

REPRESENTATIVE PROPOSALS

- CHANGE MANAGEMENT at a Canadian **telecom** giant.
- PROCESS IMPROVEMENT and user manual construction for a leading non-profit **health** organization.
- WEBSITE BENCHMARKING for one of Canada's top **insurance** conglomerates.
- SCORECARD DEVELOPMENT governing mortgage applicant screening at a **financial** institution.
- PROJECT PLANNING and vendor assessment for a **transportation and logistics** provider.
- PROJECT ADMINISTRATION governing system conversion at a North American **bank**.
- PROCESS DOCUMENTATION governing back-shop trading floor operations at a leading **bank**.
- STRATEGIC PLANNING cycle support for an international **credit** institution.
- BUSINESS PLAN DEVELOPMENT governing the launch of a subsidiary for a leading **steel** producer.
- PROCESS IMPROVEMENT AND PROCEDURE MANUAL development within the Finance and Accounting function of a national **non-profit** organization.
- FRAMEWORK DEVELOPMENT governing trade data at a national **retailer**.
- Analysis of CUSTOMER SATISFACTION SURVEYS to support **provincial** regulatory hearings.
- PROPOSAL TECHNICAL PRESENTATION DEVELOPMENT for an **automotive** manufacturing giant.
- ORGANIZATIONAL DESIGN governing fraud and anti-money laundering investigations at an international **bank**.
- The REVIEW OF TENANT COST ALLOCATION AND RECOVERY for a **real estate** interest.
- RISK POLICY REVIEW for an international **financial** institution.
- POLICY AND PROCEDURE DEVELOPMENT for a renowned, global **hospitality** business.
- MARKET ASSESSMENT AND ANALYSIS gauging the receptiveness of **health care** providers to new treatment methods.
- ROI EVALUATION for a national **retailer** to support M&A targeting.
- COMPETITIVE BENCHMARKING in the wealth management segment of one of Canada's leading **financial** institutions.
- DEVELOPMENT AND ROLLOUT OF A NATIONAL SURVEY governing readership and market share for a premiere **magazine publisher**.
- BENCHMARKING AND MARKET POSITION ANALYSIS for a global **retailer**.
- PROCESS AND SYSTEMS ENGINEERING governing business loan document management at a major Canadian **bank**.
- DATA MINING AND ANALYSIS concerning an international **pharma** conglomerate's customer loyalty program.

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CONTEXT

Some suggest North America's economy has touched bottom and is on the mend. Stock markets have stirred, factory output is up after 3 years of unrelenting recession, productivity seems robust.

Yet significant risk lurks in the fundamentals. Global overcapacity continues. 23% of all U.S. corporate debt is rated junk—up 17% since 2002. Runaway U.S. spending is believed to be setting the stage for an acute dollar crisis in 2005. Foreign investment in the U.S. has enticed spend to levels unjustified by income. The rise in personal bankruptcies continues with quarterly numbers their highest in 12 years. The small-business job machine is also sputtering with a disproportionate number of bankruptcies hitting corporate small-fry. Fanny Mae and Freddy Mac, who guarantee \$7T in mortgages or 75% of all U.S. home loans, have allegedly so large a presence as to pose a risk to the U.S. financial system. The ratio of house prices to average income is its highest in 30 years—some suggest that U.S. residential real estate is overvalued by 20%. Vacancy rates for office space in major metropolitan areas are their highest in a decade.

Canada's economic forecast also darkened in Q1. Drastically slower growth is expected given the runaway dollar. In January alone Canadian exports fell 4%. Unemployment rates have begun to slide. For the first time, Canadians owe more than their annual after-tax income. Even so, resale housing soared to new records with average prices up 10% since Q3Q1.

SECTOR AND CORPORATE OVERVIEW

The professional services sector shrank 6% in 2001, was flat in 2002, and saw at best a 3% increase in 2003. Although in absolute terms this market is its largest ever, growth expected for 2004 is at best meager.

Clients are pushing for discounts on hourly rates and service package deals. Projects are more often staggered for fast result and reduced risk. Performance-based engagements are increasing. The sales cycle per project is lengthening—sitting typically at 10 weeks. The public sector market for professional services continues to contract. Offshore diversification is growing at 20% CAGR.

SBR's annual strategic planning cycle was completed January in record time. Over 125 initiatives were identified, of which 70 received funding approval. Business-wide programs were reset, staff realigned, and business mandates altered. The business focus for Q1 was—backlog build-out, revenue throughput, utilization rates, sales effectiveness.

Q1 revenue was its lowest in 4 years. Revenue per FTE and average charge-out rates remained steady. Over the last 3 years, SBR's billing rates have risen 15% reflecting a higher percentage of senior and long-standing staff. Uncompensated overruns were at their highest Q1 levels in 3 years.

2004 marks SBR's 25th anniversary. The company was granted the right to bear a coat-of-arms by the Governor General and a herald commissioned. The company's motto-mantra mission were reset to accommodate. Trademark registrations in Canada and the U.S. were realized after 4 years of effort.

STRATEGIC BUSINESS AREAS/SBA'S

Q1 is typically used to rebuild BUSINESS DEVELOPMENT resources before the key sales season opens mid-March. The 2004 sales plan was rolled out, leading support staff transferred to operations, bottom performers dropped. Seven hires were made. 300 sales appointments were booked; 170 presentations delivered. Over \$1.6M in proposals were issued of which \$1.1M closed. Over 85% of that captured was relationship or extension business.

The HUMAN RESOURCES unit was reactivated with seasoned former staff. 1,350 résumés were received, 330 interviews conducted, 11 hires made. Incoming staff represented over 15% of GTA headcount and 40% of SG&A staff. In the midst of heavy recruiting—policies and procedures were reset, testing standards were increased and extended, information sessions and advertising campaigns were re-launched. A 15-day interim in/out milestone was introduced as part of the 90-day probationary period. Monthly staff performance metrics were tightened. Over 40% of staff held over 3 years service.

With 9 FTE, overcapacity continued in ENTERPRISE SERVICES. This function was built to support a GTA staff level of 250+. Compliance audits were conducted governing—office conditions, production stations, file blocks, security. The project cycle was tightened with compliance moved to Contract Admin. Facilities staff attended to the final installation of furnishings at the Graeme location. Safety and protection systems at this location were upgraded. SBR's head office obtained basic federal government security clearances.

BUSINESS UNIT / SBU'S ACTIVITY

Operations

SBR's operating entities deliver a wide range of projects across some 10 sectors. In so doing they rely heavily upon functional blocks of the business for support. The following operating strategies prevailed across Q1—

- continued suppression of non-sales-related overhead activity;
- disciplined project delivery aimed at customer satisfaction;
- reduced contract risk through regimented relationship cycle management;
- heightened extension business capture through the intimate alignment of corporate sales and SBU resources.

Each SBU maintains a standard core configuration of personnel. The Office Manager, special application staff, and project leads are critical components of this make-up. Efforts were made across the business units to bolster these components.

Command, Control, Communications, Computers, Cybernetics, Intelligent Systems / C⁵I

C5I experienced a difficult quarter with increased account concentration. February saw the unit re-jig business development efforts while heightening management presence. Key projects executed during Q1 included—

- ERP rollout and project management support for a retailer;

- SOX compliance program deployment for a global banking interest;
- GL replacement and project administrative services governing resource and progress tracking;
- project turnaround support behind a retail systems installation at a U.S. bank.

With the realignment of business development resources, deeper retail and consumer product sector placement is expected.

Operations Support Services / OSS

OSS delivered engagements in the financial services and utilities sectors. The mainstay of the OSS project portfolio remains—organizational design, process engineering, project management, bundled intelligence.

Among projects active were—

- strategic planning cycle support for a renowned credit card interest;
- process and systems engineering for a leading bank;
- government policy review for a prominent utility sector interest;
- methodology development and pilot to assess sector risk within a commercial and corporate banking interest;
- stealth organizational design and security deployment at a prominent international bank;

- marketing and sales effectiveness at a commercial bank including lead generation.

Representing 55% of YTD business volume, OSS hired additional staff. Projects were active in Canada and the Caribbean.

Industrial Engineering and Technical Services / IETS

IETS entered Q1 hamstrung with limited backlog, seconded staff, unproven sales resources. By March-end the worst was over and the following projects active—

- market data modeling and analysis for a national auto-leasing interest;
- systems technology review and re-staffing at a regional trucking interest;
- proposal cycle and high-end presentation support for a global auto-assembly and components manufacturer;
- procurement process mapping and standardization at a prestigious health sector lobby and R&D interest;
- international benchmarking of crop insurance for a federal government.

By end of Q1, IETS held over 50% of all outstanding proposals. Key sectors of focus remained—health sciences and services, mining and metals, automotive, manufacturing. Industrial engineering and quantitative applications prevailed in terms of service sets.