Intelligent Systems / C³

Spun from the IETS portfolio in Q4, C5I directly supported 40% of YE backlog, and 55% of Q4 revenue. A record 14 active cost centres remained on-the-books YE across retail, banking, and insurance interests. The unit continues its heavy engineering focus with an increasing volume of its business US-based.

Industrial Engineering and Technical Services / IETS

IETS remained the company's fastest growing SBU. From a cold start in 00Q4, IETS and its offshoot C5I came to generate 62% of corporate revenue in FY02. Perhaps the greatest tribute to this accomplishment rests in that over 90% of this volume was generated through referrals or project extensions. Performance was further highlighted by the following—

- current and former IETS personnel won over 80% of all staff awards;
- the unit maintained the lowest staff turnover of any SBU or SBA for the second year running;
- IETS delivered the highest number of validated recommendations, the greatest number of account strategies, and the highest customer ratings of any unit.

Major accounts included leaders in the retail and biotech sectors.

Operations Support Services / OSS

OSS had a troubled year. The SBU delivered 14% of corporate revenue down 70% from the year previous. Over 5,000 non-billable hours were absorbed by the unit.

OSS finished 2002 with new leadership. Elements that made OSS a powerhouse in the past are being reinforced including standard team configurations, high-end production capability, staff development, heightened logistics and research. OSS' practice focus remains process engineering, project management, and business analytics. Sector emphasis is directed to—food and beverage, banking, P&C insurance, public sector interests.

10-Point Objectives for 2003

- \$7.5M revenue (GTA operations only);
- 9+ customer assessments, all accounts;
- 75 FTE;
- <10% preferred staff churn, all positional bands;
- <\$200K uncompensated overruns;
- \$5M new business sales, 50% close rate;
- 9+ audit level;
- 10 special infrastructure projects;
- 70%+ utilization rate (1 SG&A : 3 FTE);
- 10% increase across all staff performance levels.