REPRESENTATIVE PROPOSALS

- PROJECT MANAGEMENT for a global leader in the research, design and production of **mass spectrometers**.
- FEASIBILITY STUDY AND PILOT governing **in-store kiosk sales**.
- SEGMENT ASSESSMENT within the **home appliance market** for a multi-channel retailer.
- PRIVACY LEGISLATION COMPLIANCE across a national chain of **medical laboratories**.
- PROCESS MAPPING governing **HR procedures** within a diversified international bank.
- VENDOR SELECTION SUPPORT for a leading **telecom carrier**.
- SECURITY PRACTICES and procedures across **nuclear power generation facilities.**
- FACILITY RELOCATION for a **ball-bearing manufacturer.**
- PROCESS ENGINEERING & COST ANALYSIS for a purveyor of **entertainment services.**
- PROCESS ENGINEERING for a **financial services conglomerate.**
- PROGRAM OFFICE BUILD-OUT at a **U.S. commercial banking** franchise.
- FLYER DEPLOYMENT OPTIMIZATION for a national **drug store** chain.
- ORGANIZATIONAL STRATEGY at a major **North American bank.**
- COMPETITOR INTELLIGENCE targeting global **credit card** operations in a national market.
- TOURISM SECTOR ASSESSMENT AND DEVELOPMENT for a **Middle East government.**
- LOBBY SUPPORT to a leading payment solutions organization related to **SmartCard deployment.**
- CATALOG MARKET STRATEGY for a **book manufacturer.**
- AGRICULTURAL SECTOR POLICY REVIEW and benchmark study for a **Middle East government.**
- PROCESS ANALYSIS surrounding the product launch cycle at a **nutritional supplement manufacturer.**
- ONLINE OFFERING ASSESSMENT AND BENCHMARK COMPARISON for a national **media and telecommunications** provider.
- COMMUNICATION PLAN DEVELOPMENT at a national **telecom** interest.
- SALES QUALIFICATION specific to marketing efforts at a North American **publishing house.**
- PRODUCT RISK ASSESSMENT for a global **P&C insurer.**
- BENCHMARK STUDY for a provincial **government.**
- PROJECT MANAGEMENT OFFICE SUPPORT specific to **systems access ID security.**

D:\SBA_BIZDEV\2-LIT\2-9 SPECIAL.LIT\QRTLYRPT\2003\Q2.P65\030806.4\LA-SAB-SR

LOCATIONAL LISTING

- **The Graeme Building**
  Head Office
  14 College Street
  Toronto, Canada M5G 1K2
- **Armoury Place**
  173-177 Queen Street East
  Toronto, Canada M5A 1S2
- **Bradley House**
  191 John Street
  Toronto, Canada M5T 1X3
- **Sirahk House**
  The Annex
  86 Lowther Avenue
  Toronto, Canada M5R 1E1
- **Georgetown**
  3709 S Street NW
  Washington, D.C.
  U.S.A. 20007-2116

CONTACT LISTING

- ***Business Development***
  416.962.7500/fax 7505
- ***Corporate Development***
  202.342.7500/fax 9295
- ***Decision Support Services/DSS***
  416.351.7500/fax 7501
- ***Enterprise Services***
  416.513.9500
- ***Facilities Management***
  416.596.9500
- ***Financial Services Group/FSG***
  416.591.7500/fax 7501
- ***Industrial Engineering and Technical Services/IETS***
  416.850.7500/fax 7501
- ***Operation Support Services/OSS***
  416.596.7500/fax 7501
- ***Organizational Development/HR***
  416.962.7500/fax 7503
- ***New Business Initiatives/NBI***
  519.342.7500/fax 7501
- ***Systems Engineering/C5I***
  416.366.7500/fax 7501

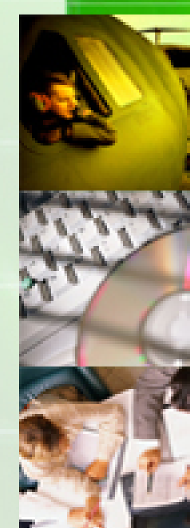
416.591.0000
www.sbr-global.com

Q2

sbr global

2003 interim report

apr-jun



CONTEXT

America has become a serial bubble-blower—equities, real estate, hedge funds, and now bonds. Despite the late-90s equity boom having created some of the worst excesses ever, the current recession is among America's mildest. So the excesses remain; the worst is not over although optimists claim the U.S. is primed for rebound.

At the moment most companies are at best paralyzed and at worst still cutting back. Since January, American employers have dropped 525,000 jobs—a quarter of the jobs lost over the last 2 years. The U.S. remains amidst its longest manufacturing recession since the Great Depression. A $2B daily infusion of foreign capital was needed throughout Q2 to prop America up—the U.S. is now the world's largest debtor nation owing some $3T. In Q2, U.S. home sales declined with mortgage applications down 9%; foreclosures reached a record 10-year high. Commercial vacancy rates have hit 16%—the worst in over a decade with some major centers in excess of 20%. Revenue for the biggest *Fortune 500* companies sank 6% in 2002. ROI among the top 500 was 1¢ on the dollar. Together, 97 *Fortune 500* companies lost $140B in 2001, $295B in 2002.

The Canadian economy is no better. The weakening auto sector, SARS-related havoc wreaked on tourism, excessive inventory overhang, sputtering U.S. demand (which absorbs 85% of Canada's exports), and the rising U.S. dollar bode ill. While economic fundamentals slide consumer confidence remains upbeat. Households have adjusted far less than companies to the '90s bubble burst. Over the last 2 years it has been consumer borrowing (credit cards, auto loans, mortgages, home equity loans) and its associated spend that have saved the economy. However the party is over as unemployment levels climb and interest rates turn up. While the investment shift from equities to real estate continues, the process has significantly slowed.

SECTOR AND CORPORATE OVERVIEW

The professional services sector is in the midst of the worst downturn in 30 years. The long-running love affair between big business and traditional management consulting has ended. Firms in particular trouble are the pure-play strategy houses where the average length of engagement has dropped from over 6 months to less than 90 days. Revenue is down 10% from last year for most leading houses—the third year running. The average firm actually contracted in 2002 and is not likely to grow in 2003. An increasing mix of commoditized service has reduced the average revenue per professional across the top 75 firms for the 4th year running. As CIOs put the squeeze on discretionary spend IT outlays will drop a further 4.6% in 2003. Pricing is down 13% compared to last year. Outsourcing is flat.

Despite this unfavorable context SBR delivered its strongest Q2 of record. Revenue was roughly that of Q1. Backlog, headcount, revenue all stood 15% above 02Q2 levels. Utilization, ROS, and productivity remained the business' watchwords. SBR remains on-target to deliver a 20% increase across most key metrics over those of FY02.

SBR's tactical stance continues cautious. The mid-year recalibration of expected results saw rates of new sales capture scaled back despite increased Business Development spend. Whereas sales resources seed the business with opportunity, the bulk of backlog capture resides with the business units.

STRATEGIC BUSINESS AREAS

Restructuring of the BUSINESS DEVELOPMENT UNIT was completed while in peak sales season. Dedicated field sales resources are now aligned with each business unit under a matrix reporting structure. This alignment reflects a heightened sector and key account focus. A *Corporate Account* program complements this alignment. SBR now operates 5 sales teams each with a specific sector, operational, or tactical mandate. Representing 60% of SG&A, BizDev delivered $3.9M in proposals (up 55% from Q1) and 4 new accounts. Relationship business constituted 60% of sales captured. Year-to-date, over 900 sales appointments have been booked and 475 presentations made across 9 key sectors. By close of quarter, critical weekly metrics were 50% above 02Q2 levels. Two new service sets were added—packaged consumer products, complex problem solving. The company's *Lead ID* program was re-launched. Backlog levels at quarter's close sat 90% above Q1. Competition in the congested GWA and GTA markets remained heaviest from internal corporate consulting and project management offices, and, the freelancer community.

ADMIN SERVICES anchored the business in such areas as—accounting and payroll, financial reporting, contract admin. Movement toward top secret facility clearance continued. Over 30 cost centers were opened. Utilization levels improved slightly.

HUMAN RESOURCES received 1,400 applications, delivered 150 interviews, and hired 8 backfill roles principally for Business Development. Q2 concluded with the company dropping the bottom 5% of its staff based upon performance levels as part of its annual "up-or-out" policy. ExecOffice-based recruiting capacity was extended to accelerate the hiring cycle resulting in the land of 3 candidates.

FACILITIES superintended the re-roofing of one of the business' downtown GTA locations. Furniture and equipment was further consolidated at the Graeme facility bringing this location to the close of its development cycle.

BUSINESS UNIT ACTIVITY

Operations is the core project delivery vehicle of the business. Service levels provided by each SBU are a function of—team longevity and *esprit*, procedural and standards compliance, leadership and administrative strength, the resource configuration deployed (particularly the blend of support and paraprofessional staff). Each operating unit renders its assignments within a shared service envelope to ensure best-practice and to heighten productivity. SBUs are distinguished by—the sectors they serve, the unique culture they take on, the typology of their predominant assignments which in turn is shaped by service mix.

During project delivery, the company's operating units access over 25 years of methodologies and project experience from virtually every sector. These protocols are reinvigorated with state-of-the-art tools and techniques drawn from both in-house and client resident sources at the outset of the assignment.

Operations delivered one of its strongest second quarters ever—with C^{5}I and OSS responsible for over 90% of revenue. Q2 also saw operations maintain a well-balanced sector mix in—retail, utilities, telecom, banking, health sciences, and insurance. Core staff configurations were put into place across all units. Heightened sector focus accompanied the alignment of dedicated Business Development resources with each unit.

Industrial Engineering and Technical Services / IETS

IETS delivered—

- Competitor intelligence in the high-end precision machining sector;
- Scorecard development and metric tracking in the health sciences R&D environment;
- Privacy legislation compliance in the medical services sector.

The unit used Q2 as a ramp-up period to reposition its portfolio, to extend and train staff, and to drive key infrastructure commitments forward. The sector focus of this unit was extended to include—food & beverage, consumer packaged goods. Other core sectors remain—health sciences and services, manufacturing, mining and metals.

Command, Control, Communications, Computing, Cybernetics & Intelligent Systems/C^{5}I

C^{5}I revenue hit an all-time high with the last month of Q2 exceeding projections. Work was delivered in both SBR's GTA and U.S. markets. Key sectors assigned to this unit remained—telecom, retail, select banking interests. Projects included—

- Project management in a systems engineering and solutions environment;
- Website and extranet benchmarking and evaluation;
- Program office management including portfolio mapping and audit;
- Retail market assessment and kiosk concept design;
- National deployment of a sales flyer program;
- Knowledgeware management as it relates to standardized lexicon development.

Engagements delivered by C^{5}I are renowned for their heavy technical and complex project management elements. The majority of staff attached to C^{5}I have an engineering and IT background.

Operations Support Services / OSS

OSS delivered key assignments in such areas as—

- HRIS deployment for a global financial institution;
- Competitive intelligence in the electronic card payment segment;
- Industrial B2B product sales support;
- Retail strategy in the home services market;
- Security policy and procedures in the utilities industry.

The unit continues to focus on small-team engagements requiring high-intensity delivery of advisory efforts bundled with analytics. Predominant sectors include—banking, insurance, utilities. OSS is also charged with extending standard project management practices together with deliverable quality control.