

REPRESENTATIVE PROPOSALS

- Process optimization, including detailed process redesign from concept through to implementation, for "Big Five" Canadian financial institutions;
- Opportunity scan for an electrical components manufacturer revealing the structure, size and active players in the telecom power equipment services market;
- Market and competitor intelligence survey for international engineering and environmental services provider;
- Competitor intelligence study focusing on main competitor operating costs for world-leading aerospace manufacturer;
- PMO support and redesign of metropolitan electrical utility's planned capital work activity processes;
- Vertical market intelligence study for metropolitan gas supplier, entailing detailed intelligence on three energy-consuming sectors;
- Review, evaluate and make recommendations governing current state of network security systems for global biomedical interest;
- Facilitation support for a North American utility's business transformation initiative;
- M&A support and market intelligence study to enhance the market position of large plumbing and heating manufacturer;
- Process mapping and engineering of accounting processes governing the electronic transfer, receipt and approval of POS and invoices for the real estate management division of one of Canada's largest insurance companies;
- Project management support for international pharmaceutical developer and manufacturer;
- In-depth needs analysis, project planning and project management support, process documentation and software training, for electrical utility;
- Security audit to enhance the overall integrity of network systems for a global health sciences interest;
- PMO/strategic planning support for roll out of functional unit at a leading Canadian long distance and internet service provider;
- Stochastic financial modeling based on identifiable variables and applied simulations to financial sectors for a leading Canadian mining firm;
- Process mapping for worldwide luxury hotel chain;
- Comprehensive web site analysis for a Canadian cable TV and internet service provider;
- Account strategy aimed at assembling information from various sources and levels of intelligence for the transportation provider of a major North American retail clothing chain.

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1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000

Q1

Interim Report
For 3 months ending
March 31st, 2001

2001

S·B·R
GLOBAL™



CONTEXT

Speculation on the direction of the US economy finally ended early in 2001. Leading indicators now point to one of the most dramatic economic reversals in US history. The January 27th issue of *The Economist* summed up the sentiment with a cover story proclaiming "The Party's Over."

SBR's Greater Washington Area market has begun to feel the effects of the recession with overcapacity in the high-tech/telecom sector, sinking share values, and dot.com bankruptcies. Despite the abruptness of the US economic slowdown, the Canadian economy has been buoyed by exports in raw materials, production of oil and gas, and relatively stable levels of consumer confidence. However, a decline in manufacturing shipments has confirmed the impact of the US slowdown on the Canadian economy; growth in SBR's Greater Toronto Area market is expected to settle at 3.8% in 2001 compared to 5.7% in 2000.

Perhaps the clearest evidence of a recession can be found in the variety of requests for proposals to which SBR has responded. In the first quarter, companies have begun to commit themselves to market repositioning and cost-effectiveness plans designed to stabilize bottom line deterioration. Competitor intelligence and cost-cutting strategies are also dominating corporate management agendas.

BUSINESS UNIT ACTIVITY

Financial Services Group / FSG

FSG's projects involved systems integration and project management mandates. Clients expressed great interest in the areas of credit quality and process assessments, as well as portfolio risk assessments. Earnings and cash flow "stress testing" is also emerging as a focal point on the agendas of CFOs. The recent volatility in securities values, commodity prices and exchange rates is increasing the importance of accurate reporting practices, risk management and sensitivity analysis. FSG ended the quarter by conducting ongoing project management support for a major Canadian insurance company and select analysis and support related to the construction of a business and financial plan for a major US interest in Taiwan.

Decision Support Services / DSS

DSS closed out the quarter by completing its hybrid legal support to a Canadian financial services firm. This major project entailed the formulation of an expert opinion on the defensibility of cost-allocation methodologies in resolving a dispute with one of the client's chief tenants. DSS also completed a vertical market analysis for a telecom software developer, a best-practices study for a multinational engineering firm, and an acquisition targeting study for a Canadian steel manufacturer.

CORPORATE OVERVIEW

Historically the weakest quarter for many industries, Q1 was a time of retrenchment and restructuring for SBR. A strategic review of the company's HR portfolio led to a selective reassignment of redundant skills. Recent hires will extend the company's capabilities in the systems and software, ERP and outsourced project management business areas.

During the quarter, SBR launched two new service lines. Through its China Services, the company will offer facilitation support for North American companies exploring investment and expansion opportunities in Asia. This service area met with immediate interest from a US environmental services firm looking to expand its operations in China. SBR also introduced a line of recession-proofing services designed to strengthen businesses as they prepare to withstand the economic downturn.

SBR ended the quarter by developing important new business relationships in the health sciences, utilities and telecommunication sectors. Business from new client relationships represented over 50% of revenues for the quarter. The company also made important inroads into the public sector, which is expected to provide a new roster of customers throughout the remainder of the year.

Operations Support Services / OSS

OSS successfully completed a process design and optimization project involving customer requests at a major utility. It also won an extension on an existing contract for another metropolitan utility with the build out of a vertical sector toolkit. The OSS team was also involved with datamart roll-out work for a telecom equipment manufacturer, maintaining its presence despite significant decreases in that firm's global staffing levels. The current move toward deregulation and market liberalization among utilities continues to present ample opportunities for OSS. The SBU was one of only three vendors invited to quote on the management of the amalgamation of five MEUs.

Industrial Engineering and Technical Services / IETS

During the quarter, the IETS team continued to provide process and systems improvements for a major Canadian retailer. The unit also assisted with the development of global sourcing merchandise strategies for an apparel retailer. Firms in various sectors have begun to show interest in IETS's capabilities. The unit was invited to submit a proposal to a previous customer in the biopharm sector relating to administrative initiatives at its laboratory facility. It was also asked to propose on the development of a sample tracking system for a major Canadian retail chain.

STRATEGIC BUSINESS AREAS

The Human Resources practice continued to generate revenue with recruiting projects in the financial services and health sciences sectors. A recruiting engagement for a major software developer continued into the new year from 2000. The unit also continues to conduct selective recruiting campaigns based on the strategic requirements of the company. The HR department's own headcount stabilized.

Administration Services focused on 00YE closure and continued to provide the business with essential contract administration, project support, audit and finance functions.

Q1 was a period of sustained effort for Business Development, which redoubled its efforts to develop new customer relationships. The unit sent out over 1,500 pieces of promotional material. The Marketing and Proposal Unit witnessed the arrival of new management and staff in preparation for an anticipated increase in activity in Q2.

The company also launched its Corporate Design Unit. The CDU's activities during Q1 entailed a review of SBR's own business development and corporate literature. It is expected that this unit will roll out as a separate SBU by mid-year and will offer customized business presentations and corporate literature development.

Command, Control, Communications, Computer Systems, Cyborg & Information / C⁵I

SBR reintroduced and reset its C⁵I unit. The unit rolled out a new line of network security services, which includes risk analysis and network penetration testing. The SBU's development of its new INFOSEC Risk Technologies was an immediate success. The team was contracted to conduct a network security audit and systems evaluation for an international pharmaceutical interest in an effort to validate and enhance overall network security. During the network risk analysis, the team scored a direct hit, discovering an intruder hacking into the firm's network. C⁵I identified and sealed the hacker's access point. Extension work for this client will likely continue through to the beginning of Q3.

Competitive Productivity Services / CPS

During the quarter, CPS wrapped up an extensive project for a global security services provider. The unit also rolled out two productivity management services and a new operational audit methodology. The Cost and Value Productivity Management solutions represent over 20 years of cumulative knowledge garnered from management practices in the manufacturing and high-tech fields. CPS continued to rely on its network of contractors and experts in support of the highly specialized nature of its assignments.