

REPRESENTATIVE PROPOSALS

- SYSTEMS ENGINEERING for a Canadian energy producer involving optimization, best practices and a current state assessment.
- NEEDS ASSESSMENT AND SITUATION DIAGNOSIS regarding an e-commerce strategy for a large international auto parts supplier.
- STRATEGIC SUPPORT for a Canadian agricultural company to respond to challenges of overcapacity and globalization in its industry.
- FACILITATED SESSION to initiate a joint venture within the telecommunications sector.
- BUSINESS TURNAROUND SUPPORT for a Canadian mining interest in need of reorganization.
- MARKET RECONNAISSANCE AND OPPORTUNITY SCAN of the US banking industry for a Canadian software developer.
- COMPETITIVE STRATEGY DEVELOPMENT for the consolidation of an electrical parts manufacturer's branding and product lines in the North American market.
- RESOURCE SUPPORT to the datamining and financial modeling activities of a major food producer.
- WEB SITE INTELLIGENCE for a number of players in the Canadian telecommunications and media sector.
- PMOS for a major Canadian retailer governing the installation and deployment of an internal systems rollout.
- BENCHMARKING STUDY of reporting standards and best practices for a Canadian utility company.
- DEVELOPMENT OF A TRAINING PROGRAM for a software company, including courseware modules and manuals, to support sales techniques and installation practices.
- PROCESS MAPPING for the installation of an enterprise software solution in an Ontario hospital.
- PROJECT SUPPORT SERVICES for a major Canadian cable, internet and wireless provider to coordinate new marketing and product initiatives.
- PROJECT PLANNING, PMO SETUP, PROCESS DESIGN and related documentation for a major Canadian real estate interest.
- DATAMINING AND FINANCIAL MODELING SUPPORT on internal projects for an international food and beverage company.

ARMOURY PLACE

- *Cost and Productivity Services (CPS)*
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Q2

Interim Report
For 3 months ending
June 30th, 2001

2001

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



S·B·R
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CONTEXT

Despite aggressively expansionist cuts in interest rates and taxes, the American economy has stalled. Q1 growth was at 1.3%, while industrial production fell by 2.8%. Consumer confidence began to flag as unemployment rose and equity markets tumbled. The GWA felt the effects of the slowdown, but had some cushioning from the still strong defence, aerospace and bio-tech sectors.

The Canadian economy has not yet followed the US slump. Growth is above US figures, with the job market marginally better. Consumer confidence is stable, as is the housing market. Nevertheless, corporate investment and profits have fallen, and declining US exports have spurred a contraction in the manufacturing sector. The GTA, with its autoplex, financial services and IT emphasis, has been hard hit. There still exists considerable downside risk—the sustainability of consumer confidence and the depth of the US industrial contraction remain uncertain.

The slowdown began to hit most professional services firms in 00Q3. The largest providers have dropped staff by 10-20%. Meanwhile, clients are displaying a more cautious approach to corporate initiatives, and the service emphasis has changed to focus on retrenchment, cost-cutting, asset recovery and financial turnaround.

BUSINESS UNIT ACTIVITY

FINANCIAL SERVICES GROUP

FSG leveraged its presence in the GWA, delivering a risk assessment and strategic plan for a metal recovery company's entry into the Asian market. In Canada, the unit maintained its profile among leading financial institutions, rolling out a comprehensive balanced scorecard for a major life insurer. Other projects included an ERP-linked database for a food services company and a financial review for a restaurant developer.

With a change in senior staffing at the start of the quarter, FSG has developed particular expertise in the restructuring and recovery of under-performing assets. The unit is currently working the turnaround of a specialty mining company with interests in the US and Switzerland.

DECISION SUPPORT SERVICES

DSS was reset during the quarter. Project work included a competitive and market position analysis for a long-established agricultural processing company, producing recommendations to meet the challenges of overcapacity and globalization in its industry. DSS is currently engaged in an international trade policy review of the agricultural sector for a government ministry. Q3 work is expected to focus on the public sector, as well as on strategic planning, market intelligence and restructuring in the contractionary business climate.

CORPORATE OVERVIEW

In Q2, SBR focused on corporate strengthening and on expanding its business development unit. Both initiatives have begun to generate significant internal returns.

Business Development was reorganized into distinct telemarketing, field sales, proposal and marketing units. Sales activity was refocused, with materials recalibrated towards higher-demand services. Recession-proofing, cost-cutting, asset recovery and financial turnaround initiatives were launched, to match changing customer requirements.

Internally, corporate programs for change management, business lead identification, proposal streamlining, and in-house training were launched. Overall headcount decreased slightly, while critical infill and strategic hiring continued.

The six operating units, two of which are less than a year old, moved to a more flexible operating style to permit staff secondments and open-ended resourcing for changing project requirements. Several units deepened their expertise in high-demand areas—particularly public policy analysis, retail processes and asset workouts. In addition, SBR extended inroads into the pharma, retail and health sciences sectors, as well as the public sector. After 6 months of effort, SBR now maintains project beach heads in several government ministries.

STRATEGIC BUSINESS AREAS

HUMAN RESOURCES: HR focused on strategic infill hiring and on its growing external practice. The unit supported a recruitment drive for a pharmaceutical company and executed projects in the IT sector. Internally, HR effected several senior staff changes and landed 7 staff.

SALES: A dramatic doubling of telemarketing resources enabled the unit to break previous records in the number of appointments booked. Over 550 sales calls were scheduled in Q2, despite the economic slowdown, while relationship business grew as a proportion of backlog. The unit also undertook a process-mapping exercise to improve performance and ROS.

MARKETING AND PROPOSALS: Proposal numbers kept pace with 00Q2, while the average value per bid increased. The proportion of successful bids declined, reflecting the professional services sector slowdown. To counteract this trend, the unit recalibrated its marketing materials and focused on customer targeting. Internally, the unit concentrated on training and on streamlining the proposal cycle.

ADMINISTRATIVE SERVICES: As part of the business reset, a series of cost-cutting initiatives was launched. Headcount was reduced, internal reporting was streamlined, and major blocks of company IP were consolidated.

OPERATIONS SUPPORT SERVICES

OSS experienced high utilization, strong revenues and an influx of new business during Q2. A project for a global equipment manufacturer that integrated worldwide financial data into a complex warehousing system was successfully concluded. Continuing projects included strategic alignment for a telecom firm and the expansion of a nationwide sales force for a pharmaceutical company.

OSS was also involved with a telecom provider and a leading financial institution to support problem management and change control processes during the installation of a call centre technology platform. Other ventures included an environmental scan for a provincial government ministry, which was briefed to the minister.

COMMAND, CONTROL, COMMUNICATIONS, COMPUTERS, CYBERNETICS, INTELLIGENT SYSTEMS

C³I's run-on projects included the successful conclusion of a network security audit for a generic drug manufacturer, in the course of which the project team identified and shut down a hacking attempt in progress. The client's enthusiastic performance review is expected to generate repeat and referral business, in conjunction with a newly-launched sales campaign targeted to information security needs.

INDUSTRIAL ENGINEERING AND TECHNICAL SERVICES

IETS posted impressive performance in the retail and health sciences sectors. The unit extended existing projects to achieve utilization rates of over 80%. IETS continued to develop its expertise in the retail sector—in addition to IT support and ERP projects, the unit developed a series of specialized retail tools for assortment planning, monitoring and control. In the health sciences sector, IETS assisted clients with the development of an integrated test scheduling process. This involved rolling out performance measurements and balanced scorecards in both R&D and vaccine-producing laboratory environments.

IETS set records across several corporate programs including—recommendation development and business lead identification. Both programs are being commercialized.

COST AND PRODUCTIVITY SERVICES

CPS concluded an assignment for a telecom services provider which entailed a review of the client's website at the technical, design, and tactical levels. The website was re-launched based on the project team's benchmarked appraisal. CPS staff also provided critical infill support to projects in other units, including a turnaround project led by FSG and a management process support project led by OSS. The unit continues to expand its presence in the manufacturing sector.