ESTTA Tracking number: **ESTTA543116**

Filing date: **06/14/2013**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92055460
Party	Plaintiff The Hackett Group, Inc.
Correspondence Address	JOHN CYRIL MALLOY III MALLOY & MALLOY PL 2800 SW THIRD AVENUE MIAMI, FL 33129 UNITED STATES fferreiro@malloylaw.com, litigation@malloylaw.com
Submission	Plaintiff's Notice of Reliance
Filer's Name	Francisco J. Ferreiro
Filer's e-mail	fferreiro@malloylaw.com, jcmalloy@malloylaw.com, litigatiion@malloylaw.com
Signature	/Francisco J. Ferreiro/
Date	06/14/2013
Attachments	Petitioner's Notice of Reliance - Exh 1-9.pdf(4584512 bytes) Exhibits 10-11.pdf(5644939 bytes) Exhibits 12-14.pdf(3660291 bytes) Exhibits 15-16.pdf(5204721 bytes) Exhibits 17-19.pdf(3030543 bytes) Exhibits 20-34.pdf(3213270 bytes)

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the matter of Registration No. 3,878,276
For the mark "HACKETT CONSULTING"

THE HACKETT GROUP, INC.,	
Petitioner,	
vs.	Cancellation No. 92055460
HACKETT CONSULTING,	
Registrant.	

PETITIONER'S NOTICE OF RELIANCE

COMES NOW Petitioner, the Hackett Group, Inc. ("Petitioner") and, pursuant to 37 C.F.R. §2.120(j) and §2.122, hereby introduces the following documents into evidence, true copies of which are annexed hereto as Exhibits 1-34:

A. Official Records:

Pursuant to 37 CFR §2.122(e), Petitioner intends to rely on official records pertaining to the following federal trademark registrations. These materials are available to the general public via the USPTO's TARR database and are relevant to show the validity of Petitioner's marks and underlying dates of registration.

1. Copy showing status and title of U.S. Registration No. 3,064,697 for "THE HACKETT GROUP";

2. Copy showing status and title of U.S. Registration No. 3,229,134 for "HACKETT PERSPECTIVE";

B. Discovery Results:

Pursuant to 37 CFR §2.120(j), Petitioner intends to rely on Registrant's responses to Petitioner's Interrogatory Requests. These materials are relevant to show the services provided by the Registrant in connection with its alleged mark, the marketing and trade channels of Registrant's mark, as well as other considerations relative to the likelihood of confusion between Petitioner's and Registrant's mark(s).

3. Registrant's Responses to Petitioner's First Set of Interrogatories;

C. Printed and Electronic Publications

Pursuant to 37 CFR §2.122(e) and *Safer, Inc. v. OMS Investments, Inc.*, 94 USPQ2d 1031 (TTAB 2010), Petitioner intends to rely on the following printed and electronic publications available to the general public in libraries, the internet, or in general circulation among members of the relevant public. These materials are relevant to show similarity in trade channels and services, the strength of Petitioner's marks, Petitioner's market penetration, and the likelihood of consumer confusion between between Petitioner's mark(s) and the registration subject of the Petition to Cancel.

4. Copy of www.thehackettgroup.com, dated June 13, 2013

5. Copy of www.thehackettgroup.com, archive from November 29, 2002, copy dated June 10, 2013

6. Copy of www.thehackettgroup.com, archive from March 26, 2003, copy dated June 10, 2013

7. Copy of www.thehackettgroup.com, archive from May 19, 2006, copy dated June 10, 2013

8. Copy of www.thehackettgroup.com, archive from January 28, 2008, copy dated June 10, 2013

9. Publication, Form 10-K - Annual report for fiscal year ending December 30, 2011, copy available at: http://www.sec.gov/Archives/edgar/data/1057379/000119312512077809/d254654d10k.htm

10. Publication, Form 10-K - Annual report for fiscal year ending December 20, 2005, copy available at: http://www.sec.gov/Archives/edgar/data/1057379/000119312506056874/d10k.htm

11. Publication, Form 10-K - Annual report for fiscal year ending December 31, 2004, copy available at: http://www.sec.gov/Archives/edgar/data/1057379/000120677405000369/d16565.htm

12. Publication, Form 10-K - Annual report for fiscal year ending January 3, 2003, copy available at: http://www.sec.gov/Archives/edgar/data/1057379/000120677403000226/d12233.htm

13. Publication, Answerthink 1999 Annual Report

14. Publication, Answerthink 2001 Annual Report

15. Publication, Answerthink 2002 Annual Report

16. Publication, Answerthink/The Hackett Group 2004 Annual Report

17. Publication, Answerthink/The Hackett Group 2005 Annual Report

18. "Accenture, Answerthink, and the Hackett Group Announce Strategic Alliance", http://newsroom.accenture.com/article_display.cfm?article_id=4051, published October 13, 2003, copy dated June 6, 2013

19. "Answerthink Names President to expand Hackett Group", http://www.bizjournals.com/southflorida/stories/2002/12/02/daily4.html, published December 2, 2002, copy dated June 6, 2013

20. "Answerthink Rebrands as the Hackett Group", http://www.businesswire.com/news/home/20080123006267/en/Answerthink-Rebrands-Hackett-Group, published January 23, 2008, copy dated June 6, 2013

21. "Answerthink Rebrands as the Hackett Group", http://www.reuters.com/article/2008/01/23/idUS251030+23-Jan-2008+BW20080123, published January 23, 2008, copy dated June 6, 2013

22. "Answerthink Shareholders Approve Name Change to 'The Hackett Group, Inc.'", http://www.bloomberg.com/apps/news?pid=newsarchive&sid=ayhqmWeFyeeE, published December 21, 2007, copy dated June 13, 2013

23. "Research is the Answer for Answerthink", http://www.crn.com/news/channel-programs/18830128/research-is-the-answer-for-answerthink.htm, published May 7, 2003, copy dated June 6, 2013

24. "The Hackett Group to Present at the Second Annual Marcum LLP MicroCap Conference", http://finance.yahoo.com/news/hackett-group-present-second-annual-000500748.html , published May 29, 2013, copy dated June 6, 2013

25. "The Hackett Group's 2013 Best Practices Conference Focuses on 'Borderless Business: Integrating the enterprise", http://www.marketwatch.com/story/the-hackett-groups-2013-best-practices-conference-focuses-on-borderless-business-integrating-the-enterprise-2013-06-07, published June 7, 2013, copy dated June 13, 2013

26. Hackett Group Inc. Company Profile, http://topics.nytimes.com/top/news/business/companies/hackett-group-inc/index.html, dated June 10, 2013.

27. "The Hackett Group Announces First Quarter 2013 Results" http://markets.on.nytimes.com/research/stocks/news/press_release.asp?docTag=201305071605BIZWIRE_USPRX____BW7055&feedID=600&press_symbol=45950, published May 7, 2013, dated June 13, 2013

28. Google search for "Hackett Consulting", https://www.google.com/search?q=hackett+consulting+&oq=hackett+consulting+&aqs=chrome.0.57.12455j0&sourceid=chrome&espv=205&ie=UTF-8, dated June 11, 2013

29. The Hackett Group – LinkedIn, www.linkedin.com/company/the-hackett-group, dated June 11, 2013

30. Hackett Consulting website, www.hackettconsulting.com, dated June 13, 2013

31. 2013 Best Practices Conference, http://www.thehackettgroup.com/events/nabp2013, dated June 13, 2013

32. 2013 Best Practices Conference Agenda, *available at* http://www.thehackettgroup.com/events/nabp2013/docs/TheHackettGroup-2013BPC-Conference-Agenda.pdf , published May 7, 2013

33. 2013 Best Practices Conference – Conference Sponsors, www.thehackettgroup.com/events/nabp2013/speakers.jsp, dated June 13, 2013

34. 2013 Best Practices Conference – Conference Speakers, www.thehackettgroup.com/events/nabp2013/speakers.jsp, dated June 11, 2013

Exhibits 4-8 and 29 are copies of Petitioner's website and LinkedIn pages and are relevant to show similarity in trade channels and services, Petitioner's market penetration, and the likelihood of consumer confusion between the parties' respective marks

Exhibits 9-17 consist of copies of Petitioner's Annual Reports and Form 10-K's which are relevant to show similarity in trade channels and services and the likelihood of consumer confusion between the parties' respective marks.

Exhibits 18-27 consist of articles, news briefs, and press releases retrieved from the internet and are relevant to show the strength of Petitioner's marks, similarity in trade channels and services, Petitioner's market penetration, and the likelihood of consumer confusion between the parties' respective marks.

Exhibit 28 is a copy of the results of a Google search conducted for the phrase "Hackett consulting" and is relevant to show the similarity of the marks, the similarity in trade channels and services, Petitioner's market penetration, and the likelihood of consumer confusion between the parties' respective marks.

Exhibit 30 consists of copies of the Registrant's website and is relevant to show the similarity of the marks, the similarity in trade channels and services, and the likelihood of consumer confusion between the parties' respective marks.

Exhibit 31-34 consists of copies press releases and materials retrieved from the internet which pertain to Petitioner's 2013 Best Practices Conference and are relevant to show the strength of Petitioner's marks, similarity in trade channels and services, Petitioner's market penetration, and the likelihood of consumer confusion between the parties' respective marks.

D. Testimonial Deposition and Exhibits

Petitioner additionally provide notice of its intent to rely upon the following testimonial evidence:

Deponent	Date of Deposition	Exhibits
Anthony Snowball[1]	June 12, 2013	1-28

Dated: June 13, 2013

By:/Francisco J. Ferreiro/
John Cyril Malloy, III
Florida Bar No. 964,220
Francisco J. Ferreiro
Florida Bar No. 37,464
MALLOY & MALLOY, P.A.
2800 S.W. 3rd Avenue
Miami, Florida 33129
Telephone: (305) 858-8000
Facsimile: (305) 858-0008
Attorneys for Petitioner

CERTIFICATE OF SERVICE

I hereby certify that a true and complete copy of the foregoing document has been served on the following by mailing said copy on June 14, 2013 via E-mail and First Class Mail, postage prepaid to:

Matthew H. Swyers, Esq.
344 Maple Avenue West, Suite 151
Vienna, Virginia 22180

By: /Francisco J. Ferreiro/
Francisco J. Ferreiro

[1] Portions of the deposition transcript and exhibits have been deemed confidential and will be submitted to the Board under seal.

CERTIFICATE OF FILING

I HEREBY CERTIFY that the foregoing document was filed electronically via the ESTTA, at the United States Patent and Trademark Office, Trademark Trial and Appeal Board, web site, www.uspto.com, this 14th day of June, 2013

By:/Francisco J. Ferreiro/

EXHIBIT 1

Generated on: This page was generated by TSDR on 2013-06-06 15:29:06 EDT

Mark: THE HACKETT GROUP

THE HACKETT GROUP

US Serial Number: 76494209 **Application Filing Date:** Mar. 03, 2003

US Registration Number: 3064697 **Registration Date:** Mar. 07, 2006

Register: Principal

Mark Type: Service Mark

Status: A Sections 8 and 15 combined declaration has been accepted and acknowledged.

Status Date: Apr. 05, 2012

Publication Date: Dec. 13, 2005

Mark Information

Mark Literal Elements: THE HACKETT GROUP

Standard Character Claim: No

Mark Drawing Type: 1 - TYPESET WORD(S) /LETTER(S) /NUMBER(S)

Disclaimer: "GROUP"

Acquired Distinctiveness Claim: In whole

Goods and Services

Note: The following symbols indicate that the registrant/owner has amended the goods/services:

- Brackets [ ] indicate deleted goods/services;
- Double parenthesis (( )) identify any goods/services not claimed in a Section 15 affidavit of
- Asterisks * * identify additional (new) wording in the goods/services.

For: business consultation and analysis services, namely providing surveys and analysis reports in the nature of best practices and benchmarking of business processes

International Class(es): 035 - Primary Class **U.S Class(es):** 100, 101, 102

Class Status: ACTIVE

Basis: 1(a)

First Use: Oct. 1992 **Use In Commerce:** Oct. 1992

Basis Information (Case Level)

Filed Use: Yes	**Currently Use:** Yes	**Amended Use:** No
Filed ITU: No	**Currently ITU:** No	**Amended ITU:** No
Filed 44D: No	**Currently 44D:** No	**Amended 44D:** No
Filed 44E: No	**Currently 44E:** No	**Amended 44E:** No
Filed 66A: No	**Currently 66A:** No	
Filed No Basis: No	**Currently No Basis:** No	

Current Owner(s) Information

Owner Name: THE HACKETT GROUP, INC.

Owner Address: 1001 BRICKELL BAY DRIVE, SUITE 3000
MIAMI, FLORIDA 33131
UNITED STATES

Legal Entity Type: CORPORATION **State or Country Where Organized:** FLORIDA

Attorney/Correspondence Information

Attorney of Record

Attorney Name: John Cyril Malloy, III **Docket Number:** 8.811.12

Correspondent

Correspondent Name/Address: John Cyril Malloy, III
MALLOY & MALLOY, P.A.

2800 S.W. THIRD AVENUE
HISTORIC CORAL WAY
MIAMI, FLORIDA 33129
UNITED STATES

Phone: (305) 858-8000 Fax: (305) 858-0008

Domestic Representative - Not Found

Prosecution History

Date	Description	Proceeding Number
Apr. 05, 2012	NOTICE OF ACCEPTANCE OF SEC. 8 & 15 - MAILED	
Apr. 05, 2012	REGISTERED - SEC. 8 (6-YR) ACCEPTED & SEC. 15 ACK.	68335
Apr. 04, 2012	CASE ASSIGNED TO POST REGISTRATION PARALEGAL	68335
Mar. 07, 2012	TEAS SECTION 8 & 15 RECEIVED	
Jun. 23, 2010	AUTOMATIC UPDATE OF ASSIGNMENT OF OWNERSHIP	
Mar. 07, 2006	EXPARTE APPEAL TERMINATED	494209
Mar. 07, 2006	REGISTERED-PRINCIPAL REGISTER	
Dec. 13, 2005	PUBLISHED FOR OPPOSITION	
Nov. 23, 2005	NOTICE OF PUBLICATION	
Oct. 26, 2005	LAW OFFICE PUBLICATION REVIEW COMPLETED	76869
Oct. 21, 2005	ASSIGNED TO LIE	76869
Oct. 19, 2005	APPROVED FOR PUB - PRINCIPAL REGISTER	
Oct. 19, 2005	EXAMINER'S AMENDMENT ENTERED	76985
Oct. 18, 2005	CORRESPONDENCE MAILED	
Oct. 18, 2005	EXAMINERS AMENDMENT -WRITTEN	74887
Oct. 18, 2005	PREVIOUS ALLOWANCE COUNT WITHDRAWN	
Sep. 30, 2005	WITHDRAWN FROM PUB - OG REVIEW QUERY	77908
Jul. 19, 2005	LAW OFFICE PUBLICATION REVIEW COMPLETED	76532
Jul. 15, 2005	ASSIGNED TO LIE	76532
Jul. 08, 2005	APPROVED FOR PUB - PRINCIPAL REGISTER	
Jul. 08, 2005	AMENDMENT FROM APPLICANT ENTERED	76532
Jun. 30, 2005	CORRESPONDENCE RECEIVED IN LAW OFFICE	76532
Jun. 30, 2005	PAPER RECEIVED	
Jan. 10, 2005	NON-FINAL ACTION MAILED	
Jan. 07, 2005	NON-FINAL ACTION WRITTEN	74887
Dec. 09, 2004	EX PARTE APPEAL-INSTITUTED	494209
Dec. 09, 2004	JURISDICTION RESTORED TO EXAMINING ATTORNEY	494209
Oct. 27, 2004	AMENDMENT FROM APPLICANT ENTERED	76869
Oct. 12, 2004	CORRESPONDENCE RECEIVED IN LAW OFFICE	76869
Oct. 12, 2004	PAPER RECEIVED	
Oct. 20, 2004	EXPARTE APPEAL RECEIVED AT TTAB	
Oct. 12, 2004	PAPER RECEIVED	
Apr. 01, 2004	FINAL REFUSAL MAILED	
Feb. 17, 2004	CORRESPONDENCE RECEIVED IN LAW OFFICE	
Feb. 17, 2004	PAPER RECEIVED	
Aug. 12, 2003	NON-FINAL ACTION MAILED	
Aug. 11, 2003	ASSIGNED TO EXAMINER	74887

Maintenance Filings or Post Registration Information

Affidavit of Continued Use: Section 8 - Accepted

Affidavit of Section 15 - Accepted

Incontestability:

TM Staff and Location Information

TM Staff Information - None

File Location

Current Location: TMO LAW OFFICE 110 **Date in Location:** Apr. 05, 2012

Assignment Abstract Of Title Information

Summary

Total Assignments: 2 **Registrant:** Answerthink, Inc.

Assignment 1 of 2

Conveyance: CHANGE OF NAME

Reel/Frame: 4225/0056 **Pages:** 3

Date Recorded: Jun. 15, 2010

Supporting Documents: assignment-tm-4225-0056.pdf

Assignor

Name: ANSWERTHINK, INC. **Execution Date:** Dec. 21, 2007

Legal Entity Type: CORPORATION **State or Country Where Organized:** FLORIDA

Assignee

Name: THE HACKETT GROUP, INC.

Legal Entity Type: CORPORATION **State or Country Where Organized:** FLORIDA

Address: 1001 BRICKELL BAY DRIVE, SUITE 3000
MIAMI, FLORIDA 33131

Correspondent

Correspondent Name: MCCARTER & ENGLISH LLP - GARY H. FECHTER

Correspondent Address: 245 PARK AVENUE, 27TH FLOOR
NEW YORK, NY 10167-0001

Domestic Representative - Not Found

Assignment 2 of 2

Conveyance: SECURITY INTEREST

Reel/Frame: 4720/0178 **Pages:** 8

Date Recorded: Feb. 21, 2012

Supporting Documents: assignment-tm-4720-0178.pdf

Assignor

Name: THE HACKETT GROUP, INC. **Execution Date:** Feb. 21, 2012

Legal Entity Type: CORPORATION **State or Country Where Organized:** FLORIDA

Assignee

Name: BANK OF AMERICA, N.A.

Legal Entity Type: NATIONAL BANKING ASSOCIATION **State or Country Where Organized:** UNITED STATES

Address: 701 BRICKELL AVENUE
8TH FLOOR
MIAMI, FLORIDA 33131

Correspondent

Correspondent Name: MCGUIREWOODS LLP

Correspondent Address: 201 NORTH TRYON STREET
ATTENTION: REBECCA CHAFFIN, ESQ.
CHARLOTTE, NC 28202

Domestic Representative - Not Found

Proceedings

Summary

Number of Proceedings: 2

Type of Proceeding: Cancellation

Proceeding Number: 92055460 **Filing Date:** Apr 11, 2012

Status: Pending **Status Date:** Apr 11, 2012

Interlocutory Attorney: ROBERT COGGINS

Defendant

Name: Hackett Consulting

Correspondent Address: MATTHEW H SWYERS
THE TRADEMARK COMPANY PLLC
344 MAPLE AVENUE WEST, SUITE 151
VIENNA VA , 22180
UNITED STATES

Correspondent e-mail: mswyers@thetrademarkcompany.com

Associated marks

Mark	Application Status	Serial Number	Registration Number
HACKETT CONSULTING	Cancellation Pending	77892182	3878276

Plaintiff(s)

Name: The Hackett Group, Inc.

Correspondent Address: JOHN CYRIL MALLOY III
MALLOY & MALLOY PL
2800 SW THIRD AVENUE
MIAMI FL , 33129
UNITED STATES

Correspondent e-mail: fferreiro@malloylaw.com , litigation@malloylaw.com

Associated marks

Mark	Application Status	Serial Number	Registration Number
THE HACKETT GROUP	Section 8 and 15 - Accepted and Acknowledged	76494209	3064697
HACKETT PERSPECTIVE	Registered	78719630	3229134
HACKETTCONNECTOR	Report Completed Suspension Check - Case Still Suspended	85348187	
HACKETT PERFORMANCE EXCHANGE	Report Completed Suspension Check - Case Still Suspended	85348179	
THE HACKETT HIGHWAY	Report Completed Suspension Check - Case Still Suspended	85351273	

Prosecution History

Entry Number	History Text	Date	Due Date
1	FILED AND FEE	Apr 11, 2012	
2	NOTICE AND TRIAL DATES SENT; ANSWER DUE:	Apr 12, 2012	May 22, 2012
3	PENDING, INSTITUTED	Apr 12, 2012	
4	ANSWER	May 17, 2012	
5	STIP TO SUSPEND PEND SETTLEMENT NEGOTNS	Jul 20, 2012	
6	SUSPENDED	Jul 20, 2012	
7	D'S MOT FOR EXTEN. OF TIME W/ CONSENT	Aug 03, 2012	
8	EXTENSION OF TIME GRANTED	Aug 13, 2012	
9	STIP TO SUSP PEND SETTL NEGOTIATIONS	Mar 13, 2013	
10	SUSPENDED	Mar 13, 2013	

Type of Proceeding: Exparte Appeal

Proceeding Number: 76494209 **Filing Date:** Oct 12, 2004

Status: Terminated **Status Date:** Mar 07, 2006

Interlocutory Attorney:

Plaintiff(s)

Name: Answerthink, Inc.

Correspondent Address: JOHN CYRIL MALLOY, III
MALLOY & MALLOY, P.A.
2800 S.W. THIRD AVENUE HISTORIC CORAL WAY
MIAMI , FLORID FL , 33129

Associated marks

Mark	Application Status	Serial Number	Registration Number

THE HACKETT GROUP

Section 8 and 15 - Accepted and Acknowledged

76494209 3064697

Prosecution History

Entry Number	History Text	Date	Due Date
1	APPEAL TO BOARD	Oct 12, 2004	
2	APPEAL ACKNOWLEDGED; CASE REMANDED	Dec 09, 2004	
3	PENDING, INSTITUTED	Dec 09, 2004	
4	REQUEST FOR RECONSIDERATION	Oct 12, 2004	
5	TERMINATED	Mar 07, 2006	

EXHIBIT 2

Generated on: This page was generated by TSDR on 2013-06-06 15:32:08 EDT

Mark: HACKETT PERSPECTIVE

HACKETT PERSPECTIVE

US Serial Number: 78719630 **Application Filing Date:** Sep. 23, 2005

US Registration Number: 3229134 **Registration Date:** Apr. 17, 2007

Register: Principal

Mark Type: Trademark

Status: Registered. The registration date is used to determine when post-registration maintenance documents are due.

Status Date: Apr. 17, 2007

Publication Date: Jan. 30, 2007

Mark Information

Mark Literal Elements: HACKETT PERSPECTIVE

Standard Character Claim: Yes. The mark consists of standard characters without claim to any particular font style, size, or color.

Mark Drawing Type: 4 - STANDARD CHARACTER MARK

Disclaimer: "PERSPECTIVE"

Related Properties Information

Claimed Ownership of US Registrations: 2854546, 2937236, 3064697

Goods and Services

Note: The following symbols indicate that the registrant/owner has amended the goods/services:

- Brackets [ ] indicate deleted goods/services.
- Double parenthesis (( )) identify any goods/services not claimed in a Section 15 affidavit of
- Asterisks * * identify additional (new) wording in the goods/services.

For: newsletter featuring topics related to business consultation and analysis, including best practice analysis, survey results, case studies and management issues

International Class(es): 016 - Primary Class **U.S Class(es):** 002, 005, 022, 023, 029, 037, 038, 050

Class Status: ACTIVE

Basis: 1(a)

First Use: Oct. 15, 2003 **Use in Commerce:** Oct. 15, 2003

Basis Information (Case Level)

Filed Use: Yes	**Currently Use:** Yes	**Amended Use:** No
Filed ITU: No	**Currently ITU:** No	**Amended ITU:** No
Filed 44D: No	**Currently 44D:** No	**Amended 44D:** No
Filed 44E: No	**Currently 44E:** No	**Amended 44E:** No
Filed 66A: No	**Currently 66A:** No	
Filed No Basis: No	**Currently No Basis:** No	

Current Owner(s) Information

Owner Name: THE HACKETT GROUP, INC.

Owner Address: 1001 BRICKELL BAY DRIVE, SUITE 3000
MIAMI, FLORIDA 33131
UNITED STATES

Legal Entity Type: CORPORATION **State or Country Where Organized:** FLORIDA

Attorney/Correspondence Information

Attorney of Record

Attorney Name: Andrew W. Ransom **Docket Number:** 2.443.05

Correspondent

Correspondent Name/Address: ANDREW W RANSOM
MALLOY & MALLOY PA
2800 SW 3RD AVE
MIAMI, FLORIDA 33129-2317
UNITED STATES

Phone: 305-858-8000 **Fax:** 305-858-0008

Domestic Representative - Not Found

Prosecution History

Date	Description	Proceeding Number
Jun. 23, 2010	AUTOMATIC UPDATE OF ASSIGNMENT OF OWNERSHIP	
Apr. 17, 2007	REGISTERED-PRINCIPAL REGISTER	
Jan. 30, 2007	PUBLISHED FOR OPPOSITION	
Jan. 10, 2007	NOTICE OF PUBLICATION	
Dec. 11, 2006	LAW OFFICE PUBLICATION REVIEW COMPLETED	76538
Dec. 11, 2006	ASSIGNED TO LIE	76538
Nov. 25, 2006	APPROVED FOR PUB - PRINCIPAL REGISTER	
Nov. 02, 2006	AMENDMENT FROM APPLICANT ENTERED	74189
Oct. 04, 2006	CORRESPONDENCE RECEIVED IN LAW OFFICE	74189
Oct. 04, 2006	PAPER RECEIVED	
Mar. 31, 2006	PRIORITY ACTION MAILED	
Mar. 30, 2006	PRIORITY ACTION WRITTEN	81858
Mar. 29, 2006	ASSIGNED TO EXAMINER	81858
Sep. 30, 2005	NEW APPLICATION ENTERED IN TRAM	

TM Staff and Location Information

TM Staff Information - None

File Location

Current Location: PUBLICATION AND ISSUE SECTION **Date in Location:** Apr. 17, 2007

Assignment Abstract Of Title Information

Summary

Total Assignments: 2 **Registrant:** Answerthink, Inc.

Assignment 1 of 2

Conveyance: CHANGE OF NAME

Reel/Frame: 4225/0056 **Pages:** 3

Date Recorded: Jun. 15, 2010

Supporting Documents: assignment-tm-4225-0056.pdf

Assignor

Name: ANSWERTHINK, INC. **Execution Date:** Dec. 21, 2007

Legal Entity Type: CORPORATION **State or Country Where Organized:** FLORIDA

Assignee

Name: THE HACKETT GROUP, INC.

Legal Entity Type: CORPORATION **State or Country Where Organized:** FLORIDA

Address: 1001 BRICKELL BAY DRIVE, SUITE 3000
MIAMI, FLORIDA 33131

Correspondent

Correspondent Name: MCCARTER & ENGLISH LLP - GARY H. FECHTER

Correspondent Address: 245 PARK AVENUE, 27TH FLOOR
NEW YORK, NY 10167-0001

Domestic Representative - Not Found

Assignment 2 of 2

Conveyance: SECURITY INTEREST

Reel/Frame: 4720/0178 **Pages:** 8

Date Recorded: Feb. 21, 2012

Supporting Documents: assignment-tm-4720-0178.pdf

Assignor

Name: THE HACKETT GROUP, INC. **Execution Date:** Feb. 21, 2012

Legal Entity Type: CORPORATION **State or Country Where Organized:** FLORIDA

Assignee

Name: BANK OF AMERICA, N.A.

Legal Entity Type: NATIONAL BANKING ASSOCIATION **State or Country Where Organized:** UNITED STATES

Address: 701 BRICKELL AVENUE
8TH FLOOR
MIAMI, FLORIDA 33131

Correspondent

Correspondent Name: MCGUIREWOODS LLP

Correspondent Address: 201 NORTH TRYON STREET
ATTENTION: REBECCA CHAFFIN, ESQ.
CHARLOTTE, NC 28202

Domestic Representative - Not Found

Proceedings

Summary

Number of Proceedings: 1

Type of Proceeding: Cancellation

Proceeding Number: 92055460 **Filing Date:** Apr 11, 2012

Status: Pending **Status Date:** Apr 11, 2012

Interlocutory Attorney: ROBERT COGGINS

Defendant

Name: Hackett Consulting

Correspondent Address: MATTHEW H SWYERS
THE TRADEMARK COMPANY PLLC
344 MAPLE AVENUE WEST, SUITE 151
VIENNA VA , 22180
UNITED STATES

Correspondent e-mail: mswyers@thetrademarkcompany.com

Associated marks

Mark	Application Status	Serial Number	Registration Number
HACKETT CONSULTING	Cancellation Pending	77892182	3878276

Plaintiff(s)

Name: The Hackett Group, Inc.

Correspondent Address: JOHN CYRIL MALLOY III
MALLOY & MALLOY PL
2800 SW THIRD AVENUE
MIAMI FL , 33129
UNITED STATES

Correspondent e-mail: fferreiro@malloylaw.com , litigation@malloylaw.com

Associated marks

Mark	Application Status	Serial Number	Registration Number
THE HACKETT GROUP	Section 8 and 15 - Accepted and Acknowledged	76494209	3064697
HACKETT PERSPECTIVE	Registered	78719630	3229134
HACKETTCONNECTOR	Report Completed Suspension Check - Case Still Suspended	85348187	
HACKETT PERFORMANCE EXCHANGE	Report Completed Suspension Check - Case Still Suspended	85348179	
THE HACKETT HIGHWAY	Report Completed Suspension Check - Case	85351273	

Still Suspended

Prosecution History

Entry Number	History Text	Date	Due Date
1	FILED AND FEE	Apr 11, 2012	
2	NOTICE AND TRIAL DATES SENT; ANSWER DUE:	Apr 12, 2012	May 22, 2012
3	PENDING, INSTITUTED	Apr 12, 2012	
4	ANSWER	May 17, 2012	
5	STIP TO SUSPEND PEND SETTLEMENT NEGOTNS	Jul 20, 2012	
6	SUSPENDED	Jul 20, 2012	
7	D'S MOT FOR EXTEN. OF TIME W/ CONSENT	Aug 03, 2012	
8	EXTENSION OF TIME GRANTED	Aug 13, 2012	
9	STIP TO SUSP PEND SETTL NEGOTIATIONS	Mar 13, 2013	
10	SUSPENDED	Mar 13, 2013	

EXHIBIT 3

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
The Trademark Trial and Appeal Board

Registration No. 3,878,276,
For the mark HACKETT CONSULTING

The Hackett Group, Inc.,	:	
	:	
Petitioner,	:	
	:	
vs.	:	Cancellation No. 92055460
	:	
Aaron Hackett,	:	
	:	
Registrant.	:	
	:	

REGISTRANT'S RESPONSES TO PETITIONER'S FIRST SET OF INTERROGATORIES

COMES NOW Aaron Hackett, (hereinafter "Registrant"), by counsel The Trademark Company, PLLC, and hereby provides the following answers and objections to The Hackett Group, Inc.'s (hereinafter "Petitioner") First Set of Interrogatories stating as follows:

ANSWERS TO FIRST SET OF INTERROGATORIES

1. Identify each of the Registrant's "HACKETT CONSULTING" Marks.

ANSWER:
HACKETT CONSULTING (U.S. Registration No. 3,878,276)
HACKETT CONSULTING (U.S. Serial No. 85/734,855)

2. Identify each product or service sold by Registrant under each of Registrant's "HACKETT CONSULTING" Marks.

ANSWER:
HACKETT CONSULTING (U.S. Registration No. 3,878,276): Branding services, namely, consulting, development, management and marketing of brands for businesses.

HACKETT CONSULTING (U.S. Serial No. 85/734,855): Branding services, namely, consulting, development, management and marketing of brands for businesses and/or individuals. Additionally, Registrant provides Website development, and assistance with Patent registrations under both marks.

3. Identify the dates and locations at which each product or service, as identified in Interrogatory No. 2, has been sold by Registrant under each of Registrant's "HACKETT CONSULTING" marks.

ANSWER: Registrant objects to this Instant Interrogatory on the grounds that it is overly broad and burdensome. Subject to said objection, Registrant states:

Registrant began providing marketing and consulting services in 2008, began providing Website Development services in 2009, and began providing assistance with Patent registrations in 2010.

4. Identify all commercial establishments (e.g. websites, specific restaurants, retail outlets, web sites, toll free phone numbers, etc.) through which goods or services have been offered to the consuming public under Registrant's "HACKETT CONSULTING" Marks.

ANSWER: Registrant objects to this Instant Interrogatory on the grounds that it is overly broad and burdensome. Subject to said objection, Registrant states:

Registrant's services are offered through his website, www.hackettconsulting.com, and Registrant also offers his services through word of mouth, and business cards.

5. Describe how the Registrant's "HACKETT CONSULTING" Marks were selected and/or adopted, setting forth, in detail, te reasons for that selection.

ANSWER: Registrant objects to this Instant Interrogatory on the grounds that it is overly broad and burdensome. Subject to said objection, Registrant states:

Registrant chose Registrant's Mark because "Hackett" is Registrant's surname. Registrant researched online and discovered that the domain name containing the terms "HACKETT CONSULTING" was available.

6. Identify all trademark licensees who have used any of Registrant's "HACKETT CONSULTING" Marks under license from Registrant.

ANSWER: Registrant does not have any licensees of his trademark.

7. Identify all types of trademark use (e.g., sign, display, label, tag, wrapper, container, print, package, point of purchase display, promotional clothing, receptacle, or other specimen) of the Registrant's "HACKETT CONSULTING" Marks, and as to each describe the history of such use, (e.g., the specific mark, goods or services, dates of locations of use)

ANSWER: Registrant objects to this Instant Interrogatory on the grounds that it is overly broad and burdensome. Subject to said objection, Registrant states:

Registrant's mark is displayed on his website, invoices, business card, and lecture deck for lectures presented at Georgia Tech University.

8. Identify all types of advertising, (e.g. catalog, brochure, flyer, kiosk, store front signage, newspaper, television, radio, internet, etc.) of the Registrant's "HACKETT CONSULTING" Marks, and as to each describe the history of such use, (e.g., the specific mark, goods or services, dates of locations of use).

ANSWER: Registrant objects to this Instant Interrogatory on the grounds that it is overly broad and burdensome. Subject to said objection, Registrant states:

Registrant's mark is displayed on his website, invoices, business card, and lecture deck for lectures presented at Georgia Tech University.

Additionally, Registrant's mark is on Facebook, Facebook.com/hackettconsulting, Twitter: Twitter.com/hackettconsult and LinkedIn.com/hackettconsulting.

9. Identify each agreement pertaining to any of Registrant's "HACKETT CONSULTING" Marks (e.g. assignments, licenses, franchises, prospectuses, transfers, settlement agreements, merger agreements, co-existence agreements, concurrent use agreements, acquisition agreements, promisorry notes, pledges, security interests, encumbrances, will, trust, testamentary devise, inheritance and letters of intent.)

ANSWER: Registrant has not entered into any agreements pertaining to Registrant's Marks.

10. Identify any known incidents of actual confusion between Petitioner's Marks and Registrant's "HACKETT CONSULTING" Marks.

ANSWER: Registrant retains no evidence of actual confusion between Petitioner's Marks and Registrant's "HACKETT CONSULTING" Marks

11. Identify each trademark search pertaining to Registrant's use of its "HACKETT CONSULTING" Marks.

ANSWER: Registrant objects to this Instant Interrogatory on the grounds that it is overly broad and burdensome. Subject to said objection, Registrant states:

Registrant performed a search online prior to the registration of Registrant's Mark. The actual date of the search is not known.

12. Identify the three individuals affiliated with Registrant (other than counsel) who are believed to be the most knowledgeable as to the allegations made in this proceeding, and the nature of such knowledge possessed by each identified individual.

ANSWER: Registrant objects to this Instant Interrogatory on the grounds that it is overly broad and burdensome. Subject to said objection, Registrant states:

Registrant, Aaron Hackett is the person most knowledgeable as to the allegations made in this proceeding.

13. Identify all persons affiliated with Registrant (other than counsel) who have had primary responsibility for advertising under Registrant's "HACKETT CONSULTING" Marks.

ANSWER: Registrant objects to this Instant Interrogatory on the grounds that it is overly broad and burdensome. Subject to said objection, Registrant states:

Registrant, Aaron Hackett is the person with the most responsibility for advertising under Registrant's "HACKETT CONSULTING" Marks.

14. Identify each third party (other than counsel) with which Registrant communicated regarding advertising under Registrant's "HACKETT CONSULTING" Marks, (e.g. specific advertising agencies, public relations, commercial artists, printers, web designers or web hosting services, television stations, radio stations, or other media outlets, conventions, exhibitions).

ANSWER: Registrant objects to this Instant Interrogatory on the grounds that it is overly broad and burdensome. Subject to said objection, Registrant states:

Registrant, Aaron Hackett provides his advertising on his own.

15. For each of Registrant's "HACKETT CONSULTING" Marks, state the yearly total expenditures for advertising since advertising began.

ANSWER: Registrant spends less than $100.00 a year on advertising. This is spent on business cards and website upkeep.

16. For each product or service sold under Registrant's "HACKETT CONSULTING" Marks, state the yearly gross sales, in revenue, since sales began.

ANSWER: Registrant objects to the Instant Interrogatory on the grounds that it is not reasonably calculated to lead to the discovery of admissible evidence at trial.

17. Identify all persons Registrant intends to call during the testimony phase of these proceedings, and briefly describe the substance of their expected testimony.

ANSWER: Registrant objects to this Instant Interrogatory on the grounds that it is overly broad and burdensome. Subject to said objection, Registrant states:

Registrant, Aaron Hackett is the person who will be called to testify, and can attest to any information regarding the selection, adoption, and usage of the Registrant's Marks.

18. Identify each document used or referred to in answering any of the foregoing interrogatories.

ANSWER: Registrant objects to this Instant Interrogatory on the grounds that it is overly broad and burdensome. Subject to said objection, Registrant states:

Please see the documents produced in connection with the responses to Petitioner's First Request for Production of Documents.

Respectfully submitted this 30th day of October, 2012.

THE TRADEMARK COMPANY, PLLC

/Matthew H. Swyers/
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Tel. (800) 906-8626
Facsimile (270) 477-4574
mswyers@TheTrademarkCompany.com
Counsel for Registrant

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
The Trademark Trial and Appeal Board

Registration No. 3,878,276,
For the mark HACKETT CONSULTING

The Hackett Group, Inc.,	:	
Petitioner,	:	
vs.	:	Cancellation No. 92055460
Aaron Hackett,	:	
Registrant.	:	

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I caused a copy of the foregoing this 30th day of October, 2012, to be served, via first class mail, postage prepaid, upon:

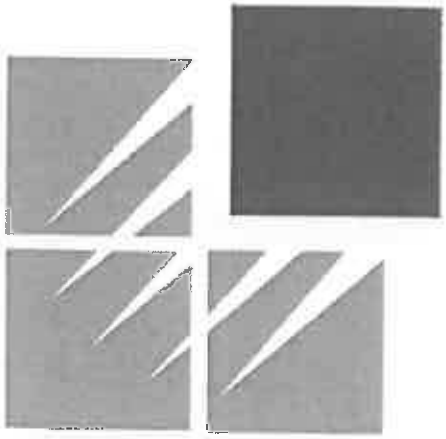
Francisco J. Ferreiro, Esq.
Malloy & Malloy, P.L.
2800 S.W. Third Ave.
Miami, Florida 33129

/Matthew H. Swyers/
Matthew H. Swyers

EXHIBIT 4

The Hackett Group

World Class Defined and Tracked



Your Journey to World-Class Starts Here

Hackett Performance Exchange™

Where does your organization stand on its journey to operational excellence? Do you know which process improvement actions could have the greatest impact on performance today? The Hackett Group's Performance Exchange™ can help. LEARN MORE

Best Practices

Business best practices, as defined by The Hackett Group, are proven, repeatable, documented techniques that deliver measurable business performance management improvements. Executives look to business best practices benchmarking to help them speed their progress toward enterprise performance management improvement, and to guide them around pitfalls that might otherwise slow or even halt their initiatives. LEARN MORE

Hackett Technology Solutions

Hackett Technology Solutions, enables clients to optimize performance in major business areas and maximize returns on their technology investments across the enterprise. Whether it is assessing your current performance, implementing process improvements, optimizing your enterprise-wide system or applying technology solutions to business performance issues, our consultants can lead your company to breakthrough performance improvements and significant costs savings. LEARN MORE

Recent Press

The Hackett Group's 2013 Best Practices Conference Focuses on "Borderless Business: Integrating the Enterprise"

JUNE 7, 2013

Working Capital Performance Deteriorates in 2012 As Opportunity at Largest U.S. Companies Now Tops $1 Trillion

JUNE 6, 2013

As Budget and Staff Cuts Continue, HR Executives Face Pressure To Respond to New "Borderless Business Environment"

MAY 6, 2013

Hackett in the News

ComputerWorld, " U.S. firms say H-1B restrictions may help them,"

Placing restrictions on H-1B visa use by offshore companies might complicate things for them, but it won't change the global offshoring trends, according to The Hackett Group's Michel Janssen.

APRIL 19, 2013

IndustryWeek, "Operations: Cost Reduction Strategies Steer Away from Outsourcing."

Manufacturers are looking internally and to their supply chain for greater efficiencies. U.S. manufacturers are targeting a 1.5% reduction in the cost of goods sold in 2013, according to The Hackett Group's 2013 manufacturing cost optimization study. It will be driven in part by a planned 1.7% reduction in internal manufacturing costs.

APRIL 9, 2013

Featured Videos

NASDAQ Opening Bell

Ted A. Fernandez, Chairman and CEO of The Hackett Group, Inc., presides over the NASDAQ Stock Market opening bell to celebrate the company's rebranding as The Hackett Group (HCKT). WATCH VIDEO

FedEx Tech Connect

Learn how Jay Cofield, Vice President of FedEx Tech Connect, is using the Hackett Performance Exchange™ to drive improvement. WATCH VIDEO

2012 Best Practices Conference - Opening Video

Video showcasing highlights from the 2012 Best Practices Conference where a select group of senior executives shared best practices, insights and perspectives on critical business issues with C-level executives and thought leaders. WATCH VIDEO

Performance Studies

The Hackett Group has created new measurement offerings to identify top performance at the business process level. These studies collect data about staffing, costs, transactional volumes and best practice utilization for each process. These studies can give you some comparative insights on your own company's performance versus top performance and will help you select the improvement initiatives that will deliver

Maclean's, "America's economy is back,"

Cover Story: Jobs are returning, factories are humming – the U.S. economy is taking off. There's the growing trend of "reshoring," as manufacturers bring an end to the decades-long migration of jobs to China and other low-cost locales. In fact, according to consulting firm The Hackett Group, the tipping point has already been reached, with the inflow of manufacturing jobs now eclipsing the outflow.

APRIL 2, 2013

maximum benefits. LEARN MORE

- 2013 Master Data Management Study
- 2013 HR Strategic Workforce Planning Study
- 2013 Purchase-to-Pay Study
- 2013 Procurement Sustainability Study
- 2013 Business Services Planning & Analysis Study
- 2013 Demonstrating IT Impact Study
- Finance 2013: Developing Capabilities That Create More Value for the Enterprise Study
- Enterprise-wide Payroll Technology Study
- 2013 Payroll Study

The Hackett Group

World Class Business Insights

About The Hackett Group

The Hackett Group (NASDAQ: HCKT), a global strategic business advisory and operations improvement consulting firm, is a leader in best practice advisory, business benchmarking, and transformation consulting services including strategy and operations, working capital management, and globalization advice.

Utilizing best practices and implementation insights from more than 7,500 benchmarking studies, executives use The Hackett Group's empirically-based approach to quickly define and implement initiatives that enable world-class performance. Through its REL group, The Hackett Group offers working capital solutions focused on delivering significant cash flow improvements. Through its Archstone Consulting group, The Hackett Group offers Strategy & Operations consulting services in the Consumer and Industrial Products, Pharmaceutical, Manufacturing, and Financial Services industry sectors. Through its Hackett Technology Solutions group, The Hackett Group offers business application consulting services, including SAP implementation and Oracle implementation, that help maximize returns on IT investments. The Hackett Group has completed benchmark studies with over 2,800 major corporations and government agencies, including 97% of the Dow Jones Industrials, 86% of the Fortune 100, 90% of the DAX 30 and 48% of the FTSE 100.

Founded in 1991, The Hackett Group was acquired by Answerthink, Inc. in 1997. Answerthink was renamed The Hackett Group, Inc. in 2008. The Hackett Group has global offices in the United States, Europe and Asia/Pacific and is publicly traded on the NASDAQ as HCKT.

Corporate Clients

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New York
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ABOUT US
- Corporate Overview
- News
- Investor Relations
- Careers
- Advisory Council

Featured Videos

NASDAQ Opening Bell

Ted A. Fernandez, Chairman and CEO of The Hackett Group, Inc., presides over the opening bell to celebrate the company's rebranding.

WATCH VIDEO

FedEx Tech Connect

Learn how Jay Cofield, Vice President of FedEx Tech Connect, is using the Hackett Performance Exchange™ to drive improvement.

WATCH VIDEO

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The Hackett Group

World Class Performance

ABOUT US EXPERTISE SOLUTIONS BEST PRACTICES RESEARCH

Finance Consulting for Challenging Times

Recent economic and financial volatility have challenged corporate finance organizations to provide their companies with more and better services while at the same time reducing the costs of the finance function. In such circumstances, expert advice from an experienced finance consulting firm can be of great value to finance executives. The Hackett Group provides major companies around the world with a range of finance consulting services that help drive greater efficiency and effectiveness throughout the finance function.

The Hackett Group: Finance Consulting for World-Class Performance

The Hackett Group is a leading global strategy and operations consulting firm with particular expertise in benchmarking, best practices implementation, and business transformation, across all back-office functions including finance, human resources, procurement, and IT. We offer an on-demand executive advisory program specifically tailored toward finance leaders, as well as hands-on finance consulting services in support of critical challenges such as:

- **Finance strategy.** The Hackett Group's finance consulting can help drive efficiency in routine transactional processes, allowing a shift in focus to building the strategic value of the finance function. The Hackett Group works with finance executives to steer strategy toward creating a value-driven finance organization.
- **Organizational effectiveness.** By applying proven best practices derived from our close work with world-class organizations operating at exceptional levels of efficiency and effectiveness, our finance consulting services maximize the performance of finance processes while reducing their costs.
- **Working capital management.** With decades of hands-on experience in cash flow management, our working capital group REL has helped clients free up billions of dollars of cash, improving their ability to fund new products and markets, pay down debt, or undertake strategic initiatives.
- **Globalized process sourcing.** Advising clients on appropriate sourcing solutions is central to our finance consulting services. We can help you identify and prioritize processes to outsource or offshore, select an outsourcing provider or a site for a captive operation, and establish effective governance mechanisms. As a global company with deep experience in outsourcing consulting, The Hackett Group is an ideal partner to help you optimize your process sourcing strategy.
- **Planning and performance management.** The need for business performance management has never been greater. As part of our finance consulting services, The Hackett Group works with finance and controlling executives to ensure that the right metrics are employed and that early indicators are used to identify shifts in key forecasted components.
- **Compliance.** Applying best practices, The Hackett Group can help you simplify your compliance processes and reduce the risk and cost of compliance errors locally and globally.

To learn more about The Hackett Group's finance consulting services, or our other back-office consulting services such as supply chain process optimization, strategic sourcing and more, contact us.

learn more

FREE FINANCE BEST PRACTICES PAPER
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BEST PRACTICES INTELLIGENCE CENTER™
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CONTACT US
CHOOSE THE PREMIER BUSINESS IMPROVEMENT FIRM

The Hackett Group

World Class Defined & Delivered

ABOUT US EXPERTISE SOLUTIONS BEST PRACTICES RESEARCH

GO

Business Benchmarking & Process Transformation Solutions

The Hackett Group offers a range of executive advisory, business benchmarking and process transformation consulting services, including shared services, offshoring and outsourcing advice. Hackett offers working capital solutions focused on delivering significant cash flow improvements, business process advice and offers business application consulting services that help maximize returns on IT investments.

Hackett Performance Exchange™

Accelerate your journey toward operational excellence and world-class performance

Where does your organization stand on its journey to operational excellence? Do you know which process improvement actions could have the greatest impact on performance today? The Hackett Group's Performance Exchange™ can help. LEARN MORE

Executive Advisory

Executive Advisory membership programs that provide fact-based guidance on how to address current issues and improve business performance

An executive advisory service can be a valuable ally for busy executives as they strive to lead their organizations through today's volatile business environment. The Hackett Group's Executive Advisory programs provide a trusted source of business benchmarking, fact-based insight to executives who are responsible for strategic and day-to-day management decisions. As a member of a Hackett Group executive advisory program, you'll have access to our experienced team of consultants and practitioners. Our advisors leverage our industry-leading business benchmarking and business best practices database to provide you with proven practices to address crucial strategic and operational issues. LEARN MORE

Process Transformation Consulting

Initiative-based strategy, design and implementation services

Most leading companies recognize the important role that process transformation initiatives can play in improving an organization's operating efficiency and effectiveness. The Hackett Group's Transformation Consulting Program assists companies with their process transformation efforts, helping them maximizing the performance of their processes while reducing their functional costs. LEARN MORE

Business Process Outsourcing

Delivering significant benefits across the entire Sourcing Lifecycle

Business Benchmarking

Performance metrics that assess both efficiency and effectiveness

The Hackett Group's Business Benchmarking Program uses a rigorously defined taxonomy of corporate functional processes and activities that ensures reliable comparisons across different firms. All of our consulting services, from business performance management to process transformation or business process outsourcing, are empirically grounded in our industry leading benchmarking and best practices database, built on more than 7,500 benchmarking engagements that The Hackett Group has completed benchmark studies with over 2,800 major corporations and government agencies, including 97% of the Dow Jones Industrials, 86% of the Fortune 100, 90% of the DAX 30 and 48% of the FTSE 100. LEARN MORE

Working Capital Management

Delivering benefits in Cash, Cost, Service and Risk Mitigation

The Hackett Group's Working Capital Management Program delivers sustainable cash flow improvement across business operations. Like all of our consulting services, our working capital management advice is empirically grounded in our industry leading business benchmarking and best practices database, built on more than 7,500 benchmarking engagements that The Hackett Group has conducted with nearly 3,000 major companies around the world. LEARN MORE

Enterprise Performance Management

Solutions Built on Best Practices

With increased market volatility, risk and complexity comes an enhanced need for sound enterprise performance management. Many organizations, however, struggle to plan for and react to change in a timely manner due to inefficient processes, a "silo" mentality or other factors. LEARN MORE

Workforce Management Implementation Services

Maximizing the Value of Your Workforce

SOLUTIONS

- Process Transformation
- Hackett Performance Exchange™
- Strategy Consulting
- Process Improvement
- Business Advisory
- Business Benchmarking
- Business Transformation
- Working Capital Management
- Business Process Outsourcing
- Enterprise Performance Management
- Workforce Management
- Hackett Technology Solutions
- SAP Applications

Learn More

Learn more about The Hackett Group's outsourcing consulting services, as well as our other performance-oriented solutions such as finance consulting, business benchmarking, shared services, process improvement and more.

CONTACT US

The Hackett Group's Globalization and Business Process Outsourcing Program uses its market leading intellectual property and its deep knowledge of the Business Process Outsourcing service provider capabilities to assist clients in selecting and contracting with the optimal Business Process Outsourcing service provider. LEARN MORE

Strategy Consulting

Solutions for Turbulent Times

These volatile and economically challenging times magnify complexity, risk and the implications of every strategic decision. In this environment, sound strategy consulting is more important than ever. An advisor that brings the right combination of provocative perspectives, proven approaches and pragmatic thinking can make a difference in performance, profitability and operational excellence. LEARN MORE

Process Improvement

Your Key to Competitive Advantage

Leading companies strive for continuous process improvement to create value and competitive advantage in a complex and uncertain market. Well-planned initiatives that deliver sustainable process improvement in key areas such as supply chain, human resources, operations or finance can drive performance optimization and help your organization accomplish more with fewer resources. LEARN MORE

To run at peak performance, organizations need to have the right people with the right skills in the right place at the right time. To accomplish this, organizations have turned to enterprise-grade Workforce Management technology that feature optimal employee scheduling, effective labor tracking and automation for wage and hour compliance. LEARN MORE

Hackett Technology Solutions

Enabling clients to optimize performance in major business areas

Whether it is assessing your current performance, implementing process transformation improvements, optimizing your enterprise-wide system or applying technology solutions to business performance issues, our consultants can lead your company to breakthrough process improvements and significant costs savings. LEARN MORE

SAP Implementation

Reach world-class business performance levels and realize greater return from SAP investments

With the latest SAP releases configured to Hackett Business Best Practices, your firm can start realizing the benefits of significant cost reduction and performance improvements in the very near term. Small and Medium Businesses (SMB) can also benefit from a best practices approach since Answerthink is a leading SAP Software Reseller and Technical Support Provider to the SMB marketplace. LEARN MORE

The Hackett Group

World Class Differentiated Results

ABOUT US EXPERTISE SOLUTIONS BEST PRACTICES RESEARCH

Hackett-Certified™ Best Practices

Best Practices Intelligence Center™

Business Best Practices

Hackett-Certified™ Best Practices

Business best practices, as defined by The Hackett Group, are proven, repeatable, documented techniques that deliver measurable business performance management improvements. Executives look to business best practices benchmarking to help them speed their progress toward enterprise performance management improvement, and to guide them around pitfalls that might otherwise slow or even halt their initiatives.

What makes Hackett's business best practices unique is the reliability and depth of the documentation behind them. Business best practices that Hackett measures become "certified" when we can empirically document a correlation with the ability to achieve world-class performance. Our performance optimization standard of "world-class" describes organizations that achieved top-quartile performance in both effectiveness and efficiency.

Only The Hackett Group offers online access to a searchable best practices benchmarking repository backed by over 15 years of research through our business Best Practices Intelligence Center™.

Business best practices recommended by The Hackett Group are based on our unparalleled database of more than 7,500 empirical studies from 2,800 participating organizations around the globe, including 97% of the Dow Jones Industrials, 86% of the Fortune 100, 90% of the DAX 30 and 48% of the FTSE 100.

Our studies address both qualitative performance – such as functional alignment with business, hr, procurement, IT and finance strategy, process design, process benchmarking, level of technology leverage, ability/readiness to partner with customers and suppliers, supply chain process and organization design – and traditional quantitative metrics, such as cost, cycle time, quality and productivity.

Best Practices Defined:

- Aligns with strategy
- Reduces costs
- Improves productivity
- Promotes timely execution
- Enables better decision making
- Leverages/exploits existing/emerging technologies
- Ensures acceptable levels of control and risk management
- Optimizes the skills and capabilities of the organization
- Promotes collaboration across the extended enterprise

Regardless of industry, geographic location or organizational structure, executives can rely on Hackett best practices to put the weight of empirical evidence behind their business decisions.

BEST PRACTICES

- Hackett-Certified™ Best Practices
- Best Practices Intelligence Center™

Best Practices Intelligence Center™

World-Class Performance is no accident: If you want to achieve world-class performance, Hackett is the only place that offers on-line access to a searchable best practices repository backed by empirical data through our Best Practices Intelligence Center™.

The Hackett Group

World Class Performance Starts Here

ABOUT US EXPERTISE SOLUTIONS BEST PRACTICES RESEARCH GO

Achieve Sustainable Cost Reductio

To negotiate the past few years' volatile economic environment, organizations across all sectors pursued aggressive cost reduction and cash flow management initiatives–including reducing staff and IT costs and freezing discretionary spending wherever they could, as quickly as they could. Now, many are resuming their focus on growth.

Are you prepared to reverse recession–driven cost reduction strategies while maintaining an appropriate level of ongoing attention to cost optimization?

The Hackett Group Delivers Forward-Looking Cost Reduction Solutions

The Hackett Group is a leading global strategy and operations consulting firm that provides cost reduction solutions across all major industries and all business functions.

Through extensive research and benchmarking, we have found that the strongest enabler of scalable, sustainable cost reduction is a strategically designed service delivery model that defines how certain work gets done, where and by whom. Furthermore, leading companies use strategies such as business process improvement programs, shared services centers and business process outsourcing to enable sound, sustainable business cost management.

Accordingly, we work with our clients to:

- Conduct comprehensive cash flow analysis
- Use business benchmarking to understand how top–performing companies structure and deliver key functions
- Develop and execute a road map for cost optimization, including a service delivery strategy that creates the flexibility to adjust operating and cost structure quickly to the realities of your environment

Why Choose The Hackett Group as Your Consulting Partner?

The Hackett Group has a proven track record of success helping leading global companies address their key enterprise challenges, including business transformation, cash flow management and more. We have deep, practical implementation experience with cost reduction initiatives in many environments, and we provide advice and solutions grounded in empirical data and proven practices to deliver measurable, meaningful results.

Working with The Hackett Group, you get fact–based consulting and solutions, backed by our hands–on experience and our proprietary Best Practices Intelligence Center™ – a repository of process metrics, benchmark data and process and cost reduction best practices developed from more than 7,500 projects conducted at the world's leading companies.

With offices in the Americas, Europe and Asia and clients in nearly 60 countries, our team can help you navigate global cost reduction challenges. We have provided business advisory and executive advisory solutions to nearly 3,000 companies across the globe, including 97 percent of the Dow Jones Industrial Index companies and 86% of the Fortune 100 and DAX 30–helping deliver more than $90 billion in sustainable cost savings and more than $25 billion in improved cash flow.

WORLD-CLASS PERFORMANCE

- Rapid Cost Reduction
- Operational Excellence
- Working Capital Management
- Business Process Outsourcing
- ROI from IT Investment
- Business Performance Management

Learn More

To learn about The Hackett Group's cost reduction and other consulting services, contact us.

The Hackett Group

World Class Differentiation Solutions

ABOUT US EXPERTISE SOLUTIONS BEST PRACTICES RESEARCH

GO

Business Advisory Research & Insights

The Hackett Group's research is focused on specific areas of best-practices scholarship to develop advisory insight and tools to support clients as they work to achieve world-class performance.

A slowdown in economic growth normally means weaker customer demand, lower margins, reduced profitability and lower free cash flow. The industry sector, global revenue diversification and capitalization strategy will dictate a company's individual circumstance and corresponding actions. Hackett believes the following actions are critical considerations whose priority will be determined by circumstance, but at the end of the day it is profit growth and the corresponding free cash flow that drive shareholder returns.

- **Inefficiency kills competitiveness:** In order to maintain profitability and cash flow in times of weaker demand and margin pressure, it is imperative to understand and target inefficiencies throughout the organization. Some combination of both rapid and strategic cost reduction initiatives is critical to short-term results as long-term competitiveness.
- **Cash is king:** freeing up unnecessary working capital is the cheapest form of financing. During periods of economic growth the focus on the balance sheet wanes, leading to increased inventories, receivables and inefficient management of sourcing relationships and payables.
- **Accurate and timely information is critical:** Having timely and correct information is critical during volatile economic times. Ensuring that information allows you to understand how demand is changing and impacting your business is critical in planning and forecasting, which in turn are critical to decision-making.

History shows that companies that react swiftly have a far better chance of preserving profitability during business downturns. Equally evident, however, is that indiscriminate, across-the-board cost cutting often results in unsustainable savings, or worse, depleted capability to serve clients and respond to the next wave of opportunity.

Rather than view the current economic downturn as something that you can only "ride out," seize the moment and use the sense of urgency created by it to drive changes in the organization that will quickly reduce operating spend to appropriate levels and free up cash, which can then by invested in projects that will create competitive advantage.

To learn more about how The Hackett Group can help companies prepare for recession, contact us.

Research Available from The Hackett Group

- Finance Research
- Human Resources Research
- Information Technology Research
- Procurement Research

Contact one of our advisors for more information on any of our research.

RESEARCH

- Featured Research
- Sample Research Abstracts
- Performance Studies

Learn More

Learn more about how The Hackett Group can help companies prepare for recession.

EXHIBIT 5

INTERNET ARCHIVE WayBack Machine
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221 captures
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The Hackett Group
an Answerthink company

Hackett Highway

Heightened User Experience

Registered users: Enjoy our latest site enhancements, including:

- Advanced search capabilities
- User profiling matched to specific best practices benchmark categories
- Seamless, top-level access to portions of Hackett Collaborative Learning's online service offerings
- Access to findings not offered in final benchmark reports

2002 Best Practices Conference Highlights

Take an inside look at how world-class companies manage risk and improve performance

Best Practices Benchmark -- 2002 Executive Highlights

View highlights of the most intriguing trends culled from several of Hackett's ongoing best practices studies.

Media/Analyst Resources

Exclusive resources help journalists develop fresh news angles and let analysts access the latest best practices learnings and trends.

Welcome to The Hackett Group

Leading companies look to Hackett Best Practices, a division of Answerthink, for help in identifying and deploying proven and emerging best practices using tools such as benchmarking, research and collaborative learning. The global leader in best practices benchmarking, Hackett Best Practices maintains ongoing studies of finance, IT, human resources, procurement, strategic decision-making and related areas. Its service offerings let clients put the weight of empirical evidence behind executives' intuitions about how to help their businesses operate faster, more efficiently and with greater effectiveness.

Hackett Benchmarking

Offering best practices studies for data-rich performance comparisons against top companies

Since 1988, Hackett has helped companies use benchmarking to create a roadmap for moving toward world-class performance by employing best practices. A recently introduced fast-cycle benchmarking model -- with an assisted, Web-based data-collection process -- lets companies complete the benchmark cycle in as little as 4-6 weeks.

The company maintains three offices to better serve clients in the US and Europe: in Atlanta; Hudson, Ohio; and Frankfurt.

Hackett Collaborative Learning

Delivering thought leadership and innovative solutions through subscription-based best practices communities

In early 2002, Hackett Best Practices introduced subscription-based best practices communities in global shared services, accounts payable, payroll, travel and expense, and other processes. Titled Hackett Collaborative Learning, this service offering, with over 200 participating companies, was founded in the mid-1990s by Gunn Partners Research and was known as Exult Process Intelligence Center until its acquisition in early 2002 by Answerthink.

Registered users of Hackett's online best practices library enjoy high-level access to portions of Hackett Collaborative Learning's online service offerings -- an exclusive feature.

Copyright 2002 Hackett Best Practices, a division of Answerthink, Inc.

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The Hackett Group
an Answerthink company

Hackett's unparalleled benchmark database of nearly 2,000 organizations includes 100% of the Dow Jones Industrials, 90% of the Fortune 100 and 84% of the Dow Jones Global Titans Index. more ...

Hackett Highlights

2003 Best Practices Conference -- our premier event showcasing world-class performance in an interactive, collaborative forum

2003 World-Class Profile Series -- significant new findings and best practices in 5 functional areas; click here to purchase

Hackett Business-Value Index - our latest benchmark service offering

Hackett in the News -- recent articles from business publications featuring insights from Hackett thought leaders

Media Resources

Journalists: Hackett's subject-matter experts can provide performance metrics, best practices and insights available exclusively to media representatives.

Welcome to The Hackett Group

Backed by a renowned benchmark database of nearly 2,000 global participants, The Hackett Group provides unbiased, empirically driven guidance on best-practices-based improvements. We provide comprehensive services ranging from benchmarking, to collaborative learning, to research and business advisory services, offering clients a level of detail and insight available nowhere else.

Benchmark Studies

GO

Be on your way to lasting improvements in as little as 2 weeks

From traditional, comprehensive studies to targeted, strategy-focused analyses, our benchmark studies are designed to evaluate both the value and efficiency of your organization's business processes. For those requiring a full analysis -- consider our full benchmark for the most complete performance examination. For those who have done a full benchmark in finance or IT once before - our Hackett Business-Value Index (BVI) lets you pinpoint exactly where to prioritize further improvement efforts and position your organization within the overall business strategy. more ...

Choose studies in

- Finance
- Information Technology
- Procurement
- Human Resources
- Sales, General and Administrative (SG&A)
- Call Centers
- Shareowner Alignment Index

Powerful, peer-to-peer learning programs

Combine a benchmark of a specific administrative process and membership in a peer-based, knowledge-sharing community - and what you get is a potent tool for identifying improvement opportunities while also promoting ongoing learning. Open data-sharing, regularly scheduled conferences and Webcasts and exclusive white papers let members learn from those experiencing the same challenges. This offering is especially suited for BVI participants, as it helps realize opportunities identified in specific areas. more ...

Choose from programs in

- Accounts Payable
- Accounts Receivable
- General Accounting
- Global Shared Services
- Payroll
- Planning & Performance Management
- Purchasing Card
- Travel Expense

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The Hackett Group

2006 Baseline/The Hackett Group ROI Leadership Awards

Do you have an information systems deployment that has achieved outstanding ROI? Nominate your solution for an ROI Leadership Award from Baseline Magazine and The Hackett Group- the deadline is **June 16th.**

Nominate Your Solution

More Hackett clients.

Our Programs & Services

New: Only Hackett offers services dedicated to generating cash flow improvements from working capital and process best practice optimization. Learn More...

- **Working capital** - through better management of inventory, payables and receivables
- **Costs** - by introducing effective and sustainable cost reduction measures
- **Service** - by instituting and embedding changes to processes that make them more effective on a continuing basis

The result - over $25 billion of cash freed up in the last 10 years alone from Hackett-REL solutions.

Insight gained through 3,300 empirical studies over 14 years at 2,000 leading organizations. Hackett provides objective, proven practice driven insight charting the path to world-class performance.

Business Advisory Programs
Benchmarking
Business Transformation

The Path to World-Class Business Performance

Only The Hackett Group defines world-class performance in sales, general and administrative (SG&A) and supply chain activities through empirical analysis.

Who defines world-class performance?
What are Performance Metrics?

"World-Class" in Hackett's empirically based methodology means companies ranking in the top 25% in Efficiency and Effectiveness metrics.

Moving beyond measurement... Rapidly translating benchmark findings into detailed functional strategies and process designs while leveraging proven best practices is where Business Transformation Services can assist clients during every step of the transformation journey.

What's in the Hackett Knowledge Center?
What are Hackett-Certified™ Practices?
What path do World-Class performers take?

CNBC Europe interviews Hackett Chief Research Officer on Compliance costs

September 8, 2005

Hackett CRO Rick Roth discusses how compliance efforts have caused finance costs to rise and describes ways to reduce those costs, citing analysis from Hackett's 2005 Enterprise Book of Numbers™.

Empirically-Based Research

Business Application Performance: Case Study

Open Research Studies

Contribute to a Hackett research study and receive a copy of study findings with

Client Point-of-View

GE Energy cuts operational complexity

At GE Energy,the largest of General Electric's industrial

Events & Webcasts

EVENT: Europe: 2nd Annual Best Practices Conference
June 1-2, 2006
Presenting the latest research on world-class business performance - key issues / performance metrics.

WEBCAST: Getting Past the Hype: Developing a Balanced Sourcing Strategy
May 23, 2006
The current outsourcing, offshoring and shared services environment...

ROUNDTABLE: High-Tech Industry Executive Roundtable
May 18, 2006
Designed exclusively for executives in the High-Tech industry, this event offers an opportunity for peer discussion of pressing business challenges prefaced by insights...

List of Events
List of Webcasts
List of Executive Roundtables

Recent News

The Hackett Group to Preview 2006 SG&A Research Findings At 16th Annual Best Practices Conference
April 20, 2006

List of Press Releases

Business Journals

Most companies are struggling with excess cost and operating complexity in their IT function. However, by isolating problem drivers world-class companies are creating tangible business benefits.

(PDF Document)

find out more →

data specific to your organization. All company data is kept strictly confidential.

(Takes 20 minutes)

find out more →

General Electric's industrial subsidiaries, CIO John Seral says simplification will mean less cost and more effectiveness for the power generation giant.

(PDF Document)

find out more →

Quoting Hackett

Manufacturing Business Technology, "Higher Pay Makes Procurement Staffs More Valuable"

May 1, 2006

Manufacturing Business Technology, "Accounting for a demand-driven model"

May 1, 2006

List of Past Journal Articles

EXHIBIT 8

The Hackett Group

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Events
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ABOUT US EXPERTISE SOLUTIONS BEST PRACTICES RESEARCH PERFORMANCE NETWORK

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[skip intro]

Performance Network

A global community of executives and professionals in SG&A functions. Obtain fact-based insights into key business issues, strategies and metrics that are required to make fast, informed decisions for your organization.

Membership is free to qualified executives and professionals in the finance, human resources, information technology and procurement functions. More...

News

January 23, 2008

Answerthink Rebrands as The Hackett Group; CEO Ted Fernandez to Ring NASDAQ Opening Bell

December 13, 2007

Hackett: Ongoing Fallout from Compliance Activities Raises Cost of Finance at Typical Companies

18th Annual Best Practices Conference

Blending executive-level insights across the G&A landscape and newly published Hackett research and insights.

Performance Studies

The Hackett Group's Performance Studies allow you to identify your level of organizational performance and cover metrics on cost, staffing, cycle time, quality, and best practice utilization. More...

Open Performance Studies

- Compliance
- Globalization/Offshoring
- Learning & Development

EXHIBIT 9

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED December 30, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 0-24343

The Hackett Group, Inc.

(Exact name of registrant as specified in its charter)

FLORIDA	**65-0750100**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1001 Brickell Bay Drive, Suite 3000 Miami, Florida	**33131**
(Address of principal executive offices)	**(Zip Code)**

(305) 375-8005

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	(Name of each exchange on which registered)
Common Stock, par value $.001 per share	NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer ☐	Accelerated Filer ☒
Non-accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant was $128,301,791 on July 1, 2011 based on the last reported sale price of the registrant's common stock on the NASDAQ Global Market.

The number of shares of the registrant's common stock outstanding on February 17, 2012 was 40,884,440.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of the Form 10-K incorporates by reference certain portions of the registrant's proxy statement for its 2012 Annual Meeting of Shareholders filed with the Commission not later than 120 days after the end of the fiscal year covered by this report.

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THE HACKETT GROUP, INC.
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and the information incorporated by reference in it include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and forecasted demographic and economic trends relating to our industry are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect," or "intend" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Factors that impact such forward-looking statements include, among others, our ability to attract additional business, the timing of projects and the potential for contract cancellation by our customers, changes in expectations regarding the business and information technology industries, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable due to the bankruptcy or financial difficulties of our customers, risks of competition, price and margin trends, and changes in general economic conditions, foreign exchange rates and interest rates. An additional description of our risk factors is described in Part I – Item 1A. "Risk Factors". We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I

ITEM 1. BUSINESS

GENERAL

On January 1, 2008, we changed our corporate name from Answerthink, Inc. ("Answerthink") to The Hackett Group, Inc. ("Hackett"). We were originally incorporated on April 23, 1997. All prior references to Answerthink will now be reflected as Hackett as if the name change was effected for all years presented. Hackett is a global strategic advisory firm and a leader in best practice advisory, benchmarking, and transformation consulting services, including shared services, offshoring and outsourcing advice. Utilizing best practices and implementation insights from more than 7,000 benchmarking studies, executives use Hackett's empirically based approach to quickly define and prioritize initiatives to enable world-class performance. Through its Archstone Consulting group (acquired in November 2009), Hackett offers Strategy and Operations consulting services in the Consumer and Industrial Products, Pharmaceutical, Manufacturing and Financial Services industry sectors. Through its REL group, Hackett offers working capital solutions focused on delivering significant cash flow improvements. Through its Enterprise Resource Planning Solutions group ("ERP Solutions"), Hackett offers business application consulting services that help maximize returns on information technology ("IT") investments. Hackett has worked with over 3,000 major corporations and government agencies, including 97% of the Dow Jones Industrials, 86% of the Fortune 100, 90% of the DAX 30 and 48% of the FTSE 100.

In this Form 10-K, unless the context otherwise requires, "Hackett," the "Company," "we," "us," and "our" refer to The Hackett Group, Inc. and its subsidiaries and predecessors.

As expected, during 2011 we experienced gradual economic and client demand improvement in U.S. and Western European markets that we primarily serve, consistent with the tepid economic growth that these markets experienced. This was a noticeable improvement from the challenging economic environment that we experienced throughout most of 2009, but less than would be expected in a normal economic recovery. As we head into 2012, we expect gradual improvement in economic conditions in the U.S., however, we will be more cautious about our expectation for improved demand in Western Europe. Global organizations will continue to recognize the need to drive sustainable productivity improvement as they look to be competitive in the growing but complex global economy. Global growth opportunities require organizations to build global standards and to drive operating excellence based on the regional growth opportunities defined by the markets that they serve. We believe that many organizations have yet to make the global and regional organizational changes commensurate with the varying regional market conditions. We believe that our offerings are well aligned with the demands that all organizations will continue to experience during a period of gradual but continued global volatility. We will continue to ensure that our clients understand that our unique intellectual capital along with our expanding implementation expertise will enable them to make the necessary

improvements in a targeted and timely manner.

Specifically, organizations must make certain that they have an operating platform or service delivery strategy that ensures that their underlying business processes allow them to strategically support their operations and to optimize their results in the current economic environment. To do so, organizations will have to understand and decide how best to organize, enable, source and manage their critical business processes while leveraging global standards, but executing based on the specific regional requirements. We believe companies will continue to place increased emphasis on risk management and tangible return on their business and technological investments. We believe large enterprises will continue to focus their performance improvement spending on strategies and tools that help them generate more value from their business investments in the form of enhanced productivity and efficiency. We

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also expect companies to continue to look for ways to centralize, standardize and automate business processes and to do so by leveraging educated, low-cost labor markets. In today's environment, clients must be clearly convinced that you are uniquely qualified to help them achieve their targeted results in a timely manner.

OUR PROPRIETARY BEST PRACTICE IMPLEMENTATION INTELLECTUAL CAPITAL

Hackett uses its proprietary Best Practice Implementation ("BPI") intellectual capital to help clients improve their performance. Our benchmark offerings allow clients to empirically quantify their performance improvement opportunity at a process level. Utilizing the performance metrics and our vast repository of best practices, combined with the global strategy and implementation insight of our transformation and technology associates, Hackett has created a series of process and technology tools that allow clients to effect proven sustainable performance improvement. Our proprietary BPI intellectual capital, which is imbedded within our global delivery methodology, allows us to help clients accelerate their time to benefit.

Our BPI approach leverages our inventory of Hackett-Certified™ practices, observed through benchmark and other BPI engagements, to correlate best practices with superior performance levels. We use Hackett intellectual capital in the form of best practice process flows and software configuration guides to integrate Hackett's empirically proven best practices directly into business processes and workflows that are enabled by enterprise software applications. The repository of best practice process flows and software configuration guides reside in the Best Practice Intelligence Center portal and are used throughout the term of a project to ensure that best practices are identified and implemented. This coordinated approach addresses people, process, information access and technology.

Because Hackett solutions are based on Hackett-Certified™ practices, we believe that clients gain significant advantages. Clients can have confidence that their solutions are based on strategies from the world's leading companies. More importantly, Hackett solutions deliver enhanced efficiency, improved effectiveness, increased flexibility, optimized return on investment and reduced implementation risk.

The BPI approach often begins with a clear understanding of current performance, which is gained through benchmarking key processes and comparing the results to world-class levels and industry standards captured in the Hackett database. We then help clients prioritize and select the appropriate best practices to implement through a coordinated performance improvement strategy. Without a coordinated strategy that addresses the four key business drivers of people, process, technology and information, we believe companies risk losing a significant portion of business case benefits of their investments. We have designed detailed best practice process flows based on Hackett's deep knowledge of world-class business performance which enable clients to streamline and automate key processes, and generate performance improvements quickly and efficiently at both the functional and enterprise level.

Similarly, we integrate Hackett-Certified™ practices directly into technology solutions. We believe it is imperative that companies simplify and automate processes to meet best practice standards before new technology implementations and upgrades are completed. The automation of inefficient processes only serves to continue to drive up costs, cycle times and error rates. We have completed detailed fit-gap analyses in most functional areas of major business application packages from Oracle, Hyperion and SAP to determine their ability to support best practices. Application-specific tools, implementation guides and process flows allow us to optimize the configuration of ERP software, while limiting customization. BPIs establish the foundation for improved performance.

We believe the combination of optimized processes, best practice-based business applications and enhanced business intelligence environments allow our clients to achieve and sustain significant business performance improvement. The specific client circumstances normally dictate how they engage us. Our goal is to be responsive to client needs, and to establish a continuous and trusted relationship. We have developed a series of offerings that allow us to efficiently help the client without regard to where they are in their performance improvement lifecycle.

COMPETITION

The strategic business advisory and technology consulting marketplace continues to be extremely competitive. The marketplace will remain competitive as companies continue to look for ways to improve their organizational effectiveness. Our competitors include strategic consulting firms, executive research advisory firms, international and regional management consulting and IT firms, and the IT services divisions of application software firms. Mergers and consolidations throughout our industry have resulted in higher levels of competition. We believe that the principal competitive factors in the industries in which

we compete include skills and capabilities of people, innovative services and product offerings, perceived ability to add value, reputation and client references, price, scope of services, service delivery approaches, technical and industry expertise, quality of services and solutions, ability to deliver results on a timely basis, availability of appropriate resources, and global reach and scale. We believe very few of our competitors have proprietary intellectual capital similar to the performance metrics and BPI insight that emanates from our Transformational Benchmark offering.

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In spite of our size relative to our competitor group, we believe our competitive position is strong. With Hackett best practice intellectual capital and its direct link to our BPI approach, we believe we can uniquely assist our clients. Our ability to apply best practices to client operations via proven techniques is at the core of our competitive standing.

Similarly, we believe that Hackett is the definitive source for best practice performance metrics and strategies. Hackett is the only organization that has conducted more than 7,000 benchmark studies over 18 years at over 3,000 clients, generating proprietary data sets spanning performance metrics and correlating best practices with superior performance. The combination of Hackett benchmark data, along with deep expertise and knowledge in evaluating, designing and implementing business transformation strategies, delivers a powerful and distinct value proposition for our clients.

Our culture of client collaboration leverages the power of our cross-functional and service line teams to increase revenue and strengthen relationships. We believe that this culture, along with our intellectual capital-centric approach, gives us a competitive advantage.

STRATEGY

Our focus will be on executing the following strategies:

- ***Expand our brand or market permission to our other offerings.*** We believe that our long term growth prospects lie in our ability to extend our unique market permission to help clients measure their performance improvement opportunity, or gap analysis, using our proprietary benchmark database into our other offerings. We have started to extend our permission through the strategic relationship that results from our Executive Advisory Programs. However, our most significant growth opportunity is in our ability to extend our brand and market permission into our enterprise transformation and other best practice implementation offerings which create a significant opportunity to grow revenue per client.
- ***Continue to position and grow Hackett as an IP-centric strategic advisory organization.*** The Hackett brand is widely recognized for benchmarking metrics and best practice strategies. By building a series of highly complementary on-site and off-site offerings that allow our clients access to our Intellectual Property ("IP") which is based on our best practice process and technology implementation insight, we are able to build trusted strategic relationships with our clients. Depending upon where our clients are in their assessment or implementation of performance improvement initiatives, we offer them a combination of offerings that support their efforts. If they need on-site planning, design and/or implementation support, we offer them a combination of benchmarking and transformation support. If they need off-site access to our IP and advisors to help them either assess or execute on their own, they can avail themselves of our Executive Advisory Programs. The key is for the client to know that we can support them strategically by leveraging our unique IP and insight so that we are able to build a strategic relationship which is appropriate for them. We also believe that clients that value our IP will turn to us for other services when the need arises, allowing us over time to ascribe a larger amount of our total revenue to a growing client base, which will improve the predictability of our results.
- ***Introduce New IP–centric Offerings.*** In 2011, we launched the introduction of a new performance management offering called the "Hackett Performance Exchange." This new dashboard offering allows us to measure, benchmark and estimate the performance improvement opportunity of key operating processes on a monthly basis. This offering securely extracts operating information directly from a client's ERP system which allows them to measure and compare their performance to Hackett peer and world class standards. Most importantly, this solution is fully automated, requiring limited client time to set up and can be viewed utilizing a laptop with secured web access. This new offering, if successful, may help enhance our business model by creating a powerful and continuous relationship with a client. It could also increase key operating data that will allow us to improve the proprietary performance insight we can deliver through all of our other offerings. Since this offering was launched to clients in the latter part of 2011 with a six month free trial period, we have yet to establish the commercial contribution it will have on our business model.
- ***Continue to expand our BPI tools***. BPI incorporates intellectual capital from Hackett into our implementation tools and techniques. For clients, the end results are tangible cost and performance gains and improved returns on their investments. Our clients attribute their decision to employ us based on our BPI approach and tools. Our objective is to help clients make smarter business process and software configuration decisions as a result of our BPI methods and knowledge. We are continuously updating our BPI content and tools through benchmarking, enterprise transformation and research activities. Additional BPI updates are also driven by new software releases that drive innovation in business process automation.
- ***Create strategic relationships that help us leverage and expand our Hackett intellectual capital base as well as grow***

our revenue. We continue to believe that there are other organizations which can help us grow revenue and intellectual capital consistent with our strategy. Such relationships include programs that we have executed with other consulting organizations, industry trade groups and software providers.

- ***Recruit and develop talent.*** As we continue to grow and realize the potential of our business model, it has become increasingly evident that the primary limit to our progress will be our ability to attract, retain, develop and motivate associates. We continue to invest in associate development programs that are specifically targeted to improve our go-to-market and delivery execution.

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- ***Leverage our dual shore capabilities.*** Developing an offshore resource capability to support all of our offerings has been a key strategy for our organization. Our facility in Hyderabad, India allows us to increase operational efficiencies while maintaining 24 hour/5 day operations.
- ***Seek out strategic acquisitions.*** We will continue to pursue strategic acquisitions that strengthen our ability to compete and expand our IP. We believe that our unique Hackett access and our BPI approach, coupled with our strong balance sheet and infrastructure, can be utilized to support a larger organization. We believe that acquisitions must be accretive or have strong growth prospects, but most importantly, have strong synergy with our best practice intellectual capital focus.

OUR OFFERINGS

We offer a comprehensive range of services, including executive advisory programs, benchmarking, business transformation and technology consulting services. With strategic and functional knowledge in finance, human resources, information technology, procurement, supply chain management, corporate services, customer service, and sales and marketing, our expertise extends across the enterprise. We have completed successful engagements in a variety of industries, including automotive, consumer goods, financial services, technology, life sciences, manufacturing, media and entertainment, retail, telecommunications, transportation and utilities.

The Hackett Group

- **Executive Advisory Programs**

On-demand access provides world-class performance metrics, peer-learning opportunities and best practice implementation advice. The scope of Hackett's advisory programs is defined by business function (Executive Advisory) and by end-to-end process coverage (Process Advisory). Our advisory programs include a mix of the following deliverables:

- ***Advisor Inquiry***: Hackett's inquiry services are used by clients for quick access to fact-based advice on proven approaches and methods to increase the efficiency and effectiveness of selling, general and administrative processes ("SG&A").
- ***Best Practice Research:*** Empirically-based research and insight derived from Hackett benchmark, performance and transformation studies. Our research provides detailed insights into the most significant proven approaches in use at world-class organizations that yield superior business results.
- ***Peer Interaction:*** Regular member-led webcasts, annual Best Practice Conferences, annual Member Forums, membership performance surveys and client-submitted content, provide ongoing peer learning and networking opportunities.
- ***Best Practice Intelligence Center:*** Online, searchable repository of best practices, performance metrics, conference presentations and associated research available to Executive Advisory Program Members and their support teams.

- **Benchmarking Services**

Our benchmarking group dates back to 1991, and has measured and evaluated the efficiency and effectiveness of enterprise functions for over 3,000 organizations globally. This includes 97% of the Dow Jones Industrials, 86% of the Fortune 100, 90% of the DAX 30 and 48% of the FTSE 100. Ongoing studies are conducted in a wide range of areas, including SG&A, finance, human resources, information technology, procurement, enterprise performance management, shared service centers and working capital management. Hackett has identified over 1,900 best practices for over 95 processes in these key functional areas and uses proprietary performance measurement tools and data collection processes that enable companies to complete the performance measurement cycle and identify and quantify improvement opportunities in as little as four weeks. Benchmarks are used by our clients to objectively establish priorities, generate organizational consensus, align compensation to establish performance goals, and develop the required business case for business and technology investments.

- **Business Transformation**

Our Business Transformation programs help clients develop a coordinated strategy for achieving performance improvements across the enterprise. Our experienced teams utilize Hackett performance measurement data to link performance gains to industry best practices. Our strategic capabilities include operational assessments, process and organization design, change management and the effective application of technology. We combine best practices knowledge with business expertise and broad technology capabilities, which we believe enables our programs to optimize return on client investments in people,

process, technology and information.

Through REL, a global leader in generating cash flow improvement from working capital, we offer services which are designed to help companies improve cash flow from operations through improved working capital management, reduced costs and increased service quality.

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Through Archstone, we offer services which specialize in industry supply chain and procurement consulting and advisory competencies.

In 2012, we plan to bundle our new Hackett Performance Exchange offering along with our Advisory, Benchmarking and Transformation offerings. This new marketing effort will be named Hackett HD (High Definition). The idea is to allow clients to experience the benefit of our new performance dashboard, whenever appropriate.

ERP Solutions

Our ERP Solutions professionals help clients choose and deploy the software applications that best meet their needs and objectives. Our expertise is focused on the following application providers: Oracle, SAP, and leading time and attendance providers. The group offers comprehensive services from planning, architecture, and vendor evaluation and selection through implementation, customization, testing and integration. Comprehensive fit-gap analyses of all major packages against Hackett Best Practices are utilized by our ERP Solutions teams. BPI tools and templates help integrate best practices into business and analytical applications. The group also offers post-implementation support, change management, exception management, process transparency, system documentation and end-user training, all of which are designed to enhance return on investment. We also provide offshore application development and support services. These services include post-implementation support for select business application platforms. Our ERP Solutions group also includes a division responsible for the sale and maintenance support of the SAP suite of ERP applications.

See Note 1 and Note 17 in the notes to the consolidated financial statements regarding segment reporting and geographic and service group information.

CLIENTS

We focus on developing long-term client relationships with Global 2000 firms and other sophisticated buyers of business and IT consulting services. During 2011, 2010 and 2009, our ten most significant clients accounted for 22%,26% and 28% of revenue, respectively, and one client generated 3%, 4% and 6% of total revenue, respectively. We believe that we have achieved a high level of satisfaction across our client base. The responses to our client satisfaction surveys have been positive. We receive surveys from a significant number of our engagements which are utilized in a rigorous process to improve our delivery execution, sales processes, methodologies and training.

BUSINESS DEVELOPMENT AND MARKETING

Our extensive client base and relationships with Global 2000 firms remain our most significant sources of new business. Our revenue generation strategy is formulated to ensure we are addressing multiple facets of business development. The categories below define our business development resources. Our primary goal is to continue to increase awareness of our brand which we have created around Hackett's empirical knowledge capital and BPI in the extended enterprise that we now serve. Our Hackett and BPI message have remained the central focus of our marketing and communications programs in 2011, which helped to expand both an understanding of and demand for this approach. Similarly, we have regionalized our sales and market development efforts in both North America and Europe, so we can better coordinate the sales efforts from the various offerings. Our compensation programs for our associates reflect an emphasis on optimizing our total revenue relationship with our clients while continuing to emphasize the growth of our Executive Advisory Program clients. For our ERP Solutions groups, we have continued to utilize Hackett intellectual capital that resides in our BPI tools as a way to differentiate the relationships we have with the software providers and with our clients.

BUSINESS DEVELOPMENT RESOURCES

Although virtually all of our advisors and consultants have the ability to and are expected to contribute to new revenue opportunities, our primary internal business development resources are comprised of the following:

- **The Leadership Team, Principals and Senior Directors** are comprised of our senior leaders who have a combination of executive, regional, practice and anchor account responsibilities. In addition to their management responsibilities, this group of associates is responsible for growing the business by fostering executive-level relationships within accounts and leveraging their existing contacts in the marketplace.
- **The Sales Organization** is comprised of associates who are 100% dedicated to generating sales. They are deployed

geographically in key markets and are primarily focused on developing new relationships and are aligned to our core practice areas within their target accounts. They also handle opportunities in their geographic territories as they arise.

- **The Business Development Associates** are comprised of trained groups of telemarketing specialists who are conversant with their respective solution areas. Lead generation is coordinated with our marketing and sales groups to ensure that our inbound and outbound efforts are synchronized with targeted marketing and sales programs.

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- **The Delivery Organization** is comprised of our billable associates who work at client locations. We encourage associates to pursue additional business development opportunities through their normal course of delivering existing projects and helping us expand our business within existing accounts.

In addition to our business development resources, we have a corporate marketing and communications organization responsible for overseeing our marketing programs, public relations and employee communications activities.

We have organized our market focus into the following categories:

- **Strategic Accounts** are comprised of large prospects and existing relationships which we believe will have a significant revenue relationship within the next 18 months. Strategic account criteria include the size of the company, industry affiliation, propensity to buy external consulting services and contacts within the account. The sales representative working closely with regional leadership is primarily responsible for identifying business opportunities in the account, acting as the single point of coordination for the client, and performing the general duties of account manager.
- **Regional Accounts** are accounts within a specified geographic location. These accounts mostly include large prospects, dormant clients, existing medium-sized clients and mid-tier market accounts and are handled primarily on an opportunistic basis, except for active clients where delivery teams are focused on driving additional revenue.
- **Strategic Alliance Accounts** are accounts that allow us to partner with organizations of greater scale or different skill sets or with software developers which enables all parties to jointly market their products and services to prospective clients.

MANAGEMENT SYSTEMS

Our management control systems are comprised of various accounting, billing, financial reporting, human resources, marketing and resource allocations systems, many of which are integrated with our knowledge management system, Mind~Share. We believe that Mind~Share significantly enhances our ability to serve our clients efficiently by allowing our knowledge-base to be shared by all associates worldwide on a real-time basis. Our well-developed, flexible, scalable infrastructure has allowed us to quickly integrate the new employees and business systems we have acquired.

TALENT MANAGEMENT

We fully believe that our culture fosters intellectual creativity, collaboration and innovation. We believe in building relationships with both our associates and clients. We believe the best solutions come from teams of diverse individuals addressing problems collectively and from multiple dimensions, including the business, technological and human dimensions. We believe that the most effective working environment is one where everyone is encouraged to contribute and is rewarded for that contribution. Our core values are the strongest expression of our working style and represent what we stand for. These core values are:

- Continuous development of our associates, our unique content business model and our knowledge base;
- Diversity of backgrounds, skills and experiences;
- Knowledge capture, contribution and utilization; and
- Collaboration with one another, our partners and our clients.

Our human resources staff includes seasoned professionals in North America, Europe and Asia Pacific who support our practices by, among other things, administering our benefit programs and facilitating the hiring process. Our human resources staff also includes dedicated individuals who recruit consultants with both business and technology expertise. Our recruiting team supports our hiring process by focusing on the highest demand solution areas of our business to ensure an adequate pipeline of new associates. We also have an employee referral program, which rewards existing employees who source new hires.

As of December 30, 2011, we had 914 associates, 78% of whom were billable professionals. We do not have any associates that are subject to collective bargaining arrangements, however, in France our associates enjoy the benefit of certain government mandated regulations based on industry classification. We have entered into nondisclosure and non-solicitation agreements with virtually all of our personnel. From time to time, we also engage consultants as independent contractors.

COMMUNITY INVOLVEMENT

One important way we put our values into action is through our commitment to the communities where we work. The mission of our Community Councils, which operate in each of the cities where we have offices, is to strive to make the markets, communities and clients we serve better than how we found them. We do so by building a strong sense of community, with collaboration and personal interaction from all of our associates, through both volunteer and service programs and social gatherings.

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AVAILABLE INFORMATION

We make our public filings with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all exhibits and amendments to these reports, available free of charge at our website http://www.thehackettgroup.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Any material that we file with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or at www.sec.gov. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Also available on our website, free of charge, are copies of our Code of Conduct and Ethics, and the charter for the Audit Committee of our Board of Directors. We intend to disclose any amendment to, or waiver from, a provision of our Code of Conduct and Ethics applicable to our senior financial officers, including our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Corporate Controller on our website within four business days following the date of the amendment or waiver.

ITEM 1A. RISK FACTORS

Our business is subject to risks. The following important factors could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K or printed elsewhere by management from time to time.

Our results of operations could be negatively affected by global economic conditions.

Current global economic conditions may affect our clients' businesses and the markets they serve. A substantial or prolonged economic downturn could adversely affect our clients' financial condition which may reduce our clients' demand for our services, force price reductions, cause project cancellations, or delay consulting services for which they have engaged us. In addition, if we are unable to successfully anticipate the changing economic conditions, we may be unable to effectively plan for and respond to those changes, and our business could be negatively affected.

Our quarterly operating results may vary.

Our financial results may fluctuate from quarter to quarter. In future quarters, our operating results may not meet public market analysts' and investors' expectations. If that happens, the price of our common stock may fall. Many factors can cause these fluctuations, including:

- number, size, timing and scope of client engagements;
- customer concentration;
- long and unpredictable sales cycles;
- contract terms of client engagements;
- degrees of completion of client engagements;
- client engagement delays or cancellations;
- competition for and utilization of employees;
- how well we estimate the resources and effort we need to complete client engagements;
- the integration of acquired businesses;
- pricing changes in the industry;
- economic conditions specific to business and information technology consulting; and
- global economic conditions.

A high percentage of our operating expenses, particularly personnel and rent, are fixed in advance of any particular quarter. As a result, if we experience unanticipated changes in client engagements or in consultant utilization rates, we could experience large variations in quarterly operating results and losses in any particular quarter. Due to these factors, we believe our quarter-to-quarter operating results should not be used to predict future performance.

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If we are unable to maintain our reputation and expand our name recognition, we may have difficulty attracting new business and retaining current clients and employees.

We believe that establishing and maintaining a good reputation and name recognition are critical for attracting and retaining clients and employees in our industry. We also believe that the importance of reputation and name recognition will continue to increase due to the number of providers of business consulting and IT services. If our reputation is damaged or if potential clients are not familiar with us or with the solutions we provide, we may be unable to attract new, or retain existing, clients and employees. Promotion and enhancement of our name will depend largely on our success in continuing to provide effective solutions. If clients do not perceive our solutions to be effective or of high quality, our brand name and reputation will suffer. In addition, if solutions we provide have defects, critical business functions of our clients may fail, and we could suffer adverse publicity as well as economic liability.

We depend heavily on a limited number of clients.

We have derived, and believe that we will continue to derive, a significant portion of our revenue from a limited number of clients for which we perform large projects. In 2011, our ten largest clients accounted for 22% of our aggregate revenue. In addition, revenue from a large client may constitute a significant portion of our total revenue in any particular quarter. Our customer contracts generally can be cancelled for convenience by the customer upon 30 days' notice. The loss of any of our large clients for any reason, including as a result of the acquisition of that client by another entity, our failure to meet that client's expectations, the client's decision to reduce spending on technology-related projects, or failure to collect amounts owed to us from our client could have a material adverse effect on our business, financial condition and results of operations.

We have risks associated with potential acquisitions or investments.

Since our inception, we have expanded through acquisitions. In the future, we plan to pursue additional acquisitions as opportunities arise. We may not be able to successfully integrate businesses which we may acquire in the future without substantial expense, delays or other operational or financial problems. We may not be able to identify, acquire or profitably manage additional businesses. Also, acquisitions may involve a number of risks, including:

- diversion of management's attention;
- failure to retain key personnel;
- failure to retain existing clients;
- unanticipated events or circumstances;
- unknown claims or liabilities;
- amortization of certain acquired intangible assets; and
- operating in new or unfamiliar geographies.

Client dissatisfaction or performance problems at a single acquired business could have a material adverse impact on our reputation as a whole. Further, we cannot assure you that our future acquired businesses will generate anticipated revenue or earnings.

Difficulties in integrating businesses we acquire in the future may demand time and attention from our senior management.

Integrating businesses we acquire in the future may involve unanticipated delays, costs and/or other operational and financial problems. In integrating acquired businesses, we may not achieve expected economies of scale or profitability, or realize sufficient revenue to justify our investment. If we encounter unexpected problems as we try to integrate an acquired firm into our business, our management may be required to expend time and attention to address the problems, which would divert their time and attention from other aspects of our business.

Our markets are highly competitive.

We may not be able to compete effectively with current or future competitors. The business consulting and IT services markets are highly competitive. We expect competition to further intensify as these markets continue to evolve. Some of our competitors have longer operating histories, larger client bases, longer relationships with their clients, greater brand or name

recognition and significantly greater financial, technical and marketing resources than we do. As a result, our competitors may be in a stronger position to respond more quickly to new or emerging technologies and changes in client requirements and to devote greater resources than we can to the development, promotion and sale of their services. Competitors could lower their prices, potentially forcing us to lower our prices and suffer reduced operating margins. We face competition from international accounting firms; international, national and regional strategic consulting and systems implementation firms; and the IT services divisions of application software firms.

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In addition, there are relatively low barriers to entry into the business consulting and IT services market. We do not own any patented technology that would stop competitors from entering this market and providing services similar to ours. As a result, the emergence of new competitors may pose a threat to our business. Existing or future competitors may develop and offer services that are superior to, or have greater market acceptance, than ours, which could significantly decrease our revenue and the value of your investment.

We may not be able to hire, train, motivate, retain and manage professional staff.

To succeed, we must hire, train, motivate, retain and manage highly skilled employees. Competition for skilled employees who can perform the services we offer is intense. We might not be able to hire enough skilled employees or train, motivate, retain and manage the employees we hire. This could hinder our ability to complete existing client engagements and bid for new ones. Hiring, training, motivating, retaining and managing employees with the skills we need is time-consuming and expensive.

We could lose money on our contracts.

As part of our strategy, from time to time, we enter into capped or fixed-price contracts, in addition to contracts based on payment for time and materials. Because of the complexity of many of our client engagements, accurately estimating the cost, scope and duration of a particular engagement can be a difficult task. We maintain an Office of Risk Management ("ORM") that evaluates and attempts to mitigate delivery risk associated with complex projects. In connection with their review, ORM analyzes the critical estimates associated with these projects. If we fail to make these estimates accurately, we could be forced to devote additional resources to these engagements for which we will not receive additional compensation. To the extent that an expenditure of additional resources is required on an engagement, this could reduce the profitability of, or result in a loss on, the engagement. In the past, we have, on occasion, engaged in negotiations with clients regarding changes to the cost, scope or duration of specific engagements. To the extent we do not sufficiently communicate to our clients, or our clients fail to adequately appreciate the nature and extent of any of these types of changes to an engagement, our reputation may be harmed and we may suffer losses on an engagement.

Lack of detailed written contracts could impair our ability to recognize revenue for services performed, collect fees, protect our IP and protect ourselves from liability to others.

We protect ourselves by entering into detailed written contracts with our clients covering the terms and contingencies of the client engagement. In some cases, however, consistent with what we believe to be industry practice, work is performed for clients on the basis of a limited statement of work or verbal agreement before a detailed written contract can be finalized. Revenue is not recognized on a project prior to receiving a signed contract. To the extent that we fail to have detailed written contracts in place, our ability to collect fees, protect our IP and protect ourselves from liability to others may be impaired.

Our corporate governance provisions may deter a financially attractive takeover attempt.

Provisions of our charter and by-laws may discourage, delay or prevent a merger or acquisition which shareholders may consider favorable, including transactions in which shareholders would receive a premium for their shares. These provisions include the following:

- shareholders must comply with advance notice requirements before raising a matter at a meeting of shareholders or nominating a director for election;
- our Board of Directors is staggered into three classes and the members may be removed only for cause upon the affirmative vote of holders of at least two-thirds of the shares entitled to vote;
- we would not be required to hold a special meeting to consider a takeover proposal unless holders of more than a majority of the shares entitled to vote on the matter were to submit a written demand or demands for us to do so; and
- our Board of Directors may, without obtaining shareholder approval, classify and issue up to 1,250,000 shares of preferred stock with powers, preferences, designations and rights that may make it more difficult for a third party to acquire us.

In addition, our Board of Directors has adopted a shareholder rights plan. Subject to certain exceptions, in the event that a person or group in the future becomes the beneficial owner of 15% or more of our common stock (or in the case of Liberty

Wanger Asset Management, L.P. (now known as Columbia Wanger Asset Management, L.P.) and its affiliates 20%), or commences, or publicly announces, an intention to commence a tender or exchange offer which would result in its ownership of 15% or more of our outstanding common stock, then the rights issued to our shareholders in connection with this plan will allow our shareholders to purchase shares of our common stock at 50% of its then current market value. In addition, if we are acquired in a merger, or 50% or more of our assets are sold in one or more related transactions, our shareholders would have the right to purchase the common stock of the acquiring company at half the then current market price of such common stock.

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We may lose large clients or may not be able to secure targeted follow-on work or client retention rates.

Our client engagements are generally short-term arrangements, and most clients can reduce or cancel their contracts for our services with a 30 days' notice and without penalty. As a result, if we lose a major client or large client engagement, our revenue will be adversely affected. We perform varying amounts of work for specific clients from year to year. A major client in one year may not use our services in another year. In addition, we may derive revenue from a major client that constitutes a large portion of total revenue for particular quarters. If we lose any major clients or any of our clients cancel programs or significantly reduce the scope of a large engagement, our business, financial condition, and results of operations could be materially and adversely affected. Also, if we fail to collect a large accounts receivable, we could be subjected to significant financial exposure. Consequently, you should not predict or anticipate our future revenue based upon the number of clients we currently have or the number and size of our existing client engagements.

We also derive a portion of our revenue from annual memberships for our Executive Advisory Programs. Our growth prospects therefore depend on our ability to achieve and sustain renewal rates on programs and to successfully launch new programs. Failure to achieve renewal rate levels or to successfully launch new programs and services could have an adverse effect on our operating results.

We may lose money in the introduction of new offerings.

In 2011, we introduced a new software as a service performance management offering called Hackett Performance Exchange. We have invested over $5.0 million in the development of this new offering. At this time, there is no assurance that we will recover our investment or develop the requisite number of paid client contracts necessary to adequately cover our product development and support costs associated with this initiative.

If we are unable to protect our IP rights or infringe on the IP rights of third parties, our business may be harmed.

We rely upon a combination of nondisclosure and other contractual arrangements and trade secret, copyright and trademark laws to protect our proprietary rights and the proprietary rights of third parties from whom we license IP. Although we enter into confidentiality agreements with our employees and limit distribution of proprietary information, there can be no assurance that the steps we have taken in this regard will be adequate to deter misappropriation of proprietary information, or that we will be able to detect unauthorized use and take appropriate steps to enforce our IP rights.

Although we believe that our services do not infringe on the IP rights of others and that we have all rights necessary to utilize the IP employed in our business, we are subject to the risk of claims alleging infringement of third-party IP rights. Any claims could require us to spend significant sums in litigation, pay damages, develop non-infringing IP or acquire licenses to the IP that is the subject of asserted infringement.

The market price of our common stock may fluctuate widely.

The market price of our common stock could fluctuate substantially due to:

- future announcements concerning us or our competitors;
- quarterly fluctuations in operating results;
- announcements of acquisitions or technological innovations;
- changes in earnings estimates or recommendations by analysts; or
- current market volatility.

In addition, the stock prices of many business and technology services companies fluctuate widely for reasons which may be unrelated to operating results. Fluctuation in the market price of our common stock may impact our ability to finance our operations and retain personnel.

We earn revenue, incur costs and maintain cash balances in multiple currencies, and currency fluctuations could adversely affect our financial results.

We have increasing international operations, where we earn revenue and incur costs in various foreign currencies,

primarily the British Pound, the Euro and the Australian Dollar. Doing business in these foreign currencies exposes us to foreign currency risks in numerous areas, including revenue, purchases, payroll and investments. Certain foreign currency exposures are naturally offset within an international business unit, because revenue and costs are denominated in the same foreign currency, and certain cash balances are held in U.S. Dollar denominated accounts. However, due to the increasing size and importance of our international operations, fluctuations in foreign currency exchange rates could materially impact our results. Currently, we do not hold any derivative contracts that hedge our foreign currency risk, but we may adopt such strategies in the future.

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Our cash position includes amounts denominated in foreign currencies. We manage our worldwide cash requirements considering available funds from our subsidiaries and the cost effectiveness with which these funds can be accessed. The repatriation of cash balances from certain of our subsidiaries outside the U.S. could have adverse tax consequences and be limited by foreign currency exchange controls. However, those balances are generally available without legal restrictions to fund ordinary business operations. Any fluctuations in foreign currency exchange rates could materially impact the availability and amount of these funds available for transfer.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are currently located at 1001 Brickell Bay Drive, Suite 3000, Miami, Florida 33131. The lease on this premise covers 10,896 square feet and expires June 30, 2015. We also have offices in Atlanta, Chicago, New York, Philadelphia, San Francisco, Frankfurt, London, Almere, Paris, Hyderabad, Melbourne and Sydney. As of December 30, 2011, we had operating leases that extend through December 2016. We believe that we will be able to obtain suitable new or replacement space as needed. We do not own real estate and do not intend to invest in real estate or real estate-related assets.

ITEM 3. LEGAL PROCEEDINGS

We are involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such matters will not have a material adverse effect on our consolidated financial position, cash flows or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock traded on the NASDAQ Stock Market ("NASDAQ") under the NASDAQ symbol, "ANSR" since our initial public offering on May 28, 1998 through January 31, 2008. In conjunction with our name change, we began trading on the NASDAQ under the NASDAQ symbol, "HCKT," effective January 31, 2008. The following table sets forth for the fiscal periods indicated the high and low sales prices of the common stock, as reported on the NASDAQ.

	High	Low
2011		
Fourth Quarter	$4.70	$3.20
Third Quarter	$5.24	$3.17
Second Quarter	$5.21	$3.75
First Quarter	$4.00	$3.15
2010		
Fourth Quarter	$4.30	$3.35
Third Quarter	$4.49	$2.70
Second Quarter	$3.79	$2.65
First Quarter	$3.01	$2.28

The closing sale price for the common stock on February 8, 2012 was $4.09

As of February 17, 2012, there were 312 holders of record of our common stock and 40,884,440 shares of common stock outstanding.

Our new credit agreement, entered into on February 21, 2012, contains restrictions on our ability to declare dividends and repurchase shares.

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Securities Authorized for Issuance under Equity Compensation Plans

Information appearing under the caption "Equity Compensation Plan Information" in the 2012 Proxy Statement is hereby incorporated by reference.

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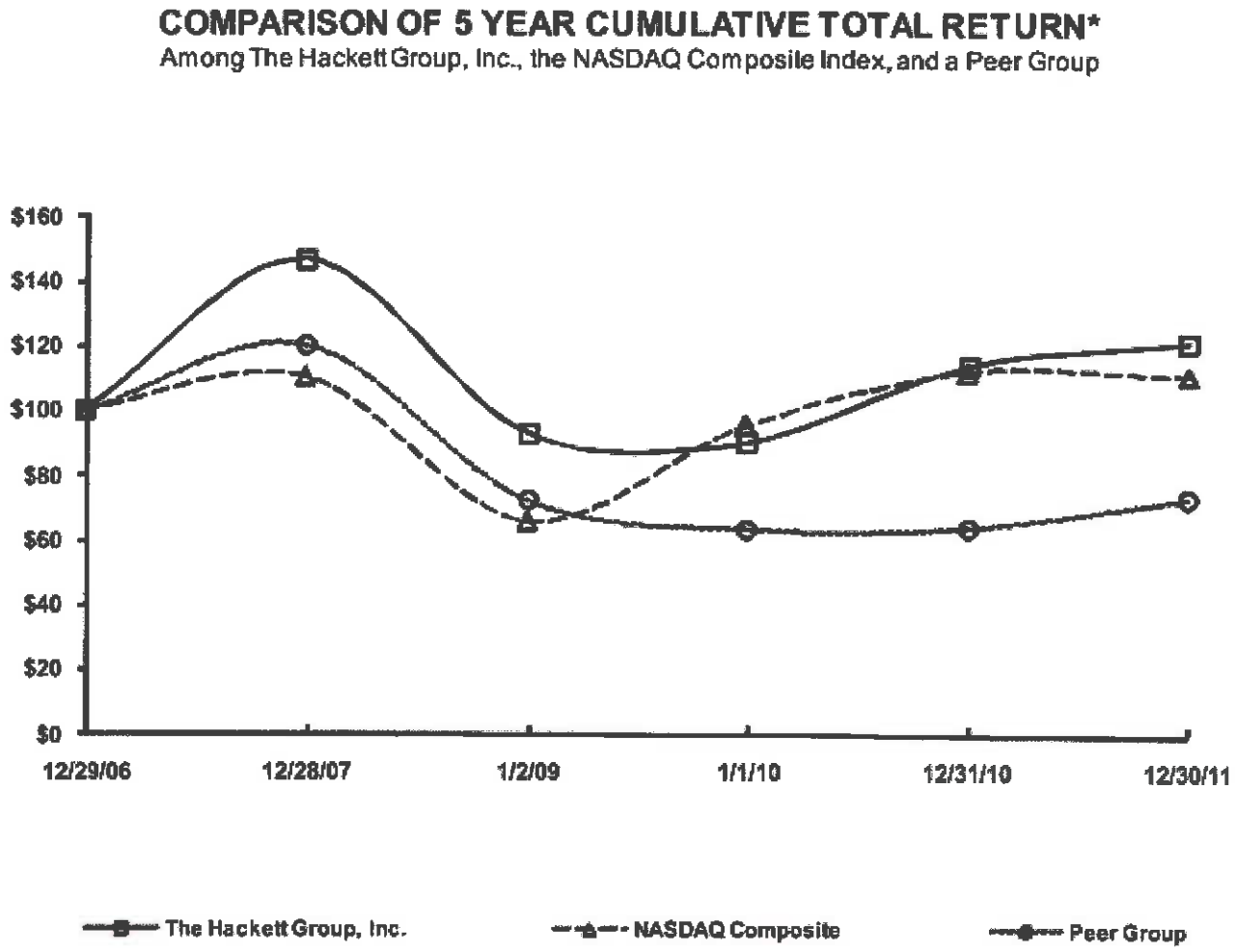
Performance Graph

The following graph compares our cumulative total shareholder return since December 29, 2006 with the NASDAQ Composite Index and a peer group index composed of other companies with similar business models identified below. The graph assumes that the value of the investment in our common stock and each index (including reinvestment of dividends) was $100 on December 29, 2006.



*$100 invested on 12/29/06 in stock or index, including reinvestment of dividends.
Indexes calculated on month-end basis.

	12/29/06	12/28/07	1/2/09	1/1/10	12/31/10	12/30/11
The Hackett Group, Inc.	$100.00	$146.75	$93.18	$90.26	$113.96	$121.43
NASDAQ Composite Index	$100.00	$110.26	$65.65	$95.19	$112.10	$110.81
Peer Group	$100.00	$120.25	$72.24	$63.24	$ 63.90	$ 72.90

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The Peer Group includes Edgewater Technology, Inc., FTI Consulting, Inc., Huron Consulting Group, Inc., Information Services Group, Inc., and The Corporate Executive Board Company. eLoyalty Corporation ceased trading in 2011 and therefore, is no longer included in the Peer Group.

Company Dividend Policy

We have not paid any cash dividends on our common stock, nor do we expect to pay any in the foreseeable future.

Purchases of Equity Securities

We have an ongoing authorization from our Board of Directors to repurchase shares of our common stock in the open market or in negotiated transactions. As of December 30, 2011, the cumulative authorization was for up to $75.0 million, with $0.6 million available for future purchases. In 2011, we repurchased $9.0 million of our common stock. This brings our cumulative purchases under the plan to $74.4 million.

All repurchases are made in the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. There is no expiration date on the current authorization and we did not make any determination to suspend or cancel purchases under the program. The following table summarizes our share repurchases during the year ended December 30, 2011:

Period	Total Number of Shares	Average Price Paid per Share	Total Number of Shares as Part of Publicly Announced Program	Maximum Dollar Value That May Yet be Purchased Under the Program
Balance as of December 31, 2010	—	$ —	—	$ 4,513,383
January 1, 2011 to September 30, 2011	1,772,260	$ 3.96	1,772,260	$ 2,502,813 *
October 1, 2011 to October 28, 2011	10,600	$ 3.74	10,600	$ 2,463,148
October 29, 2011 to November 25, 2011	136,600	$ 3.57	136,600	$ 1,975,080
November 26, 2011 to December 30, 2011	413,600	$ 3.43	413,600	$ 556,258
	2,333,060	$ 3.84	2,333,060	

* During the nine months ended September 30, 2011, our Board of Directors approved an additional $5.0 million to our share repurchase program, thereby increasing the authorization to $75.0 million.

On February 22, 2012, we commenced a tender offer to purchase up to $55.0 million in value of shares of our common stock, $0.001 par value per share (the "Shares"), at a price not greater than $5.00 nor less than $4.25 per Share, to the seller in cash, less any applicable withholding taxes and without interest (the "Offer"). The Offer is scheduled to expire on March 21, 2012, unless extended by us. The Offer does not reduce the amount of the remaining authorization available for future share repurchases. (See Note 19 in the notes to the consolidated financial statements).

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ITEM 6. SELECTED FINANCIAL DATA

The following consolidated financial data sets forth selected financial information for the Company as of and for each of the years in the five-year period ended December 30, 2011, and has been derived from our audited consolidated financial statements. The selected consolidated financial data should be read together with our consolidated financial statements, related notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended				
	December 30, 2011	December 31, 2010	January 1, 2010	January 2, 2009	December 28, 2007
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenue:					
Revenue before reimbursements	$ 200,435	$ 180,899	$ 129,019	$ 173,217	$ 158,973
Reimbursements	24,682	20,449	13,681	18,884	18,035
Total revenue (1)	225,117	201,348	142,700	192,101	177,008
Costs and expenses:					
Cost of service:					
Personnel costs before reimbursable expenses	126,421	112,692	84,407	96,844	91,853
Reimbursable expenses	24,682	20,449	13,681	18,884	18,035
Total cost of service	151,103	133,141	98,088	115,728	109,888
Selling, general and administrative costs	56,773	55,755	46,215	58,474	60,746
Restructuring costs	—	—	5,437	—	—
Collections from misappropriation	—	—	—	—	(2,574)
Total costs and operating expenses	207,876	188,896	149,740	174,202	168,060
Income (loss) from operations	17,241	12,452	(7,040)	17,899	8,948
Other income (loss):					
Non-cash acquisition earn-out shares re-measurement gain	—	1,727	—	—	—
Interest income, net	33	22	51	442	775
Loss on marketable investments	—	—	(35)	—	(450)
Income (loss) before income taxes	17,274	14,201	(7,024)	18,341	9,273
Income tax (benefit) expense (2)	(4,495)	(26)	(212)	465	278
Net income (loss)	$ 21,769	$ 14,227	$ (6,812)	$ 17,876	$ 8,995
Basic net income (loss) per common share:					
Net income (loss) per common share	$ 0.55	$ 0.35	$ (0.18)	$ 0.44	$ 0.20
Weighted average common shares outstanding	39,895	40,349	38,240	40,471	44,127
Diluted net income (loss) per common share:					
Net income (loss) per common share	$ 0.52	$ 0.34	$ (0.18)	$ 0.43	$ 0.20
Weighted average common and common equivalent shares outstanding	41,875	42,372	38,240	41,498	44,978
Consolidated Balance Sheets Data:					
Cash and cash equivalents	$ 32,936	$ 25,337	$ 15,004	$ 32,060	$ 20,061
Marketable investments	$ —	$ —	$ —	$ 1,727	$ 7,032
Restricted cash	$ 885	$ 1,610	$ 1,475	$ 600	$ 600
Working capital	$ 42,013	$ 27,243	$ 11,435	$ 24,301	$ 25,397
Total assets	$ 167,426	$ 150,801	$ 136,535	$ 133,664	$ 135,459
Shareholders' equity	$ 130,248	$ 113,240	$ 98,252	$ 93,917	$ 98,819

(1) In November 2009, we acquired Archstone. As a result of the acquisition, total revenue included $5.6 million in the 2009 results of operations.

(2) Fiscal year 2011 includes the benefit for the release of $5.3 million of deferred income tax asset valuation allowance.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Hackett, originally incorporated on April 23, 1997, is a leading strategic advisory and technology consulting firm that enables companies to achieve world-class business performance. By leveraging the comprehensive Hackett database, the world's leading repository of enterprise business process performance metrics and best practice intellectual capital, our business and technology solutions help clients improve performance and maximize returns on technology investments.

Hackett is a strategic advisory firm and a world leader in best practice research, benchmarking, business transformation and working capital management services which empirically defines and enables world-class enterprise performance. Hackett empirically defines world-class performance in sales, general and administrative and certain supply chain activities with analysis gained through more than 7,000 benchmark studies over 18 years at over 3,000 of the world's leading companies.

Hackett's combined capabilities include executive advisory programs, benchmarking, business transformation working capital management and technology solutions, with corresponding offshore support.

In the following discussion, "Hackett" represents our total company. "The Hackett Group" encompasses our Benchmarking, Business Transformation and Executive Advisory groups, and includes EPM Technologies. "ERP Solutions" encompasses our ERP technology groups, which include SAP and Oracle. The acquisition of Archstone Consulting ("Archstone") in late 2009 brought a strong EPM Transformation group to Hackett. This allowed us to combine the acquired transformation skills with our existing technology EPM group, which has been one of The Hackett Group's growth drivers. The transformation and technology groups both adopted The Hackett Group brand in 2010, and in 2011 moved to a combined incentive plan. We recast the revenue of the EPM technology group, which was previously reflected under Hackett Technology Solutions, into The Hackett Group service line and recast all reported numbers, to best reflect this integration of brand and go-to-market focus in our reporting.

Critical Accounting Policies

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial position in conformity with generally accepted accounting principles in the United States. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe the following discussion addresses our most critical accounting policies. These policies require management to exercise judgment on issues that are often difficult, subjective and complex due to the necessity of estimating the effect of matters that are inherently uncertain.

Revenue Recognition

Our revenue is principally derived from fees for services generated on a project-by-project basis in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 605, *Revenue*. Revenue for services rendered is recognized on a time and materials basis or on a fixed-fee or capped-fee basis.

Revenue for time and materials contracts is recognized based on the number of hours worked by our consultants at an agreed upon rate per hour and is recognized in the period in which services are performed.

Revenue related to fixed-fee or capped-fee contracts is recognized on the proportional performance method of accounting based on the ratio of labor hours incurred to estimated total labor hours. This percentage is multiplied by the contracted dollar amount of the project to determine the amount of revenue to recognize in an accounting period. The contracted dollar amount used in this calculation excludes the amount the client pays us for reimbursable expenses. There are situations where the number of hours to complete projects may exceed our original estimate, as a result of an increase in project scope, unforeseen events that arise, or the inability of the client or the delivery team to fulfill their responsibilities. On an on-going basis, our project delivery, Office of Risk Management and finance personnel review hours incurred and estimated total labor hours to complete projects. Any revisions in these estimates are reflected in the period in which they become known. If our estimates indicate that a contract loss will occur, a loss provision will be recorded in the period in which the loss first becomes probable and reasonably estimable. Contract losses are determined to be the amount by which the estimated direct costs of the

contract exceed the estimated total revenue that will be generated by the contract. These costs are included in total cost of service.

Revenue from advisory services is recognized ratably over the life of the client agreements.

Revenue for contracts with multiple elements is allocated based on the fair value of the elements and is recognized in accordance with FASB Accounting Standards Update ("ASU") 2009-13, *Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force*.

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Additionally, we earn revenue from the sale of software, software licenses and maintenance contracts, which is recognized in accordance with FASB ASC Topic 985, *Software*. Revenue for the sale of software and software licenses is recognized upon contract execution and customer receipt of software. Revenue from maintenance contracts is recognized ratably over the life of the agreements.

Unbilled revenue represents revenue for services performed that have not been invoiced. If we do not accurately estimate the scope of the work to be performed, or we do not manage our projects properly within the planned periods of time, or we do not meet our clients' expectations under the contracts, then future consulting margins may be negatively affected or losses on existing contracts may need to be recognized. Any such reductions in margins or contract losses could be material to our results of operations.

Sales tax collected from customers and remitted to the applicable taxing authorities is accounted for on a net basis, with no impact on revenue.

Revenue before reimbursements excludes reimbursable expenses charged to clients. Reimbursements, which include travel and out-of-pocket expenses, are included in revenue, and an equivalent amount of reimbursable expenses is included in cost of service.

The agreements entered into in connection with a project, whether time and materials based or fixed-fee or capped-fee based, typically allow our clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required to pay for all time, materials and expenses incurred by us through the effective date of the termination. In addition, from time to time we enter into agreements with our clients that limit our right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit us from performing a defined range of services which we might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Allowances for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from our clients not making required payments. Periodically, we review accounts receivable to assess our estimates of collectability. Management critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of our clients were to deteriorate, resulting in their inability to make payments, additional allowances may be required.

Long-Lived Assets (excluding Goodwill and Other Intangible Assets)

We account for long-lived assets in accordance with the provisions of FASB ASC Topic 360, Property, *Plant and Equipment* ("ASC 360"). ASC 360 requires that long-lived assets be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if there has been an impairment. The amount of an impairment is calculated as the difference between the fair value of the asset and its carrying value. Estimates of future undiscounted cash flows are based on management's view of growth rates for the related business, anticipated future economic conditions and estimates of residual values.

Goodwill and Other Intangible Assets

All of our goodwill and intangible assets have been accounted for under the provisions of FASB ASC Topic 350, *Intangibles—Goodwill and Other* ("ASC 350"). ASC 350-20 requires that goodwill and intangible assets deemed to have indefinite lives not be amortized, but rather be tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate potential impairment. Finite-lived intangible assets are amortized over their useful lives and are subject to impairment evaluation under the provisions of ASC 350-30. The excess cost of the acquisition over the fair value of the net assets acquired is recorded as goodwill.

Goodwill is tested at least annually for impairment at the reporting unit level utilizing the market and income approaches. The reporting units consist of The Hackett Group (including Benchmarking, Business Transformation, Business Transformation Enterprise Performance Management ("EPM"), Strategy and Operations and Executive Advisory Programs) and

Hackett Technology Solutions (including SAP, Oracle and Oracle EPM). In assessing the recoverability of goodwill and intangible assets, we make estimates based on assumptions regarding various factors to determine if impairment tests are met. These estimates contain management's judgment, using appropriate and customary assumptions available at the time. As of December 30, 2011, neither of our reporting units were at risk of failing step one, as pursuant to ASC 350.

Other intangible assets are tested for potential impairment whenever events or changes in circumstances suggest that the carrying value of an asset may not be fully recoverable in accordance with ASC 350. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if there has been an

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impairment. The amount of an impairment is calculated as the difference between the fair value of the asset and its carrying value. Estimates of future undiscounted cash flows are based on management's view of growth rates for the related business, anticipated future economic conditions and estimates of residual values. Other intangible assets arise from business combinations and consist of customer relationships, customer backlog and trademarks that are amortized on a straight-line or accelerated basis over periods of up to five years.

Stock Based Compensation

We record stock based compensation in accordance with FASB ASC Topic 718, *Compensation-Stock Compensation* ("ASC 718"), using the modified-prospective-transition method.

ASC 718 requires entities to recognize compensation expense for awards of equity instruments to employees based on the grant-date fair value of those awards (with limited exceptions). ASC 718 also requires the benefits of tax deductions in excess of recognized compensation expense to be reported as a financing cash flow.

ASC 718 provides an alternative transition method of calculating the excess tax benefits available to absorb any tax deficiencies recognized which we have elected to adopt.

Restructuring Reserves

Restructuring reserves reflect judgments and estimates of our ultimate costs of severance, closure and consolidation of facilities and settlement of contractual obligations under our operating leases, including sublease rental rates, absorption period to sublease space and other related costs. We reassess the reserve requirements to complete each individual plan under our restructuring programs at the end of each reporting period. If these estimates change in the future or actual results differ from our estimates, we may be required to record additional charges.

Income Taxes

Income taxes are accounted for in accordance with FASB ASC Topic 740, *Income Taxes* ("ASC 740"). Under ASC 740, deferred tax assets and liabilities are determined based on differences between the financial reporting carrying values and tax bases of assets and liabilities, and are measured by using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to reverse. Deferred income taxes also reflect the impact of certain state operating loss and tax credit carryforwards. A valuation allowance is provided if we believe it is more likely than not that all or some portion of the deferred tax asset will not be realized. An increase or decrease in the valuation allowance, if any, that results from a change in circumstances, and which causes a change in our judgment about the realizability of the related deferred tax asset, is included in the current tax provision.

In accordance with FASB ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, we adopted a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. We report penalties and tax-related interest expense as a component of income tax expense.

Contingent Liabilities

We have certain contingent liabilities that arise in the ordinary course of our business activities. We accrue contingent liabilities when it is probable that future expenditures will be made, and that such expenditures can be reasonably estimated. Reserves for contingent liabilities are reflected in our consolidated financial statements based on management's assessment, along with legal counsel, of the expected outcome of the contingencies. If the final outcome of our contingencies differs adversely from that currently expected, it would result in income or a charge to earnings when determined.

The foregoing list was not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for us to judge the application. There are also areas in which our judgment in selecting any available alternative would not produce a materially different result. Please see our consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K, which contain accounting policies and other disclosures

required by accounting principles generally accepted in the United States.

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Results of Operations

Our fiscal year generally consists of a 52-week period and periodically consists of a 53-week period as each fiscal year ends on the Friday closest to December 31. Fiscal years 2011, 2010 and 2009 ended on December 30, 2011, December 31, 2010 and January 1, 2010, respectively. References to a year included in this document refer to a fiscal year rather than a calendar year. The following table sets forth, for the periods indicated, our results of operations and the percentage relationship to total revenue of such results (in thousands):

	Year Ended					
	December 30, 2011		December 31, 2010		January 1, 2010	
Revenue:						
Revenues before reimbursements	$200,435	100.0%	$180,899	100.0%	$129,019	100.0%
Reimbursements	24,682		20,449		13,681	
Total revenue	225,117		201,348		142,700	
Costs and expenses:						
Cost of service:						
Personnel costs before reimbursable expenses	126,421	63.1%	112,692	62.3%	84,407	65.4%
Reimbursable expenses	24,682		20,449		13,681	
Total cost of service	151,103		133,141		98,088	
Selling, general and administrative costs	56,773	28.3%	55,755	30.8%	46,215	35.8%
Restructuring costs	—		—		5,437	
Total costs and operating expenses	207,876		188,896		149,740	
Income (loss) from operations	17,241	8.6%	12,452	6.9%	(7,040)	-5.5%
Other income (expense):						
Non-cash acquisition earn-out shares re-measurement gain	—		1,727		—	
Interest income, net	33	0.0%	22	0.0%	51	0.0%
Loss on marketable investments	—		—		(35)	
Income (loss) before income taxes	17,274	8.6%	14,201	7.9%	(7,024)	-5.4%
Income tax benefit	(4,495)	-2.2%	(26)	0.0%	(212)	-0.1%
Net income (loss)	$ 21,769	10.8%	$ 14,227	7.9%	$ (6,812)	-5.3%

Comparison of 2011 to 2010

Overview. We reported net income of $21.8 million in 2011 and $14.2 million in 2010. The increase in net income was primarily driven by improved U.S. customer demand which generated higher revenue and operating margins which benefited from improved leverage on selling, general and administrative costs.

Revenue. We are a global Company with operations primarily in the United States and Western Europe. Our revenue is denominated in multiple currencies, mostly the U.S. Dollar, British Pound, Euro and Australian Dollar, and as a result is affected by currency exchange rate fluctuations. The exchange rate fluctuations did not have a significant impact on comparisons between 2011 and 2010.

Hackett total revenue increased 12% in 2011, as compared to 2010. The following table summarizes revenue (in thousands):

	Year Ended	
	December 30, 2011	December 31, 2010
The Hackett Group	$ 181,824	$ 167,019
ERP Solutions	43,293	34,329

Total revenue	$ 225,117	$ 201,348

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The Hackett Group revenue increased 9% to $181.8 million in 2011, as compared to $167.0 million in 2010. The Hackett Group's international revenue, which is primarily based on the country of the contracting entity, accounted for 22% of Hackett's total revenue in 2011, as compared to 21% in 2010. These increases are primarily a result of improving demand in the U.S. and internationally, primarily from our recent entry into the Australian market.

The ERP Solutions group revenue increased 26% to $43.3 million in 2011, as compared to $34.3 million in 2010, primarily due to increased demand across both ERP service groups.

Reimbursements as a percentage of total revenue were comparable at 11% and 10% during 2011 and 2010, respectively. In 2011 and 2010, no customer accounted for more than 5% of our total revenue.

Cost of Service. Cost of service primarily consists of salaries, benefits and incentive compensation for consultants, subcontractor fees and reimbursable expenses associated with projects. Cost of service before reimbursable expenses increased 12% to $126.4 million in 2011 from $112.7 million in 2010. The increase in cost of service before reimbursable expenses was primarily due to the increased headcount to align resources with market demand.

Total cost of service before reimbursable expenses, as a percentage of revenue before reimbursements, increased slightly to 63% in 2011 from 62% in 2010. This increase was primarily due to the increased headcount discussed above. As a percentage of total revenue, The Hackett Group generated gross margins of 35% in 2011, compared to ERP Solutions which generated gross margins of 31% for the same period. As a percentage of revenue before reimbursements, The Hackett Group generated gross margins of 39% in 2011 and 2010. ERP Solutions generated gross margins as a percentage of revenue before reimbursements of 35% in 2011, as compared to 40% in 2010. ERP Solutions margins decreased from 2010, primarily due to the increased headcount.

Selling, General and Administrative. Selling, general and administrative costs increased 2% to $56.8 million in 2011 from $55.8 million in 2010. As a percentage of revenue before reimbursements, selling, general and administrative costs decreased to 28% in 2011 from 31% in 2010, primarily due to selling, general and administrative leverage on increased revenue.

Income Taxes. In 2011, we recorded an income tax benefit of $4.5 million, which represented an effective tax rate benefit of 26.0% of our income before income tax, primarily due to the partial release of the valuation allowance related to the U.S. federal net operating loss carryforward. In 2010, we recorded an income tax benefit of $26 thousand, which represented an effective tax rate benefit of 0.2% of our income before income tax.

The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In determining the need for valuation allowances we consider evidence such as history of losses and general economic conditions. We have $40.5 million of U.S. federal net operating loss carryforwards as of December 30, 2011, most of which will expire by 2022 if not utilized. There has been a partial release of the valuation allowance related to U.S. federal net operating loss carryforwards. As of December 30, 2011, we had $12.4 million of foreign net operating loss carryforwards, of which $4.9 million related to operations in the U.K., $3.0 million related to operations in France and $2.4 million related to operations in Germany. Most of the foreign net operating losses can be carried forward indefinitely. A valuation allowance continues to be provided, primarily for the majority of the foreign operating loss carryforwards. (See Note 10 in the notes to the consolidated financial statements.)

Comparison of 2010 to 2009

Overview. We reported net income of $14.2 million in 2010, primarily driven by improved U.S. customer demand which generated higher consultant utilization and operating margin improvements, and from the incremental operating margin contribution resulting from the Archstone acquisition completed in November 2009. We reported a net loss of $6.8 million in 2009, primarily related to acquisition-related restructuring charges and other one-time costs that were incurred as a result of the Archstone acquisition, as well as the negative impact of the global recession on client demand.

Revenue. As previously discussed, we are a global Company with operations primarily in the United States and Western Europe. Our revenue is denominated in multiple currencies, mostly the U.S. Dollar, British Pound and Euro.

Hackett total revenue increased 41% in 2010, as compared to 2009. The following table summarizes revenue (in

thousands):

	Year Ended	
	December 31, 2010	January 1, 2010
The Hackett Group	$ 167,019	$ 119,665
ERP Solutions	34,329	23,035
Total revenue	$ 201,348	$ 142,700

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The Hackett Group's revenue increased 40% to $167.0 million in 2010, as compared to $119.7 million in 2009. The increase in The Hackett Group revenue was primarily as a result of the Archstone acquisition which closed in November 2009. The Hackett Group's international revenue accounted for 21% of total Hackett revenue in 2010, as compared to 25% in 2009. The decrease was mostly a result of Archstone revenue, which is primarily a U.S.-based business, and from continuing weakness in European client demand.

ERP Solutions group revenue increased 49% to $34.3 million in 2010, as compared to $23.0 million in 2009. The increase in ERP Solutions revenue was due to increased demand across all service groups.

Reimbursements as a percentage of total revenue were comparable at 10% during 2010 and 2009. In 2010, no customer accounted for more than 5% of our total revenue and in 2009, one customer accounted for 6% of our total revenue.

Cost of Service. Cost of service primarily consists of salaries, benefits and incentive compensation for consultants, subcontractor fees and reimbursable expenses associated with projects. Cost of service before reimbursable expenses increased 34% to $112.7 million in 2010 from $84.4 million in 2009. The increase in cost of service before reimbursable expenses was primarily due to the Archstone acquisition, as well as increased hiring activities commensurate with the increased U.S. market demand.

Total cost of service before reimbursable expenses, as a percentage of revenue before reimbursements, decreased to 62% in 2010 from 65% in 2009. This decrease was primarily due to improved consultant utilization across our service groups. As a percentage of total revenue, The Hackett Group generated gross margins of 35% in 2010, compared to ERP Solutions which generated gross margins of 36% for the same period. As a percentage of revenue before reimbursements, The Hackett Group generated gross margins of 39% in 2010, as compared to 37% in 2009. This increase was primarily driven by higher revenue. ERP Solutions generated gross margins as a percentage of revenue before reimbursements of 40% in 2010, as compared to 31% in 2009. ERP Solutions margins increased from 2009, during which the service group was adversely impacted by the global economic environment.

Selling, General and Administrative. Selling, general and administrative costs increased 21% to $55.8 million in 2010 from $46.2 million in 2009. The increase was primarily due to higher 2010 incentive compensation accruals and incremental expenses resulting from the Archstone acquisition. As a percentage of revenue before reimbursements, selling, general and administrative costs decreased to 31% in 2010 from 36% in 2009, primarily due to the effective back-office integration of the Archstone acquisition.

Restructuring Costs. There were no restructuring costs incurred in 2010. Restructuring costs of $5.4 million in 2009 were primarily comprised of $5.9 million resulting from the November acquisition and integration of Archstone related to discounted lease buy-out actions, the down-sizing of facilities, and the related exit costs of those facilities and severance costs.

Income Taxes. In 2010, we recorded an income tax benefit of $26 thousand, which represented an effective tax rate benefit of 0.2% of our income before income tax. In 2009, we recorded an income tax benefit of $212 thousand, which represented an effective tax rate benefit of 3.0% of our loss before income tax.

The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In determining the need for valuation allowances we consider evidence such as history of losses and general economic conditions. We had $47.8 million of U.S. federal net operating loss carryforwards as of December 31, 2010, most of which will expire by 2022 if not utilized. As of December 31, 2010, a valuation allowance had been provided primarily related to U.S. federal net operating loss carryforwards. Additionally, as of December 31, 2010, we had $14.0 million of foreign net operating loss carryforwards, of which $6.4 million related to operations in the U.K., $3.1 million related to operations in France and $2.4 million related to operations in Germany. Most of the foreign net operating losses can be carried forward indefinitely. (See Note 10 in the notes to the consolidated financial statements.)

Liquidity and Capital Resources

As of December 30, 2011 and December 31, 2010, we had $32.9 million and $25.3 million of cash and cash equivalents, respectively. As of December 30, 2011 and December 31, 2010, we had $0.9 million and $1.6 million, respectively, on deposit with financial institutions that served as collateral for letters of credit for operating leases and for amounts related to future employee

compensation agreements. These deposit accounts have been classified as restricted cash on the consolidated balance sheets.

The following table summarizes our cash flow activity (in thousands):

	Year Ended	
	December 30, 2011	December 31, 2010
Cash flows from operating activities	$ 20,315	$ 19,536
Cash flows from investing activities	$ (4,215)	$ (3,616)
Cash flows from financing activities	$ (8,639)	$ (5,626)

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Net cash provided by operating activities was $20.3 million in 2011, as compared to $19.5 million in 2010. During 2011, net cash provided by operating activities was primarily attributable to net income, excluding non-cash activity, offset by the payout of the 2010 incentive awards and an increase in accounts receivable and unbilled revenue as a result of increased revenue.

During 2010, net cash provided by operating activities was primarily attributable to net income, excluding non-cash items, and the timing of other vendor payments, partially offset by increased accounts receivable and unbilled revenue.

Net cash used in investing activities was $4.2 million in 2011, as compared to $3.6 million in 2010. During 2011, net cash used in investing activities was primarily attributable to $4.9 million related to capital expenditures for the development of the Hackett Performance Exchange, as well as the global rollout of new laptops which occurs every three to four years. During 2010, net cash used in investing activities was primarily attributable to $3.5 million related to capital expenditures on various internal projects, including the development of the Hackett Performance Exchange.

Net cash used in financing activities was $8.6 million in 2011, as compared to $5.6 million in 2010. During 2011, net cash used in financing activities was primarily attributable to the repurchase of approximately 2.3 million shares of our common stock at an average price of $3.84 per share for $9.0 million. During 2010, net cash used in financing activities was primarily attributable to the repurchase of approximately 1.9 million shares of our common stock at an average price of $3.26 per share for $6.1 million.

On July 30, 2002, we announced that our Board of Directors approved the repurchase of up to $5.0 million of our common stock. Since the inception of our repurchase plan, our Board of Directors has approved the repurchase of an additional aggregate $70.0 million of our common stock, thereby increasing the total program size to $75.0 million as of December 30, 2011. Under the repurchase plan, we may buy back shares of our outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of December 30, 2011, we had repurchased approximately 21.2 million shares of our common stock at an average price of $3.52 per share. We hold repurchased shares of our common stock as treasury stock on our consolidated balance sheets.

On February 22, 2012, we commenced a tender offer to purchase up to $55.0 million in value of shares of our common stock, $0.001 par value per share (the "Shares"), at a price not greater than $5.00 nor less than $4.25 per Share, to the seller in cash, less any applicable withholding taxes and without interest (the "Offer"). We will retire shares of our common stock repurchased in the Offer. The Offer is scheduled to expire on March 21, 2012, unless extended by us. (See Note 19 in the notes to the consolidated financial statements).

On February 21, 2012, we entered into a Credit Facility with Bank of America, N.A. Under the Credit Facility, Bank of America, N.A. has agreed to lend us up to $20.0 million from time to time pursuant to a revolving line of credit (the "Revolver") and up to $30.0 million pursuant to a term loan (the "Term Loan" and together with the Revolver, the "Credit Facility"). The proceeds of the Term Loan will be used, along with cash on hand, for the purchase of the Shares in the Offer and the payment of all fees and expenses in connection with the Offer. (See Note 19 in the notes to the consolidated financial statements).

We currently believe that available funds and cash flows generated by operations will be sufficient to fund our working capital and capital expenditure requirements for at least the next twelve months. We may decide to raise additional funds in order to fund expansion, to develop new or enhance products and services, to respond to competitive pressures or to acquire complementary businesses or technologies. There is no assurance, however, that additional financing will be available when needed or desired.

There were no material capital commitments as of December 30, 2011. The following summarizes our future lease commitments under our non-cancelable operating leases as of December 30, 2011 (in thousands):

Less than 1 year	$1,686
1-3 years	2,567
4-5 years	1,630
After 5 years	—
	$5,883

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 30, 2011.

Recently Issued Accounting Standards

For discussion of recently issued accounting standards, please see "Item 8, Financial Statements and Supplementary Data" in Part II of this document.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of December 30, 2011, our exposure to market risk related primarily to changes in interest rates and foreign currency exchange rate risks.

Interest Rate Risk

We invest only with high credit quality issuers and we do not use derivative financial instruments in our investment portfolio.

Exchange Rate Sensitivity

We face exposure to adverse movements in foreign currency exchange rates, as a significant portion of our revenue, expenses, assets and liabilities are denominated in currencies other than the U.S. Dollar, primarily the British Pound, the Euro and the Australian Dollar. These exposures may change over time as business practices evolve. Currently, we do not hold any derivative contracts that hedge our foreign currency risk, but we may adopt such strategies in the future.

For a discussion of the risks we face as a result of foreign currency fluctuations, please see "Item 1A. Risk Factors" in Part I of this document.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

THE HACKETT GROUP, INC.
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Report of Independent Registered Certified Public Accounting Firm

Board of Directors and Stockholders
The Hackett Group, Inc.
Miami, Florida

We have audited the accompanying consolidated balance sheets of The Hackett Group, Inc. as of December 30, 2011 and December 31, 2010 and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended December 30, 2011. In connection with our audits of the financial statements, we have also audited the financial statement schedule listed in the accompanying index. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Hackett Group, Inc. at December 30, 2011 and December 31, 2010, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Hackett Group, Inc.'s internal control over financial reporting as of December 30, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 24, 2012 expressed an unqualified opinion thereon.

Miami, Florida
February 24, 2012

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THE HACKETT GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,936	$ 25,337
Accounts receivable and unbilled revenue, net of allowance of $799 and $1,486 at December 30, 2011 and December 31, 2010, respectively	35,209	31,580
Prepaid expenses and other current assets	9,319	5,056
Total current assets	77,464	61,973
Restricted cash	885	1,610
Property and equipment, net	11,696	8,816
Other assets	1,823	2,779
Goodwill, net	75,558	75,623
Total assets	$ 167,426	$ 150,801
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,433	$ 5,590
Accrued expenses and other liabilities	28,018	29,140
Total current liabilities	35,451	34,730
Accrued expenses and other liabilities, non-current	1,727	2,831
Total liabilities	37,178	37,561
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $.001 par value, 1,250,000 shares authorized, none issued and outstanding	—	—
Common stock, $.001 par value, 125,000,000 shares authorized; 61,315,237 and 60,099,198 shares issued at December 30, 2011 and December 31, 2010, respectively	61	60
Additional paid-in capital	313,202	308,598
Treasury stock, at cost, 21,171,370 and 18,838,310 shares at December 30, 2011 and December 31, 2010, respectively	(74,444)	(65,489)
Accumulated deficit	(103,129)	(124,898)
Accumulated other comprehensive loss	(5,442)	(5,031)
Total shareholders' equity	130,248	113,240
Total liabilities and shareholders' equity	$ 167,426	$ 150,801

The accompanying notes are an integral part of the consolidated financial statements.

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THE HACKETT GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended		
	December 30, 2011	December 31, 2010	January 1, 2010
Revenue:			
Revenue before reimbursements	$ 200,435	$ 180,899	$ 129,019
Reimbursements	24,682	20,449	13,681
Total revenue	225,117	201,348	142,700
Costs and expenses:			
Cost of service:			
Personnel costs before reimbursable expenses (includes $2,847, $2,340 and $2,204 of stock compensation expense in 2011, 2010 and 2009, respectively)	126,421	112,692	84,407
Reimbursable expenses	24,682	20,449	13,681
Total cost of service	151,103	133,141	98,088
Selling, general and administrative costs (includes $1,758, $1,961 and $800 of stock compensation expense in 2011, 2010 and 2009, respectively)	56,773	55,755	46,215
Restructuring costs	—	—	5,437
Total costs and operating expenses	207,876	188,896	149,740
Income (loss) from operations	17,241	12,452	(7,040)
Other income (expense):			
Non-cash acquisition earn-out shares re-measurement gain	—	1,727	—
Interest income	33	22	51
Loss on marketable investments	—	—	(35)
Income (loss) before income taxes	17,274	14,201	(7,024)
Income tax benefit	(4,495)	(26)	(212)
Net income (loss)	$ 21,769	$ 14,227	$ (6,812)
Basic net income (loss) per common share:			
Net income (loss) per common share	$ 0.55	$ 0.35	$ (0.18)
Weighted average common shares outstanding	39,895	40,349	38,240
Diluted net income (loss) per common share:			
Net income (loss) per common share	$ 0.52	$ 0.34	$ (0.18)
Weighted average common and common equivalent shares outstanding	41,875	42,372	38,240

The accompanying notes are an integral part of the consolidated financial statements.

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THE HACKETT GROUP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Common Stock		Additional Paid in	Treasury Stock		Accumulated	Accumulated Other Comprehensive	Total Shareholders'	Comprehensive Income
	Shares	Amount	Capital	Shares	Amount	Deficit	Loss	Equity	(Loss)
Balance at January 2, 2009	53,408	$ 53	$285,654	(14,352)	$(53,041)	$ (132,313)	$ (6,436)	$ 93,917	
Issuance of common stock	4,245	4	13,232	—	—	—	—	13,236	
Treasury stock purchased	—	—	—	(2,625)	(6,382)	—	—	(6,382)	
Issuance of restricted stock units, net of cancellations	—	—	(574)	—	—	—	—	(574)	
Stock compensation expense under ASC 718	—	—	1	—	—	—	—	1	
Amortization of restricted stock units	—	—	3,053	—	—	—	—	3,053	
Net loss	—	—	—	—	—	(6,812)	—	(6,812)	$ (6,812)
Foreign currency translation	—	—	—	—	—	—	1,813	1,813	1,813
Total comprehensive loss	—	—	—	—	—	—	—	—	$ (4,999)
Balance at January 1, 2010	57,653	$ 57	$301,366	(16,977)	$(59,423)	$ (139,125)	$ (4,623)	$ 98,252	
Issuance of common stock	2,446	3	4,452	—	—	—	—	4,455	
Treasury stock purchased	—	—	—	(1,861)	(6,066)	—	—	(6,066)	
Issuance of restricted stock units, net of cancellations	—	—	(653)	—	—	—	—	(653)	
Amortization of restricted stock units	—	—	3,433	—	—	—	—	3,433	
Net income	—	—	—	—	—	14,227	—	14,227	$ 14,227
Foreign currency translation	—	—	—	—	—	—	(408)	(408)	(408)
Total comprehensive income	—	—	—	—	—	—	—	—	$ 13,819
Balance at December 31, 2010	60,099	$ 60	$308,598	(18,838)	$(65,489)	$ (124,898)	$ (5,031)	$ 113,240	
Issuance of common stock	1,216	1	763	—	—	—	—	764	
Treasury stock purchased	—	—	—	(2,333)	(8,955)	—	—	(8,955)	
Issuance of restricted stock units, net of cancellations	—	—	(385)	—	—	—	—	(385)	
Amortization of restricted stock units	—	—	4,226	—	—	—	—	4,226	
Net income	—	—	—	—	—	21,769	—	21,769	$ 21,769
Foreign currency translation	—	—	—	—	—	—	(411)	(411)	(411)
Total comprehensive income	—	—	—	—	—	—	—	—	$ 21,358
Balance at December 30, 2011	61,315	$ 61	$313,202	(21,171)	$(74,444)	$ (103,129)	$ (5,442)	$ 130,248	

The accompanying notes are an integral part of the consolidated financial statements.

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THE HACKETT GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended		
	December 30, 2011	December 31, 2010	January 1, 2010
Cash flows from operating activities:			
Net income (loss)	$ 21,769	$ 14,227	$ (6,812)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	2,014	1,837	1,862
Amortization expense	811	1,960	1,058
(Reversal) provision for doubtful accounts	(619)	157	93
Loss on foreign currency translation	323	382	610
Non-cash acquisition earn-out shares re-measurement gain	—	(1,727)	—
Non-cash stock compensation expense	4,605	4,301	3,004
Loss on sale of property and equipment	—	—	46
Loss on marketable investments	—	—	35
Release of deferred income tax valuation allowance	(5,257)	—	—
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable and unbilled revenue	(3,010)	(3,667)	4,745
Decrease (increase) in prepaid expenses and other assets	301	(2,319)	702
Increase (decrease) in accounts payable	1,843	1,915	(2,061)
(Decrease) increase in accrued expenses and other liabilities	(2,465)	2,470	(11,920)
Net cash provided by (used in) operating activities	20,315	19,536	(8,638)
Cash flows from investing activities:			
Purchases of property and equipment	(4,939)	(3,481)	(2,989)
Decrease (increase) in restricted cash	724	(135)	(875)
Proceeds from sales, calls and maturities of marketable investments	—	—	1,692
Cash acquired in acquisition of business	—	—	3,000
Net cash (used in) provided by investing activities	(4,215)	(3,616)	828
Cash flows form financing activities:			
Repayment of borrowings acquired in acquisition	—	—	(3,459)
Proceeds from issuance of common stock	316	440	410
Repurchases of common stock	(8,955)	(6,066)	(6,382)
Net cash used in financing activities	(8,639)	(5,626)	(9,431)
Effect of exchange rate on cash	138	39	185
Net increase (decrease) in cash and cash equivalents	7,599	10,333	(17,056)
Cash and cash equivalents at beginning of year	25,337	15,004	32,060
Cash and cash equivalents at end of year	$ 32,936	$ 25,337	$ 15,004
Supplemental disclosure of cash flow information:			
Cash (refunded) paid for income taxes	$ (318)	$ 255	$ 364
Supplemental disclosure of non-cash investing and financing activities:			
Market value on date shares issued to sellers of Archstone Consulting	$ —	$ 4,032	$ 12,087

The accompanying notes are an integral part of the consolidated financial statements.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and General Information

Nature of Business

The Hackett Group, Inc. ("Hackett," or the "Company") is a leading strategic advisory and technology consulting firm that enables companies to achieve world-class business performance. Hackett's combined capabilities include business advisory programs, benchmarking, business transformation, working capital management and technology solutions, with corresponding offshore support.

On January 1, 2008, the Company changed its name from Answerthink, Inc. ("Answerthink") to The Hackett Group, Inc. The firm was originally incorporated on April 23, 1997. All prior references to Answerthink will now be reflected as Hackett as if the name change was effected for all years presented.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements include the Company's accounts and those of its wholly-owned subsidiaries which the Company is required to consolidate. The Company consolidates the assets, liabilities, and results of operations of its entities in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 160, *Consolidation.*

Fiscal Year

The Company's fiscal year generally consists of a 52-week period and periodically consists of a 53-week period as each fiscal year ends on the Friday closest to December 31. Fiscal years 2011, 2010 and 2009 ended on December 30, 2011, December 31, 2010 and January 1, 2010, respectively. References to a year included in the consolidated financial statements refer to a fiscal year rather than a calendar year.

Cash and Cash Equivalents and Restricted Cash

The Company considers all short-term investments with maturities of three months or less to be cash equivalents. Due to the short maturity period of cash equivalents, the carrying amount of these instruments approximates fair market value. The Company places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the F.D.I.C. insurance limits. The Company has not experienced any loss to date on these investments. All of the Company's non-interest bearing cash balances were fully insured at December 30, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to $250,000 per depositor at each financial institution, and our non-interest bearing cash balances may again exceed federally insured limits.

Restricted cash in 2011 and 2010 related to deposits with financial institutions that served as collateral for letters of credit for operating leases and for amounts related to future employee compensation agreements.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from its clients not making required payments. Management makes estimates of the collectability of the accounts receivable. Management also critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts.

Property and Equipment, Net

Property and equipment are recorded at cost. Depreciation is calculated to amortize the depreciable assets over their useful lives using the straight-line method and commences when the asset is placed in service. The range of estimated useful lives is three to seven years. Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements are capitalized. The carrying amount of assets sold or retired and

related accumulated depreciation are removed from the balance sheet in the year of disposal and any resulting gains or losses are included in the statements of operations.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and General Information (Continued)

The Company capitalizes the costs of internal-use software in accordance with FASB ASC Topic 350-40, *Internal-Use Software* ("ASC 350-40"). ASC 350-40 provides guidance on applying generally accepted accounting principles in the United States in addressing whether and under what conditions the costs of internal-use software should be capitalized. The Company capitalizes certain costs, which generally include hardware, software, and payroll-related costs for employees who are directly associated with, and who devote time, to the development of internal-use computer software.

Long-Lived Assets (excluding Goodwill and Other Intangible Assets)

The Company accounts for long-lived assets in accordance with the provisions of FASB ASC Topic 360, *Property, Plant and Equipment* ("ASC 360"). ASC 360 requires that long-lived assets be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if there has been an impairment. The amount of an impairment is calculated as the difference between the fair value of the asset and its carrying value. Estimates of future undiscounted cash flows are based on management's view of growth rates for the related business, anticipated future economic conditions and estimates of residual values.

Goodwill and Other Intangible Assets

All of the Company's goodwill and intangible assets have been accounted for under the provisions of FASB ASC Topic 350, *Intangibles—Goodwill and Other* ("ASC 350"). ASC 350-20 requires that goodwill and intangible assets deemed to have indefinite lives not be amortized, but rather be tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate potential impairment. Finite-lived intangible assets are amortized over their useful lives and are subject to impairment evaluation under the provisions of ASC 350-30. The excess cost of the acquisition over the fair value of the net assets acquired is recorded as goodwill.

Goodwill is tested at least annually for impairment at the reporting unit level utilizing the market and income approaches. The reporting units consist of The Hackett Group (including Benchmarking, Business Transformation, Business Transformation Enterprise Performance Management ("EPM"), Strategy and Operations and Executive Advisory Programs) and Hackett Technology Solutions (including SAP, Oracle and Oracle EPM). In assessing the recoverability of goodwill and intangible assets, the Company makes estimates based on assumptions regarding various factors to determine if impairment tests are met. These estimates contain management's judgment, using appropriate and customary assumptions available at the time. The Company performed its annual impairment test of goodwill in the fourth quarter of fiscal years 2011 and 2010 and determined that goodwill was not impaired. The carrying amount and activity of goodwill attributable to The Hackett Group and Hackett Technology Solutions was as follows (in thousands):

	The Hackett Group	Hackett Technology Solutions	Total
Balance at January 1, 2010	$45,379	$ 31,333	$76,712
Additions/adjustments	(358)	—	(358)
Foreign currency translation adjustment	(731)	—	(731)
Balance at December 31, 2010	44,290	31,333	75,623
Foreign currency translation adjustment	(65)	—	(65)
Balance at December 30, 2011	$44,225	$ 31,333	$75,558

Other intangible assets are tested for potential impairment whenever events or changes in circumstances suggest that the carrying value of an asset may not be fully recoverable in accordance with ASC 350. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if there has been an impairment. The amount of an impairment is calculated as the difference between the fair value of the asset and its carrying value. Estimates of future undiscounted cash flows are based on management's view of growth rates for the related

business, anticipated future economic conditions and estimates of residual values. Other intangible assets arise from business combinations and consist of customer relationships, customer backlog and trademarks that are amortized on a straight-line or accelerated basis over periods of up to five years.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and General Information (Continued)

Other intangible assets, included in other assets in the accompanying consolidated balance sheets, consist of the following (in thousands):

	December 30, 2011	December 31, 2010
Gross carrying amount	$ 14,699	$ 14,699
Accumulated amortization	(13,111)	(12,300)
Foreign currency translation adjustment	(11)	(16)
	$ 1,577	$ 2,383

Revenue Recognition

Revenue is principally derived from fees for services generated on a project-by-project basis in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 605, *Revenue*. Revenue for services rendered is recognized on a time and materials basis or on a fixed-fee or capped-fee basis.

Revenue for time and materials contracts is recognized based on the number of hours worked by our consultants at an agreed upon rate per hour and is recognized in the period in which services are performed.

Revenue related to fixed-fee or capped-fee contracts is recognized on the proportional performance method of accounting based on the ratio of labor hours incurred to estimated total labor hours. This percentage is multiplied by the contracted dollar amount of the project to determine the amount of revenue to recognize in an accounting period. The contracted dollar amount used in this calculation excludes the amount the client pays for reimbursable expenses. There are situations where the number of hours to complete projects may exceed the original estimate. These increases can be as a result of an increase in project scope, unforeseen events that arise, or the inability of the client or the delivery team to fulfill their responsibilities. On an on-going basis, project delivery, Office of Risk Management and finance personnel review hours incurred and estimated total labor hours to complete projects. Any revisions in these estimates are reflected in the period in which they become known. If the Company estimates indicate that a contract loss will occur, a loss provision will be recorded in the period in which the loss first becomes probable and reasonably estimable. Contract losses are determined to be the amount by which the estimated direct costs of the contract exceed the estimated total revenue that will be generated by the contract and are included in total cost of service.

Revenue from advisory services is recognized ratably over the life of the agreements.

Revenue for contracts with multiple elements is allocated based on the fair value of the elements and is recognized in accordance with FASB Accounting Standards Update ("ASU") 2009-13, *Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force*.

Additionally, the Company earns revenue from the sale of software, software licenses and maintenance contracts, which is recognized in accordance with FASB ASC Topic 985, *Software*. Revenue for the sale of software and software licenses is recognized upon contract execution and customer receipt of software. Revenue from maintenance contracts is recognized ratably over the life of the agreements.

Unbilled revenue represents revenue for services performed that have not been invoiced. If the Company does not accurately estimate the scope of the work to be performed, or does not manage its projects properly within the planned periods of time, or does not meet clients expectations under the contracts, then future consulting margins may be negatively affected or losses on existing contracts may need to be recognized. Any such reductions in margins or contract losses could be material to the Company's results of operations.

Sales tax collected from customers and remitted to the applicable taxing authorities is accounted for on a net basis, with no impact on revenue.

Revenue before reimbursements excludes reimbursable expenses charged to clients. Reimbursements, which include travel and out-of-pocket expenses, are included in revenue, and an equivalent amount of reimbursable expenses is included in cost of service.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and General Information (Continued)

The agreements entered into in connection with a project, whether time and materials based or fixed-fee or capped-fee based, typically allow clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required to pay for all time, materials and expenses incurred by the Company through the effective date of the termination. In addition, from time to time the Company enters into agreements with its clients that limit its right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit the Company from performing a defined range of services which it might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Stock Based Compensation

The Company records stock based compensation in accordance with FASB ASC Topic 718, *Compensation-Stock Compensation* ("ASC 718"), using the modified-prospective-transition method.

ASC 718 requires entities to recognize compensation expense for awards of equity instruments to employees based on the grant-date fair value of those awards (with limited exceptions). ASC 718 also requires the benefits of tax deductions in excess of recognized compensation expense to be reported as a financing cash flow.

ASC 718 provides an alternative transition method of calculating the excess tax benefits available to absorb any tax deficiencies recognized which the Company has elected to adopt.

Income Taxes

Income taxes are accounted for in accordance with FASB ASC Topic 740, *Income Taxes* ("ASC 740"). Under ASC 740, deferred tax assets and liabilities are determined based on differences between the financial reporting carrying values and tax bases of assets and liabilities, and are measured by using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to reverse. Deferred income taxes also reflect the impact of certain state operating loss and tax credit carryforwards. A valuation allowance is provided if the Company believes it is more likely than not that all or some portion of the deferred tax asset will not be realized. An increase or decrease in the valuation allowance, if any, that results from a change in circumstances, and which causes a change in the Company's judgment about the realizability of the related deferred tax asset, is included in the tax provision.

In accordance with FASB ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes* ("ASC 740-10"), the Company adopted a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. The Company reports penalties and tax-related interest expense as a component of income tax expense.

Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. With regard to restricted stock units issued to employees, the calculation includes only the vested portion of such stock. Net income per share, assuming dilution, is computed by dividing the net income by the weighted average number of common shares outstanding, and will increase by the assumed conversion of other potentially dilutive securities during the period.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and General Information (Continued)

The following table reconciles basic and dilutive weighted average shares:

	December 30, 2011	December 31, 2010	January 1, 2010
Basic weighted average common shares outstanding	39,895,422	40,348,749	38,240,460
Effect of dilutive securities:			
Unvested restricted stock units issued to employees	1,919,151	1,531,367	—
Common stock issuable upon the exercise of stock options	60,821	41,822	—
Acquisition-related unregistered shares held in escrow	—	450,300	—
Dilutive weighted average common shares outstanding	41,875,394	42,372,238	38,240,460
Dilutive securities not included in diluted weighted average common shares outstanding:			
Unvested restricted stock units issued to employees	—	—	616,435
Common stock issuable upon the exercise of stock options	—	—	22,980
Acquisition-related unregistered shares held in escrow	—	—	150,100
	—	—	789,515

There were 0.9 million, 1.1 million, and 1.4 million shares of common stock excluded from the above reconciliation for the years ended 2011, 2010 and 2009, respectively, as their inclusion would have had an anti-dilutive effect on diluted net income (loss) per share.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable and unbilled revenue, accounts payable and accrued expenses and other liabilities.

As of December 30, 2011 and December 31, 2010, the fair value of all financial instruments approximated their carrying value due to the short-term nature and maturity of these instruments.

Concentration of Credit Risk

The Company provides services primarily to Global 2000 companies and other sophisticated buyers of business consulting and information technology services. The Company performs ongoing credit evaluations of its major customers and maintains reserves for potential credit losses. In 2011 and 2010, no customer accounted for more than 5% of total revenue and in 2009, one customer accounted for 6% of total revenue.

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and General Information (Continued)

Other Comprehensive Income (Loss)

The Company reports its comprehensive income (loss) in accordance with FASB ASC Topic 220, *Comprehensive Income,* which establishes standards for reporting and presenting comprehensive income and its components in a full set of financial statements. Other comprehensive income (loss) consists of and cumulative currency translation adjustments.

Translation of Non-U.S. Currency Amounts

The assets and liabilities held by the Company's foreign entities that have a functional currency other than the U.S. Dollar are translated into U.S. Dollars at exchange rates in effect at the end of each reporting period. Foreign entity revenue and expenses are translated into U.S. Dollars at the average rates that prevailed during the period. The resulting net translation gains and losses are reported as foreign currency translation adjustments in shareholders' equity as a component of accumulated other comprehensive income (loss). Gains and losses from foreign currency transactions are included in net income (loss).

Segment Reporting

The Company reports business segment information under the provisions of FASB ASC Topic 280, *Segment Reporting* ("ASC 280"). In accordance with ASC 280, the Company engages in business activities in one operating segment, which provides business and technology consulting services.

Recent Accounting Pronouncements

In June 2011, the FASB issued changes to the presentation of comprehensive income. These changes give an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. The items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income were not changed. These changes become effective for fiscal years beginning after December 15, 2011, except for the reclassification adjustments out of accumulated other comprehensive income that become effective for fiscal years ending after December 15, 2012. The Company is currently evaluating the impact of adopting these changes.

In September 2011, the FASB issued changes that permit an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value before applying the two-step goodwill impairment model that is currently in place. If it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. This update is effective for annual and interim goodwill impairment tests performed in fiscal years beginning after December 15, 2011, however, early adoption is permitted. Effective December 30, 2011, the Company adopted these changes. The adoption of these changes did not have a material impact on the Company's consolidated financial statements.

Reclassifications

Certain prior period amounts in the consolidated financial statements, and notes thereto, have been reclassified to conform to current period presentation.

2. Acquisitions and Investing Activities

Effective November 9, 2009, the Company acquired Archstone Consulting, LLC ("Archstone") pursuant to an Asset Purchase Agreement (the "Asset Purchase Agreement") under which the Company purchased from Archstone, Archstone Consulting UK Limited and Archstone Consulting BV (the "Sellers") the assets used in connection with Archstone's consulting business. The results of Archstone's operations have been included in the Company's consolidated financial statements since

November 10, 2009.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisition and Investing Activities (Continued)

The acquisition of Archstone was accounted for in accordance with FASB ASC Topic 805, *Business Combinations* ("**ASC** 805"). The purchase price for the assets acquired and liabilities assumed was 5.2 million unregistered shares of the Company's common stock, of which 1.7 million unregistered shares were subject to an earn-out based on revenue achieved in 2010. The value of the unregistered shares was determined as $3.48 per share, the closing value of the Hackett's common stock on the effective date of acquisition.

The purchase price allocation resulted in $11.7 million that exceeded the estimated fair value of tangible and intangible assets and liabilities and was allocated to goodwill. The goodwill was included in the Hackett Group reporting unit. The Company believes the goodwill primarily represents the fair value of the assembled workforce acquired. The goodwill amortization is deductible for tax purposes.

The acquired intangible assets with definite lives are amortized over periods ranging from 2 years to 5 years. The following table presents the intangible assets acquired from Archstone:

Category	Amount (in thousands)	Weighted Average Useful Life (in years)
Customer base	$ 3,028	2.92
Customer backlog	983	0.58
Tradename	160	1.01
	$ 4,171	2.30

The following unaudited pro forma information for the period ended January 1, 2010, includes the operations of Archstone and is provided assuming the acquisition had occurred as of January 3, 2009 (in thousands):

Total revenue	$182,073
Net loss	$(12,073)

On the acquisition date, the Company recorded a liability for the 1,655,000 earn-out unregistered shares based on the closing price on the date of acquisition. Based on actual net revenue achievements in 2009 and the 2010 annual planning process presented to the Company's Board of Directors, which is also the basis for performance compensation, as of January 1, 2010 the Company estimated that the $45.0 million revenue target would be met by Archstone.

On May 11, 2010, prior to the end of the earn-out measurement period, the Company and the Sellers agreed to the final earn-out determination of 1,435,000 shares of the total 1,655,000 shares of common stock to be deemed earned, and therefore, 220,000 shares were forfeited by the Sellers. As a result of the fluctuation in the Company's share price and in accordance with ASC 805, the Company recorded a $1.7 million non-cash re-measurement gain during the year ended December 31, 2010 in the consolidated statement of operations.

As a result of the acquisition, the Company recorded $261 thousand of acquisition-related costs which were included in selling, general and administrative costs in the consolidated statements of operations for the year ended January 1, 2010.

In addition, the Company issued 941 thousand unregistered shares to former Archstone executives as new employees of the Company that will vest over a two to five year period and are contingent on continued employment. The aggregate grant date fair value of these awards is $3.5 million. The fair value of these shares is accounted for as compensation expense over the vesting periods.

The Company includes its acquired intangible assets with definite lives in other assets, net in the accompanying consolidated balance sheets. As of December 30, 2011 and December 31, 2010, intangible assets totaled $1.6 million and $2.4 million, respectively, which is net of accumulated amortization of $13.1 million and $12.3 million, respectively, and foreign currency fluctuations for intangible assets denominated in the British Pound and Euro. All of the Company's intangible assets

are expected to be fully amortized by the end of 2014. The estimated future amortization expense of intangible assets as of December 30, 2011 is as follows: $0.5 million in 2012, $0.6 million in 2013 and $0.5 million in 2014.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Fair Value Measurement

The Company records its assets and liabilities in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes the following three levels of inputs that may be used to measure fair value:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

As of December 30, 2011 and December 31, 2010, the carrying value of cash and cash equivalents, restricted cash, accounts receivable and unbilled revenue, accounts payable, leases and accrued expenses and other liabilities, approximated the respective fair value due to the short-term nature and maturity of these instruments.

4. Accounts Receivable and Unbilled Revenue, Net

Accounts receivable and unbilled revenue, net, consists of the following (in thousands):

	December 30, 2011	December 31, 2010
Accounts receivable	$ 24,731	$ 22,115
Unbilled revenue	11,277	10,951
Allowance for doubtful accounts	(799)	(1,486)
	$ 35,209	$ 31,580

Accounts receivable as of December 30, 2011 and December 31, 2010, is net of uncollected advanced billings. Unbilled revenue as of December 30, 2011 and December 31, 2010, includes recognized recoverable costs and accrued profits on contracts for which billings had not been presented to clients.

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	December 30, 2011	December 31, 2010
Deferred tax asset, net	$ 6,975	$ 2,560
Other	2,344	2,496
Total prepaid expenses and other current assets	$ 9,319	$ 5,056

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Property and Equipment, net

Property and equipment, net, consists of the following (in thousands):

	December 30, 2011	December 31, 2010
Equipment	$ 4,154	$ 10,667
Software	15,516	15,836
Leasehold improvements	460	1,654
Furniture and fixtures	503	940
Automobile	22	26
	20,655	29,123
Less accumulated depreciation	(8,959)	(20,307)
	$ 11,696	$ 8,816

Depreciation expense for the years ended December 30, 2011, December 31, 2010, and January 1, 2010 was $2.0 million, $1.8 million, and $1.9 million, respectively, and is included in selling, general and administrative costs in the accompanying consolidated statements of operations.

7. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following (in thousands):

	December 30, 2011	December 31, 2010
Accrued compensation and benefits	$ 5,333	$ 5,610
Accrued bonuses	7,597	9,354
Accrued restructuring related expenses	594	1,732
Deferred revenue	8,443	6,716
Accrued sales, use, franchise and VAT tax	1,836	1,802
Other accrued expenses	4,215	3,926
Current accrued expenses and other liabilities	28,018	29,140
Accrued restructuring related expenses	9	265
Deferred tax liability, net	1,718	2,566
Non-current accrued expenses and other liabilities	1,727	2,831
Total accrued expenses and other liabilities	$ 29,745	$ 31,971

8. Restricted Cash

As of December 30, 2011 and December 31, 2010, the Company had $0.9 million and $1.6 million, respectively, on deposit with financial institutions that served as collateral for letters of credit for operating leases and for amounts related to certain employee compensation agreements.

9. Lease Commitments

The Company has operating lease agreements for its premises that expire on various dates through December 2016. Rent expense, net of subleases for the years ended December 30, 2011, December 31, 2010 and January 1, 2010 was $2.2 million, $1.8 million and $1.7 million, respectively.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Lease Commitments (Continued)

Future minimum lease commitments under non-cancelable operating leases as of December 30, 2011 are as follows (in thousands):

	Rental Payments
2012	$ 1,686
2013	1,341
2014	1,226
2015	994
2016	636
Total	$ 5,883

10. Income Taxes

The Company files federal income tax returns, as well as multiple state, local and foreign jurisdiction tax returns. A number of years may elapse before an uncertain tax position is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution on any particular uncertain tax position, the Company believes that its reserves for income taxes reflect the most probable outcome. The Company adjusts these reserves, as well as the related interest, in light of changing facts and circumstances. The resolution of a matter would be recognized as an adjustment to the provision for income taxes and the effective tax rate in the period of resolution. The Company is no longer subject to examinations of its federal income tax returns by the Internal Revenue Service for years through 2007 and all significant state, local and foreign matters have been concluded for years through 2007.

The components of income (loss) before income taxes are as follows (in thousands):

	Year Ended		
	December 30, 2011	December 31, 2010	January 1, 2010
Domestic	$ 15,999	$ 14,204	$ (325)
Foreign	1,275	(3)	(6,699)
Income (loss) before income taxes	$ 17,274	$ 14,201	$ (7,024)

The components of income tax (benefit) expense are as follows (in thousands):

	Year Ended		
	December 30, 2011	December 31, 2010	January 1, 2010
Current tax (benefit) expense			
Federal	$ 32	$ (191)	$ (294)
State	484	239	72
Foreign	246	(74)	10
	762	(26)	(212)
Deferred tax benefit			
Federal	(5,257)	—	—
State	—	—	—
Foreign	—	—	—
	(5,257)	—	—
Income tax benefit	$ (4,495)	$ (26)	$ (212)

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Income Taxes (Continued)

A reconciliation of the federal statutory tax rate with the effective tax rate is as follows:

	Year Ended		
	December 30, 2011	December 31, 2010	January 1, 2010
U.S. statutory income tax expense (benefit) rate	35.0 %	35.0 %	(35.0) %
State income taxes, net of federal income tax benefit	1.8	1.1	0.7
Valuation allowance (reduction)	(69.3)	(36.7)	15.4
Meals and entertainment	1.3	1.5	2.5
Intangible amortization	—	0.7	1.6
Foreign exchange loss (gain)	0.9	0.4	3.7
Other, net	4.3	(2.2)	8.1
Effective tax rate	(26.0) %	(0.2) %	(3.0) %

The components of the net deferred income tax asset (liability) are as follows (in thousands):

	Year Ended	
	December 30, 2011	December 31, 2010
Deferred income tax assets:		
Purchased research and development	$ 79	$ 184
Allowance for doubtful accounts	316	587
Net operating loss and tax credits carryforward	20,567	23,910
Accrued expenses and other liabilities	5,492	5,694
	26,454	30,375
Valuation allowance	(9,365)	(21,337)
	17,089	9,038
Deferred income tax liabilities:		
Depreciation and amortization	(3,836)	(2,002)
Tax over book amortization on goodwill	(8,017)	(6,883)
Other items	21	(153)
	(11,832)	(9,038)
Net deferred income tax asset	$ 5,257	$ —

As of December 30, 2011 and December 31, 2010, the Company had $7.0 million and $2.6 million, respectively, of deferred tax assets, net, included in prepaid and other current assets and $1.7 million and $2.6 million of deferred tax liabilities, respectively, included in accrued expenses and other liabilities, non-current, on its consolidated balance sheets.

As of December 30, 2011, the Company had $40.5 million of U.S. federal net operating loss carryforwards available for tax purposes, primarily resulting from a worthless stock deduction taken in 2002, most of which expire by 2022 if not utilized. Additionally, at December 30, 2011, the Company had $12.4 million of foreign net operating loss carryforwards, of which $4.9 million related to operations in the UK, $3.0 million related to operations in France and $2.4 million related to operations in Germany. Most of the foreign net operating losses may be carried forward indefinitely.

The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In determining the need for valuation allowances the Company considers evidence such as history of losses and general economic conditions. At December 30, 2011 and December 31, 2010, the Company had a valuation allowance of $9.4 million and $21.3 million, respectively, to reduce deferred income tax assets primarily related to foreign and state net operating loss and tax

credit carryforwards.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Income Taxes (Continued)

The undistributed earnings in foreign subsidiaries are permanently invested abroad and will not be repatriated to the U.S. in the foreseeable future. Because they are considered to be indefinitely reinvested, no U.S. federal or state deferred income taxes have been provided on these earnings. Upon distribution of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries in which it operates. Because of the availability of U.S. foreign tax credits, it is not practicable to determine the U.S. foreign income tax liability that would be payable if such earnings were not reinvested indefinitely.

Penalties and tax-related interest expense are reported as a component of income tax expense. For the years ended December 30, 2011, December 31, 2010 and January 1, 2010 the total amount of accrued income tax-related interest and penalties was $170 thousand.

In accordance with ASC 740-10, the Company prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

The following table sets forth the detail and activity of the ASC 740-10 liability during the twelve months ended December 30, 2011 and December 31, 2010 (in thousands):

	Year Ended	
	December 30, 2011	December 31, 2010
Beginning balance	$ 170	$ 370
Reduction due to lapse of applicable statute of limitations	—	(185)
Other	—	(15)
Ending balance	$ 170	$ 170

As of December 30, 2011 and December 31, 2010, the ASC 740-10 liability of $170 thousand, was classified as a current liability and included in the current portion of the accrued expenses and other liabilities in the accompanying consolidated balance sheets. The Company does not believe there will be any material changes in its unrecognized tax positions over the next twelve months. The reversal of ASC 740-10 tax liabilities as of December 30, 2011 and December 31, 2010 of $170 thousand, would have a favorable impact on the effective tax rate in future periods.

11. Stock Based Compensation

Stock Plans

Total share based compensation included in net income for the year ended December 30, 2011 was $4.6 million. The number of shares available for future issuance under the plans as of December 30, 2011 were 6,471,620. The Company issues new shares as shares are required to be delivered under the plan.

Stock Options

The Company has granted stock options to employees and directors of the Company at exercise prices equal to the market value of the stock at the date of grant. The options generally vest ratably over four years, based on continued employment, with a maximum term of ten years.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Stock Based Compensation (Continued)

Stock option activity under the Company's stock option plans for the year ended December 30, 2011 is summarized as follows:

	Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of December 31, 2010	982,328	$ 5.62		
Exercised	(24,000)	2.46		
Forfeited or expired	(90,953)	7.23		
Outstanding as of December 30, 2011	867,375	$ 5.53	$ 1.81	$178,253
Exercisable at December 30, 2011	867,167	$ 5.53	$ 1.81	$178,229

A summary of the Company's stock option activity for the years ended December 31, 2010 and January 1, 2010 was as follows:

	December 31, 2010		January 1, 2010	
	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,202,380	$ 5.88	1,327,497	$ 6.03
Exercised	(17,553)	2.68	(5,500)	2.10
Forfeited or expired	(202,499)	7.45	(119,617)	7.81
Outstanding at end of year	982,328	$ 5.62	1,202,380	$ 5.88
Exercisable at end of year	981,870	$ 5.62	1,201,672	$ 5.88

Other information pertaining to stock option activity during the years ended December 30, 2011, December 31, 2010 and January 1, 2010 was as follows (in thousands):

	Year Ended		
	December 30, 2011	December 31, 2010	January 1, 2010
Total fair value of stock options vested	$ —	$ —	$ —
Total intrinsic value of stock options exercised	$ 41	$ 11	$ 8

The following table summarizes information about the Company's stock options outstanding as of December 30, 2011:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.00 - $ 4.06	157,356	1.4	$ 2.64	157,148	$ 2.64
$ 4.07 - $ 8.13	703,361	1.9	6.11	703,361	6.11
$ 8.14 - $12.19	6,650	1.4	12.00	6,650	12.00
$12.20 - $20.32	8	2.0	17.56	8	17.56
	867,375	1.8	$ 5.53	867,167	$ 5.53

On February 8, 2012, the Compensation Committee approved the exchange of one half of the existing RSU bonus

opportunity for 2012 through 2015 for the Company's Chief Executive Officer and Chief Operating Officer for a single performance-based stock option grants of 1,912,500 options and 1,004,063 option, respectively, each with an exercise price of $4.00. This performance-based stock option grants vests one-half upon the achievement of at least 50% growth of pro forma earnings per share and the remaining half vests upon the achievement of at least 50% pro forma EBITDA growth. Each metric can be achieved at any time during the six-year term of the award based on a trailing twelve month period measured quarterly. The grants will expire if neither target is achieved during the six-year term. The base year for the performance calculation is fiscal 2011 for both pro forma earnings per share and pro forma EBITDA performance targets. After 2015, the Company expects that the Chief Executive Officer's and the Chief Operating Officer's equity compensation will revert to the current structure.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Stock Based Compensation (Continued)

Restricted Stock Units

Under the stock plans, participants may be granted restricted stock units, each of which represents a conditional right to receive a common share in the future. The restricted stock units granted under this plan generally vest over one of the following vesting schedules: (1) a four-year period, with 50% vesting on the second anniversary and 25% of the shares vesting on the third and fourth anniversaries of the grant date, (2) a four-year period, with 25% vesting on the first, second, third and fourth anniversary, or (3) a three-year period with 33% vesting on the first, second and third anniversary. Upon vesting, the restricted stock units will convert into an equivalent number of shares of common stock. The amount of expense relating to the restricted stock units is based on the closing market price of the Company's common stock on the date of grant and is amortized on a straight-line basis over the applicable requisite service period. Restricted stock unit activity for the year ended December 30, 2011 was as follows:

	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Nonvested balance as of December 31, 2010	2,211,587	$ 2.95
Granted	1,896,222	3.65
Vested	(997,005)	3.56
Forfeited	(139,974)	3.04
Nonvested balance as of December 30, 2011	2,970,830	$ 3.38

The Company recorded restricted stock unit based compensation expense of $3.7 million, $3.6 million and $2.6 million in 2011, 2010 and 2009, respectively, which is included in stock compensation expense, based on the vesting provisions of the restricted stock units and the fair market value of the stock on the grant date. As of December 30, 2011, there was $4.6 million of total restricted stock unit compensation related to the nonvested awards not yet recognized, which is expected to be recognized over a weighted average period of 1.90 years.

Common Stock Subject to Vesting Requirements

Shares of common stock subject to vesting requirements were issued to employees of acquired companies. These shares vest over a period of up to five years. Compensation was based on the market value of the Company's common stock at the time of grant and is recognized on a straight-line basis. The activity for common stock subject to vesting requirements for the year ended December 30, 2011 was as follows:

	Number of Shares of Common Stock Subject to Vesting Requirements	Weighted Average Grant-Date Fair Value
Nonvested balance as of December 31, 2010	841,904	$ 3.40
Vested	(208,417)	3.67
Nonvested balance as of December 30, 2011	633,487	$ 3.32

The Company recorded compensation expense of $0.9 million, $0.7 million and $0.4 million, during the years ended December 30, 2011, December 31, 2010 and January 1, 2010, respectively, related to common stock subject to vesting requirements. As of December 30, 2011, there was $1.2 million of total stock based compensation related to common stock subject to vesting requirements not yet recognized, which is expected to be recognized over a weighted average period of 2.07 years.

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THE HACKETT GROUP, INC.
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12. Shareholders' Equity

Employee Stock Purchase Plan

Effective July 1, 1998, the Company adopted an Employee Stock Purchase Plan to provide substantially all employees who have completed three months of service as of the beginning of an offering period an opportunity to purchase shares of its common stock through payroll deductions. Purchases on any one grant are limited to 10% of eligible compensation. Shares of the Company's common stock may be purchased by employees at six-month intervals at 95% of the fair market value on the last trading day of each six-month period. The aggregate fair market value, determined as of the first trading date of the offering period, of shares purchased by an employee may not exceed $25,000 annually. The Employee Stock Purchase Plan expires on July 1, 2018. A total of 4,275,000 shares of common stock are available for purchase under the plan with a limit of 400,000 shares of common stock to be issued per offering period. For plan years 2011, 2010 and 2009, 137,215 shares, 132,015 shares and 168,887 shares, respectively, were issued.

Treasury Stock

On July 30, 2002, the Company announced that its Board of Directors approved the repurchase of up to $5.0 million of the Company's common stock. Since the inception of the repurchase plan, the Board of Directors approved the repurchase of an additional $70.0 million of the Company's common stock, thereby increasing the total program size to $75.0 million. Under the repurchase plan, the Company may buy back shares of its outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of December 30, 2011 and December 31, 2010, the Company had repurchased 21.2 million shares and 18.8 million shares of its common stock, respectively, at an average price of $3.52 and $3.48 per share, respectively. As of December 30, 2011, the Company had $0.6 million available under the Company's buyback program. The Company holds repurchased shares of its common stock as treasury stock and accounts for treasury stock under the cost method.

Shareholder Rights Plan

On February 13, 2004, the Company's Board of Directors adopted a Shareholder Rights Plan. Under the Plan, a dividend of one preferred share purchase right (a "Right") was declared for each share of common stock of the Company that was outstanding on February 26, 2004. Each Right entitles the holder to purchase from the Company one one-thousandth of a share of Series A Junior Preferred Stock at a purchase price of $32.50, subject to adjustment.

The Rights will trade automatically with the common stock and will not be exercisable until a person or group has become an "acquiring person" by acquiring 15% or more of the Company's outstanding common stock, or a person or group commences, or publicly announces a tender offer that will result in such a person or group owning 15% or more of the Company's outstanding common stock. However, Liberty Wanger Asset Management, L.P. (now known as Columbia Wanger Asset Management, L.P.), together with its affiliates and associates will be permitted to acquire up to 20% of the common stock without making the rights exercisable. Upon announcement that any person or group has become an acquiring person, each Right will entitle all rightholders (other than the acquiring person) to purchase, for the exercise price of $32.50, a number of shares of the Company's common stock having a market value equal to twice the exercise price. Rightholders would also be entitled to purchase common stock of the acquiring person having a value of twice the exercise price if, after a person had become an acquiring person, the Company were to enter into certain mergers or other transactions. If any person becomes an acquiring person, the Board of Directors may, at its option and subject to certain limitations, exchange one share of common stock for each Right.

The Rights have certain anti-takeover effects, in that they would cause substantial dilution to a person or group that attempts to acquire a significant interest in the Company on terms not approved by the Board of Directors. In the event that the Board of Directors determines a transaction to be in the best interests of the Company and its shareholders, the Board of Directors may redeem the Rights for $0.001 per share at any time prior to a person or group becoming an acquiring person. The Rights will expire on February 13, 2014.

13. Benefit Plan

The Company maintains a 401(k) plan covering all eligible employees. Subject to certain dollar limits, eligible employees may contribute up to 15% of their pre-tax annual compensation to the plan. The Company may make discretionary contributions on an annual basis. During fiscal years 2011, 2010 and 2009, the Company made matching contributions of 25% of employee contributions up to 4% of their gross salaries. The Company's matching contributions were $0.3 million in each of the fiscal years ended December 30, 2011, December 31, 2010 and January 1, 2010.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Restructuring Costs

The Company recorded restructuring costs in 2001 and 2002 primarily related to reductions in consultants and functional support and for the closure and consolidation of facilities and related exit costs. In 2003, 2004, 2005 and 2006, the Company increased these reserves as a result of additional closures and consolidation of facilities, lower than expected sublease rates and longer than expected time estimates to sublease excess facilities. In 2005 and 2006, the Company recorded restructuring costs for the consolidation of facilities and related exit costs as a result of the REL acquisition. In 2009, the Company recorded restructuring costs resulting from the acquisition and integration of Archstone related to discounted lease buy-out actions, the down-sizing of facilities and the related exit costs of those facilities and severance costs (see Note 2).

No restructuring costs were incurred in 2011, 2010 and 2008.

The following tables set forth the detail and activity in the restructuring expense accruals (in thousands):

	Severance and Other Employee Costs	Exit, Closure and Consolidation of Facilities	Total
Accrual balance at January 2, 2009	$ —	$ 4,293	$ 4,293
2009 Additions, net	3,048	2,378	5,426
2009 Expenditures	(1,051)	(1,536)	(2,587)
2010 Expenditures	(1,826)	(3,309)	(5,135)
2011 Expenditures	(171)	(1,223)	(1,394)
Accrual balance at December 30, 2011	$ —	$ 603	$ 603

15. Transactions with Related Parties

In connection with the Company's repurchase of common stock in 2011 and 2010, the Board of Directors approved the Company's buy back of 393,250 shares and 103,492 shares, respectively, of outstanding common stock from employees of the Company and Board of Directors at an average price of $4.70 and $3.47 per share, respectively. These shares were included in the Company's treasury stock on the accompanying consolidated balance sheets at December 30, 2011 and December 31, 2010.

16. Litigation

The Company is involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such matters will not have a material adverse effect on the Company's consolidated financial position, cash flows or results of operations.

17. Geographic and Service Group Information

Revenue, which is primarily based on the country of the Company's contracting entity, is attributed to geographic areas as follows (in thousands):

	Year Ended		
	December 30, 2011	December 31, 2010	January 1, 2010
Revenue:			
North America	$ 174,890	$ 158,231	$ 106,865
International (primarily European countries)	50,227	43,117	35,835
Total revenue	$ 225,117	$ 201,348	$ 142,700

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Geographic and Service Group Information (Continued)

Long-lived assets are attributed to geographic areas as follows (in thousands):

	Year Ended	
	December 30, 2011	December 31, 2010
Long-lived assets:		
North America	$ 73,449	$ 71,625
International (primarily European countries)	15,628	15,593
Total long-lived assets	$ 89,077	$ 87,218

As of December 30, 2011, foreign assets included $14.9 million of goodwill related to the REL and Archstone acquisitions and $0.1 million of intangible assets related to the Archstone acquisition. As of December 31, 2010, foreign assets included $15.0 million of goodwill and $0.2 million of intangible assets related to the Archstone acquisition.

In the following table (presented in thousands), The Hackett Group service group encompasses Benchmarking, Business Transformation and Executive Advisory groups, and includes EPM Technologies. The ERP Solutions group encompasses the ERP technology groups, which include SAP and Oracle. The acquisition of Archstone in late 2009 brought a strong EPM Transformation group to the Company. This allowed the Company to combine the acquired transformation skills with its existing technology EPM group, which has been one of The Hackett Group's growth drivers. The transformation and technology groups both adopted The Hackett Group brand in 2010, and in 2011 moved to a combined incentive plan. Therefore, the revenue of the EPM technology group, which was previously reflected under Hackett Technology Solutions, has been recast into The Hackett Group service line and all reported numbers have been recast to best reflect this integration of brand and go-to-market focus in the Company's reporting.

	Year Ended		
	December 30, 2011	December 31, 2010	January 1, 2010
The Hackett Group	$ 181,824	$ 167,019	$ 119,547
ERP Solutions	43,293	34,329	23,153
Total revenue	$ 225,117	$ 201,348	$ 142,700

18. Quarterly Financial Information (unaudited)

The following table presents unaudited supplemental quarterly financial information for the years ended December 30, 2011 and December 31, 2010 (in thousands, except per share data):

	Quarter Ended			
	April 1, 2011	July 1, 2011	September 30, 2011	December 30, 2011
Total revenue	$52,862	$58,809	$ 57,935	$ 55,511
Income from operations	$ 3,486	$ 4,503	$ 4,511	$ 4,741
Income before income taxes	$ 3,487	$ 4,515	$ 4,522	$ 4,750
Net income (1)	$ 3,327	$ 4,403	$ 4,346	$ 9,693
Basic net income per common share	$ 0.08	$ 0.11	$ 0.11	$ 0.25
Diluted net income per common share	$ 0.08	$ 0.10	$ 0.10	$ 0.23

	Quarter Ended			
	April 2, 2010	July 2, 2010	October 1, 2010	December 31, 2010
Total revenue	$ 46,728	$ 53,685	$ 52,305	$ 48,630

Income from operations	$ 1,859	$ 3,752	$ 3,914	$ 2,927
Income before income taxes	$ 2,808	$ 4,540	$ 3,921	$ 2,932
Net income	$ 2,698	$ 4,423	$ 4,107	$ 2,999
Basic net income per common share	$ 0.07	$ 0.11	$ 0.10	$ 0.07
Diluted net income per common share	$ 0.07	$ 0.10	$ 0.10	$ 0.07

(1) The quarter ended December 30, 2011 includes the benefit of the release of $5.3 million of deferred income tax asset valuation allowance.

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THE HACKETT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Quarterly Financial Information (unaudited) (Continued)

Quarterly basic and diluted net income per common share were computed independently for each quarter and do not necessarily total to the year to date basic and diluted net income per common share.

19. Subsequent Events

On February 22, 2012, the Company commenced a tender offer to purchase up to $55.0 million in value of shares of its common stock, $0.001 par value per share (the "Shares"), at a price not greater than $5.00 nor less than $4.25 per Share, to the seller in cash, less any applicable withholding taxes and without interest (the "Offer"). The Offer is scheduled to expire on March 21, 2012.

The Company is conducting the Offer through a procedure commonly called a modified "Dutch auction." This procedure allows stockholders to select the price, within the specified price range, at which stockholders are willing to sell their Shares. The Company will select the single lowest purchase price, not greater than $5.00 nor less than $4.25 per Share, that will allow the Company to purchase $55.0 million in value of Shares at such price, based on the number of Shares tendered, or, if fewer Shares are properly tendered, all Shares that are properly tendered and not properly withdrawn. The Offer is only being made pursuant to the offering materials and related documentation which the Company has filed with the Securities Exchange Commission, and to which reference is hereby made.

On February 21, 2012, the Company entered into a Credit Facility with Bank of America, N.A. Under the Credit Facility, Bank of America, N.A. has agreed to lend the Company up to $20.0 million from time to time pursuant to a revolving line of credit (the "Revolver") and up to $30.0 million pursuant to a term loan (the "Term Loan" and together with the Revolver, the "Credit Facility"). The proceeds of the Term Loan will be used, along with cash on hand, for the purchase of the Shares in the Offer and the payment of all fees and expenses in connection with the Offer. Borrowing under the Term Loan is subject to and contingent upon the successful completion of the Offer, as well as the satisfaction of the other customary conditions precedent under the Credit Agreement. In the event that the full $30.0 million is not borrowed under the Term Loan for the purchase of shares in the Offer, up to $10.0 million will remain available for borrowing under the Term Loan to fund future purchases of shares by the Company.

The obligations of the Company under the Credit Facility are guaranteed by certain existing and future material U.S. subsidiaries of the Company (the "U.S. Subsidiaries") and are secured by substantially all of the existing and future property and assets of the Company and the U.S. Subsidiaries, a 100% pledge of the capital stock of the U.S. Subsidiaries, and a 65% pledge of the capital stock of the Company's direct foreign subsidiaries (subject to certain exceptions).

The interest rates per annum applicable to loans under the Credit Facility will be, at the Company's option, equal to either a base rate or a LIBOR rate for one-, two-, three- or six-month interest periods chosen by the Company, in each case plus an applicable margin percentage. The applicable margin percentage is determined from time to time under the Credit Facility based on a senior leverage ratio. The initial applicable margin percentage is 2.0% per annum, in the case of LIBOR rate advances, and 1.25% per annum, in the case of base rate advances.

The Credit Facility matures on February 21, 2017. In addition, subject to certain thresholds and exceptions, the Company will be required to prepay the loans outstanding under the Credit Facility with (i) net cash proceeds from non-ordinary course sales of property and assets of the Company or its subsidiaries, (ii) net cash proceeds from the issuance or incurrence of additional debt or equity securities of the Company or its subsidiaries and (iii) net proceeds from extraordinary receipts as defined in the Credit Agreement.

On February 8, 2012, the Compensation Committee approved the exchange of one half of the existing RSU bonus opportunity for 2012 through 2015 for the Company's Chief Executive Officer and Chief Operating Officer for a single performance-based stock option grants of 1,912,500 options and 1,004,063 option, respectively, each with an exercise price of $4.00. This performance-based stock option grants vests one-half upon the achievement of at least 50% growth of pro forma earnings per share and the remaining half vests upon the achievement of at least 50% pro forma EBITDA growth. Each metric can be achieved at any time during the six-year term of the award based on a trailing twelve month period measured quarterly.

The grants will expire if neither target is achieved during the six-year term. The base year for the performance calculation is fiscal 2011 for both pro forma earnings per share and pro forma EBITDA performance targets. After 2015, the Company expects that the Chief Executive Officer's and the Chief Operating Officer's equity compensation will revert to the current structure.

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THE HACKETT GROUP, INC.
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED DECEMBER 30, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010
(in thousands)

Allowance for Doubtful Accounts	Balance at Beginning of Year	Charge to Expense (Recovery)	Write-offs	Balance at End of Year
Year Ended December 30, 2011	$ 1,486	(619)	(68)	$ 799
Year Ended December 31, 2010	$ 1,354	$ 157	$ (25)	$1,486
Year Ended January 1, 2010	$ 1,631	$ 93	$ (370)	$1,354

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during the three months ended December 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission as of and for the year ended December 30, 2011. Based on our evaluation under the framework in "Internal Control – Integrated Framework," our management concluded that our internal control over financial reporting was effective as of the end of the period covered by this Annual Report.

The Company's independent registered certified public accounting firm has audited our internal control over financial reporting as of December 30, 2011 and has expressed an unqualified opinion thereon.

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Report of Independent Registered Certified Public Accounting Firm

Board of Directors and Stockholders
The Hackett Group, Inc.
Miami, Florida

We have audited The Hackett Group, Inc.'s internal control over financial reporting as of December 30, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Hackett Group, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Controls and Procedures – Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, The Hackett Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 30, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Hackett Group, Inc. as of December 30, 2011 and December 31, 2010, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended December 30, 2011 and our report dated February 24, 2012 expressed an unqualified opinion thereon.

Miami, Florida
February 24, 2012

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ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2012 Proxy Statement for the 2012 Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2012 Proxy Statement for the 2012 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2012 Proxy Statement for the 2012 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2012 Proxy Statement for the 2012 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information appearing under the caption "Fees Paid to Independent Accountants" in the 2012 Proxy Statement is hereby incorporated by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this Form:

1. Financial Statements

The Consolidated Financial Statements filed as part of this report are listed and indexed on page 26. Schedules other than those listed in the index have been omitted because they are not applicable or the required information has been included elsewhere in this report.

2. Financial Statement Schedules

Schedule II — Valuation and Qualifying Accounts and Reserves are included in this report. Schedules other than those listed in the index have been omitted because they are not applicable or the information required to be set forth therein is contained, or incorporated by reference, in the Consolidated Financial Statements of The Hackett Group, Inc. or notes thereto.

3. Exhibits: See Index to Exhibits on page 55

The Exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on February 24, 2012.

THE HACKETT GROUP, INC.

By: /s/ Ted A. Fernandez
Ted A. Fernandez
Chief Executive Officer and Chairman

Pursuant to the requirements of the Securities Act of 1934, this Form 10-K has been signed by the following persons on behalf of the Registrant in the capacities and on the date indicated.

Signatures	Title	Date
/s/ Ted A. Fernandez Ted A. Fernandez	Chief Executive Officer and Chairman (Principal Executive Officer)	February 24, 2012
/s/ Robert A. Ramirez Robert A. Ramirez	Executive Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	February 24, 2012
/s/ David N. Dungan David N. Dungan	Chief Operating Officer and Director	February 24, 2012
/s/ Terence M. Graunke Terence M. Graunke	Director	February 24, 2012
/s/ Richard Hamlin Richard Hamlin	Director	February 24, 2012
/s/ John R. Harris John R. Harris	Director	February 24, 2012
/s/ Edwin A. Huston Edwin A. Huston	Director	February 24, 2012
/s/ Alan T. G. Wix Alan T. G. Wix	Director	February 24, 2012

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INDEX TO EXHIBITS

Exhibit No.	Exhibit Description
2.1	Share Purchase Agreement dated November 29, 2005 between The Hackett Group Limited, Answerthink, Inc. and the Sellers of REL Consultancy Group Limited (incorporated herein by reference to the Registrant's Form 8-K dated December 1, 2005).
2.2	Asset Purchase Agreement acquiring Archstone Consulting, LLC. In accordance with the instructions to Item 601(b)(2) of Regulation S-K, the schedules and exhibits to the Asset Purchase Agreement are not filed herewith. The Asset Purchase Agreement identifies such schedules and exhibits, including the general nature of their content. The Company undertakes to provide such schedules and exhibits to the Securities and Exchange Commission upon request (incorporated by reference to the Registrant's Form 8-K filed on November 13, 2009).
3.1	Second Amended and Restated Articles of Incorporation of the Registrant, as amended (incorporated herein by reference to the Registrant's Form 10-K for the year ended December 29, 2000).
3.2	Amended and Restated Bylaws of the Registrant, as amended (incorporated herein by reference to the Registrant's Form 10-K for the year ended December 29, 2000).
3.3	Articles of Amendment of the Third Amended and Restated Articles of Incorporation of the Registrant (incorporated herein by reference to the Registrant's Form 10-K for the year ended December 28, 2007).
3.4	Amendment to Amended and Restated Bylaws of The Hackett Group (incorporated by reference to the Registrant's Form 8-K filed on March 31, 2008).
10.1	Registrant's 1998 Stock Option and Incentive Plan (incorporated herein by reference to the Registrant's Registration Statement on Form S-8 (333-64542)).
10.2	Amendment to Registrant's 1998 Stock Option and Incentive Plan (incorporated herein by reference to the Registrant's Form 10-K for the year ended December 28, 2001).
10.3	Form of Employment Agreement entered into between the Registrant and Mr. Dungan (incorporated herein by reference to the Registrant's Form 10-K for the year ended December 28, 2001).
10.4	Form of Employment Agreement entered into between the Registrant and each of Messrs. Fernandez, Frank and Knotts (incorporated herein by reference to the Registrant's Registration Statement on Form S-1 (333-48123)).
10.5	AnswerThink Consulting Group, Inc. Employee Stock Purchase Plan, as amended (incorporated herein by reference to the Registrant's Registration Statement on Form S-8 (333-108640)).
10.6	Amendment to Registrant's Employee Stock Purchase Plan (incorporated herein by reference to the Registrant's Form 10-K/A filed on February 15, 2007).
10.7	Securities Purchase Agreement by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc. (incorporated herein by reference to THINK New Ideas, Inc.'s Form 8-K dated March 12, 1999).
10.8	Registration Rights Agreement dated as of March 3, 1999 by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc. (incorporated herein by reference to THINK New Ideas, Inc.'s Form 8-K dated March 12, 1999).
10.9	Amendment to Employment Agreement between Answerthink, Inc. and Ted A. Fernandez (incorporated herein by reference to the Registrant's Form 10-Q dated November 10, 2004).
10.10	Amendment to Employment Agreement between Answerthink, Inc. and David N. Dungan (incorporated herein by reference to the Registrant's Form 10-Q dated November 10, 2004).
10.11	Lawson Software & The Hackett Group Advisory Alliance Agreement dated May 9, 2005 (incorporated herein by reference to the Registrant's Form 8-K dated May 13, 2005).
10.12	Amendment dated June 10, 2005 to Executive Agreement between Answerthink, Inc. and Ted A. Fernandez

(incorporated herein by reference to the Registrant's Form 8-K dated June 16, 2005).

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10.16	Employment Agreement dated August 1, 2007 between the Registrant and Robert A. Ramirez (incorporated herein by reference to the Registrant's Form 10-Q dated July 31, 2007).
10.17	Third Amendment to Employment Agreement between the Registrant and Ted A. Fernandez (incorporated herein by reference to the Registrant's Form 8-K dated January 2, 2009).
10.18	Third Amendment to Employment Agreement between the Registrant and David N. Dungan (incorporated herein by reference to the Registrant's Form 8-K dated January 2, 2009).
21.1	Subsidiaries of the Registrant (exhibits filed herewith).
23.1	Consent of BDO USA, LLP (exhibits filed herewith).
31.1	Certification by CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (exhibits filed herewith).
31.2	Certification by CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (exhibits filed herewith).
32	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (exhibits filed herewith).
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.DEF**	XBRL Taxonomy Extension Definition Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

EXHIBIT 10

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 30, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-24343

Answerthink, Inc.

(Exact name of registrant as specified in its charter)

FLORIDA	**65-0750100**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
1001 Brickell Bay Drive, Suite 3000 Miami, Florida	**33131**
(Address of principal executive offices)	*(Zip Code)*

(305) 375-8005
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities

Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant was $141,151,839 on July 1, 2005 based on the last reported sale price of the registrant's common stock on the Nasdaq National Market.

The number of shares of the registrant's common stock outstanding on March 3, 2006 was 45,217,826.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of the Form 10-K incorporates by reference certain portions of the registrant's proxy statement for its 2006 Annual Meeting of Stockholders to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this report.

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ANSWERTHINK, INC.
FORM 10-K
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and the information incorporated by reference in it include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and forecasted demographic and economic trends relating to our industry are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect," or "intend" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Factors that impact such forward-looking statements include, among others, our ability to attract additional business, the timing of projects and the potential for contract cancellation by our customers, changes in expectations regarding the business and information technology advisory and consulting industries, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable due to the bankruptcy or financial difficulties of our customers, risks of competition, price and margin trends, and changes in general economic conditions and interest rates. An additional description of our risk factors is described in Part 1 – Item 1A. "Risk Factors". We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS

GENERAL

Answerthink, Inc. is a leading business and technology consulting firm that enables companies to achieve world-class business performance. By leveraging the comprehensive database of The Hackett Group, the world's leading repository of enterprise business process performance metrics and best practice intellectual capital, our business and technology solutions help clients improve performance and maximize returns on technology investments.

The Hackett Group, a strategic advisory firm and an Answerthink company, is a world leader in best practice research, benchmarking, business transformation and working capital management services that empirically define and enable world-class enterprise performance. Only The Hackett Group empirically defines world-class performance in sales, general and administrative (SG&A) and supply chain activities with analysis gained through 3,500 benchmark studies over 14 years at 2,000 of the world's leading companies.

Answerthink's combined capabilities include business advisory programs, benchmarking, business transformation, working capital management, business applications, and business intelligence, with corresponding offshore support.

In this Form 10-K, unless the context otherwise requires, "Answerthink," the "Company," "we," "us," and "our" refer to Answerthink, Inc. and its subsidiaries and predecessors.

INDUSTRY BACKGROUND

The economy showed improved growth in 2005 triggering interest rate increases to mitigate the risk of inflation. Business and technology consultancies in the U.S. had increases in business activity that followed the growth rate of the economy.

We believe organizations are required to continually evaluate how to optimize their performance in order to remain competitive. Their goal is to ensure that the underlying business processes are allowing them to strategically support their operations and achieve their financial targets. To do so, organizations will have to understand and decide how best to organize, enable, source and manage their critical business processes.

We believe companies will continue to place increased emphasis on risk management and tangible return on their business and technology investments. As the economy continues to grow, we believe large enterprises will continue to focus

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their business consulting and IT spending on strategies and tools that help them generate more value from their business investments in the form of enhanced productivity and efficiency.

We expect companies to look for ways to further leverage their investments in Enterprise Resource Planning (ERP) systems to continue to deliver cost and performance improvements. We also believe that Business Intelligence (BI) systems and business performance management applications will play an increasingly significant role as companies seek to generate more valuable insight and analysis from their operational and financial data. We believe that these systems will produce real-time enterprises, capable of nearly instantaneous views of current performance and more accurate and efficient planning, forecasting and reporting.

OUR APPROACH

Answerthink provides business and technology consulting services designed to enable companies to achieve world-class business performance by combining intellectual capital from The Hackett Group, with its extensive database of business process best practices and performance measurement results, and our proprietary Best Practice Implementation (BPI) approach.

The Hackett Group is a strategic advisory firm that helps executives understand how well they are performing today compared to a peer group and to world-class levels. Hackett enables world-class performance by defining what is possible, providing objective performance comparisons to establish priorities, developing strategic alternatives to address performance improvements, creation of initiative roadmaps, best practice solutions designs and implementation services.

Hackett is differentiated through its use of empirical data, a large repository of proven best practices, implementation tools and global implementation insight that are used to provide advice and solutions.

Hackett provides both continuous and best practice implementation programs. Continuous services are referred to as Advisory Programs, which include: membership-based offerings providing a mix of best practice research, on-demand advisor access, peer learning opportunities and annual events. Best practice implementation offerings include benchmarking, business transformation and total working capital services.

Hackett business advisors have the skills, experience and access to proprietary data sets to advise, develop, design and implement solutions grounded in actual client performance measurement results. Hackett provides deep insight into how top-performing companies operate, and applies those best practices to generate performance gains for clients.

Our BPI approach leverages our inventory of Hackett-Certified™ practices, approaches observed through benchmark and other best practice implementation engagements to correlate with superior performance levels. We use Hackett intellectual capital in the form of best practice process flows and configuration guides to integrate Hackett's empirically proven best practices directly into business processes and workflow and functionality that is enabled by enterprise applications. The pre-populated collection of best practice process flows and technology configuration guides is referred to as the BPI Tool Kit and used throughout the term of a project to ensure that best practices are identified and implemented. This coordinated approach addresses people, process, information access and technology.

Because Answerthink solutions are based on Hackett-Certified™ practices, clients gain significant advantages. They can have confidence that their solutions are based on strategies from the world's leading companies. This clearly defined path to world-class performance delivers enhanced efficiency, improved effectiveness, increased flexibility, optimized return on investment and reduced implementation risk.

The BPI approach often begins with a clear understanding of current performance, which is gained through benchmarking key processes and comparing the results to world-class levels and industry standards captured in the Hackett database. We then help clients prioritize and select the appropriate best practices to implement through a coordinated performance improvement strategy. Without a coordinated strategy that addresses the four key business drivers of people, process, technology and information, we believe companies risk losing a significant portion of business case benefits. We have designed detailed best practice process flows based on Hackett's deep knowledge of world-class business performance which enable clients to streamline and automate key processes, and generate performance improvements quickly and efficiently at both the functional and enterprise level.

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Similarly, we integrate Hackett-Certified™ Practices directly into technology solutions. We believe it is imperative that companies simplify and automate processes to meet best practice standards before new technology implementations and upgrades are completed. The automation of inefficient processes only serves to continue to drive up costs, cycle times and error rates. We have completed detailed fit-gap analyses, in most functional areas of major business application packages from Lawson, Oracle, Hyperion, PeopleSoft and SAP to determine their ability to support best practices. Application-specific tools, implementation guides and process flows allow us to optimize the configuration of ERP software, while limiting customization. Best practice implementations establish the foundation for improved performance.

We believe the combination of optimized processes, a best practices-based business application and business intelligence environment allows our clients to achieve and sustain significant business performance improvement.

COMPETITION

The strategic business advisory and technology consulting marketplace continues to be extremely competitive. The marketplace will remain competitive as the economy grows and companies begin to spend more on improving their business models and IT infrastructure. Our competitors include international, national and regional strategic consulting and technology implementation firms, the IT services divisions of application software firms, and business consulting firms providing subscriptions to peer networking and research-based services. Mergers, consolidation and bankruptcies throughout our industry have resulted in higher levels of competition. We believe that the principal competitive factors in the industries in which we compete include: skills and capabilities of people, innovative service and product offerings, perceived ability to add value, reputation and client references, price, scope of services, service delivery approach, technical and industry expertise, quality of services, ability to deliver results on a timely basis, availability of appropriate resources, and global reach and scale.

We believe our competitive position is strong. With Hackett intellectual capital and its direct link to our BPI approach, we believe we can assist clients better than our competitors. Our ability to apply best practices to client operations via proven techniques further strengthens our competitive standing.

Similarly, we believe that Hackett is the definitive source for best practice performance metrics and strategies. Hackett is the only organization that has conducted over 3,500 benchmark studies for over 2,000 clients, generating proprietary data sets spanning performance metrics and correlating best practices. The combination of Hackett data along with deep expertise and know how in evaluating, designing and implementing business transformation strategies for clients deliver a powerful and distinct value proposition for our clients.

Our culture of client collaboration leverages the power of our cross-functional and service line teams to increase revenue and strengthen relationships. We believe that this culture, along with our offering approach, gives us a competitive advantage.

STRATEGY

Moving forward, our focus will be on executing the following strategies:

• ***Continue to position and grow The Hackett Group as an IP-centric strategic advisory organization.*** The Hackett brand is widely recognized for benchmarking metrics and best practices strategies. Our objective is to continue to grow our Advisory Program memberships. We believe that our advisory programs and supporting intellectual capital deliver a distinct value proposition and that our clients will naturally turn to our other service offerings when the need arises. Therefore, as we grow our Advisory Program membership base, we expect the revenue growth for our benchmarking and best practice implementation offerings will grow. Our advisory programs target executives seeking guidance and proven strategies on operational and strategic issues. During 2005, we experienced strong growth in our membership-based advisory programs. We continue to develop advisory programs that offer a source of empirically based insight and on-demand advice for executives tasked with performance improvement in an unpredictable business environment. As advisory sales continue to grow, an increasing number of sales will involve multi-year commitments which will improve the predictability of our results.

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• ***Continue to expand our Best Practices Implementation tools.*** BPI incorporates intellectual capital from The Hackett Group into our implementation tools and techniques. For clients, the end results are tangible cost and performance gains and the improved return on investment. Our clients attribute their decision to use us to our Best Practice Implementation (BPI) approach and tools. Our objective is to help clients make smarter business process and software configuration decisions as a result of our Best Practice Implementation methods and knowledge. The launch of version two of our BPI tools resulted in an expanded best practice repository along with key revisions in business process areas that have been impacted by emerging information technologies. We expect this version of our tools and methods to further differentiate our ability to serve our clients.

• ***Create incremental revenue and intellectual capital channels through strategic relationships that help us leverage and expand our Hackett intellectual capital base as well as grow our revenues.*** Our strategic relationships with Accenture and Lawson Software represent examples of this strategy at work. We continue to believe that there are other organizations that can help us grow revenues and our intellectual capital consistent with our strategy.

• ***Seek out strategic acquisitions.*** We will continue to pursue strategic acquisitions that strengthen our ability to compete and expand our intellectual property. We believe that our unique Hackett access and our BPI approach coupled with our strong balance sheet and infrastructure can be utilized to support a larger organization. Acquisitions must be accretive or have strong growth prospects, but most importantly, have strong synergy with our best practice intellectual capital focus. For example, our acquisition of REL Consultancy expands our knowledge and capabilities into working capital management and expanded our client base and exposure to additional markets abroad.

• ***Expand and leverage our dual shore capabilities.*** Developing an offshore resource capability to support all of our offerings has been a key strategy for our organization. Our facility in Hyderabad, India allows us to increase operational efficiencies while maintaining 24/5 operations. With this improved infrastructure in place, we are expecting our headcount and utilization of India resources to further expand in 2006.

OUR OFFERINGS

We offer a comprehensive range of services, including advisory programs, benchmarking, business transformation, working capital, business applications and business intelligence implementation. With strategic and functional knowledge in finance, human resources, information technology, procurement, supply chain management, corporate services, customer service and sales and marketing, our expertise extends across the enterprise. We have completed successful engagements in a variety of industries, including automotive, consumer goods, financial services, technology, life sciences, manufacturing, media and entertainment, retail, telecommunications, transportation and utilities.

The Hackett Group

- **Advisory Programs**

On-demand access to world-class performance metrics, peer-learning opportunities and best practice advice. The scope of Hackett's advisory programs is defined by business function (Executive Advisory) and by end-to-end process coverage (Process Advisory). Our advisory programs include a mix of the following deliverables:

Advisor Inquiry: Hackett's inquiry services is used by clients for quick access to fact-based advice on proven approaches and methods to increase the efficiency and effectiveness of selling, general and administrative activities.

Best Practice Research: Empirically based research and insight derived from over 3,500 individual Hackett benchmark studies. Our research provides detailed insights into the most significant, proven approaches in use at world-class organizations that yield superior business results.

Peer Interaction: Regular member-led webcasts, annual Best Practices Conference, annual Member Forums, membership surveys and client-submitted content provide ongoing peer learning and networking opportunities.

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Hackett Knowledge Center: Online, searchable repository of Best Practices, Quick Wins, Conference Presentations and associated research available to Advisory Program Members and their support teams.

- **Benchmarking Services**

Since Hackett's inception in 1991, The Hackett Group has measured and evaluated the efficiency and effectiveness of enterprise functions at over 2,000 global organizations. This includes 96 percent of the Dow Jones Industrials, 77 percent of the Fortune 100, and 92 percent of the Dow Jones Global Titans Index. Ongoing studies are conducted in a wide range of areas, including SG&A, finance, human resources, information technology, procurement, and shared service centers. Hackett has identified nearly 1,300 best practices for approximately 100 processes in these key functional areas. Hackett uses proprietary performance measurement tools and data collection processes that enables companies to complete the performance measurement cycle and identify and quantify improvement opportunities in as little as four weeks. Benchmarks are used by our clients to objectively establish priorities, generate organizational consensus, align compensation to establish performance goals and develop the required business case for investment.

- **Business Transformation**

Our Business Transformation programs help clients develop a coordinated strategy for achieving performance improvements across the enterprise. Our experienced teams use Hackett performance measurement data to link performance gains to industry best practices. Our strategic capabilities include operational planning, process and organization design, change management and the effective application of technology. We combine best practices knowledge with business expertise and broad technology capabilities, which we believe enables our programs to optimize return on client investments in people, processes, technology and information.

- **Total Working Capital**

Through the acquisition of REL Consultancy Group, a global leader in generating cash improvement from working capital, we offer Hackett-REL Total Working Capital services which are designed to help companies improve cash flow from operations through improved working capital management, reduced costs and increased service quality.

Answerthink Best Practices Solutions

- **Business Applications**

Our Business Applications professionals help clients choose and deploy the software applications that best meet their needs and objectives. Our expertise is focused on the following application providers: Lawson, Oracle, PeopleSoft, SAP, and several leading time and attendance providers. The group offers comprehensive services from planning, architecture, and vendor evaluation and selection through implementation, customization, testing and integration. Comprehensive fit-gap analyses of all major packages against Hackett Best Practices are utilized by our Business Applications teams. BPI tools and templates help integrate best practices into business applications. The group also offers post-implementation support, change management, system documentation and end-user training, all of which are designed to enhance return on investment. We also provide offshore application development and support services. These services include post-implementation support for select business application platforms. Our Business Applications group also includes a division responsible for the sale and maintenance support of the SAP suite of enterprise resource planning applications.

- **Business Intelligence**

Based on our extensive best practices knowledge, our Business Intelligence group designs, develops and implements solutions for more effective enterprise performance management (EPM) and business intelligence (BI). Our BI experts know how to apply and implement custom or packaged analytical applications such as Hyperion and Cognos to increase process transparency, exception management, and create continuous improvement environments. Similarly, our BI services are designed to increase visibility into current performance, improve access to key financial and operational data, and enhance strategic decision making. The group offers strategy and management services, including operational diagnostics and planning and enterprise architecture.

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CLIENTS

We focus on long-term client relationships with Global 2000 firms and other sophisticated strategic buyers of business and IT consulting services. During 2005, our ten most significant clients accounted for approximately 30% of revenues. No clients generated more than 10% of total revenues. We believe that we have achieved a high level of satisfaction across our client base. The responses to the surveys we send to clients continue to be extremely positive. During 2005, we received surveys from a significant number of our engagements with an average score of 4.5 on a 5.0 scale. The direct feedback and suggestions we receive on surveys are used to continuously improve our delivery execution, sales processes, methodologies and training.

BUSINESS DEVELOPMENT AND MARKETING AND MARKET SEGMENTATION

Our extensive client base and relationships with Global 2000 firms remain our most significant sources of new business. Our revenue generation strategy is formulated to ensure we are addressing multiple facets of business development. The categories below define our business development resources and market segmentation. Our primary goal in 2006 is to continue to increase awareness of our brand that we have created around Hackett and BPI. Our Hackett and BPI message will remain the central focus of our marketing and communications programs this year as we drive both an understanding of and demand for this approach. Similarly, we have aligned our sales force so it can market working capital and business transformation services along with our benchmarking and advisory programs. In 2006, the compensation programs reflect an emphasis on advisory programs while rewarding the linkage between sales of benchmarking, business transformation and working capital services provided by The Hackett Group and best practices solutions provided by our Business Applications and Business Intelligence groups.

BUSINESS DEVELOPMENT RESOURCES

Although virtually all of our advisors and consultants have the ability to and are expected to contribute to new revenue opportunities, our primary internal business development resources are comprised of the following:

- The Leadership Team
- The Sales Organization
- Business Development Associates
- The Delivery Organization

The Leadership Team is comprised of our senior leaders who have a combination of executive, functional, practice and anchor account responsibilities. In addition to their management responsibilities, this group of associates is responsible for growing business by fostering executive level relationships within accounts and leveraging their existing contacts in the marketplace.

The Sales Organization is comprised of associates who are 100% dedicated to generating sales. They are deployed geographically in key markets and are primarily focused on developing new relationships and who are aligned to our core practice areas within their target accounts. They also handle geographic-related opportunities as they arise.

Business Development Associates are comprised of trained groups of telemarketing specialists who are conversant with their respective solution areas. Lead generation is coordinated with our marketing and sales groups to ensure that our inbound and outbound efforts are synchronized with targeted marketing and sales programs.

The Delivery Organization is comprised of our billable associates who work at client locations. We encourage associates to pursue additional business development opportunities through their normal course of delivering existing projects and help us expand our business within existing accounts.

In addition to our business development team, we have a corporate marketing and communications organization responsible for overseeing our marketing programs, public relations and employee communications activities.

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We have segmented our market focus into the following categories:

• Target Accounts

• Geographic Focus Accounts

• Strategic Alliance Accounts

Target Accounts are comprised of prospects and clients who are geographically situated where a sales representative resides. Criteria for inclusion as a target account includes the size of the company, industry affiliation, propensity to buy external consulting services and contacts within the account. The sales representative is primarily responsible for identifying business opportunities in the account, acting as the single point of coordination for the client, and performing the general duties of account manager.

Geographic Focus Accounts are accounts within a specified geographic location that are contained on the target account list. These accounts can include large prospects, dormant clients, existing medium-sized clients and mid-tier market accounts. This account set is handled primarily on an opportunistic basis, except for active clients where delivery teams are focused on driving additional revenue.

Strategic Alliance Accounts are accounts that allow us to partner with organizations with greater scale or different skill sets or with software developers so that all parties can jointly market their products and services to prospective clients. An example of this type of alliance is the agreement with Accenture that was signed in late 2003. This agreement gives Accenture the exclusive right to collaborate with us in offering its clients our best practice benchmarking programs and best practices solutions in designated functional areas, including finance, accounting, performance management, business intelligence and procurement. Under the agreement, we have the ability to expand into additional enterprise functional areas and geographic locations. The agreement gives us access to Accenture's global client base and sales distribution channel. By working with more clients, The Hackett Group is able to broaden the base of critical metrics and best practices, thereby creating even richer benchmark data to help companies achieve world-class performance. Our alliance allows us to staff a portion of the consulting positions for each engagement that is jointly closed with Accenture. We continue to seek alliances that broaden our distribution channel.

MANAGEMENT SYSTEMS

Our management control systems are comprised of various accounting, billing, financial reporting, human resources, marketing and resource allocations systems, many of which are integrated with our knowledge management system, Mind~Share. We believe that Mind~Share significantly enhances our ability to serve our clients efficiently by allowing our knowledge base to be shared by all associates worldwide on a real-time basis. Our well-developed, flexible, scalable infrastructure has allowed us to quickly integrate the new employees and systems of businesses we have acquired.

HUMAN RESOURCES

We believe that our culture fosters intellectual rigor and creativity, collaboration and innovation. We believe in building relationships with both our associates and clients. We believe the best solutions come from teams of diverse individuals addressing problems collectively and from multiple dimensions, including the business, technological and human dimensions. We believe that the most effective working environment is one where everyone is encouraged to contribute and is rewarded for that contribution.

Our core values are the strongest expression of our working style. They are what we stand for. These core values are:

• Continuous development of our associates, our unique content business model and knowledge base

• Diversity of backgrounds, skills and experiences

• Knowledge capture, contribution and utilization

• Collaboration with one another, with our partners and with our clients

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Our human resources staff includes dedicated resources to recruit consultants with both business and technology expertise. Our recruiting team drives our hiring process by focusing on the highest demand solution areas of our business to ensure an adequate pipeline of resources. Our human resources staff also includes seasoned professionals that support our practices by, among other things, administering our benefit programs and facilitating the hiring process. We also have an employee referral program, which rewards existing employees who source new hires.

The benefits package that we provide includes comprehensive health and welfare insurance, work/life balance programs and a 401(k) program including a company match for associates below the level of senior director. Our associates are paid competitive salaries and incentive pay. Incentive pay for delivery resources is based on an individual's contribution to the projects on which he or she is staffed. Incentive pay for sales associates is based on achievement of sales quotas. Incentive pay for practice leaders and senior practice members is based upon practice margin, sales contributions, client management and practice management. Incentive pay for management is based on company or division performance depending on the level of management.

As of December 30, 2005, we had approximately 800 associates, approximately 80% of whom were billable professionals. None of our associates are subject to collective bargaining arrangements. We have entered into nondisclosure and non-solicitation agreements with virtually all of our personnel. We also engage consultants as independent contractors from time to time.

COMMUNITY INVOLVEMENT

One important way we put our values into action is through our commitment to the communities where we work. The mission of our Community Council, which operates in each of the cities where we have offices, is to strive to leave the markets, communities and clients we serve better than we found them. We do it by building a strong sense of community, collaboration and personal interaction among all of our associates, through both volunteer and service programs and social gatherings. Our associates are actively involved in many valuable and high-impact community programs, including United Way, Ronald McDonald House, Big Brothers & Sisters, Race for the Cure, Make-A-Wish Foundation, Habitat for Humanity, the National Adoption Center, the National Heart Association and the March of Dimes.

AVAILABLE INFORMATION

We make our public filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all exhibits and amendments to these reports, available free of charge at our web site http://www.answerthink.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Any material that we file with the Securities and Exchange Commission may be read and copied at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or at www.sec.gov. Information on the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330.

Also available on our web site, free of charge, are copies of our Code of Conduct and Ethics, and the charter for our audit committee of our Board of Directors. We intend to disclose any amendment to, or waiver from, a provision of our Code of Conduct and Ethics on our web site within five business days following the date of the amendment or waiver.

ITEM 1A. RISK FACTORS

The following important factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K or printed elsewhere by management from time to time.

Our quarterly operating results may vary.

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Our financial results may fluctuate from quarter to quarter. In future quarters, our operating results may not meet public market analysts' and investors' expectations. If that happens, the price of our common stock may fall. Many factors can cause these fluctuations, including:

- the number, size, timing and scope of client engagements;
- customer concentration;
- long and unpredictable sales cycles;
- contract terms of client engagements;
- degrees of completion of client engagements;
- client engagement delays or cancellations;
- competition for and utilization of employees;
- how well we estimate the resources and effort we need to complete client engagements;
- the integration of acquired businesses;
- pricing changes in the industry;
- economic conditions specific to business and information technology consulting; and
- general economic conditions

A high percentage of our operating expenses, particularly personnel and rent, are fixed in advance of any particular quarter. As a result, if we experience unanticipated changes in client engagements or in employee utilization rates, we could experience large variations in quarterly operating results and losses in any particular quarter. Due to these factors, we believe you should not compare our quarter-to-quarter operating results to predict future performance.

If we are unable to maintain our reputation and expand our name recognition, we may have difficulty attracting new business and retaining current clients and employees.

We believe that establishing and maintaining a good reputation and name recognition are critical for attracting and retaining clients and employees in our industry. We also believe that the importance of reputation and name recognition is increasing and will continue to increase due to the number of providers of business consulting and IT services. If our reputation is damaged or if potential clients are not familiar with us or with the solutions we provide, we may be unable to attract new, or retain existing, clients and employees. Promotion and enhancement of our name will depend largely on our success in continuing to provide effective solutions. If clients do not perceive our solutions to be effective or of high quality, our brand name and reputation will suffer. In addition, if solutions we provide have defects, critical business functions of our clients may fail, and we could suffer adverse publicity as well as economic liability.

We depend heavily on a limited number of clients.

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of clients for which we perform large projects. In 2005, our ten largest clients accounted for approximately 30% of our revenues in the aggregate. In addition, revenues from a large client may constitute a significant portion of our total revenues in a particular quarter. Our customer contracts generally can be cancelled for convenience by the customer upon 30 days' notice. The loss of any principal client for any reason, including as a result of the acquisition of that client by another entity, our failure to meet that client's expectations, the client's decision to reduce spending on technology-related projects,

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or failure to collect amounts owed to us from our client could have a material adverse effect on our business, financial condition and results of operations.

We have risks associated with potential acquisitions or investments.

Since we were founded, we have significantly expanded through acquisitions. In the future, we plan to pursue additional acquisitions as opportunities arise. We may not be able to integrate successfully businesses which we may acquire in the future without substantial expense, delays or other operational or financial problems. We may not be able to identify, acquire or profitably manage additional businesses. Also, acquisitions may involve a number of risks, including:

- diversion of management's attention;
- failure to retain key personnel;
- failure to retain existing clients;
- unanticipated events or circumstances;
- unknown claims or liabilities;
- amortization of certain acquired intangible assets; and
- operating in new or unfamiliar geographies

Client dissatisfaction or performance problems at a single acquired firm could have a material adverse impact on our reputation as a whole. Further, we cannot assure you that our recent or future acquired businesses will generate anticipated revenues or earnings.

Difficulties in integrating businesses we have recently acquired or may acquire in the future may demand time and attention from our senior management.

Integrating businesses we have recently acquired or may acquire in the future may involve unanticipated delays, costs and/or other operational and financial problems. In integrating acquired businesses, we may not achieve expected economies of scale or profitability or realize sufficient revenues to justify our investment. If we encounter unexpected problems at one of the acquired businesses as we try to integrate it into our business, our management may be required to expend time and attention to address the problems, which would divert their time and attention from other aspects of our business.

Our markets are highly competitive.

We may not be able to compete effectively with current or future competitors. The business consulting and IT services market is highly competitive. We expect competition to further intensify as these markets continue to evolve. Some of our competitors have longer operating histories, larger client bases, longer relationships with their clients, greater brand or name recognition and significantly greater financial, technical and marketing resources than we do. As a result, our competitors may be in a stronger position to respond more quickly to new or emerging technologies and changes in client requirements and to devote greater resources than we can to the development, promotion and sale of their services. Competitors could lower their prices, potentially forcing us to lower our prices and suffer reduced operating margins. We face competition from international accounting firms; international, national and regional strategic consulting and systems implementation firms; and the IT services divisions of application software firms.

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In addition, there are relatively low barriers to entry into the business consulting and IT services market. We do not own any patented technology that would stop competitors from entering this market and providing services similar to ours. As a result, the emergence of new competitors may pose a threat to our business. Existing or future competitors may develop and offer services that are superior to, or have greater market acceptance, than ours, which could significantly decrease our revenues and the value of your investment.

We may not be able to hire, train, motivate, retain and manage professional staff.

To succeed, we must hire, train, motivate, retain and manage highly skilled employees. Competition for skilled employees who can perform the services we offer is intense. We might not be able to hire enough of them or to train, motivate, retain and manage the employees we hire. This could hinder our ability to complete existing client engagements and bid for new client engagements. Hiring, training, motivating, retaining and managing employees with the skills we need is time consuming and expensive.

We could lose money on our contracts.

As part of our strategy, we enter into capped or fixed-price contracts, in addition to contracts based on payment for time and materials. Because of the complexity of many of our client engagements, accurately estimating the cost, scope and duration of a particular engagement can be a difficult task. We maintain an office of risk management that evaluates and attempts to mitigate delivery risk associated with complex projects. In connection with their review, the office of risk management analyzes the critical estimates associated with these projects. If we fail to make these estimates accurately, we could be forced to devote additional resources to these engagements for which we will not receive additional compensation. To the extent that an expenditure of additional resources is required on an engagement, this could reduce the profitability of, or result in a loss on, the engagement. In the past, we have, on occasion, engaged in negotiations with clients regarding changes to the cost, scope or duration of specific engagements. To the extent we do not sufficiently communicate to our clients, or our clients fail to adequately appreciate, the nature and extent of any of these types of changes to an engagement, our reputation may be harmed and we may suffer losses on an engagement.

Lack of detailed written contracts could impair our ability to recognize revenue for services performed, collect fees, protect our intellectual property and protect ourselves from liability to others.

We try to protect ourselves by entering into detailed written contracts with our clients covering the terms and contingencies of the client engagement. In some cases, however, consistent with what we believe to be industry practice, work is performed for clients on the basis of a limited statement of work or verbal agreements before a detailed written contract can be finalized. To the extent that we fail to have detailed written contracts in place, our ability to collect fees, protect our intellectual property and protect ourselves from liability to others may be impaired.

Our corporate governance provisions may deter a financially attractive takeover attempt.

Provisions of our charter and by-laws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which stockholders would receive a premium for their shares. These provisions include the following:

- stockholders must comply with advance notice requirements before raising a matter at a meeting of stockholders or nominating a director for election;
- our board of directors is staggered into three classes and the members may be removed only for cause upon the affirmative vote of holders of at least two-thirds of the shares entitled to vote;
- we would not be required to hold a special meeting to consider a takeover proposal unless holders of more than a majority of the shares entitled to vote on the matter were to submit a written demand or demands for us to do so; and
- our board of directors may, without obtaining stockholder approval, classify and issue up to 1,250,000 shares of preferred stock with powers, preferences, designations and rights that may make it more difficult for a third party to acquire us.

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In addition, our board of directors has adopted a shareholder rights plan. Subject to certain exceptions, in the event that a person or group in the future becomes the beneficial owner of 15% or more of our common stock or commences, or publicly announces an intention to commence, a tender or exchange offer which would result in its ownership of 15% or more of our outstanding common stock (or in the case of Liberty Wanger Asset Management, L.P. (now known as Columbia Wanger Asset Management, L.P.) and its affiliates, 20%) then the rights issued to our shareholders in connection with this plan will allow our shareholders to purchase shares of our common stock at 50% of its then current market value. In addition, if we are acquired in a merger, or 50% or more of our assets are sold in one or more related transactions, our shareholders would have the right to purchase the common stock of the acquiring company at half the then current market price of such common stock.

We may lose large clients or not be able to secure targeted follow-on work or client retention rates.

Our client engagements are generally short-term arrangements, and most clients can reduce or cancel their contracts for our services with 30 days notice and without penalty. As a result, if we lose a major client or large client engagement, our revenues will be adversely affected. We perform varying amounts of work for specific clients from year to year. A major client in one year may not use our services in another year. In addition, we may derive revenue from a major client that constitutes a large portion of total revenue for particular quarters. If we lose any major clients or any of our clients cancel programs or significantly reduce the scope of a large client engagement, our business, financial condition and results of operations could be materially and adversely affected. Also, if we fail to collect a large account receivable, we could be subjected to significant financial exposure. Consequently, you should not predict or anticipate our future revenue based upon the number of clients we currently have or the number and size of our existing client engagements.

We also derive an increasing portion of our revenues from annual memberships for our business advisory programs. Our growth prospects therefore depend on our ability to achieve and sustain high retention rates on programs and to successfully launch new programs. Failure to achieve high renewal rate levels or to successfully launch new programs and services could have a material adverse effect on our operating results.

If we are unable to protect our intellectual property rights or infringe on the intellectual property rights of third parties, our business may be harmed.

We rely upon a combination of nondisclosure and other contractual arrangements and trade secret, copyright and trademark laws to protect our proprietary rights and the proprietary rights of third parties from whom we license intellectual property. Although we enter into confidentiality agreements with our employees and limit distribution of proprietary information, there can be no assurance that the steps we have taken in this regard will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

Although we believe that our services do not infringe on the intellectual property rights of others and that we have all rights necessary to utilize the intellectual property employed in our business, we are subject to the risk of claims alleging infringement of third-party intellectual property rights. Any claims could require us to spend significant sums in litigation, pay damages, develop non-infringing intellectual property or acquire licenses to the intellectual property that is the subject of asserted infringement.

The market price of our common stock may fluctuate widely.

The market price of our common stock could fluctuate substantially due to:

- future announcements concerning us or our competitors;
- quarterly fluctuations in operating results;
- announcements of acquisitions or technological innovations; or
- changes in earnings estimates or recommendations by analysts.

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In addition, the stock prices of many technology companies fluctuate widely for reasons which may be unrelated to operating results. Fluctuations in our common stock's market price may impact our ability to finance our operations and retain personnel.

Our initiatives that leverage The Hackett Group's best practices knowledge may not be successful.

Enhancements to The Hackett Group's advisory product offerings introduced in 2005 which include business transformation programs represent a departure from its traditional benchmarking offerings. We may not be able to adequately support these new offerings. Clients or prospects may view The Hackett Group as a new and unproven entrant into this space. As such, clients and client prospects may choose to purchase these types of products and services from companies with a longer track record of providing these types of offerings.

Our Joint Marketing and Alliance Agreement with Accenture has expired.

Our Joint Marketing and Alliance Agreement with Accenture expired on October 7, 2005. We are working with Accenture in efforts to extend and expand the terms of the relationship. We also continue to jointly pursue opportunities and work on engagements that were won prior and subsequent to the expiration of the Agreement. However, while we continue to pursue opportunities with Accenture, there is no contractual agreement in place at this time that governs the relationship, including how positions are allocated on engagements won as a result of a joint pursuit.

We earn revenues, incur costs and maintain cash balances in multiple currencies, and currency fluctuations could adversely affect our financial results.

We have increasing international operations, which earn revenues and incur costs in various foreign currencies, primarily the British pound and the euro. Doing business in these foreign currencies exposes us to foreign currency risks in numerous areas, including revenues, purchases, payroll and investments. Certain foreign currency exposures are naturally offset within an international business unit, because revenues and costs are denominated in the same foreign currency, and certain cash balances are held in U.S. dollar denominated accounts. However, due to the increasing size and importance of our international operations, fluctuations in foreign currency exchange rates could materially impact our results. Currently, we do not hold any derivative contracts that hedge our foreign currency risk, but we may adopt such strategies in the future.

Our cash position includes amounts denominated in foreign currencies. We manage our worldwide cash requirements considering available funds from our subsidiaries and the cost effectiveness with which these funds can be accessed. The repatriation of cash balances from certain of our subsidiaries outside the United States could have adverse tax consequences and be limited by foreign currency exchange controls. However, those balances are generally available without legal restrictions to fund ordinary business operations. We have transferred, and will continue to transfer, cash from those subsidiaries to the parent company, and to other international subsidiaries, when it is cost effective to do so. However, any fluctuations in foreign currency exchange rates could materially impact the availability and size of these funds for repatriation or transfer.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our principal executive offices currently are located at 1001 Brickell Bay Drive, Suite 3000, Miami, Florida 33131. The lease on these premises covers 10,780 square feet and expires June 30, 2010. We also have offices in Atlanta, Frankfurt, London, New York, Paris, Philadelphia and Hyderabad, India. As of December 30, 2005 we had operating leases that extended through July 2011. We believe that we will be able to obtain suitable new or replacement space as needed. We own no real estate and do not intend to invest in real estate or real estate-related assets.

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ITEM 3. LEGAL PROCEEDINGS

We are involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such matters will not have a material adverse effect on our financial position, cash flows or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2005.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been traded on the Nasdaq National Market since our initial public offering on May 28, 1998 under the Nasdaq symbol "ANSR". The following table sets forth for the fiscal periods indicated the high and low sales prices of the common stock, as reported on the Nasdaq National Market.

	High	Low
2005		
Fourth Quarter	$4.72	$3.49
Third Quarter	$4.62	$3.56
Second Quarter	$4.20	$3.10
First Quarter	$5.00	$3.70
2004		
Fourth Quarter	$5.49	$3.51
Third Quarter	$6.35	$3.87
Second Quarter	$8.45	$4.22
First Quarter	$8.19	$5.50

The closing sale price for the common stock on March 3, 2006 was $6.01.

As of March 3, 2006, there were approximately 300 holders of record of our common stock and 45,217,826 shares of common stock outstanding.

Company Dividend Policy

We do not expect to pay any cash dividends on our common stock in the foreseeable future. Our present policy is to retain earnings, if any, for use in the operation of our business.

Purchases of Equity Securities

We have an ongoing authorization, as amended, from the Board of Directors to repurchase shares of our common stock in the open market or in negotiated transactions. The authorization is for up to $30 million, of which approximately $7.9 million is currently still available. All repurchases are made in the open market, subject to market conditions and trading restrictions. There is no expiration date on the current authorization and no determination was made by the Company to suspend or cancel purchases under the program. We did not make any repurchases of our common stock during the three months ended December 30, 2005.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data sets forth selected financial information for Answerthink as of and for each of the years in the five-year period ended December 30, 2005, and has been derived from our audited financial statements. The selected consolidated financial data should be read together with our consolidated financial statements and related notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended				
	December 30, 2005	December 31, 2004	January 2, 2004	January 3, 2003	December 28, 2001
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenues:					
Revenues before reimbursements	$ 146,693	$ 129,339	$ 117,945	$ 156,357	$ 220,966
Reimbursements	16,625	14,208	14,442	20,490	29,377
Total revenues	163,318	143,547	132,387	176,847	250,343
Costs and expenses:					
Project personnel and expenses:					
Project personnel and expenses before reimbursable expenses	83,380	76,626	73,551	104,981	136,758
Reimbursable expenses	16,625	14,208	14,442	20,490	29,377
Total project personnel and expenses	100,005	90,834	87,993	125,471	166,135
Selling, general and administrative expenses	59,844	49,960	44,697	53,416	78,027
Impairment of goodwill	—	—	—	20,000	—
Restructuring costs	2,923	3,749	4,875	10,886	5,619
Total costs and operating expenses	162,772	144,543	137,565	209,773	249,781
Income (loss) from operations	546	(996)	(5,178)	(32,926)	562
Other income (expense):					
Interest income (expense), net	1,089	802	706	570	843
Income (loss) before income taxes, income (loss) from discontinued operations and cumulative effect of change in accounting principle	1,635	(194)	(4,472)	(32,356)	1,405
Income taxes	(6)	324	350	(3,508)	1,807
Income (loss) from continuing operations	1,641	(518)	(4,822)	(28,848)	(402)
Income (loss) from discontinued operations, net of income taxes	—	370	—	(8,911)	(8,117)
Income (loss) before cumulative effect of change in accounting principle	1,641	(148)	(4,822)	(37,759)	(8,519)
Cumulative effect of change in accounting principle	—	—	—	(31,200)	—
Net income (loss)	$ 1,641	$ (148)	$ (4,822)	$ (68,959)	$ (8,519)
Basic net income (loss) per common share:					
Income (loss) from continuing operations	$ 0.04	$ (0.01)	$ (0.11)	$ (0.62)	$ (0.01)
Income (loss) from discontinued operations, net of income taxes	$ —	$ 0.01	$ —	$ (0.19)	$ (0.18)
Cumulative effect of change in accounting principle	$ —	$ —	$ —	$ (0.68)	$ —
Net income (loss) per common share	$ 0.04	$ (0.00)	$ (0.11)	$ (1.49)	$ (0.19)
Weighted average common shares outstanding	43,575	44,188	45,140	46,348	43,999
Diluted net income (loss) per common share:					
Income (loss) from continuing operations	$ 0.04	$ (0.01)	$ (0.11)	$ (0.62)	$ (0.01)

Income (loss) from discontinued operations, net of income taxes	$ —	$ 0.01	$ —	$ (0.19)	$ (0.18)
Cumulative effect of change in accounting principle	$ —	$ —	$ —	$ (0.68)	$ —
Net income (loss) per common share	$ 0.04	$ (0.00)	$ (0.11)	$ (1.49)	$ (0.19)
Weighted average common shares and common share equivalents	45,302	44,188	45,140	46,348	43,999

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	December 30, 2005	December 31, 2004	January 2, 2004	January 3, 2003	December 28, 2001
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 18,103	$ 38,890	$ 54,441	$ 35,369	$ 35,679
Restricted cash	$ 4,257	$ 3,000	$ 3,000	$ 2,909	$ —
Marketable investments	$ 9,902	$ 9,902	$ 10,000	$ 28,050	$ 24,209
Working capital	$ 29,136	$ 49,860	$ 58,826	$ 72,851	$ 81,313
Total assets	$ 151,881	$ 128,733	$ 135,223	$ 145,361	$ 211,919
Shareholders' equity	$ 100,882	$ 99,854	$ 105,235	$ 113,047	$ 177,701

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Answerthink, Inc. is a leading business and technology consulting firm that enables companies to achieve world-class business performance. By leveraging the comprehensive database of The Hackett Group, the world's leading repository of enterprise business process performance metrics and best practice intellectual capital, our business and technology solutions help clients improve performance and maximize returns on technology investments.

The Hackett Group, a strategic advisory firm and an Answerthink company, is a world leader in best practice research, benchmarking, business transformation and working capital management services that empirically define and enable world-class enterprise performance. Only The Hackett Group empirically defines world-class performance in sales, general and administrative (SG&A) and supply chain activities with analysis gained through 3,500 benchmark studies over 14 years at 2,000 of the world's leading companies.

Answerthink's combined capabilities include business advisory programs, benchmarking, business transformation, working capital management, business applications, and business intelligence, with corresponding offshore support. Answerthink was formed on April 23, 1997.

Critical Accounting Policies

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial position in conformity with generally accepted accounting principles. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe the following discussion addresses our most critical accounting policies. These policies require management to exercise judgments that are often difficult, subjective and complex due to the necessity of estimating the effect of matters that are inherently uncertain.

Revenue Recognition

Our revenues are principally derived from fees for services generated on a project-by-project basis. Revenues for services rendered are recognized on a time and materials basis or on a fixed-fee or capped-fee basis. Revenues for time and materials contracts are recognized based on the number of hours worked by our consultants at an agreed upon rate per hour and are recognized in the period in which services are performed. Revenues related to fixed-fee or capped-fee contracts are recognized on the proportional performance method of accounting based on the ratio of labor hours incurred to estimated total labor hours. This percentage is multiplied by the contracted dollar amount of the project to determine the amount of revenue to recognize in an accounting period. The contracted dollar amount used in this calculation excludes the amount the client pays us for reimbursable expenses. There are situations where the number of hours to complete projects may exceed our original estimate. These increases can be as a result of an increase in project scope, unforeseen events that arise, or the inability of the client or the delivery team to fulfill their responsibilities. On an on-going basis, our project delivery, office of risk management and finance personnel review hours incurred and estimated total labor hours to complete projects and any revisions in these estimates are reflected in the period in which they become known.

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Unbilled revenues represent revenues for services performed that have not been invoiced. If we do not accurately estimate the scope of the work to be performed, or we do not manage our projects properly within the planned periods of time or we do not meet our clients' expectations under the contracts, then future consulting margins may be negatively affected or losses on existing contracts may need to be recognized. Any such resulting reductions in margins or contract losses could be material to our results of operations. Revenues before reimbursements exclude reimbursable expenses charged to clients. Reimbursements, which include travel and out-of-pocket expenses, are included in revenues, and an equivalent amount of reimbursable expenses is included in project personnel and expenses.

The agreements entered into in connection with a project, whether time and materials based or fixed-fee or capped-fee based, typically allow our clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required to pay for all time, materials and expenses incurred by us through the effective date of the termination. In addition, from time to time we enter into agreements with our clients that limit our right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit us from performing a defined range of our services that we might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Accounts Receivable and Allowances for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from our clients not making required payments. Periodically, we review accounts receivable to assess our estimates of collectibility. Management critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of our clients were to deteriorate, resulting in their inability to make payments, additional allowances may be required.

Goodwill and Long-Lived Identifiable Assets

We assess goodwill and long-lived identifiable assets for impairment when events or circumstances indicate that the carrying value may not be recoverable, or, at a minimum, on an annual basis. We have made determinations as to what our reporting units are and what amounts of goodwill and intangible assets should be allocated to those reporting units.

In assessing the recoverability of long-lived identifiable assets and goodwill, we must make assumptions regarding estimated future cash flows, discount rates and other factors to determine if impairment tests are met. These estimates contain management's best estimates, using appropriate and customary assumptions and projections at the time. If these estimates or their related assumptions change in the future, we may be required to record additional impairment charges.

Restructuring Reserves

Restructuring reserves reflect judgments and estimates of our ultimate costs of severance, closure and consolidation of facilities and settlement of contractual obligations under our operating leases, including sublease rental rates, absorption period to sublease space and other related costs. We reassess the reserve requirements to complete each individual plan under our restructuring programs at the end of each reporting period. If these estimates change in the future or actual results are different than our estimates, we may be required to record additional charges in the future.

Income Taxes

We record income taxes using the liability method. Under this method, we record deferred taxes based on temporary taxable and deductible differences between the tax bases of our assets and liabilities and our financial reporting bases. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Contingent Liabilities

We have certain contingent liabilities that arise in the ordinary course of our business activities. We accrue contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. Reserves for contingent liabilities are reflected in our consolidated financial statements based on management's assessment,

along with legal counsel, of the expected outcome of the contingencies. If the final outcome of our contingencies differs adversely from that currently expected, it would result in a charge to earnings when determined.

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The foregoing list is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for us to judge the application. There are also areas in which our judgment in selecting any available alternative would not produce a materially different result. Please see our consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K, which contain accounting policies and other disclosures required by accounting principles generally accepted in the United States.

Results of Operations

Our fiscal year generally consists of a 52-week period and periodically consists of a 53-week period because the fiscal year ends on the Friday closest to December 31. Fiscal years 2005, 2004 and 2003 ended on December 30, 2005, December 31, 2004 and January 2, 2004, respectively. References to a year included in this section refer to a fiscal year rather than a calendar year.

The following table sets forth, for the periods indicated, our results of operations and the percentage relationship to total revenues of such results:

	Year Ended					
	December 30, 2005		December 31, 2004		January 2, 2004	
	(in thousands, except percentage data)					
Revenues:						
Revenues before reimbursements	$146,693	89.8%	$129,339	90.1%	117,945	89.1%
Reimbursements	16,625	10.2%	14,208	9.9%	14,442	10.9%
Total revenues	163,318	100.0%	143,547	100.0%	132,387	100.0%
Costs and expenses:						
Project personnel and expenses:						
Project personnel and expenses before reimbursable expenses	83,380	51.0%	76,626	53.4%	73,551	55.6%
Reimbursable expenses	16,625	10.2%	14,208	9.9%	14,442	10.9%
Total project personnel and expenses	100,005	61.2%	90,834	63.3%	87,993	66.5%
Selling, general and administrative expenses	59,844	36.7%	49,960	34.8%	44,697	33.7%
Restructuring costs	2,923	1.8%	3,749	2.6%	4,875	3.7%
Total costs and operating expenses	162,772	99.7%	144,543	100.7%	137,565	103.9%
Income (loss) from operations	546	0.3%	(996)	(0.7%)	(5,178)	(3.9%)
Other income (expense):						
Interest income (expense), net	1,089	0.7%	802	0.6%	706	0.5%
Income (loss) before income taxes and income from discontinued operations	1,635	1.0%	(194)	(0.1%)	(4,472)	(3.4%)
Income taxes	(6)	0.0%	324	0.3%	350	0.2%
Income (loss) from continuing operations	1,641	1.0%	(518)	(0.4%)	(4,822)	(3.6%)
Income from discontinued operations, net of income taxes	—	—	370	0.3%	—	—
Net income (loss)	$ 1,641	1.0%	$ (148)	(0.1%)	$ (4,822)	(3.6%)

Comparison of 2005 to 2004

Overview. We reported net income of $1.6 million in 2005 compared to a net loss of $148 thousand in 2004. Our $1.6 million of net income during 2005 included restructuring costs of $2.9 million and non-cash stock compensation expense of $3.4 million. Non-cash compensation expense of approximately $800 thousand and $2.6 million is included in project personnel and expenses before reimbursable expenses and selling, general and administrative expenses, respectively, in our consolidated statement of operations. Our $148 thousand net loss during 2004 included restructuring costs of $3.7 million and non-cash stock compensation expense of $2.3 million. Non-cash compensation expense of approximately $800 thousand and $1.5 million is included in project personnel and expenses before reimbursable expenses and selling, general and administrative expenses, respectively, in our consolidated statement of operations. The restructuring costs in 2005 related to $1.1 million for the

consolidation of additional facilities and related exit costs not included in previous restructuring charges and $1.8 million for increases in previously established reserves in 2002 and 2001 for the

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closure and consolidation of facilities. The restructuring costs in 2004 related to increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities. The non-cash compensation expense in 2005 and 2004 was primarily related to the issuance of restricted stock units to employees at a senior director level or above.

Revenues. Revenues increased 14% to $163.3 million in 2005 from $143.5 million in 2004. The increase in revenues was primarily attributable to increased revenue from benchmarking and membership advisory program sales and related transformation advisory services and increased revenue from our Hyperion implementation practice. Additionally, the acquisition of REL Consultancy Group Limited ("REL"), a U.K. company that provides working capital management advisory services primarily in Europe and the U.S. on November 29, 2005 contributed $2.5 million to the increase in revenues for 2005. These impacts were partially offset by a decline in ERP and custom business intelligence revenues due to increased price competition from offshore suppliers. Reimbursements as a percentage of revenues were comparable at 10% during fiscal years 2005 and 2004. In fiscal year 2005, one customer had revenues equal to or greater than 5% of total revenues, accounting for 5% of total revenues. In fiscal year 2004, one customer had revenues greater than 5% of total revenues, accounting for 7% of total revenues. With respect to our largest customer in 2005, our contracts can be cancelled for convenience by the customer upon 30 days' notice. Our projects with this customer expire on various dates ranging from January 2006 to October 2006. We do not anticipate any credit and/or collection issues with this customer. As is customary with most of our significant relationships, we may be able to continue with new and follow-on projects as these initiatives progress into subsequent phases. However, there is no assurance that we will be able to renew these contracts. The cancellation or significant reduction in the use of services from this key customer could have a material adverse effect on our results of operations.

Project Personnel and Expenses. Project personnel costs and expenses primarily consist of salaries, benefits and incentive compensation for consultants and reimbursable expenses associated with projects. Project personnel costs and expenses before reimbursable expenses increased 9% to $83.4 million in 2005 from $76.6 million in 2004. This increase was primarily attributable to an increase in the average number of consultants in order to balance workforce capacity with market demand for services. Average consultant headcount excluding REL was 584 in 2005 and 557 in 2004. In addition, we had a slightly higher average cost per consultant in 2005 and the acquisition of REL added approximately 100 consultants during the month of December 2005.

Project personnel and expenses as a percentage of revenues, excluding the impact of REL in 2005, decreased to 60% in 2005 from 63% in 2004. The decrease was primarily the result of higher revenue per consultant during 2005 due to an increase in the average gross billing rate per hour to $190 in 2005 from $178 in 2004, which was partially offset by a slightly higher cost per consultant. The rate increase is a result of our continuing shift in mix to higher rate benchmarking and membership advisory programs and related transformation advisory services including the launch of the new fixed priced transformation advisory programs in March 2005 sold under the Hackett brand. Utilization was comparable at 69% for 2005 and 2004.

Selling, General and Administrative. Selling, general and administrative expenses increased 20% to $59.8 million in 2005 from $50.0 million in 2004. Selling, general and administrative expenses as a percentage of revenues were 37% in 2005 and 35% in 2004. The overall increases in selling, general and administrative expenses were primarily attributable to increased sales personnel and related commissions to accommodate the growth in our benchmarking, membership advisory programs, transformation advisory and Hyperion implementation services.

Restructuring Costs. Restructuring costs were $2.9 million and $3.7 million in 2005 and 2004, respectively. The $2.9 million of restructuring costs in 2005 related to $1.1 million for the consolidation of additional facilities and related exit costs not included in previously established reserves and $1.8 million for increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities of which $1.1 million specifically related to increase previously established reserves in order to reflect the negotiated buyout of our New York City lease obligation. As a result of the buyout, we were fully released from $20 million of future lease obligations and we assigned two subleases to the lessor, wrote-off a $1.4 million receivable from the lessor, and paid $3.1 million in cash to the lessor. The remaining $700 thousand related to increases in reserves to account for higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease facilities based on current market conditions. The $3.7 million of restructuring costs in 2004 related to increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities. Existing reserves were increased to account for higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease facilities based on current market conditions. Also in 2004, the restructuring accrual was reduced by $370 thousand relating to the final settlement of a

lease obligation which was recorded as income from discontinued operations in the consolidated statement of operations in 2004.

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Income Taxes. In 2005, we recorded an income tax benefit of $6 thousand which represented an effective tax rate of 0.4% of our pre-tax income. The 2005 tax benefit was comprised of a $229 thousand tax benefit related primarily to REL post acquisition losses in the U.S. partially offset by $223 thousand of income tax expense for certain state and foreign taxes related to non REL entities. In 2004, we recorded an income tax expense of $324 thousand which represented an effective tax rate of 167.6% of our pre-tax loss for certain state and foreign taxes. The estimated annual effective tax rates include an income tax benefit attributable to a decrease in the valuation allowance as a result of the expected utilization of tax net operating loss carryforwards in 2005 and 2004. The liability method of accounting for deferred income taxes requires that a change in the valuation allowance for deferred tax assets be included in income tax expense or benefit for the current year. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We have approximately $76 million of U.S. federal net operating loss carryforwards as of December 30, 2005.

Comparison of 2004 to 2003

Overview. We reported a net loss of $148 thousand in 2004 compared to a net loss of $4.8 million in 2003. Our $148 thousand loss during 2004 included restructuring costs of $3.7 million and non-cash stock compensation expense of $2.3 million. Non-cash compensation expense of approximately $800 thousand and $1.5 million is included in project personnel and expenses before reimbursable expenses and selling, general and administrative expenses, respectively, in our consolidated statement of operations. Our $4.8 million loss during 2003 included restructuring costs of $4.9 million and non-cash stock compensation expense of $1.2 million. Non-cash compensation expense of approximately $500 thousand and $700 thousand is included in project personnel and expenses before reimbursable expenses and selling, general and administrative expenses, respectively, in our consolidated statement of operations. The restructuring costs related to increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities. The compensation expense was primarily related to the issuance of restricted stock units to employees at a senior director level or above pursuant to a voluntary stock option exchange program which ended on July 14, 2003.

Revenues. Revenues increased 8.4% to $143.5 million in 2004 from $132.4 million in 2003. The increase in revenues was primarily attributable to increased revenue from benchmarking and business advisory sales and related follow-on consulting projects, and the acquisitions of EZCommerce, a dual-shore ERP implementation company, and Beacon Analytics, Inc., a business performance management consulting company, focusing on the implementation of Hyperion software. These impacts were partially offset by a decline in IT implementation revenues due to the disruption of client IT integration projects in 2004 as a result of the need to freeze control environments through the end of fiscal reporting periods in order to support Sarbanes-Oxley compliance. Reimbursements as a percentage of revenues were 10% and 11% during fiscal years 2004 and 2003, respectively. In fiscal year 2004, one customer had revenues greater than 5% of total revenues, accounting for 7% of total revenues. In fiscal year 2003, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 20% of total revenues. With respect to our largest customer in 2004, our contract can be cancelled for convenience by the customer upon 30 days' notice. As is customary with most of our significant relationships, we may be able to continue with new and follow-on projects as this initiative progresses into subsequent phases. However, there is no assurance that we will be able to renew this contract. The cancellation or significant reduction in the use of services from our key customer could have a material adverse effect on our results of operations.

Project Personnel and Expenses. Project personnel costs and expenses primarily consist of salaries, benefits and incentive compensation for consultants and reimbursable expenses associated with projects. Project personnel costs and expenses increased 3.2% to $90.8 million in 2004 from $88.0 million in 2003. This slight increase was primarily attributable to an increase in the number of consultants in order to balance workforce capacity with market demand for services, partially offset by lower average cost per consultant. Consultant headcount was 550 as of December 31, 2004 compared to 483 as of January 2, 2004. Project personnel and expenses as a percentage of revenues decreased to 63% during 2004 from 66% in 2003, primarily as the result of lower average cost per consultant attributable to the addition of lower cost offshore resources as part of the acquisition of EZCommerce.

Selling, General and Administrative. Selling, general and administrative expenses increased 11.8% to $50.0 million in 2004 from $44.7 million in 2003. The overall increases in selling, general and administrative expenses were primarily due to additional sales personnel and recruiting expenses to accommodate the growth in our benchmarking and business advisory

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services, partially offset by lower legal fees. Selling, general and administrative expenses as a percentage of revenues increased to 35% in 2004 from 34% in 2003. The increase is primarily attributable to the increase in selling and recruiting expenses for our benchmarking and business advisory services, partially offset by the impact of fixed expenses on higher levels of revenue in 2004 as compared to 2003.

Restructuring Costs and Discontinued Operations. Restructuring costs were $3.7 million and $4.9 million in 2004 and 2003, respectively. Restructuring costs in 2004 and 2003 relate to increases in previously established reserves for the closure and consolidation of facilities. Existing reserves were increased to account for higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease facilities based on current market conditions. Also in 2004, the restructuring accrual was reduced by $370 thousand relating to the final settlement of a lease obligation for our discontinued interactive marketing business. This amount was recorded as income from discontinued operations in the consolidated statement of operations for the year ended December 31, 2004.

Income Taxes. In 2004 and 2003, we recorded $324 thousand and $350 thousand, respectively, of income tax expense for certain state and foreign taxes, which represented 167.6% and 7.8% of our pre-tax loss, respectively. We did not recognize an income tax benefit for federal and state taxes due to the establishment of a valuation allowance for the tax benefit generated on losses during 2004 and 2003. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

In 2002, we discontinued our interactive marketing business which was acquired with THINK New Ideas. In connection therewith, we claimed a worthless stock deduction for our investment in THINK New Ideas in our 2002 tax return as a result of the discontinuance of THINK New Ideas. We voluntarily requested that the Internal Revenue Service ("IRS") review this position on an expedited basis. On August 5, 2004, we reached an agreement with the IRS representing the final step in the review process. Pursuant to the agreement, the IRS agreed that we are entitled to a worthless stock deduction of $77.3 million on our 2002 tax return.

Liquidity and Capital Resources

We have funded our operations primarily with cash flow generated from operations and the proceeds from our initial public offering. At December 30, 2005, we had $18.1 million of cash and cash equivalents compared to $38.9 million at December 31, 2004. We had $600 thousand and $3.0 million, respectively, at December 30, 2005 and December 31, 2004, on deposit with a financial institution as collateral for letters of credit and have classified this deposit as restricted cash on the accompanying consolidated balance sheets. In addition, we had $3.7 million at December 30, 2005 on deposit with a financial institution as collateral for an Employee Benefit Trust loan acquired as part of the REL Consultancy Group and have classified this deposit as restricted cash on the accompanying consolidated balance sheet. This loan was repaid during March 2006. We also had marketable investments of $9.9 million at December 30, 2005 and December 31, 2004.

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Net cash provided by operating activities was $5.7 million in 2005 compared to $2.4 million for 2004. During 2005, net cash provided by operating activities was primarily attributable to net income of $1.6 million, $9.1 million of non-cash expenses and increases in accounts payable of $1.0 million, and accrued expenses and other liabilities of $1.7 million, primarily attributable to the REL acquisition, partially offset by a $7.6 million increase in accounts receivable and unbilled revenue, primarily attributable to the REL acquisition. Non-cash expenses included depreciation and amortization, non-cash compensation expense and provision for doubtful accounts. During 2004, net cash provided by operating activities was primarily attributable to $8.6 million of non-cash expenses partially offset by a $3.2 million increase in accounts receivable and unbilled revenue and a decrease of $3.0 million in accrued expenses and other liabilities.

Net cash used in investing activities was $22.6 million in 2005 compared to $10.4 million in 2004. The uses of cash for investing activities in 2005 were primarily attributable to $23.3 million used in the acquisition of businesses, purchases of $27.9 million of marketable investments and $1.8 million for purchases of property and equipment, partially offset by $27.9 million of proceeds from sales, calls and maturities of marketable investments and $2.4 million of proceeds from a decrease in restricted cash. The uses of cash for investing activities in 2004 were primarily attributable to purchases of $39.8 million of marketable investments, $7.2 million used in the acquisition of a business and $3.2 million for purchases of property and equipment, partially offset by $39.8 million of proceeds from the sales, calls and maturities of marketable investments.

Net cash used in financing activities was $3.9 million in 2005 compared to $7.6 million during 2004. During 2005 cash used in financing activities was primarily attributable to $3.9 million for the repurchase of our common stock and $1.4 million for payment of employee withholding tax related to vesting of restricted stock units, partially offset by proceeds of $1.7 million from the sale of stock as a result of exercises of stock options and the sale of stock through our Employee Stock Purchase Plan. Cash used in financing activities during 2004 consisted $10.5 million for the repurchase of our common stock, partially offset by proceeds of $2.9 million from the sale of stock as a result of exercises of stock options and the sale of stock through our Employee Stock Purchase Plan.

On July 30, 2002, we announced that our Board of Directors approved the repurchase of up to $5.0 million of our common stock. In 2003, 2004 and the second quarter of 2005, our Board of Directors approved the repurchase of an additional $25.0 million of our common stock, thereby increasing the total program size to $30 million. Under the repurchase plan, we may buy back shares of our outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of December 30, 2005, we had repurchased 6,534,155 shares of our common stock at an average price of $3.39 per share. We hold repurchased shares of our common stock as treasury stock.

In November 2005, the Company acquired REL for a purchase price of $21.3 million in cash upon closing and deferred consideration of approximately $7.1 million to be paid at various dates though May 15, 2006, provided that the Company does not identify any warranty or indemnity claims. During the first quarter of 2006, approximately $1.7 million of deferred consideration was paid. These amounts do not include additional consideration in a sum not to exceed $9 million due upon the achievement of certain revenue targets related to the performance of REL during the 12-month period ending December 31, 2005 and the adjustment to the consideration paid to the shareholders based on the final value of net tangible assets acquired at closing which was not determinable as of December 30, 2005. In May 2004, the Company purchased the U.S. and India operations of EZCommerce Global Solutions, Inc., a business specializing in the dual-shore implementation of primarily SAP and, to a lesser extent, Oracle software. The purchase price for this acquisition was $9.0 million in cash, which included $3.0 million of deferred payments payable in equal installments on the first and second anniversary of the purchase. The first installment of the deferred payments was paid in 2005. In July 2003, we purchased the assets of Beacon Analytics, Inc., a business performance management consulting company focusing on the implementation of Hyperion software. The purchase price for this acquisition was $4.0 million in cash and approximately $2.5 million of contingent consideration due over the next three years if certain earnings goals are achieved. In both 2005 and 2004, we paid $1.1 million of earned contingent consideration, which totaled $2.2 million in the aggregate.

We currently believe that available funds and cash flows generated by operations, if any, will be sufficient to fund our working capital and capital expenditures requirements for at least the next twelve months. We may decide to raise additional funds in order to fund expansion, to develop new or enhanced products and services, to respond to competitive pressures or to acquire complementary businesses or technologies. There is no assurance, however, that additional financing on acceptable terms will be available when needed or desired.

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Obligations and Commitments

There were no material capital commitments at December 30, 2005. The following summarizes our lease commitments under non-cancelable operating leases for premises at December 30, 2005 (in thousands):

Less than 1 year	$ 4,770
1-3 years	6,722
4-5 years	5,803
After 5 years	1,320
Total minimum lease payments	$18,615

Off-Balance Sheet Arrangements

We have no off balance sheet arrangements at December 30, 2005.

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board issued SFAS 123 (revised 2004), *Share-Based Payment, ("SFAS 123R")*. SFAS 123R addresses the accounting for share-based payments to employees, including grants of employee stock options. Under the new standard, companies will no longer be able to account for share-based compensation transactions using the intrinsic method in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees.* Instead, companies will be required to account for such transactions using a fair-value method and recognize the expense in the consolidated statement of operations. SFAS 123R will be effective for fiscal years beginning after June 15, 2005 and allows, but does not require, companies to restate the full fiscal year of 2005 to reflect the impact of expensing share-based payments under SFAS 123R. The Company will adopt SFAS 123R effective December 31, 2005 using the Modified Prospective Application ("MPA") method. The MPA method will require the Company to record expense for unvested stock options that were awarded prior to December 31, 2005 through the remaining vesting period. The expense for unvested stock options at December 31, 2005 will be based on the grant-date fair value of those awards as calculated for pro forma disclosure under SFAS No. 123. We expect to record additional compensation expense of approximately $500 thousand and $200 thousand, pre-tax, in fiscal years 2006 and 2007, respectively, related to previously issued unvested stock options. We are currently evaluating the impact that the other provisions of SFAS No. 123R will have on its consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At December 30, 2005, our exposure to market risk related primarily to changes in interest rates on our investment portfolio. Our marketable investments consist primarily of short-term fixed interest rate securities. We invest only with high credit quality issuers and we do not use derivative financial instruments in our investment portfolio. We do not believe that a significant increase or decrease in interest rates would have a material impact on the fair value of our investment portfolio.

Exchange Rate Sensitivity

We face exposure to adverse movements in foreign currency exchange rates, as a significant portion of our revenues, expenses, assets and liabilities are denominated in currencies other than the U.S. Dollar, primarily the British pound and the euro. These exposures may change over time as business practices evolve. Currently, we do not hold any derivatives contracts that hedge our foreign currency risk, but we may adopt such strategies in the future.

For a discussion of the risks we face as a result of foreign currency fluctuations, please see "Item 1A. Risk Factors" in Part I.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ANSWERTHINK, INC.

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Report of Independent Registered Certified Public Accounting Firm

Board of Directors and Shareholders
Answerthink, Inc.
Miami, Florida

We have audited the accompanying consolidated balance sheet of Answerthink, Inc. as of December 30, 2005 and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for the year ended December 30, 2005. We have also audited the financial statement schedule listed in the accompanying index. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial statement schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial statement schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial statement schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Answerthink, Inc. and its subsidiaries at December 30, 2005, and the results of its operations and its cash flows for the year ended December 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule for 2005 presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Answerthink, Inc.'s internal control over financial reporting as of December 30, 2005, based on criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 14, 2006 expressed an unqualified opinion thereon.

/s/ BDO Seidman, LLP
Miami, Florida
March 14, 2006

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Report of Independent Registered Certified Public Accounting Firm

To the Board of Directors and Shareholders
of Answerthink, Inc.

In our opinion, the accompanying consolidated balance sheet as of December 31, 2004 and the related consolidated statements of operations, of shareholders' equity and comprehensive income and of cash flows for each of the two years in the period ended December 31, 2004 present fairly, in all material respects, the financial position of Answerthink, Inc. and its subsidiaries at December 31, 2004, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the years ended December 31, 2004 and January 2, 2004 listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Miami, Florida
March 14, 2005

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ANSWERTHINK, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 30, 2005	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,103	$ 38,890
Marketable investments	9,902	—
Restricted cash	3,657	—
Accounts receivable and unbilled revenue, net of allowance of $1,766 and $2,109 in 2005 and 2004, respectively	41,928	28,883
Prepaid expenses and other assets	3,273	3,459
Total current assets	76,863	71,232
Marketable investments	—	9,902
Restricted cash	600	3,000
Property and equipment, net	6,304	7,568
Other assets	6,422	3,245
Goodwill, net	61,692	33,786
Total assets	$ 151,881	$ 128,733
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,319	$ 3,462
Accrued expenses and other liabilities	37,751	17,910
Loan payable	3,657	—
Total current liabilities	47,727	21,372
Accrued expenses and other liabilities, non-current	3,272	7,507
Total liabilities	50,999	28,879
Commitments and contingencies	—	—
Shareholders' equity:		
Preferred stock, $.001 par value, 1,250,000 shares authorized, none issued and outstanding	—	—
Common stock, $.001 par value, authorized 125,000,000 shares; issued: 51,020,343 shares at December 30, 2005; 48,969,181 shares at December 31, 2004	51	49
Additional paid-in capital	282,749	277,356
Unearned compensation	(8,003)	(6,011)
Treasury stock, at cost, 6,534,155 shares at December 30, 2005 and 5,526,855 shares at December 31, 2004	(22,119)	(18,178)
Accumulated deficit	(151,748)	(153,389)
Accumulated other comprehensive income (loss)	(48)	27
Total shareholders' equity	100,882	99,854
Total liabilities and shareholders' equity	$ 151,881	$ 128,733

The accompanying notes are an integral part of the consolidated financial statements.

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ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
Revenues:			
Revenues before reimbursements	$ 146,693	$ 129,339	$ 117,945
Reimbursements	16,625	14,208	14,442
Total revenues	163,318	143,547	132,387
Costs and expenses:			
Project personnel and expenses:			
Project personnel and expenses before reimbursable expenses (includes $749, $852, and $490 of stock compensation expense in 2005, 2004 and 2003, respectively)	83,380	76,626	73,551
Reimbursable expenses	16,625	14,208	14,442
Total project personnel and expenses	100,005	90,834	87,993
Selling, general and administrative expenses (includes $2,643, $1,469, and $746 of stock compensation expense in 2005, 2004 and 2003, respectively)	59,844	49,960	44,697
Restructuring costs	2,923	3,749	4,875
Total costs and operating expenses	162,772	144,543	137,565
Income (loss) from operations	546	(996)	(5,178)
Other income (expense):			
Interest income	1,168	866	706
Interest expense	(79)	(64)	—
Income (loss) before income taxes and income from discontinued operations	1,635	(194)	(4,472)
Income taxes	(6)	324	350
Income (loss) from continuing operations	1,641	(518)	(4,822)
Income from discontinued operations, net of income taxes	—	370	—
Net income (loss)	$ 1,641	$ (148)	$ (4,822)
Basic net income (loss) per common share:			
Income (loss) from continuing operations	$ 0.04	$ (0.01)	$ (0.11)
Income from discontinued operations, net of income taxes	$ —	$ 0.01	$ —
Net income (loss) per common share	$ 0.04	$ (0.00)	$ (0.11)
Weighted average common shares outstanding	43,575	44,188	45,140
Diluted net income (loss) per common share:			
Income (loss) from continuing operations	$ 0.04	$ (0.01)	$ (0.11)
Income from discontinued operations, net of income taxes	$ —	$ 0.01	$ —
Net income (loss) per common share	$ 0.04	$ (0.00)	$ (0.11)
Weighted average common and common equivalent shares outstanding	45,302	44,188	45,140

The accompanying notes are an integral part of the consolidated financial statements.

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ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

(in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock Amount	Unearned Compensation	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	Comprehensive Income (Loss)
Balance at January 3, 2003	47,728	$ 48	$ 263,626	(1,146)	$ (2,208)	$ —	$ (148,419)	$ —	$ 113,047	
Issuance of common stock	563	—	1,252	—	—	—	—	—	1,252	
Treasury stock purchased	—	—	—	(2,404)	(5,478)	—	—	—	(5,478)	
Issuance of restricted stock units, net of cancellations	—	—	9,487	—	—	(9,487)	—	—	—	
Amortization of restricted stock units	—	—	—	—	—	1,120	—	—	1,120	
Stock compensation expense	—	—	13	—	—	—	—	—	13	
Variable stock options	—	—	103	—	—	—	—	—	103	
Net loss	—	—	—	—	—	—	(4,822)	—	(4,822)	$ (4,822)
Total Comprehensive Loss	—	—	—	—	—	—	—	—	—	$ (4,822)
Balance at January 2, 2004	48,291	$ 48	$ 274,481	(3,550)	$ (7,686)	$ (8,367)	$ (153,241)	$ —	$ 105,235	
Issuance of common stock	678	1	2,910	—	—	—	—	—	2,911	
Treasury stock purchased	—	—	—	(1,977)	(10,492)	—	—	—	(10,492)	
Issuance of restricted stock units, net of cancellations	—	—	(97)	—	—	97	—	—	—	
Amortization of restricted stock units	—	—	—	—	—	2,259	—	—	2,259	
Variable stock options	—	—	62	—	—	—	—	—	62	
Net loss	—	—	—	—	—	—	(148)	—	(148)	$ (148)
Unrealized holding losses on available for sale marketable investments	—	—	—	—	—	—	—	(98)	(98)	(98)
Foreign currency translation	—	—	—	—	—	—	—	125	125	125
Total Comprehensive Loss	—	—	—	—	—	—	—	—	—	$ (121)
Balance at December 31, 2004	48,969	$ 49	$ 277,356	(5,527)	$(18,178)	$ (6,011)	$ (153,389)	$ 27	$ 99,854	
Issuance of common stock	2,051	2	269	—	—	—	—	—	271	
Treasury stock purchased	—	—	—	(1,007)	(3,941)	—	—	—	(3,941)	
Issuance of restricted stock units, net of cancellations	—	—	5,135	—	—	(5,135)	—	—	—	
Amortization of restricted stock units	—	—	—	—	—	3,143	—	—	3,143	
Variable stock options	—	—	(11)	—	—	—	—	—	(11)	
Net income	—	—	—	—	—	—	1,641	—	1,641	$ 1,641
Foreign currency translation	—	—	—	—	—	—	—	(75)	(75)	(75)
Total Comprehensive Income	—	—	—	—	—	—	—	—	—	$ 1,566
Balance at December 30, 2005	51,020	$ 51	$ 282,749	(6,534)	$(22,119)	$ (8,003)	$ (151,748)	$ (48)	$ 100,882	

The accompanying notes are an integral part of the consolidated financial statements.

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ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
Cash flows from operating activities:			
Net income (loss)	$ 1,641	$ (148)	$ (4,822)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	4,870	5,177	4,954
Non-cash compensation expense	3,392	2,321	1,236
Provision for doubtful accounts	797	1,060	(235)
Changes in assets and liabilities, net of effects from acquisitions:			
Decrease (increase) in accounts receivable and unbilled revenue	(7,572)	(3,210)	1,309
Decrease (increase) in prepaid expenses and other assets	(88)	920	10,075
Increase (decrease) in accounts payable	986	(707)	(2,066)
Increase (decrease) in accrued expenses and other liabilities	1,680	(2,974)	(586)
Net cash provided by operating activities	5,706	2,439	9,865
Cash flows from investing activities:			
Purchases of property and equipment	(1,762)	(3,199)	(1,225)
Decrease (increase) in restricted cash	2,400	—	(91)
Purchases of marketable investments	(27,900)	(39,750)	(58,458)
Proceeds from sales, calls and maturities of marketable investments	27,900	39,750	76,508
Cash used in acquisition of businesses, net of cash acquired	(23,256)	(7,210)	(3,301)
Net cash provided by (used in) investing activities	(22,618)	(10,409)	13,433
Cash flows from financing activities:			
Proceeds from issuance of common stock	1,704	2,911	1,252
Payment of employee withholding tax related to restricted stock units	(1,432)	—	—
Repurchases of common stock	(3,941)	(10,492)	(5,478)
Proceeds from borrowings	162	—	—
Repayments of loan payable	(368)	—	—
Net cash used in financing activities	(3,875)	(7,581)	(4,226)
Net increase (decrease) in cash and cash equivalents	(20,787)	(15,551)	19,072
Cash and cash equivalents at beginning of year	38,890	54,441	35,369
Cash and cash equivalents at end of year	$ 18,103	$ 38,890	$ 54,441
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 16	$ —	$ —
Cash paid for income taxes	$ 401	$ 193	$ 110

The accompanying notes are an integral part of the consolidated financial statements.

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Significant Accounting Policies

Nature of Business

Answerthink, Inc. (the "Company" or "Answerthink") is a leading business and technology consulting firm that enables companies to achieve world-class business performance. Answerthink's combined capabilities include business advisory programs, benchmarking, business transformation, working capital management, business applications, and business intelligence, with corresponding offshore support.

Principles of Consolidation

The consolidated financial statements and information herein include the accounts of Answerthink and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year

The Company's fiscal year generally consists of a 52-week period and periodically consists of a 53-week period because the fiscal year ends on the Friday closest to December 31. Fiscal years 2005, 2004, and 2003 ended on December 30, 2005, December 31, 2004 and January 2, 2004, respectively. References to a year included in this section refer to a fiscal year rather than a calendar year.

Cash and Cash Equivalents

The Company considers all short-term investments with maturities of three months or less when purchased to be cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the F.D.I.C. insurance limits. The Company has not experienced any loss to date on these investments.

Marketable Investments

Marketable investments are available-for-sale securities which are recorded at fair market value. Unrealized gains and losses on these investments are reported in comprehensive income or loss and accumulated as a separate component of shareholders' equity, net of any related tax effect. Declines in value that are judged to be other than temporary result in a reduction of the carrying amount of the investment to fair value and the recognition of an impairment charge in other income (expense). Realized gains and losses from sales of available-for-sale securities were not material for any period presented. For the purpose of determining realized gains and losses, the cost of securities sold is based upon specific identification.

Accounts Receivable and Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from our clients not making required payments. Management makes estimates of the collectibility of the accounts receivables. Management critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts.

Property and Equipment, Net

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the assets ranging from three to five years. Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements are capitalized. The carrying amount of assets sold or retired and related accumulated depreciation are removed from the accounts in the year of disposal and any resulting gains or losses are included in the statement of operations.

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Nature of Business and Significant Accounting Policies (continued)

The Company capitalizes the costs of internal-use software in accordance with Statement of Position No. 98-1 ("SOP 98-1), *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. SOP 98-1 provides guidance on applying generally accepted accounting principles in addressing whether and under what conditions the costs of internal-use software should be capitalized. The Company capitalizes certain costs, which generally include hardware, software, and payroll related costs for employees who are directly associated with and who devote time to the development of internal-use computer software.

Goodwill and Other Intangible Assets

All of the Company's goodwill and intangible assets has been accounted for under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets.* Goodwill represents the cost of acquired businesses in excess of the estimated fair value assigned to the net assets acquired. Other intangible assets arise from business combinations and consist of customer relationships, restricted covenants related to employment agreements, customer backlog and trademarks that are amortized, on a straight-line basis, over periods of up to five years. The Company follows the impairment provisions and disclosure requirements of SFAS No. 142. Goodwill and other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In addition, goodwill is tested for impairment at the reporting unit level at least annually utilizing a "fair value" methodology versus an undiscounted cash flow method required under previous accounting rules. The Company evaluates the fair values of its reporting units utilizing various techniques including discounted cash flow analysis. The reporting units consist of The Hackett Group, business applications and business intelligence. In assessing the recoverability of goodwill and intangible assets, the Company makes assumptions regarding estimated future cash flows, discount rates and other factors to determine if impairment tests are met. These estimates contain management's best estimates, using appropriate and customary assumptions and projections at the time. The Company performed its annual impairment test of goodwill in the fourth quarters of fiscal 2005, 2004 and 2003, respectively, and determined that goodwill was not impaired.

Long-Lived Assets (excluding Goodwill)

We follow the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long-Lived Assets" which requires that long-lived assets be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss is recognized if the sum of the long-term undiscounted cash flows is less than the carrying amount of the long-lived assets being evaluated.

Revenue Recognition

The Company principally derives revenues from fees for services generated on a project-by-project basis. Revenues for services rendered are recognized on a time and materials basis or on a fixed-fee or capped-fee basis. Revenues for time and materials contracts are recognized based on the number of hours worked by the Company's consultants at an agreed upon rate per hour and are recognized in the period in which services are performed. Revenues related to fixed-fee or capped-fee contracts are recognized on the proportional performance method of accounting based on the ratio of labor hours incurred to estimated total labor hours. This percentage is multiplied by the contracted dollar amount of the project to determine the amount of revenue to recognize in an accounting period. The contracted amount used in this calculation excludes the amount the client pays for reimbursable expenses. There are situations where the number of hours to complete projects may exceed the Company's original estimate. These increases can be as a result of an increase in project scope, unforeseen events that arise, or the inability of the client or the delivery team to fulfill their responsibilities. On an on-going basis, the Company's project delivery, office of risk management and finance personnel review hours incurred and estimated total labor hours to complete projects and any revisions in these estimates are reflected in the period in which they become known.

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Nature of Business and Significant Accounting Policies (continued)

Unbilled revenues represent revenues for services performed that have not been invoiced. If the Company does not accurately estimate the scope of the work to be performed, or does not manage the projects properly within the planned periods of time or does not meet the clients' expectations under the contracts, then future consulting margins may be negatively affected or losses on existing contracts may need to be recognized. Any such resulting reductions in margins or contract losses could be material to the Company's results of operations. Revenues before reimbursements exclude reimbursable expenses charged to clients. Reimbursements, which include travel and out-of-pocket expenses, are included in revenues, and an equivalent amount of reimbursable expenses is included in project personnel and expenses.

The agreements entered into in connection with a project, whether time and materials based or fixed-fee or capped-fee based, typically allow the Company's clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required to pay for all time, materials and expenses incurred by the Company through the effective date of the termination. In addition, from time to time the Company enters into agreements with clients that limit the Company's right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit the Company from performing a defined range of services that it might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Stock Compensation

The Company applies Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations in accounting for its stock option plans. The Company measures compensation expense related to the grant of stock options and stock-based awards to employees (including independent directors) in accordance with the provisions of APB No. 25. In accordance with APB Opinion No. 25, compensation expense, if any, is generally based on the difference between the exercise price of an option, or the amount paid for an award, and the market price or fair value of the underlying common stock at the date of the award or at the measurement date for variable awards. Stock-based compensation arrangements involving non-employees are accounted for under SFAS No. 123, *Accounting for Stock-Based Compensation*, under which such arrangements are accounted for based on the fair value of the option or award.

Under SFAS No. 123, compensation cost for the Company's stock-based compensation plans would be determined based on the fair value at the grant dates for awards under those plans. The assumptions underlying the fair value calculations of the stock option grants are presented in Note 11. Had the Company adopted SFAS No. 123 in accounting for its stock option plans, the Company's consolidated net income (loss) and net income (loss) per share for the years ended December 30, 2005, December 31, 2004 and January 2, 2004 would have been adjusted to the pro forma amounts indicated as follows (in thousands, except per share data):

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
Net income (loss), as reported	$ 1,641	$ (148)	$ (4,822)
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	3,392	2,321	1,236
Deduct: Total stock-based employee pro forma compensation expense determined under fair value based method for all awards, net of related tax effects	(5,195)	(5,354)	(6,702)
Pro forma net loss	$ (162)	$ (3,181)	$ (10,288)
Basic net income (loss) per common share			
As reported	$ 0.04	$ (0.00)	$ (0.11)
Pro forma	$ (0.00)	$ (0.07)	$ (0.23)
Diluted net income (loss) per common share			

As reported	$ 0.04	$ (0.00)	$ (0.11)
Pro forma	$ (0.00)	$ (0.07)	$ (0.23)

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Nature of Business and Significant Accounting Policies (continued)

Income Taxes

The Company records income taxes using the liability method. Under this method, the Company records deferred taxes based on temporary taxable and deductible differences between the tax bases of the Company's assets and liabilities and their financial reporting bases. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. With regard to restricted stock units issued to employees, the calculation includes only the vested portion of such stock.

Net income (loss) per share assuming dilution is computed by dividing the net income (loss) by the weighted average number of common shares outstanding, increased by the assumed conversion of other potentially dilutive securities during the period. For the year ended December 30, 2005, potentially dilutive securities included 1,506,707 of unvested restricted stock units issued to employees and 220,832 of common stock issuable upon the exercise of stock options following the treasury stock method.

Potentially dilutive shares were excluded from the diluted loss per share calculation for the years ended December 31, 2004 and January 2, 2004 because their effects would have been anti-dilutive to the loss incurred by the Company. Therefore, the amounts reported for basic and diluted net loss per share were the same for those years. Potentially dilutive shares which were not included in the diluted loss per share calculation for the years ending December 31, 2004 and January 2, 2004 were 2,368,180 shares and 777,265 shares, respectively, of shares underlying unvested restricted stock units issued to employees and 667,728 shares and 289,647 shares, respectively, of common stock issuable upon the exercise of stock options and warrants following the treasury stock units method.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, marketable investments, accounts receivable and unbilled revenue, accounts payable, and accrued expenses and other liabilities. At December 30, 2005 and December 31, 2004, the fair value of these instruments approximated their carrying value.

Concentration of Credit Risk

The Company provides services primarily to Global 2000 companies and other sophisticated buyers of business consulting and IT services. The Company performs ongoing credit evaluations of its major customers and maintains reserves for potential credit losses. In fiscal years 2005 and 2004, one customer had revenues greater than 5% of total revenues, accounting for approximately 5% and 7% of total revenues, respectively. In fiscal year 2003, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 20% of total revenues.

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Nature of Business and Significant Accounting Policies (continued)

Other Comprehensive Income (Loss)

Other comprehensive income (loss) consists of unrealized gains and losses on available-for-sale securities, and cumulative foreign currency translation adjustments.

Translation of Non-U.S. Currency Amounts

The net assets and operations of entities outside of the United States are translated into U.S. dollars. Assets and liabilities are translated at year-end exchange rates and income and expense items are translated at average exchange rates prevailing during the year. Translation adjustments are included in accumulated other comprehensive income (loss). Gains and losses arising from intercompany foreign currency transactions that are of a long-term-investment nature are reported in the same manner as translation adjustments.

Segment Reporting

The Company engages in business activities in one operating segment, which provides business and technology consulting services.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued SFAS 123 (revised 2004), *Share-Based Payment, ("SFAS 123R")*. SFAS 123R addresses the accounting for share-based payments to employees, including grants of employee stock options. Under the new standard, companies will no longer be able to account for share-based compensation transactions using the intrinsic method in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees*. Instead, companies will be required to account for such transactions using a fair-value method and recognize the expense in the consolidated statement of operations. SFAS 123R will be effective for fiscal years beginning after June 15, 2005 and allows, but does not require, companies to restate the full fiscal year of 2005 to reflect the impact of expensing share-based payments under SFAS 123R. The Company will adopt SFAS 123R effective December 31, 2005 using the Modified Prospective Application ("MPA") method. The MPA method will require the Company to record expense for unvested stock options that were awarded prior to December 31, 2005 through the remaining vesting period. The expense for unvested stock options at December 31, 2005 will be based on the grant-date fair value of those awards as calculated for pro forma disclosure under SFAS No. 123. The requirements of SFAS 123R are effective for the Company beginning in the first quarter of fiscal year 2006. The Company expects to record additional compensation expense of approximately $500 thousand and $200 thousand, pre-tax, in fiscal years 2006 and 2007, respectively, related to previously issued unvested stock options. The Company is currently evaluating the impact that the other provisions of SFAS No. 123R will have on its consolidated financial statements.

Reclassifications

Certain prior year amounts in the consolidated financial statements have been reclassified to conform current year presentation.

2. Acquisitions and Investing Activities

During the three year period ended December 30, 2005, the Company acquired four businesses providing information technology services (collectively, the "Acquired Entities") in separate transactions. Two were completed in 2005, one was completed in 2004, and one was completed in 2003. Aggregate consideration for the Acquired Entities was $33.8 million. This amount has been allocated, on an entity-by-entity basis, to the assets acquired and liabilities assumed based on their respective fair values on the dates of acquisition.

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Acquisitions and Investing Activities (continued)

The components of the purchase price allocation for the Acquired Entities, contingent consideration earned for previous acquisitions, and fees and expenses incurred are as follows (in thousands):

	2005	2004	2003
Fair value of net assets (excluding cash) acquired	$(4,146)	$ 1,121	$1,264
Goodwill	27,690	7,066	—
Intangible assets	5,332	1,943	2,287
Deferred payment accrued	(7,120)	(2,920)	—
Deferred payment paid	1,500	—	—
Accrued earn-out	—	—	(250)
Cash used in acquisitions of businesses, net of cash acquired	$23,256	$ 7,210	$3,301

These acquisitions have been accounted for using the purchase method of accounting. Accordingly, the results of the acquisitions are included in the Company's consolidated results of operations from the respective dates of acquisition. For each acquisition, the excess of the purchase price including any contingent consideration over the estimated fair value of the net identifiable assets acquired has been recorded as goodwill and/or intangible assets. For each of the acquisitions made, goodwill is deductible for tax purposes except in the case of goodwill for the REL acquisition, which amounted to $25.8 million.

In November 2005, the Company purchased REL Consultancy Group Limited ("REL"), a privately-held U.K. company that provides working capital management advisory services primarily in Europe and the U.S. Under the terms of the Share Purchase Agreement, the stockholders of REL received aggregate cash of $21.3 million upon closing. Deferred consideration of approximately $7.1 million, which was recorded as part of the acquisition cost, will be paid at various dates through May 15, 2006, provided that the Company does not identify any warranty or indemnity claims. During the first quarter of 2006, approximately $1.7 million of deferred consideration was paid. These amounts do not include additional consideration in a sum not to exceed $9 million due upon the achievement of certain revenue targets related to the performance of REL during the 12-month period ending December 31, 2005 and the adjustment to the consideration paid to the shareholders based on the final value of net tangible assets acquired at closing, which was not determinable as of December 30, 2005. Any payments related to the contingent consideration will be recorded as an adjustment to goodwill. The excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets acquired has been recorded as $5.3 million of intangible assets and $25.8 million of goodwill. The intangible assets are being amortized over periods ranging from 6 months to 5 years.

In connection with the acquisition, the Company recorded liabilities of $2.6 million for termination obligations, in accordance with EITF 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination". The Company has recognized these obligations as a liability assumed as of the acquisition date. These termination obligations consisted of $1.4 million of employee separation costs and $1.2 million related to the closure of redundant REL real estate facilities. The Company expects to complete the severance payments by fiscal year 2006. Lease termination activities for all but $208 thousand are expected to be completed by fiscal year 2006.

The following unaudited pro forma information is provided for the REL acquisition assuming it occurred as of January 1, 2005 and as of January 3, 2004, respectively, (in millions, except per share amounts):

	2005	2004
Revenues	$200,075	$178,922
Net loss	$ (2,731)	$ (1,488)
Basic and diluted net loss per share	$ (0.06)	$ (0.03)

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Acquisitions and Investing Activities (continued)

The unaudited pro forma financial information presented above does not reflect any operating efficiencies and cost savings that the Company may achieve with respect to the entities nor any expenses associated with achieving those benefits. The unaudited pro forma information presented above is based on currently available information and upon certain assumptions that the Company believes are reasonable and is for illustrative purposes only. It is not necessarily indicative of the future results of operations of the Company or the results of operations of the Company had the acquisition occurred on January 1, 2005 or January 3, 2004.

Other Acquisitions

In January 2005, the Company purchased the operations of Active Interest, Inc., a company that specializes in the implementation of Hyperion Brio data warehouse software. The purchase price for this acquisition was $607 thousand in aggregate cash. The excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets acquired has been recorded as $42 thousand of intangible assets and $565 thousand of goodwill.

In May 2004, the Company purchased the U.S. and India operations of EZCommerce Global Solutions, Inc., a business specializing in the dual-shore implementation of primarily SAP and, to a lesser extent, Oracle software. The purchase price for this acquisition was $9.0 million in cash, which included $3.0 million of deferred payments payable in equal installments on the first and second anniversary of the purchase. The first installment of the deferred payments was paid in 2005. The excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets acquired has been recorded as $1.4 million of intangible assets and $6.7 million of goodwill. The intangible assets are being amortized over periods ranging from 8 months to 4 years.

In July 2003, the Company purchased the assets of Beacon Analytics, Inc. ("Beacon"), a business performance management consulting company focusing on the implementation of Hyperion software. The purchase price for this acquisition was $4.0 million in cash and approximately $2.5 million of contingent cash consideration due over the next three years if certain earnings goals are achieved. The excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets which totaled $2.0 million has been recorded as intangible assets and are being amortized over periods ranging from 6 months to 3 years. During 2004, the Company paid $1.1 million for earned contingent consideration related to the purchase of Beacon. Of this amount, $566 thousand was recorded as intangible assets and $528 thousand as goodwill. During 2005, the Company paid $1.1 million for earned contingent consideration related to the purchase of Beacon which was recorded as goodwill.

The pro forma impact of the acquisition of Active Interest, Inc. in 2005 and the acquisitions completed in 2004 and 2003 were not significant to the results of the Company's consolidated operations for the years ended December 30, 2005, December 31, 2004 and January 2, 2004.

The Company includes its acquired intangible assets with definitive lives in other assets in the accompanying consolidated balance sheets. As of December 30, 2005 and December 31, 2004, intangible assets totaled approximately $5.9 million and $2.3 million, respectively, net of accumulated amortization of $4.9 million and $3.1 million, respectively. Acquired intangible assets with definite lives are amortized over periods ranging from 6 months to 5 years. Amortization expense for such intangible assets was $1.8 million, $2.0 million and $893 thousand for the fiscal years ended December 30, 2005, December 31, 2004 and January 2, 2004, respectively.

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Acquisitions and Investing Activities (continued)

The estimated future amortization expense of intangible assets as of December 30, 2005 is as follows (in thousands):

Fiscal Year	Amount
2006	$2,550
2007	1,249
2008	709
2009	700
2010	642
	$5,850

3. Accounts Receivable and Unbilled Revenue, Net

Accounts receivable and unbilled revenues, net consists of the following (in thousands):

	December 30, 2005	December 31, 2004
Accounts receivable	$ 35,870	$ 24,932
Unbilled revenue	7,824	6,060
Allowance for doubtful accounts	(1,766)	(2,109)
	$ 41,928	$ 28,883

4. Marketable Investments

At December 30, 2005 and December 31, 2004, all of the Company's marketable securities were U.S. Government Agencies and were classified as available for sale. Marketable investments are carried on the balance sheet at their fair value.

The following tables summarize the Company's marketable investments (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
2005				
U.S. Government Agencies	$ 10,000	$ —	$ (98)	$9,902
2004				
U.S. Government Agencies	$ 10,000	$ —	$ (98)	$9,902

Contractual maturities of marketable investments at December 30, 2005 are as follows (in thousands):

	Amortized Cost	Market Value
Less than one year	$ 10,000	$9,902
Due in 1-2 years	—	—
Due in 3-5 years	—	—
Due after 5 years	—	—
	$ 10,000	$9,902

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Marketable Investments (continued)

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations. Gross realized gains and losses on the sale of securities were not material to the Company's consolidated results of operations for the years ended December 30, 2005, December 31, 2004 and January 2, 2004.

5. Property and Equipment, net

Property and equipment, net consists of the following (in thousands):

	December 30, 2005	December 31, 2004
Equipment	$ 9,459	$ 8,997
Software	6,237	5,478
Leasehold improvements	3,426	3,310
Furniture and fixtures	377	149
Automobile	35	—
	19,534	17,934
Less accumulated depreciation	(13,230)	(10,366)
	$ 6,304	$ 7,568

During fiscal year 2004 write-offs of $1.2 million for leasehold improvements and other assets were recorded as part of the restructuring costs.

Depreciation expense for the years ended December 30, 2005, December 31, 2004 and January 2, 2004 was $3.1 million, $3.2 million and $4.1 million, respectively.

6. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following (in thousands):

	December 30, 2005	December 31, 2004
Accrued compensation and benefits	$ 5,194	$ 3,447
Accrued bonuses	4,778	971
Accrued restructuring related expenses	1,844	2,021
Deferred revenue	7,715	4,680
Other accrued expenses	9,604	5,355
Acquisition related deferred payments	8,616	1,436
Current accrued expenses and other liabilities	37,751	17,910
Accrued restructuring related expenses- non-current	2,990	6,023
Acquisition related deferred payment- non-current	—	1,484
Other accrued expenses – non-current	282	—
Non-current accrued expenses and other liabilities	3,272	7,507
Total accrued expenses and other liabilities	$ 41,023	$ 25,417

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Accrued Expenses and Other Liabilities (continued)

Bank Overdrafts

At December 30, 2005 the Company had $1.6 million in bank overdrafts outstanding, classified as current other accrued expenses in the accompanying balance sheet. The Company's bank overdraft facility is secured by its assets, and carries floating interest of 1.5% over National Westminster Bank's base rate, which was 4.5% at December 30, 2005. Interest expense for the year ended December 30, 2005 was approximately $16,000.

7. Loan Payable

At December 30, 2005, the Company had a loan with a financial institution of $3.7 million, classified as loan payable in the accompanying balance sheet. The loan is secured by $3.7 million of cash, classified as current restricted cash in the accompanying balance sheet. This bank loan carries interest on the balance, net of restricted cash, of 2% over National Westminster Bank's base rate, which was 4.5% at December 30, 2005. The loan was repaid during March 2006.

8. Letters of Credit

The Company had outstanding letters of credit of $600 thousand and $2.6 million to secure the Company's obligations on various operating leases as of December 30, 2005 and December 31, 2004, respectively. The Company has deposited $600 thousand and $3.0 million at December 30, 2005 and December 31, 2004, respectively, with a financial institution as collateral for these letters of credit and has classified this deposit as restricted cash on the accompanying consolidated balance sheets.

9. Lease Commitments

The Company has operating lease agreements for its premises that expire on various dates through 2011. Rent expense for the years ended December 30, 2005, December 31, 2004 and January 2, 2004 was $2.0 million, $2.0 million and $2.2 million, respectively.

Future minimum lease commitments and sublease receipts under non-cancelable operating leases for premises having a remaining term in excess of one year at December 30, 2005 are as follows (in thousands):

	Rental Payments	Sublease Receipts
2006	$ 4,770	$ 1,549
2007	3,557	1,370
2008	3,165	1,262
2009	3,120	1,275
2010	2,683	1,219
Thereafter	1,320	721
Total	$18,615	$ 7,396

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Income Taxes

The components of income tax expense (benefit) are as follows (in thousands):

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
Current tax expense (benefit)			
Federal	$ (204)	$ —	$ —
State	110	231	262
Foreign	88	93	88
	(6)	324	350
Deferred tax expense			
Federal	—	—	—
State	—	—	—
Foreign	—	—	—
	—	—	—
Income taxes	$ (6)	$ 324	$ 350

A reconciliation of the federal statutory tax rate with the effective tax rate is as follows:

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
U.S. statutory income tax (benefit) rate	35.0%	(35.0)%	(35.0)%
State income taxes, net of Federal income tax benefit	4.4	77.7	3.8
Loss on investment in subsidiary	—	2,573.4	(129.6)
Valuation allowance	(67.6)	(2,559.2)	166.4
Other, net	27.8	110.7	2.2
Effective rate	(0.4)%	167.6%	7.8%

The components of the net deferred income tax asset are as follows (in thousands):

	December 30, 2005	December 31, 2004
Deferred income tax assets:		
Purchased research and development	$ 711	$ 817
Allowance for doubtful accounts	693	833
Net operating loss and tax credits carryforward	34,053	30,581
Accrued expenses and other liabilities	5,812	6,373
	41,269	38,604
Valuation allowance	(36,622)	(35,360)
	4,647	3,244
Deferred income tax liabilities:		
Depreciation and amortization	(3,729)	(2,060)
Other items	(918)	(1,184)
	(4,647)	(3,244)
Net deferred income tax asset	$ —	$ —

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Income Taxes (continued)

At December 30, 2005 and December 31, 2004, the Company had $76.0 million and $74.0 million, respectively, of U.S. federal net operating loss carryforwards available for tax purposes, most of which expire in 2022 if not utilized. Additionally, in connection with the REL acquisition in 2005, the Company acquired approximately $8.5 million in foreign net operating loss carryforwards, including $6 million in REL UK net operating losses. Most of the foreign net operating losses may be carried forward indefinitely.

In connection with the acquisition of REL, the Company recorded net deferred tax assets amounting to approximately $1 million, which have been fully reserved by a valuation allowance as of the acquisition date. Upon a change to any portion of the valuation allowance in the future, the Company will adjust goodwill associated with the acquisition.

In 2002, the Company discontinued its interactive marketing business which was acquired with THINK New Ideas. The Company claimed a worthless stock deduction for its investment in THINK New Ideas in its 2002 tax return as a result of the discontinuance of THINK New Ideas. The Company voluntarily requested that the Internal Revenue Service ("IRS") review this position on an expedited basis. On August 5, 2004, the Company reached an agreement with the IRS representing the final step in the review process. Pursuant to the agreement, the Company and the IRS agreed that the Company was entitled to a worthless stock deduction of $77.3 million on the Company's 2002 tax return.

The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. At December 30, 2005 and December 31, 2004, the Company had established a valuation allowance of $36.6 million and $35.4 million, respectively, to reduce deferred income tax assets primarily related to net operating loss carryforwards.

11. Shareholders' Equity

Stock Plans

Effective July 1, 1998, the Company adopted an Employee Stock Purchase Plan to provide substantially all employees who have completed three months of service as of the beginning of an offering period an opportunity to purchase shares of its common stock through payroll deductions. Purchases on any one grant are limited to 10% of eligible compensation. Participant account balances are used to purchase shares of stock at the lesser of 85 % of the fair market value of shares on the first trading day of the six-month offering period or on the last trading day of such offering period. The aggregate fair market value, determined as of the first trading date of the offering period, as to shares purchased by an employee may not exceed $25,000 annually. The Employee Stock Purchase Plan expires on July 1, 2008. A total of 4,275,000 shares of common stock are available for purchase under the plan with a limit of 400,000 shares of common stock to be issued per offering period. For plan years 2005, 2004 and 2003, 460,735 shares, 316,889 shares and 455,482 shares, respectively, were issued.

During the fourth quarter of fiscal 2005, the Board of Directors approved a change to the common stock purchase discount and approved the elimination of the related look back period. As a result, effective beginning in fiscal 2006, shares of our common stock may be purchased by employees at six months intervals at 95% of the fair market value on the last trading day of each six month period.

The Company has granted stock options to employees and directors of the Company at exercise prices equal to the market value of the stock at the date of grant. The options generally vest ratably over four years with a maximum term of 10 years. The number of shares available for future issuance at December 30, 2005 is 10,365,632 shares.

On June 11, 2003, the Company commenced two tender offer programs involving voluntary stock option exchanges for the Company's employees. The offering periods for the two stock option exchange programs ended on July 14, 2003.

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Shareholders' Equity (continued)

One program was offered to employees at a director level or below. Under this exchange program, employees holding nonqualified or incentive stock options to purchase the Company's common stock with an exercise price of $4.50 or more were given the opportunity to exchange their existing options for new options to purchase shares of the Company's common stock equal to an amount depending on the exercise price of the surrendered options. Options for 521,991 shares were tendered on July 14, 2003 in the exchange program. On January 15, 2004, the Company granted 163,995 options to purchase shares of the Company's common stock in exchange for the options tendered. The new options were granted six months and one day after acceptance of the old options for exchange and cancellation. The exercise price of the new options was $6.34, which was the last reported sale price of the Company's common stock on the Nasdaq Stock Market's National Market on January 15, 2004. The new options vest over a two-year period from the date of grant.

The other program was offered to employees at a senior director level or above who had been with the Company since July 4, 2002. Under this exchange program, employees holding nonqualified options to purchase the Company's common stock with an exercise price of $2.80 or more were given the opportunity to exchange their existing options for restricted stock units which were granted on a one-to-one ratio and are subject to a new four-year vesting schedule. On July 14, 2003, the Company accepted for cancellation options to purchase 3,826,561 shares of the Company's common stock representing 95% of the 4,045,182 options that were eligible to be tendered in the exchange program. Pursuant to the terms of the exchange program, the Company issued 3,826,561 restricted stock units in exchange for the options surrendered. Eligible options that were not exchanged are required to be accounted for under variable plan accounting pursuant to FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*. As of December 30, 2005 the Company had 169,295 outstanding stock options which are accounted for under variable plan accounting. The weighted average exercise price of these remaining eligible options is $3.96. Variable plan accounting resulted in a reduction of stock compensation expense of approximately $11 thousand and $62 thousand of stock compensation expense for the years ended December 30, 2005 and December 31, 2004, respectively.

Stock option activity under the Company's stock option plans is summarized as follows:

	Year Ended					
	December 30, 2005		December 31, 2004		January 2, 2004	
	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,259,452	$ 5.68	3,013,625	$ 5.69	8,263,971	$ 6.78
Granted	45,000	3.96	1,425,744	6.19	2,149,238	2.96
Exercised	(107,649)	2.82	(361,652)	4.26	(125,779)	5.29
Canceled	(751,482)	6.17	(818,265)	7.19	(7,273,805)	6.15
Outstanding at end of year	2,445,321	$ 5.63	3,259,452	$ 5.68	3,013,625	$ 5.69
Exercisable at end of year	1,488,362		1,423,522		1,623,177	
Weighted average fair value of options granted during the period	$ 2.30		$ 4.33		$ 2.08	

The following assumptions were used by the Company to determine the fair value of stock options granted using the Black-Scholes options-pricing model:

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
Expected volatility	75%	75% to 100%	100%
Average expected option life	4 years	4 years	4 years

Risk-free rate	3.9%	3.5%	2.5%
Dividend yield	0%	0%	0%

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Shareholders' Equity (continued)

The following table summarizes information about the Company's stock options outstanding at December 30, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.45 - $2.74	268,446	6.1	$ 2.20	172,407	$ 2.19
$2.75 - $3.79	403,975	5.8	3.31	316,096	3.42
$3.80 - $5.35	185,169	8.0	4.69	71,844	4.96
$5.36 - $5.99	232,015	6.4	5.58	170,111	5.56
$6.00 - $6.20	319,082	3.6	6.04	319,082	6.04
$6.21 - $6.25	658,750	8.0	6.25	173,125	6.25
$6.26 - $6.99	156,306	7.6	6.41	70,369	6.41
$7.00 - $9.99	121,361	5.0	8.40	95,111	8.64
$10.00 - $32.56	100,217	3.8	16.03	100,217	16.03
	2,445,321	6.3	$ 5.63	1,488,362	$ 5.81

As of December 30, 2005 and December 31, 2004, the Company had 2,828,633 and 3,476,996 restricted stock units outstanding, respectively. The Company recorded non-cash compensation expense of $3.1 and $2.3 million, respectively, in 2005 and 2004, based on the vesting provisions of the restricted stock units and the fair market value of the stock on the grant date. In addition, during 2005 the Company recorded $260 thousand of stock compensation expense as a result of stock awards granted to certain executives whereby the number of shares ultimately received, if any, is dependent on the Company's performance against specified performance targets. During fiscal 2005 the Company issued 1,482,783 common shares related to the vesting of restricted stock units. The Company expects to incur approximately $850 thousand of stock compensation expense per quarter over the remaining vesting period of the restricted stock units through the second quarter of 2007 and approximately $323 thousand per quarter from the third quarter of 2007 through the third quarter of 2009.

Common Stock

The delivery of 403,751 shares of our common stock classified as issued as of December 30, 2005 in the accompanying balance sheet was deferred by employees entitled to receive these shares in connection with the vesting of restricted stock units. The shares will be delivered to the employees at the expiration of the deferral period elected by the employees or upon their termination of employment.

Treasury Stock

On July 30, 2002, the Company announced that its Board of Directors approved the repurchase of up to $5.0 million of the Company's common stock. In 2003, 2004 and the second quarter of 2005, the Board of Directors approved the repurchase of an additional $25 million of the Company's common stock, thereby increasing the total program size to $30 million. Under the repurchase plans, the Company may buy back shares of its outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of December 30, 2005 and December 31, 2004, the Company had repurchased 6,534,155 shares and 5,526,855 shares of its common stock at an average price of $3.39 and $3.29 per share, respectively. The Company holds repurchased shares of its common stock as treasury stock and accounts for treasury stock under the cost method.

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Shareholders' Equity (continued)

Shareholder Rights Plan

On February 13, 2004, the Board of Directors of the Company adopted a Shareholder Rights Plan. Under the plan, a dividend of one preferred share purchase right (a "Right") was declared for each share of common stock of the Company that was outstanding on February 26, 2004. Each Right entitles the holder to purchase from the Company one one-thousandth of a share of Series A Junior Preferred Stock at a purchase price of $32.50, subject to adjustment.

The Rights will trade automatically with the common stock and will not be exercisable until a person or group has become an "acquiring person" by acquiring 15% or more of the Company's outstanding common stock, or a person or group commences or publicly announces a tender offer that will result in such a person or group owning 15% or more of the Company's outstanding common stock. However, Liberty Wanger Asset Management, L.P. (now known as Columbia Wanger Asset Management, L.P.), together with its affiliates and associates will be permitted to acquire up to 20% of the common stock without making the rights exercisable. Upon announcement that any person or group has become an acquiring person, each Right will entitle all rightholders (other than the acquiring person) to purchase, for the exercise price of $32.50, a number of shares of the Company's common stock having a market value equal to twice the exercise price. Rightholders would also be entitled to purchase common stock of the acquiring person having a value of twice the exercise price if, after a person had become an acquiring person, the Company were to enter into certain mergers or other transactions. If any person becomes an acquiring person, the Board of Directors may, at its option and subject to certain limitations, exchange one share of common stock for each Right.

The Rights have certain anti-takeover effects, in that they would cause substantial dilution to a person or group that attempts to acquire a significant interest in the Company on terms not approved by the Board of Directors. In the event that the Board of Directors determines a transaction to be in the best interests of the Company and its stockholders, the Board of Directors may redeem the Rights for $0.001 per share at any time prior to a person or group becoming an acquiring person. The Rights will expire on February 13, 2014.

Equity Related Commitments

In the event of an IPO or sale of The Hackett Group, Inc. ("Hackett") and subject to meeting certain performance criteria, certain employees of Hackett may elect to convert on a 1:1 to 3:1 basis, the in-the-money cash value of each of their Answerthink options or restricted stock units to an equivalent number of options or shares of Hackett common stock at the IPO price.

12. Benefit Plan

The Company maintains a 401(k) plan covering all eligible employees. Subject to certain dollar limits, eligible employees may contribute up to 15% of their pre-tax annual compensation to the plan. The Company may make discretionary contributions on an annual basis. During fiscal years 2005, 2004 and 2003, the Company made matching contributions of 25% of employee contributions up to 4% of their gross salaries. The Company's matching contributions were $315,000, $289,000 and $169,000 for the years ended December 30, 2005, December 31, 2004 and January 2, 2004, respectively.

13. Restructuring Costs

The Company recorded restructuring costs of $10.9 million and $5.6 million in fiscal years 2002 and 2001, respectively, for reductions in consultants and functional support personnel and for closure and consolidation of facilities and related exit costs. These actions were taken as a result of the continued decline in demand for technology services throughout 2001 and 2002. The Company took steps to reduce its costs to better align its overall cost structure and organization with anticipated demand for its services.

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Restructuring Costs (continued)

In 2004 and 2003, the Company recorded restructuring costs of $3.7 million and $4.9 million, respectively, to increase existing reserves to account for potentially higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease excess facilities. The 2004 and 2003 restructuring costs consisted of additions of $1.8 million and $3.1 million to the 2002 restructuring accrual and $1.9 million and $1.8 million to the 2001 restructuring accrual, respectively. Also in 2004, the 2002 restructuring accrual was reduced by $370 thousand relating to the final settlement of a lease obligation which was recorded as income from discontinued operations in the accompanying consolidated statement of operations for year ended December 31, 2004.

In 2005, the Company recorded restructuring costs of $2.9 million which related to $1.1 million for the consolidation of additional facilities and related exit costs not included in previously established reserves and $1.8 million for increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities, of which $1.1 million is specifically related to the increase of previously established reserves in order to reflect the negotiated buyout of our New York City lease obligation. As a result of the buyout, the Company was fully released from $20 million of future lease obligations, assigned two subleases to the lessor, wrote-off $1.4 million receivable from the lessor, and paid $3.1 million in cash to the lessor. The remaining $700 thousand related to increases in the reserves to account for higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected times estimates to sublease facilities based on current market conditions. The 2005 restructuring costs of $1.8 million related to previously established reserves consisted of additions of $1.2 million and $600 thousand to the 2002 and 2001 restructuring accruals, respectively.

The following table sets forth the detail and activity in the restructuring expense accruals during the years ended December 30, 2005, December 31, 2004 and January 2, 2004 (in thousands):

2001 Restructuring Accrual

	Severance and other employee costs	Closure and consolidation of facilities and related exit costs	Total
Accrual balance at December 29, 2000	$ —	$ —	$ —
Additions to accrual from continuing operations	3,694	6,141	9,835
Additions to accrual from discontinued operations	559	2,311	2,870
2004 asset write-offs	—	(1,205)	(1,205)
Expenditures:			
2001	(3,186)	(248)	(3,434)
2002	(1,067)	(1,965)	(3,032)
2003	—	(933)	(933)
2004	—	(839)	(839)
2005	—	(645)	(645)
Accrual balance at December 30, 2005	$ —	$ 2,617	$ 2,617

2002 Restructuring Accrual

	Severance and other employee costs	Closure and consolidation of facilities and related exit costs	Total
Accrual balance at December 28, 2001	$ —	$ —	$ —
Additions to accrual from continuing operations	1,528	15,217	16,745
Additions to accrual from discontinued operations	616	2,747	3,363
2002 asset write-offs	—	(5,217)	(5,217)
2005 write-off of lessor receivables	—	(1,374)	(1,374)

Expenditures:			
2002	(855)	(584)	(1,439)
2003	(1,289)	(2,198)	(3,487)
2004	—	(3,362)	(3,362)
2005	—	(4,078)	(4,078)
Accrual balance at December 30, 2005	$ —	$ 1,151	$ 1,151

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Restructuring Costs (continued)

2005 Restructuring Accrual

	Severance and other employee costs	Closure and consolidation of facilities and related exit costs	Total
Accrual balance at December 31, 2004	$ —	$ —	$ —
Additions to accrual from continuing operations	407	694	1,101
Expenditures:			
2005	(35)	—	(35)
Accrual balance at December 30, 2005	$ 372	$ 694	$1,066

14. Discontinued Operations

As a result of a decline in the demand for interactive marketing services, during 2002, the Company discontinued the interactive marketing business which was acquired in the merger with THINK New Ideas in 1999. In accordance with Financial Accounting Standards Board Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the results of the interactive marketing business have been reported as discontinued operations in the consolidated statements of operations and results for prior periods have been restated.

The following table sets forth revenues, pre-tax income (loss), income tax benefit and income (loss) from discontinued operations for the years ended December 30, 2005, December 31, 2004 and January 2, 2004 (in thousands):

	December 30, 2005	December 31, 2004	January 2, 2004
Revenues	$ —	$ —	$ —
Pre-tax income from discontinued operations	$ —	$ 370	$ —
Income taxes	$ —	$ —	$ —
Income from discontinued operations	$ —	$ 370	$ —

During 2004, the Company reduced the restructuring accrual by $370 thousand relating to the final settlement of a lease obligation resulting in income from discontinued operations.

15. Litigation

The Company is involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such matters will not have a material adverse effect on the Company's financial position, cash flows or results of operations.

16. Geographic and Service Group Information

Revenues are attributed to geographic areas as follows (in thousands):

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
Total Revenues			
Domestic	$ 152,421	$ 133,916	$ 128,085
Foreign	10,897	9,631	4,302
Total	$ 163,318	$ 143,547	$ 132,387

16. Geographic and Service Group Information (continued)

Long-lived assets are attributed to geographic areas as follows (in thousands):

	December 30, 2005	December 31, 2004	January 2, 2004
Long-Lived Assets			
Domestic	$ 43,112	$ 44,374	$ 38,551
Foreign	31,306	225	94
Total	$ 74,418	$ 44,599	$ 38,645

In 2005, foreign assets included $30.9 million of goodwill and intangible assets related to REL, a UK based company.

The Company's revenue is derived from the following service groups (in thousands):

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
The Hackett Group			
Benchmarking and Membership Advisory Programs	27,802	22,093	12,667
Business Transformation	42,309	30,861	22,159
Best Practices Solutions			
Business Applications	54,888	58,601	64,205
Business Intelligence	38,319	31,992	33,356
Total Revenues	$ 163,318	$ 143,547	$ 132,387

17. Related Party Transactions

During 2002, the Company and HCL Technologies Limited, an Indian information technology services and product engineering firm, formed HCL-Answerthink, Inc. to provide offshore custom application development and support services. The Company has a non-controlling equity interest of 50% in this joint venture. For the year ended December 30, 2005, December 31, 2004 and January 2, 2004, the Company's net equity income (loss) from the joint venture was ($36,000), $32,000 and $30,000, respectively. During 2004 and 2003, the Company sold services of $22,000 and $232,000 respectively, to the joint venture. The Company also incurred costs of $27,000 and $194,000 for consulting services provided by the joint venture to Answerthink in 2004 and 2003, respectively. In addition, the Company reduced general and administrative expenses by $11,000 and $14,000 for administrative services billed to the joint venture during 2005 and 2003, respectively. At December 30, 2005 and December 31, 2004, the Company had receivables of $11,000, and $1,000 respectively, due from the joint venture. At December 30, 2005, the Company had payables due to the joint venture of $47,000.

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ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Quarterly Financial Information (unaudited)

The following table presents unaudited supplemental quarterly financial information for the years ended December 30, 2005 and December 31, 2004 (in thousands, except per share data):

	Quarter Ended			
	April 1, 2005	July 1, 2005	September 30, 2005	December 30, 2005
Total revenues	$36,872	$41,700	$ 40,005	$ 44,741
Income (loss) from operations	(1,783)	1,024	1,947	(642)
Income (loss) before income taxes	(1,544)	1,329	2,281	(431)
Net income (loss)	$(1,430)	$ 1,234	$ 2,107	$ (270)
Basic and diluted net income (loss) per common share	$ (0.03)	$ 0.03	$ 0.05	$ (0.01)

	Quarter Ended			
	April 2, 2004	July 2, 2004	October 1, 2004	December 31, 2004
Total revenues	$35,089	$37,649	$ 37,131	$ 33,678
Income (loss) from operations	820	(1,871)	806	(751)
Income (loss) before income taxes and income from discontinued operations	1,010	(1,675)	950	(479)
Income (loss) from continuing operations	967	(1,579)	824	(730)
Income from discontinued operations	—	370	—	—
Net income (loss)	$ 967	$(1,209)	$ 824	$ (730)
Basic and diluted income (loss) per common share				
Income (loss) from continuing operations	$ 0.02	$ (0.04)	$ 0.02	$ (0.02)
Income from discontinued operations	$ —	$ 0.01	$ —	$ —
Net income (loss)	$ 0.02	$ (0.03)	$ 0.02	$ (0.02)

Quarterly basic and diluted net income or loss per common share were computed independently for each quarter and do not necessarily total to the year to date basic and diluted net income (loss) per common share.

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ANSWERTHINK, INC.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

YEARS ENDED DECEMBER 30, 2005, DECEMBER 31, 2004 AND JANUARY 2, 2004

(in thousands)

Allowance for Doubtful Accounts	Balance at Beginning of Year	Charge to Expense	Write-offs	Balance at Ending of Year
Year Ended December 30, 2005	$ 2,109	$ 797	$ (1,140)	$ 1,766
Year Ended December 31, 2004	$ 1,757	$ 1,060	$ (708)	$ 2,109
Year Ended January 2, 2004	$ 3,526	$ (235)	$ (1,534)	$ 1,757

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

On August 26, 2005, Answerthink, Inc. dismissed its then current independent registered certified public accounting firm, PricewaterhouseCoopers LLP ("PwC"). On August 31, 2005, the Company engaged BDO Seidman, LLP ("BDO") as the Company's independent registered certified public accounting firm to audit the Company's financial statements for its fiscal year ending December 30, 2005. The dismissal of PwC and the engagement of BDO were approved by the Audit Committee of the Board of Directors of the Company.

The reports of PwC on the consolidated financial statements of the Company for the fiscal years ended December 31, 2004 and January 2, 2004 did not contain any adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principle. During the fiscal years ended December 31, 2004 and January 2, 2004 and through August 26, 2005, there were no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to PwC's satisfaction, would have caused PwC to make reference thereto in connection with its reports on the financial statements of the Company for such years; and for the same periods there were no reportable events as described in Item 304 (a)(1)(v) of Regulation S-K.

Prior to the Company's engagement of BDO, the Company did not consult with BDO regarding: (i) the application of accounting principles to a specified transaction, either completed or proposed, (ii) the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report was provided to the Company nor oral advice was provided that BDO concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (iii) any other matters or reportable events described in Item 304(a)(2)(ii) of Regulation S-K.

ITEM 9A. CONTROL AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission, excluding the internal control over financial reporting of REL Consultancy Group Limited, which was acquired on November 29, 2005, and whose financial statements reflect total assets and total revenues constituting 29.1% and 1.5%, respectively, of related consolidated financial statement amounts as of and for the year ended December 30, 2005. Based on our evaluation under the framework in "Internal Control – Integrated Framework," our management concluded that our internal control over financial reporting was effective as of the end of the period covered by this annual report.

Our management's assessment of the effectiveness of our internal control over financial reporting as of the end of the period covered by this annual report, has been audited by BDO Seidman, LLP, an independent registered certified public accounting firm, as stated in their report which is included herein.

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Report of Independent Registered Certified Public Accounting Firm on Internal Control over Financial Reporting

Board of Directors and Shareholders
Answerthink, Inc.
Miami, Florida

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Answerthink, Inc. maintained effective internal control over financial reporting as of December 30, 2005, based on criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Answerthink, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of REL Consultancy Group Limited ("REL"), which is included in the 2005 consolidated financial statements of Answerthink, Inc. and constituted approximately 29.1% of consolidated total assets and 1.5% of consolidated total revenues as of and for the year December 30, 2005. Management did not assess the effectiveness of internal control over financial reporting at REL because the Company acquired this entity during 2005. Refer to Note 2 to the consolidated financial statements for further discussion of this acquisition and its impact on the Company's consolidated financial statements. Our audit of internal control over financial reporting of Answerthink, Inc. also did not include an evaluation of the internal control over financial reporting of REL.

In our opinion, management's assessment that Answerthink, Inc. maintained effective internal control over financial reporting as of December 30, 2005, is fairly stated, in all material respects, based on the criteria established in "Internal Control - Integrated Framework" issued by COSO. Also in our opinion, Answerthink, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 30, 2005, based on the criteria established in "Internal Control - Integrated Framework" issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Answerthink, Inc. as of December 30, 2005, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss) and cash flows for the year ended December 30, 2005 and our report dated March 14, 2006 expressed an unqualified opinion.

/s/ BDO Seidman, LLP
Miami, Florida
March 14, 2006

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Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2006 proxy statement for the 2006 Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2006 proxy statement for the 2006 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2006 proxy statement for the 2006 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2006 proxy statement for the 2006 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information appearing under the caption "Fees Paid to Independent Accountants" in the 2006 Proxy Statement is hereby incorporated by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this Form:

1. Financial Statements

The Consolidated Financial Statements filed as part of this report are listed and indexed on page 26. Schedules other than those listed in the index have been omitted because they are not applicable or the required information has been included elsewhere in this report.

2. Financial Statement Schedules

Schedule II — Valuation and Qualifying Accounts and Reserves are included in this report. Schedules other than those listed in the index have been omitted because they are inapplicable or the information required to be set forth therein is contained, or incorporated by reference, in the Consolidated Financial Statements of Answerthink or notes thereto.

3. Exhibits: See Index to Exhibits on page 56

The Exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on the 16th day of March, 2006.

ANSWERTHINK, INC.

By: /s/ Ted A. Fernandez
Ted A. Fernandez
Chief Executive Officer and Chairman

Pursuant to the requirements of the Securities Act of 1934, this Form 10-K has been signed by the following persons in the capacities and on the date indicated.

Signatures	Title	Date
/s/ Ted A. Fernandez Ted A. Fernandez	Chief Executive Officer and Chairman (Principal Executive Officer)	March 16, 2006
/s/ Grant M. Fitzwilliam Grant M. Fitzwilliam	Executive Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2006
/s/ Allan R. Frank Allan R. Frank	President and Director	March 16, 2006
/s/ David N. Dungan David N. Dungan	Chief Operating Officer and Director	March 16, 2006
/s/ Richard Hamlin Richard Hamlin	Director	March 16, 2006
/s/ John R. Harris John R. Harris	Director	March 16, 2006
/s/ Edwin A. Huston Edwin A. Huston	Director	March 16, 2006
/s/ Alan T. G. Wix Alan T. G. Wix	Director	March 16, 2006

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INDEX TO EXHIBITS

Exhibit No.	Exhibit Description
3.1++++	Second Amended and Restated Articles of Incorporation of the Registrant, as amended
3.2++++	Amended and Restated Bylaws of the Registrant, as amended
9.1+	Shareholders Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, the Miller Group, Messrs. Fernandez, Frank, Knotts and Miller and certain other shareholders of the Registrant parties thereto
9.2+	Amendment No. 1 to Shareholders Agreement dated February 24, 1998
9.3+	Letter Agreement dated as of March 15, 1998 to amend Shareholders Agreement
9.4+	Form of Restricted Securities Agreement dated April 23, 1997 among the Initial Investors and each of Messrs. Fernandez, Frank, Knotts and Miller
10.1+	Purchase Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, Gator and Tara
10.2+	Series A Preferred Stock Purchase Agreement dated February 24, 1998 among the Registrant, GTCR V, GTCR Associates and Miller Capital
10.3+	Stock Purchase Agreement dated March 5, 1998 between the Registrant and FSC
10.4+	Second Amended and Restated Registration Rights Agreement dated as of May 5, 1998 among the Registrant, GTCR V, MG, GTCR Associates, Miller Capital, FSC, Messrs. Fernandez, Frank, Knotts and Miller and certain other shareholders of the Registrant named therein
10.5+	Second Amended and Restated Registration Rights Agreement dated as of May 5, 1998 among the Registrant and the eight former shareholders of RTI
10.6*+	Registrant's 1998 Stock Option and Incentive Plan
10.7*+++++	Amendment to Registrant's 1998 Stock Option and Incentive Plan
10.8*+	Form of Senior Management Agreement dated April 23, 1997 between the Registrant and each of Messrs. Fernandez, Frank and Knotts
10.9*++++	Senior Management Agreement dated July 11, 1997 between Registrant and Mr. Dungan
10.10*+++++	Form of Employment Agreement entered into between the Registrant and Mr. Dungan
10.11*+	Form of Employment Agreement entered into between the Registrant and each of Messrs. Fernandez, Frank and Knotts
10.12+	Amendment No. 2 dated as of May 5, 1998 to Purchase Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, Gator and Tara
10.13+	Amendment No. 2 dated as of May 5, 1998 to Stock Purchase Agreement dated March 5, 1998 between the Registrant and FSC
10.14*+	Amendment to Certain Senior Management Agreements dated March 27, 1998 among the Company, the Board of Directors and each of Messrs. Fernandez, Frank, Knotts and Dungan
10.15*+	Second Amendment to Certain Senior Management Agreements dated May 26, 1998 among the Company, the Board of Directors and each of Messrs. Fernandez, Frank, Knotts and Dungan
10.16*++	AnswerThink Consulting Group, Inc. Employee Stock Purchase Plan
10.17*+++++	Amendment to Registrant's Employee Stock Purchase Plan dated February 16, 2001
10.18*+++	Employment Agreement dated March 23, 1999 between the Registrant and Mr. Brennan
10.19*+++	Restricted Stock Agreement dated July 31, 1997 between the Registrant and Mr. Brennan

10.20*+++	Amendment to Restricted Stock Agreement dated March 27, 1998 between the Registrant and Mr. Brennan
10.21*+++	Form of Senior Management Agreement dated July 31, 1997 between the Registrant and Mr. Brennan
10.22++++++	Securities Purchase Agreement by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc.
10.23++++++	Registration Rights Agreement dated as of March 3, 1999 by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc.
10.24+++++++	Joint Marketing and Alliance Agreement, dated October 7, 2003, by and among Answerthink, Inc., The Hackett Group, Inc. and Accenture, L.L.P.
10.25*+++++++	Amendment to Executive Agreement between Answerthink, Inc. and Ted A. Fernandez
10.26*+++++++	Amendment to Executive Agreement between Answerthink, Inc. and David N. Dungan
10.27*+++++++	Amendment to Executive Agreement between Answerthink, Inc. and Allan R. Frank
10.28*+++++++	Amendment to Executive Agreement between Answerthink, Inc. and John F. Brennan
10.29+++++++	Lawson Software & The Hackett Group Advisory Alliance Agreement dated May 9, 2005

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10.30*+++++++++	Amendment dated June 10th, 2005 to Executive Agreement between Answerthink, Inc. and Ted A. Fernandez
10.31*++++++++++	Employment Agreement dated November 9, 2005 between the Registrant and Grant M. Fitzwilliam
10.32^	Amendment Number 2 to the Answerthink, Inc. Employee Stock Purchase Plan (as amended on February 16, 2001).
10.33+++++++++++	Share Purchase Agreement dated November 29, 2005 between The Hackett Group Limited, Answerthink, Inc. and the Sellers of REL Consultancy Group Limited
21.1^	Subsidiaries of the Registrant
23.1^	Consent of BDO Seidman, LLP
23.2^	Consent of PricewaterhouseCoopers LLP
31.1^	Certification by CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2^	Certification by CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32^	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*	Management agreement or compensatory plan or arrangement
^	Exhibits filed herewith.
+	Incorporated herein by reference to the Company's Registration Statement on Form S-1 (333-48123).
++	Incorporated herein by reference to the Company's Registration Statement on Form S-8 (333-69951).
+++	Incorporated herein by reference to the Company's Form 10-K for the year ended January 1, 1999.
++++	Incorporated herein by reference to the Company's Form 10-K for the year ended December 29, 2000.
+++++	Incorporated herein by reference to the Company's Form 10-K for the year ended December 28, 2001.
++++++	Incorporated herein by reference to THINK New Ideas, Inc.'s Form 8-K dated March 12, 1999.
+++++++	Incorporated herein by reference to the Company's Form 8-K dated October 14, 2003.
++++++++	Incorporated herein by reference to the Company's Form 10-Q dated November 10, 2004.
+++++++++	Incorporated herein by reference to the Company's Form 8-K dated May 13, 2005.
++++++++++	Incorporated herein by reference to the Company's Form 8-K dated June 16, 2005.
+++++++++++	Incorporated herein by reference to the Company's Form 10-Q dated November 9, 2005.
++++++++++++	Incorporated herein by reference to the Company's Form 8-K dated December 1, 2005.

EXHIBIT 11

10-K 1 d16565.htm

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____
COMMISSION FILE NUMBER 0-24343

Answerthink, Inc.

(Exact name of registrant as specified in its charter)

FLORIDA *(State or other jurisdiction of incorporation or organization)*	**65-0750100** *(I.R.S. Employer Identification Number)*
1001 Brickell Bay Drive, Suite 3000 Miami, Florida *(Address of principal executive offices)*	**33131** *(Zip Code)*

(305) 375-8005

(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.001 per share

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2 of the Securities Exchange Act of 1934). YES [X] NO [ ]

The aggregate market value of the common stock held by non-affiliates of the registrant was $271,840,816 on July 2, 2004 based on the last reported sale price of the registrant's common stock on the Nasdaq National Market.

The number of shares of the registrant's common stock outstanding on March 4, 2005 was 43,451,221.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of the Form 10-K incorporates by reference certain portions of the registrant's proxy statement for its 2005 Annual Meeting of

Stockholders to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this report.

ANSWERTHINK, INC.
FORM 10-K

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and the information incorporated by reference in it include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and forecasted demographic and economic trends relating to our industry are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect," or "intend" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Factors that impact such forward looking statements include, among others, our ability to attract additional business, the timing of projects and the potential for contract cancellation by our customers, changes in expectations regarding the business and information technology advisory and consulting industries, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable, risks of competition, price and margin trends, and changes in general economic conditions and interest rates.

An additional description of our risk factors is described in Part 1—Item 1 "Business—Risk Factors." We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS

GENERAL

Answerthink, Inc. is a strategic business advisory and technology consulting firm that provides services designed to enable companies to achieve world-class business performance. By leveraging the comprehensive database of The Hackett Group, the world's leading repository of enterprise best practice metrics and business process knowledge, our business and technology solutions help clients improve performance and maximize returns on technology investments. Our capabilities include benchmarking, business advisory, business transformation, business applications, business intelligence, and offshore application development and support.

In this Form 10-K, unless the context otherwise requires, "Answerthink," the "Company," "we," "us," and "our" refer to Answerthink, Inc. and its subsidiaries and predecessors.

INDUSTRY BACKGROUND

The economy showed modest growth in 2004 as interest rates and inflation continued to remain low and employment rates increased. Business and technology consultancies had modest increases in business activity that followed the growth rate of the economy. There was some disruption of client IT integration projects in the latter part of 2004 as a result of the need to freeze control environments through the end of fiscal reporting periods in order to support Sarbanes-Oxley compliance. We feel that this demand disruption in the IT implementation marketplace will continue until Sarbanes-Oxley adoption efforts are substantially completed. Companies continue to place heavy emphasis on risk management and tangible return on their business and technology investments. As the economy continues to grow, we believe large enterprises will continue to focus their business consulting and IT spending on strategies and tools that help them generate more value from past investments in the form of enhanced productivity and efficiency. Specifically, we still believe they will be looking to derive maximum value from their existing enterprise applications. We believe enabling technologies will continue to be used to complement and extend the capabilities of enterprise and key functional systems. For example, Business Process Management (BPM) tools will give companies increased visibility into key business processes that reach across functional and organizational boundaries. Not only may BPM help reduce error rates and cycle times by automating workflow, it may also increase the efficiency and productivity of all the people and systems that collaborate on individual processes.

We believe there will still be market opportunities around the need for better real-time performance measurement and strategic decision-making. Many companies seek to link optimized processes directly to technology and consolidate the gains of their business process re-engineering efforts. Enterprise applications and BPM software will continue to play a key role. We expect companies to continue to embed optimized processes directly into Enterprise Resource Planning (ERP) systems, and use BPM and other enabling technologies to improve

ongoing management and control, so they can ensure that streamlined or re-engineered processes continue to deliver cost and performance improvements in the future. Business intelligence, analytics and knowledge management applications are expected to also play an increasingly significant role as companies seek to generate more valuable insight and analysis from their operational and financial data. We believe that these enabling technologies will produce real-time enterprises, capable of nearly instantaneous views of current performance and more accurate and efficient planning, forecasting and reporting.

OUR APPROACH

We provide services designed to enable companies to achieve world-class business performance by combining intellectual capital from The Hackett Group, with its extensive database of business process best practices and performance measurement results, and our proprietary Best Practice Implementation (BPI) approach. Our BPI approach leverages our knowledge of world-class best practices gathered through Hackett benchmarks and incorporates that detail throughout a tool set to ensure that best practices are identified and implemented throughout a project. This coordinated approach addresses people, process, information and technology. Hackett services help clients understand how well they are performing today compared with the world's most effective companies. Its specialists have the skills and experience to implement solutions, based on client performance measurement results, to drive them toward world-class performance. Hackett provides deep insight into how top-performing companies operate, and applies those best practices to generate cost and performance gains for clients. Answerthink uses Hackett intellectual capital in the form of best practice process flows and configuration guides to integrate Hackett's empirically proven best practices directly into business processes and workflow and functionality that is enabled by enterprise applications.

Because our solutions are based on Hackett-certified best practices, clients gain a significant advantage. They can have confidence that their solutions are based on strategies from the world's leading companies. This clearly defined path to world-class performance delivers enhanced efficiency, improved effectiveness, increased flexibility, optimized return on investment and reduced implementation risk.

The BPI approach often begins with a clear understanding of current performance, which is gained through measuring key processes and comparing the results to world-class levels and industry standards captured in the Hackett database. We then help clients prioritize and select the appropriate best practices to implement through a coordinated performance improvement strategy. Without a coordinated strategy that addresses the four key business drivers of people, process, technology and information, companies risk losing a significant portion of business case benefits. We have designed detailed best practice process flows based on Hackett's deep knowledge of world-class business performance which enable clients to streamline and automate key processes, and generate performance improvements quickly and efficiently at both the functional and enterprise level.

Similarly, we integrate Hackett Best Practices directly into technology solutions. It is imperative to simplify and automate processes to meet best practice standards before new technology implementations and upgrades are completed. The automation of inefficient processes only serves to continue to drive up costs, cycle times and error rates. We have completed detailed fit-gap analyses, in most functional areas of major business application packages from Lawson, Oracle, Hyperion, PeopleSoft and SAP to determine their ability to support best practices. Application-specific tools, implementation guides and process flows allow us to optimize the configuration of ERP software, while limiting customization. Best practice implementations establish the foundation for improved performance. Building on that foundation, a new breed of enabling technologies complement enterprise systems to drive further performance gains. These technologies, which include business process management software, portals, business intelligence and analytics, and knowledge management, enhance real-time business process management, visibility and decision-making.

The combination of optimized processes, a best practices-based business application environment and the right enabling technologies allows our clients to achieve and sustain significant business performance improvement.

COMPETITION

The strategic business advisory and technology consulting marketplace continues to be extremely competitive. The marketplace will remain competitive as the economy grows and companies begin to spend more on improving their business models and IT infrastructure. Our competitors include international, national and regional strategic consulting and technology implementation firms, and the IT services divisions of application software firms. Mergers, consolidation and bankruptcies throughout our industry have resulted in higher levels of competition. There is great pressure to complete projects quickly, control costs and maintain efficient operations.

Still, we believe our competitive position is strong. With Hackett intellectual capital and its direct link to our BPI approach, we believe we can assist clients better than our competitors. Our ability to apply best practices to client operations via proven techniques further strengthens our competitive standing.

Our culture of collaboration leverages the power of our cross-functional and service line teams to increase revenue and strengthen relationships. We believe that this culture, along with our multidisciplinary approach, allows us to compete favorably.

STRATEGY

Moving forward, our focus is on executing the following strategies:

- ***Continue to rapidly grow The Hackett Group with new and renewable multi-year offerings.*** Our benchmarking offerings help companies identify and quantify opportunities for operational improvements and efficiently measure and track the degree of improvement against specific internal and peer performance targets over multi-year periods. Our business advisory services target executives seeking guidance and proven strategies on operational and strategic issues. During 2004 we experienced strong growth in our Hackett benchmarking and subscription based advisory programs. We continue to develop subscription advisory products that will allow clients to efficiently realize the benefits identified in the Hackett benchmarking services. As subscription sales continue to grow an increasing number of sales will involve multi-year commitments which will improve the predictability of our results.

- ***Continue to expand our Best Practices Implementation tools.*** BPI incorporates intellectual capital from The Hackett Group into our implementation tools and techniques. For clients, the end results are tangible cost and performance gains and the improved return on investment. Our clients attribute their decision to use us to our Best Practice Implementation (BPI) approach and tools. Our objective is to help clients make smarter business process and software configuration decisions as a result of our Best Practice Implementation methods and knowledge. The recent launch of version two of our BPI tools resulted in an expanded best practice repository along with key revisions in business process areas that have been impacted by emerging information technologies. We expect this new and expanded version of our tools and methods to further differentiate our ability to serve our clients. We will continue to train associates in all of our

practices about BPI so they are equipped with the knowledge and tools necessary to share our vision with existing and prospective clients.

- ***Continue to leverage our unique best practice knowledge through select strategic alliances.*** Because of our understanding of how to optimize processes and software configuration with proven best practices, a relationship with a larger provider of comprehensive business and IT services represents a logical opportunity to expand our client base. Our strategic relationship with Accenture, L.L.P., a leading provider of consulting services, gives them the exclusive right to collaborate with Answerthink and The Hackett Group in offering best practices benchmarking services and our BPI tools in designated functional areas, including finance, accounting, performance management, business intelligence and procurement. In situations where Accenture uses our intellectual capital, we have an opportunity to staff up to 15% of the project positions of each engagement jointly pursued. If we are the lead source on jointly pursued opportunities with Accenture, then we will have the opportunity to staff up to 25% of the positions. Our strategy is to execute on this current alliance and expand to other functional areas as well as geographic locations outside of North America. In addition, we continue to build upon joint marketing initiatives with Oracle, SAP, Lawson, and Hyperion and other strategic business and IT providers.

- ***Seek out strategic acquisitions.*** We will continue to pursue strategic acquisitions that strengthen our ability to compete. We believe that our unique Hackett access and our BPI approach coupled with our strong balance sheet and infrastructure can be utilized to support a larger organization. Acquisitions must be accretive or have strong growth prospects, but most importantly, have strong synergy with our best practice intellectual capital focus.

- ***Expand our dual shore capabilities.*** Developing an offshore resource capability to support all of our offerings has been a key strategy for our organization. In late 2004, we opened our new facility in Hyderabad, India which will allow us to more aggressively market this capability in our proposals in 2005. With this improved infrastructure in place, we are expecting our headcount and utilization of India resources to expand in 2005.

OUR SOLUTION

We offer a comprehensive range of services, including benchmarking, business advisory programs and business transformation, enterprise business applications implementation, business intelligence and offshore application development support. With strategic and functional knowledge in finance, human resources, information technology, procurement supply chain management, customer service and sales and marketing, our expertise extends across the enterprise. We have completed successful engagements in a variety of industries, including automotive, consumer goods, financial services, technology, life sciences, manufacturing, media and entertainment, retail, telecommunications, transportation and utilities.

The Hackett Group

- **Benchmarking & Executive Advisory Programs**

Since Hackett's inception in 1991, The Hackett Group has measured and evaluated the efficiency and effectiveness of enterprise functions at nearly 2000 global organizations. This includes 93 percent of the Dow Jones Industrials, 80 percent of the Fortune 100, and 90 percent of the Dow Jones Global Titans Index. Ongoing studies are conducted in a wide range of areas, including finance, human resources, information technology, procurement, SG&A and shared service centers. Hackett has identified nearly 1,300 best practices for approximately 100 processes in these key functional areas. Hackett uses proprietary performance measurement tools and data collection process that enables companies to complete the performance measurement cycle and identify and quantify improvement opportunities in as little as four weeks. Additionally, Hackett offers a full range of services to executives such as advisory inquiries, peer interaction, and access to an online repository of best practices data. Topics range from finance and accounting and ERP optimization to planning and performance management and outsourcing considerations.

- **Business Transformation**

Our Business Transformation programs help clients develop a coordinated strategy for achieving performance improvements across the enterprise. Our experienced teams use Hackett performance measurement data to link performance gains to industry best practices. Our strategic capabilities include operational planning, process and organization design, change management and the effective application of technology. We combine best practices knowledge with business expertise and broad technology capabilities, which we believe enables our programs to optimize return on client investments in people, processes, technology and information.

Best Practices Solutions

- **Business Applications**

Our Business Applications professionals help clients choose and deploy the software applications that best meet their needs and objectives. Our expertise is focused on the following application providers: Lawson, Oracle, PeopleSoft, SAP, and several leading time and attendance providers. The group offers comprehensive services from planning, architecture, and vendor evaluation and selection through implementation, customization, testing and integration. Comprehensive fit-gap analyses of all major packages against Hackett Best Practices are utilized by our Business Applications teams. BPI tools and templates help integrate best practices into business applications. The group also offers post-implementation support, change management, system documentation and end-user training, all of which are designed to enhance return on investment. We also provide offshore application development and support services. These services include post-implementation support for select business application platforms. Our Business Applications group also includes a division responsible for the sale and maintenance support of the SAP suite of enterprise resource planning applications.

- **Business Intelligence**

Based on our extensive best practices knowledge, our Business Intelligence group designs, develops and implements IT solutions for more effective enterprise performance management (EPM) and business intelligence (BI). Our BI experts know how to apply and implement custom or packaged analytical applications such as Hyperion and Cognos to increase process transparency, exception management, and create continuous improvement environments. Similarly, our BI services are designed to increase visibility into current performance, improve access to key financial and operational data, and enhance strategic decision making. The group offers strategy and management services, including operational diagnostics and planning and enterprise architecture. Further, we assist

clients in improving business performance by rationalizing IT infrastructures, and selecting the right enabling technologies, such as Web services, portals and BPM software, to complement enterprise systems and facilitate information sharing and process integration inside and outside the enterprise.

CLIENTS

We focus on long-term client relationships with Global 2000 firms and other sophisticated strategic buyers of business and IT consulting. During 2004, our ten most significant clients accounted for approximately 28% of revenues. No clients generated more than 10% of total revenues.

We believe that we have achieved a high level of satisfaction across our client base in 2004. The responses to the surveys we send to clients continue to be extremely positive. During 2004, we received surveys from a significant number of our engagements with an average score of 4.6 on a 5.0 scale. The direct feedback and suggestions we receive on surveys are captured and used to continuously improve our delivery execution, sales processes, methodologies and training.

BUSINESS DEVELOPMENT AND MARKETING AND MARKET SEGMENTATION

Our extensive client base and relationships with Global 2000 firms remain our most significant sources of new business. Our revenue generation strategy is formulated to ensure we are addressing multiple facets of business development. The categories below define our business development resources and market segmentation. Our primary goal in 2005 is to continue to increase awareness of our brand that we have created around Hackett and BPI. Our Hackett and BPI message will remain the central focus of our marketing and communications programs this year as we drive both an understanding of and demand for this approach. Similarly, we have realigned our sales force so it can market business transformation programs along with our benchmarking and executive advisory programs. We continue to maintain compensation programs that reward the linkage between sales of benchmarking and business advisory programs provided by The Hackett Group and best practices solutions provided by our Business Applications and Business Intelligence groups.

BUSINESS DEVELOPMENT RESOURCES

Although virtually all of our consultants have the ability to and are expected to contribute to new revenue opportunities, our primary internal business development resources are comprised of the following:

- The Leadership Team

- The Sales Organization
- The Solution Strategist Network
- Lead Generation Specialists
- The Delivery Organization

The Leadership Team is comprised of our senior leaders who have a combination of executive, functional, practice and anchor account responsibilities. In addition to their management responsibilities, this group of associates is responsible for growing business by fostering executive level relationships within accounts and leveraging their existing contacts in the marketplace.

The Sales Organization is comprised of associates who are 100% dedicated to generating sales. They are deployed geographically in key markets and are primarily focused on developing new relationships within their target accounts. Each sales associate has between two and ten target accounts split between existing clients and select Global 2000 prospects. They represent our entire offering. They also handle geographic-related opportunities as they arise.

The Solution Strategist Network is comprised of associates throughout our various practices who are primarily dedicated to developing new business. Solution strategists possess deep subject matter expertise within a specific discipline and receive incentive compensation on the amount of revenue they generate in addition to other criteria. Solution strategists sell new business in geographic accounts and collaborate with the sales organization on specific account opportunities to provide content expertise.

Lead Generation Specialists are comprised of trained groups of lead development specialists who are conversant with its various solution areas. Lead generation is coordinated with our marketing and sales groups to ensure that our inbound and outbound efforts are synchronized with targeted marketing and sales programs.

The Delivery Organization is comprised of our billable associates who work at client locations. We encourage associates to pursue additional business development opportunities through their normal course of delivering existing projects and help us expand our business within existing accounts.

In addition to our business development team, we have a corporate marketing and communications organization responsible for overseeing our marketing programs, public relations and employee communications activities.

We have segmented our market focus into the following categories:

- Top 25 Accounts
- Target Accounts
- Geographic Focus Accounts
- Strategic Alliance Accounts

Top 25 Accounts are a mix of our largest existing clients and our most strategic prospects. To facilitate proper account management, each top 25 account has a leadership team member assigned to perform the role of client executive, an associate from the sales, solution strategist or delivery organizations to perform the role of account manager, and an associate from the delivery organizations to perform the role of delivery leader.

Target Accounts are comprised of prospects and clients who are geographically situated where a sales representative resides. Criteria for inclusion as a target account includes the size of the company, industry affiliation, propensity to buy external consulting services and contacts within the account. The sales representative is primarily responsible for identifying business opportunities in the account, acting

as the single point of coordination for the client, and performing the general duties of account manager.

Geographic Focus Accounts are accounts within a specified geographic location that fall neither within the top 25 or target account lists. These accounts can include large prospects, dormant clients, existing medium-sized clients and mid-tier market accounts. This account set is handled primarily on an opportunistic basis, except for active clients where delivery teams are focused on driving additional revenue.

Strategic Alliance Accounts are accounts that allow us to partner with organizations with greater scale or different skill sets or with software developers so that all parties can jointly market their products and services to prospective clients. An example of this type of alliance is the agreement with Accenture that was signed in late 2003. This agreement gives Accenture the exclusive right to collaborate with us in offering its clients our best practice benchmarking programs and best practices solutions in designated functional areas, including finance, accounting, performance management, business intelligence and procurement. Under the agreement, we have the ability to expand into additional enterprise functional areas and geographic locations. The agreement gives us access to Accenture's global client base and sales distribution channel. By working with more clients, The Hackett Group will be able to broaden the base of critical metrics and best practices, thereby creating even richer benchmark data to help companies achieve world-class performance. Our alliance allows us to staff a portion of the consulting positions for each engagement that is jointly closed with Accenture. We continue to seek alliances that broaden our distribution channel.

MANAGEMENT SYSTEMS

Our management control systems are comprised of various accounting, billing, financial reporting, human resources, marketing and resource allocations systems, many of which are integrated with our knowledge management system, Mind~Share. We continuously work to improve Mind~Share, as well as our infrastructure and management control systems, which we believe represents a competitive advantage for us. We believe that Mind~Share significantly enhances our ability to serve our clients efficiently by allowing our knowledge base to be shared by all of our consultants worldwide on a real-time basis. Our well-developed, flexible, scalable infrastructure has allowed us to quickly integrate the new employees and systems of businesses we have acquired.

HUMAN RESOURCES

We believe that our culture fosters intellectual rigor and creativity, collaboration and innovation. We believe in building relationships with both our associates and clients. We believe the best solutions come from teams of diverse individuals addressing problems collectively and from multiple dimensions, including the business, technological and human dimensions. We believe that the most effective working environment is one where everyone is encouraged to contribute and is rewarded for that contribution.

Our core values are the strongest expression of our working style. They are what we stand for. These core values are:

- Development of our associates our unique content business model and knowledge base creates a highly unique learning opportunity
- Diversity of backgrounds, skills and experiences
- Knowledge capture, contribution and utilization
- Collaboration with one another, with our partners and with our clients

Our human resources staff includes dedicated resources to recruit consultants with both business and technology expertise. Our recruiting team drives our hiring process by focusing on the highest demand solution areas of our business to ensure an adequate pipeline of resources. Our human resources staff also includes seasoned professionals that support our practices by, among other things, administering our benefit programs and facilitating the hiring process. We also have an employee referral program, which rewards existing employees who source new hires.

The benefits package that we provide includes comprehensive health and welfare insurance, work/life balance programs and a 401(k) program including a company match for associates below the level of senior director. Our associates are paid competitive salaries and incentive pay. Incentive pay for delivery resources is based on an individual's contribution to the projects on which he or she is staffed. Incentive pay for sales associates is based on achievement of sales quotas. Incentive pay for management is based on company performance, sales contributions, client management and practice management.

As of December 31, 2004, we had approximately 720 associates, approximately 80% of whom were billable professionals. None of our associates are subject to collective bargaining arrangements. We have entered into nondisclosure and non-solicitation agreements with virtually all of our personnel. We engage consultants as independent contractors from time to time.

COMMUNITY INVOLVEMENT

One important way we put our values into action is through our commitment to the communities where we work. The mission of our Community Council, which operates in each of the cities where we have offices, is to strive to leave the markets, communities and clients we serve better than we found them. We do it by building a strong sense of community, collaboration and personal interaction among all of our associates, through both volunteer and service programs and social gatherings. Our associates are actively involved in many valuable and high-impact community programs, including United Way, Ronald McDonald House, Big Brothers & Sisters, Race for the Cure, Make-A-Wish Foundation, Habitat for Humanity, the National Adoption Center, the National Heart Association and Special Olympics.

AVAILABLE INFORMATION

We make our public filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all exhibits and amendments to these reports, available free of charge at our web site http://www.answerthink.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Any material that we file with the Securities and Exchange Commission may be read and copied at the Securities and Exchange Commission's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549 [or at www.sec.gov]. Information on the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330.

Also available on our web site, free of charge, are copies of our Code of Conduct and Ethics, and the charter for our audit committee of our Board of Directors. We intend to disclose any amendment to, or waiver from, a provision of our Code of Conduct and Ethics on our web site within five business days following the date of the amendment or waiver.

RISK FACTORS

The following important factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K or printed elsewhere by management from time to time.

Our quarterly operating results may vary.

Our financial results may fluctuate from quarter to quarter. In future quarters, our operating results may not meet public market analysts' and investors' expectations. If that happens, the price of our common stock may fall. Many factors can cause these fluctuations, including:

- the number, size, timing and scope of client engagements;
- customer concentration;
- long and unpredictable sales cycles;
- contract terms of client engagements;
- degrees of completion of client engagements;
- client engagement delays or cancellations;
- competition for and utilization of employees;
- how well we estimate the resources and effort we need to complete client engagements;
- the integration of acquired businesses;
- pricing changes in the industry;

- economic conditions specific to business and information technology consulting; and
- general economic conditions.

A high percentage of our operating expenses, particularly personnel and rent, are fixed in advance of any particular quarter. As a result, if we experience unanticipated changes in client engagements or in employee utilization rates, we could experience large variations in quarterly operating results and losses in any particular quarter. Due to these factors, we believe you should not compare our quarter-to-quarter operating results to predict future performance.

If we are unable to maintain our reputation and expand our name recognition, we may have difficulty attracting new business and retaining current clients and employees.

We believe that establishing and maintaining a good reputation and name recognition are critical for attracting and retaining clients and employees. We also believe that the importance of reputation and name recognition is increasing and will continue to increase due to the number of providers of business consulting and IT services. If our reputation is damaged or if potential clients are not familiar with us or with the solutions we provide, we may be unable to attract new, or retain existing, clients and employees. Promotion and enhancement of our name will depend largely on our success in continuing to provide effective solutions. If clients do not perceive our solutions to be effective or of high quality, our brand name and reputation will suffer. In addition, if solutions we provide have defects, critical business functions of our clients may fail, and we could suffer adverse publicity as well as economic liability.

We depend heavily on a limited number of clients.

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of clients for which we perform large projects. In 2004, our ten largest clients accounted for approximately 28% of our revenues in the aggregate. In addition, revenues from a large client may constitute a significant portion of our total revenues in a particular quarter. The loss of any principal client for any reason, including as a result of the acquisition of that client by another entity, our failure to meet that client's expectations, or that client's decision to reduce spending on technology-related projects, could have a material adverse effect on our business, financial condition and results of operations.

We have risks associated with potential acquisitions or investments.

Since we were founded, we have significantly expanded through acquisitions. In the future, we plan to pursue additional acquisitions as opportunities arise. We may not be able to integrate successfully businesses which we may

acquire in the future without substantial expense, delays or other operational or financial problems. We may not be able to identify, acquire or profitably manage additional businesses. Also, acquisitions may involve a number of risks, including:

- diversion of management's attention;
- failure to retain key personnel;
- failure to retain existing clients;
- unanticipated events or circumstances;
- unknown claims or liabilities; and
- amortization of certain acquired intangible assets.

We cannot assure you that client satisfaction or performance problems at a single acquired firm will not have a material adverse impact on

our reputation as a whole. Further, we cannot assure you that our recent or future acquired businesses will generate anticipated revenues or earnings.

Difficulties in integrating businesses we may acquire in the future may demand time and attention from our senior management.

Integrating businesses we may acquire in the future may involve unanticipated delays, costs and/or other operational and financial problems. In integrating acquired businesses, we may not achieve expected economies of scale or profitability or realize sufficient revenues to justify our investment. If we encounter unexpected problems at one of the acquired businesses as we try to integrate it into our business, our management may be required to expend time and attention to address the problems, which would divert their time and attention from other aspects of our business.

Our markets are highly competitive.

We may not be able to compete effectively with current or future competitors. The business consulting and IT services market is highly competitive. We expect competition to further intensify as these markets continue to evolve. Some of our competitors have longer operating histories, larger client bases, longer relationships with their clients, greater brand or name recognition and significantly greater financial, technical and marketing resources than we do. As a result, our competitors may be in a stronger position to respond more quickly to new or emerging technologies and changes in client requirements and to devote greater resources than we can to the development, promotion and sale of their services. Competitors could lower their prices, potentially forcing us to lower our prices and suffer reduced operating margins. We face competition from international accounting firms; international, national and regional strategic consulting and systems implementation firms; and the IT services divisions of application software firms.

In addition, there are relatively low barriers to entry into the business consulting and IT services market. We do not own any patented technology that would stop competitors from entering this market and providing services similar to ours. As a result, the emergence of new competitors may pose a threat to our business. Existing or future competitors may develop and offer services that are superior to, or have greater market acceptance, than ours, which could significantly decrease our revenues and the value of your investment.

We may not be able to hire, train, motivate, retain and manage professional staff.

To succeed, we must hire, train, motivate, retain and manage highly skilled employees. Competition for skilled employees who can perform the services we offer is intense. We might not be able to hire enough of them or to train, motivate, retain and manage the employees we hire. This could hinder our ability to complete existing client engagements and bid for new client engagements. Hiring, training, motivating, retaining and managing employees with the skills we need is time consuming and expensive.

We could lose money on our contracts.

As part of our strategy, we enter into capped or fixed-price contracts, in addition to contracts based on payment for time and materials. Because of the complexity of many of our client engagements, accurately estimating the cost, scope and duration of a particular engagement can be a difficult task. We maintain an office of risk management that evaluates and attempts to mitigate delivery risk associated with complex projects. In connection with their review, the office of risk management analyzes the critical estimates associated with these projects. If we fail to make these estimates accurately, we could be forced to devote additional resources to these engagements for which we will not receive additional compensation. To the extent that an expenditure of additional resources is required on an engagement, this

could reduce the profitability of, or result in a loss on, the engagement. In the past, we have, on occasion, engaged in negotiations with clients regarding changes to the cost, scope or duration of specific engagements. To the extent we do not sufficiently communicate to our clients, or our clients fail to adequately appreciate, the nature and extent of any of these types of changes to an engagement, our reputation may be harmed and we may suffer losses on an engagement.

Lack of detailed written contracts could impair our ability to collect fees, protect our intellectual property and protect ourselves from liability to others.

We try to protect ourselves by entering into detailed written contracts with our clients covering the terms and contingencies of the client engagement. In some cases, however, consistent with what we believe to be industry practice, work is performed for clients on the basis of a limited statement of work or verbal agreements before a detailed written contract can be finalized. To the extent that we fail to have detailed written contracts in place, our ability to collect fees, protect our intellectual property and protect ourselves from liability to others may be impaired.

Our corporate governance provisions may deter a financially attractive takeover attempt.

Provisions of our charter and by-laws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which stockholders would receive a premium for their shares. These provisions include the following:

- stockholders must comply with advance notice requirements before raising a matter at a meeting of stockholders or nominating a director for election;
- our board of directors is staggered into three classes and the members may be removed only for cause upon the affirmative vote of holders of at least two-thirds of the shares entitled to vote;
- we would not be required to hold a special meeting to consider a takeover proposal unless holders of more than a majority of the shares entitled to vote on the matter were to submit a written demand or demands for us to do so; and
- our board of directors may, without obtaining stockholder approval, classify and issue up to 1,250,000 shares of preferred stock with powers, preferences, designations and rights that may make it more difficult for a third party to acquire us.

In addition, our board of directors has adopted a shareholder rights plan. Subject to certain exceptions, in the event that a person or group in the future becomes the beneficial owner of 15% or more of our common stock or commences, or publicly announces an intention to commence, a tender or exchange offer which would result in its ownership of 15% or more of our outstanding common stock (or in the case of Liberty Wanger Asset Management, L.P. (now known as Columbia Wanger Asset Management, L.P.) and its affiliates, 20%) then the rights issued to our shareholders in connection with this plan will allow our shareholders to purchase shares of our common stock at 50% of its then current market value. In addition, if we are acquired in a merger, or 50% or more of our assets are sold in one or more related transactions, our shareholders would have the right to purchase the common stock of the acquiring company at half the then current market price of such common stock.

We may lose large clients or not be able to secure targeted follow-on work or client retention rates.

Our client engagements are generally short-term arrangements, and most clients can reduce or cancel their contracts for our services with 30 days notice and without penalty. As a result, if we lose a major client or large client engagement, our revenues will be adversely affected. We perform varying amounts of work for specific clients from year to year. A major client in one year may not use our services in another year. In addition, we may derive revenue from a major client that constitutes a large portion of total revenue for particular quarters. If we lose any major clients or any of our clients cancel programs or significantly reduce the scope of a large client engagement, our business, financial condition and results of operations could be materially and adversely affected. Also, if we fail to collect a large account receivable, we could be subjected to significant financial exposure. Consequently, you should not predict or anticipate our future revenue based upon the number of clients we currently have or the number and size of our existing client engagements.

We also derive an increasing portion of our revenues from annual memberships for our business advisory programs. Our growth prospects therefore depend on our ability to achieve and sustain high retention rates on programs and to successfully launch new programs. Failure to achieve high renewal rate levels or to successfully launch new programs and services could have a material adverse effect on our operating results.

If we are unable to protect our intellectual property rights or infringe on the intellectual property rights of third parties, our business may be harmed.

We rely upon a combination of nondisclosure and other contractual arrangements and trade secret, copyright and trademark laws to protect our proprietary rights and the proprietary rights of third parties from whom we license intellectual property. Although we enter into confidentiality agreements with our employees and limit distribution of proprietary information, there can be no assurance that the steps we have taken in this regard will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

Although we believe that our services do not infringe on the intellectual property rights of others and that we have all rights necessary to utilize the intellectual property employed in our business, we are subject to the risk of claims alleging infringement of third-party intellectual property rights. Any claims could require us to spend significant sums in litigation, pay damages, develop non-infringing intellectual property or acquire licenses to the intellectual property that is the subject of asserted infringement.

The market price of our common stock may fluctuate widely.

The market price of our common stock could fluctuate substantially due to:

- future announcements concerning us or our competitors;
- quarterly fluctuations in operating results;
- announcements of acquisitions or technological innovations; or
- changes in earnings estimates or recommendations by analysts.

In addition, the stock prices of many technology companies fluctuate widely for reasons which may be unrelated to operating results. Fluctuations in our common stock's market price may impact our ability to finance our operations and retain personnel.

Our initiatives that leverage The Hackett Group's best practices knowledge may not be successful.

The BPI tools that we developed using Hackett best practice knowledge continue to be introduced to our existing client base and to client prospects. We still do not have enough experience with them to ensure that clients and prospects will perceive any additional benefit associated with the BPI tools versus other traditional implementation methodologies. As such, BPI may not enable us to differentiate ourselves in the marketplace, and we may not achieve any benefits from this new methodology.

Planned enhancements to The Hackett Group's advisory product offerings which will include business transformation programs represent a departure from its traditional benchmarking offerings. We may not be able to adequately support these new offerings. Clients or prospects may view The Hackett Group as a new and unproven entrant into this space. As such, clients and client prospects may choose to purchase these types of products and services from companies with a longer track record of providing these types of offerings.

The anticipated benefits from the Joint Marketing and Alliance Agreement with Accenture LLP may not be achieved.

The initial term of our Joint Marketing and Alliance Agreement expires on October 7th of 2005. It may be renewed upon mutual agreement of the parties. We are still developing our relationship with Accenture. Accenture client partners may choose not to involve Answerthink or The Hackett Group in their client pursuits. This would have an adverse affect on our ability to achieve the participation entitlements contained in the agreement. The client engagements won jointly may be of a complex nature and very large in scale. We may not be able to staff all of the positions that we would have a right to staff on a timely basis, and Accenture may not be satisfied with the quality or performance of the resources that we staff. This may lead to the termination of the agreement, which either party can seek upon ninety days notice.

ITEM 2. PROPERTIES

Our principal executive offices currently are located at 1001 Brickell Bay Drive, Suite 3000, Miami, Florida 33131. The lease on these premises covers 10,780 square feet and expires June 30, 2005. We also have offices in Atlanta, Boston, Chicago, Frankfurt, London, New York, Philadelphia, Princeton, San Jose and Hyderabad, India. We believe that we will be able to obtain suitable space as needed. We own no real estate and do not intend to invest in real estate or real estate-related assets.

ITEM 3. LEGAL PROCEEDINGS

Between November 2002 and January 2003, six class actions seeking unspecified damages were filed against Answerthink and certain of its current and former officers and directors alleging violations of the Securities and Exchange Act of 1934. The complaints alleged misstatements and omissions concerning, among other things, related party transactions during the alleged class period of February 8, 2000 to April 25, 2002. On January 7, 2003 the federal district court entered an order closing and consolidating these cases and any subsequently filed related cases into Druskin, et al. v. Answerthink, Inc., et al., Case No. 02-23304-CIV-GOLD. A consolidated amended complaint was filed on May 9, 2003. The Company filed a motion to dismiss the consolidated amended complaint on July 15, 2003. The court granted the Company's motion to dismiss the consolidated and amended complaint on January 5, 2004 and allowed the plaintiffs leave to amend the consolidated amended complaint. The plaintiffs did not file an amended complaint within the time allowed by the court. On February 11, 2004, the court entered a final judgment dismissing the case against all parties with prejudice and closed the case. The time for appeal has expired. This matter is concluded.

We are involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such other matters will not have a material adverse effect on our financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2004.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been traded on the Nasdaq National Market since our initial public offering on May 28, 1998 under the Nasdaq symbol "ANSR." The following table sets forth for the fiscal periods indicated the high and low sales prices of the common stock, as reported on the Nasdaq National Market.

	High	Low
2004		
Fourth Quarter	$5.49	$3.51
Third Quarter	$6.35	$3.87
Second Quarter	$8.45	$4.22
First Quarter	$8.19	$5.50
2003		
Fourth Quarter	$6.35	$3.21
Third Quarter	$4.03	$2.19
Second Quarter	$2.59	$1.75
First Quarter	$2.97	$1.95

The closing sale price for the common stock on March 4, 2005 was $4.00.

As of March 4, 2005, there were approximately 358 holders of record of our common stock and 43,451,221 shares of common stock outstanding.

Company Dividend Policy

We do not expect to pay any cash dividends on our common stock in the foreseeable future. Our present policy is to retain earnings, if any, for use in the operation of our business.

Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price paid per Share	Total Number of Shares Purchased as Part of the Repurchase Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Repurchase Program
October 2, 2004 to October 29, 2004	433,950	$3.96	433,950	$7,425,645
October 30, 2004 to November 26, 2004	82,200	$4.48	82,200	$7,057,098
November 27, 2004 to December 31, 2004	52,000	$4.52	52,000	$6,822,058
Total	568,150	$4.09	568,150	

The Company has an ongoing authorization, as amended, from the Board of Directors to repurchase shares of the Company's common stock

in the open market or in negotiated transactions. The Company's authorization is for up to $25 million, of which approximately $6.8 million is currently still available. All repurchases were made in the open market, subject to market conditions and trading restrictions. There is no expiration date on the current authorization and during the period covered by the table, no determination was made by the Company to suspend or cancel purchases under the program.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data sets forth selected financial information for Answerthink as of and for each of the years in the five-year period ended December 31, 2004, and has been derived from our audited financial statements. The selected consolidated financial data should be read together with our consolidated financial statements and related notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended				
	December 31, 2004	January 2, 2004	January 3, 2003	December 28, 2001	December 29, 2000
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenues:					
Revenues before reimbursements	$129,339	$117,945	$156,357	$220,966	$260,892
Reimbursements	14,208	14,442	20,490	29,377	35,811
Total revenues	143,547	132,387	176,847	250,343	296,703
Costs and expenses:					
Project personnel and expenses:					
Project personnel and expenses before reimbursable expenses	75,774	73,061	104,981	132,843	147,040
Reimbursable expenses	14,208	14,442	20,490	29,377	35,811
Total project personnel and expenses	89,982	87,503	125,471	162,220	182,851
Selling, general and administrative expenses	48,491	43,951	53,416	77,087	92,321
Impairment of goodwill	—	—	20,000	—	—
Restructuring costs	3,749	4,875	10,886	5,619	3,268
Stock compensation expense	2,321	1,236	—	4,855	853
Total costs and operating expenses	144,543	137,565	209,773	249,781	279,293
Income (loss) from operations	(996)	(5,178)	(32,926)	562	17,410
Other income (expense):					
Litigation settlement	—	—	—	—	1,850
Non-cash investment losses	—	—	—	—	(2,350)
Interest income (expense), net	802	706	570	843	589
Income (loss) before income taxes, income (loss) from discontinued operations, and cumulative effect of change in accounting principle	(194)	(4,472)	(32,356)	1,405	17,499
Income taxes	324	350	(3,508)	1,807	8,571
Income (loss) from continuing operations	(518)	(4,822)	(28,848)	(402)	8,928
Income (loss) from discontinued operations, net of income taxes	370	—	(8,911)	(8,117)	(1,027)
Income (loss) before cumulative effect of change in accounting principle	(148)	(4,822)	(37,759)	(8,519)	7,901
Cumulative effect of change in accounting principle	—	—	(31,200)	—	—
Net income (loss)	$ (148)	$ (4,822)	$(68,959)	$ (8,519)	$ 7,901

Basic net income (loss) per common share:					
Income (loss) from continuing operations	$ (0.01)	$ (0.11)	$ (0.62)	$ (0.01)	$ 0.22
Income (loss) from discontinued operations, net of income taxes	$ 0.01	$ —	$ (0.19)	$ (0.18)	$ (0.02)
Cumulative effect of change in accounting principle	$ —	$ —	$ (0.68)	$ —	$ —
Net income (loss) per common share	$ (0.00)	$ (0.11)	$ (1.49)	$ (0.19)	$ 0.20
Weighted average common shares outstanding	44,188	45,140	46,348	43,999	40,262
Diluted net income (loss) per common share:					
Income (loss) from continuing operations	$ (0.01)	$ (0.11)	$ (0.62)	$ (0.01)	$ 0.20
Income (loss) from discontinued operations, net of income taxes	$ 0.01	$ —	$ (0.19)	$ (0.18)	$ (0.02)
Cumulative effect of change in accounting principle	$ —	$ —	$ (0.68)	$ —	$ —
Net income (loss) per common share	$ (0.00)	$ (0.11)	$ (1.49)	$ (0.19)	$ 0.18
Weighted average common shares and common share equivalents	44,188	45,140	46,348	43,999	45,137

	December 31, 2004	January 2, 2004	January 3, 2003	December 28, 2001	December 29, 2000
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 38,890	$ 54,441	$ 35,369	$ 35,679	$ 35,862
Restricted cash	$ 3,000	$ 3,000	$ 2,909	$ —	$ —
Marketable investments	$ 9,902	$ 10,000	$ 28,050	$ 24,209	$ 15,800
Working capital	$ 49,860	$ 58,826	$ 72,851	$ 81,313	$ 74,787
Total assets	$128,733	$135,223	$145,361	$211,919	$228,676
Shareholders' equity	$ 99,854	$105,235	$113,047	$177,701	$172,054

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Answerthink, Inc. is a strategic business advisory and technology consulting firm that provides services designed to enable companies to achieve world-class business performance. By leveraging the comprehensive database of The Hackett Group, the world's leading repository of enterprise best practice metrics and business process knowledge, our business and technology solutions help clients improve performance and maximize returns on technology investments. Our capabilities include benchmarking, business advisory, business transformation, business applications, business intelligence, and offshore application development and support. Answerthink was formed on April 23, 1997.

Critical Accounting Policies

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial position in conformity with generally accepted accounting principles. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe the following discussion addresses our most critical accounting policies. These policies require management to exercise judgements that are often difficult, subjective and complex due to the necessity of estimating the effect of matters that are inherently uncertain.

Revenue Recognition

Our revenues are principally derived from fees for services generated on a project-by-project basis. Revenues for services rendered are recognized on a time and materials basis or on a fixed-fee or capped-fee basis. Revenues for time and materials contracts are recognized based on the number of hours worked by our consultants at an agreed upon rate per hour and are recognized in the period in which services are

performed. Revenues related to fixed-fee or capped-fee contracts are recognized on the proportional performance method of accounting based on the ratio of labor hours incurred to estimated total labor hours. This percentage is multiplied by the contracted dollar amount of the project to determine the amount of revenue to recognize in an accounting period. The contracted dollar amount used in this calculation excludes the amount the client pays us for reimbursable expenses. There are situations where the number of hours to complete projects may exceed our original estimate. These increases can be as a result of an increase in project scope, unforeseen events that arise, or the inability of the client or the delivery team to fulfill their responsibilities. On an on-going basis, our project delivery, office of risk management and finance personnel review hours incurred and estimated total labor hours to complete projects and any revisions in these estimates are reflected in the period in which they become known.

Unbilled revenues represent revenues for services performed that have not been invoiced. If we do not accurately estimate the scope of the work to be performed, or we do not manage our projects properly within the planned periods of time or we do not meet our clients' expectations under the contracts, then future consulting margins may be negatively affected or losses on existing contracts may need to be recognized. Any such resulting reductions in margins or contract losses could be material to our results of operations. Revenues before reimbursements exclude reimbursable expenses charged to clients. Reimbursements, which include travel and out-of-pocket expenses, are included in revenues, and an equivalent amount of reimbursable expenses is included in project personnel and expenses.

The agreements entered into in connection with a project, whether time and materials based or fixed-fee or capped-fee based, typically allow our clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required to pay for all time, materials and expenses

incurred by us through the effective date of the termination. In addition, from time to time we enter into agreements with our clients that limit our right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit us from performing a defined range of our services that we might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Accounts Receivable and Allowances for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from our clients not making required payments. Periodically, we review accounts receivable to assess our estimates of collectibility. Management critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of our clients were to deteriorate, resulting in their inability to make payments, additional allowances may be required.

Goodwill

We assess goodwill for impairment when events or circumstances indicate that the carrying value may not be recoverable, or, at a minimum, on an annual basis. We have made determinations as to what our reporting units are and what amounts of goodwill and intangible assets should be allocated to those reporting units.

In assessing the recoverability of long-lived identifiable assets and goodwill, we must make assumptions regarding estimated future cash flows, discount rates and other factors to determine if impairment tests are met. These estimates contain management's best estimates, using appropriate and customary assumptions and projections at the time. If these estimates or their related assumptions change in the future, we may be required to record additional impairment charges.

Restructuring Reserves

Restructuring reserves reflect judgements and estimates of our ultimate costs of severance, closure and consolidation of facilities and settlement of contractual obligations under our operating leases, including sublease rental rates, absorption period to sublease space and other related costs. We reassess the reserve requirements to complete each individual plan under our restructuring programs at the end of each reporting period. If these estimates change in the future or actual results are different than our estimates, we may be required to record additional charges in the future.

Income Taxes

We record income taxes using the liability method. Under this method, we record deferred taxes based on temporary taxable and deductible differences between the tax bases of our assets and liabilities and our financial reporting bases. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Contingent Liabilities

We have certain contingent liabilities that arise in the ordinary course of our business activities. We accrue contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. Reserves for contingent liabilities are reflected in our consolidated financial statements based on management's assessment, along with legal counsel, of the expected outcome of the contingencies. If the final outcome of our contingencies differs adversely from that currently expected, it would result in a charge to earnings when determined.

The foregoing list is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for us to judge the application. There are also areas in which our judgment in selecting any available alternative would not produce a materially different result. Please see our consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K, which contain accounting policies and other disclosures required by accounting principles generally accepted in the United States.

Results of Operations

Our fiscal year generally consists of a 52-week period and periodically consists of a 53-week period because the fiscal year ends on the Friday closest to December 31. Fiscal years 2004, 2003 and 2002 ended on December 31, 2004, January 2, 2004 and January 3, 2003, respectively. Our fiscal year 2002 was a 53-week period. References to a year included in this section refer to a fiscal year rather than a calendar year.

The following table sets forth, for the periods indicated, our results of operations and the percentage relationship to net revenues of such results:

	Year Ended					
	December 31, 2004		January 2, 2004		January 3, 2003	
	(in thousands, except percentage data)					
Revenues:						
Revenues before reimbursements	$129,339	90.1%	$117,945	89.1%	$156,357	88.4%
Reimbursements	14,208	9.9%	14,442	10.9%	20,490	11.6%
Total revenues	143,547	100.0%	132,387	100.0%	176,847	100.0%
Costs and expenses:						
Project personnel and expenses:						
Project personnel and expenses before reimbursable expenses	75,774	52.8%	73,061	55.2%	104,981	59.4%
Reimbursable expenses	14,208	9.9%	14,442	10.9%	20,490	11.6%
Total project personnel and expenses	89,982	62.7%	87,503	66.1%	125,471	71.0%
Selling, general and administrative expenses	48,491	33.8%	43,951	33.2%	53,416	30.2%
Impairment of goodwill	—	—	—	—	20,000	11.3%
Restructuring costs	3,749	2.6%	4,875	3.7%	10,886	6.2%
Stock compensation expense	2,321	1.6%	1,236	0.9%	—	—
Total costs and operating expenses	144,543	100.7%	137,565	103.9%	209,773	118.7%
Loss from operations	(996)	(0.7%)	(5,178)	(3.9%)	(32,926)	(18.7%)
Other income (expense):						
Interest income (expense), net	802	0.6%	706	0.5%	570	0.4%
Loss before income taxes, income (loss) from discontinued operations and cumulative effect of change in accounting principle	(194)	(0.1%)	(4,472)	(3.4%)	(32,356)	(18.3%)
Income taxes	324	0.3%	350	0.2%	(3,508)	(2.0%)

Loss from continuing operations	(518)	(0.4%)	(4,822)	(3.6%)	(28,848)	(16.3%)
Income (loss) from discontinued operations, net of income taxes	370	0.3%	—	—	(8,911)	(5.1%)
Loss before cumulative effect of change in accounting principle	(148)	(0.1%)	(4,822)	(3.6%)	(37,759)	(21.4%)
Cumulative effect of change in accounting principle	—	—	—	—	(31,200)	(17.6%)
Net loss	$ (148)	(0.1%)	$ (4,822)	(3.6%)	$(68,959)	(39.0%)

Comparison of 2004 to 2003

Overview. We reported a net loss of $148 thousand in 2004 compared to a net loss of $4.8 million in 2003. Our $148 thousand loss during 2004 included restructuring costs of $3.7 million and non-cash stock compensation expense of $2.3 million. Our $4.8 million loss during 2003 included restructuring costs of $4.9 million and non-cash stock compensation expense of $1.2 million. The restructuring costs related to increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities. The compensation expense was primarily related to the issuance of restricted stock units to employees at a senior director level or above pursuant to a voluntary stock option exchange program which ended on July 14, 2003.

Revenues. Revenues increased 8.4% to $143.5 million in 2004 from $132.4 million in 2003. The increase in revenues was primarily attributable to increased revenue from benchmarking and business advisory sales and related follow-on consulting projects, and the acquisitions of EZCommerce, a dual-shore ERP implementation company, and Beacon Analytics, Inc., a business performance management consulting company, focusing on the implementation of Hyperion software. These impacts were partially offset by a decline in IT implementation revenues due to the disruption of client IT integration projects in 2004 as a result of the need to freeze control

environments through the end of fiscal reporting periods in order to support Sarbanes-Oxley compliance. Reimbursements as a percentage of revenues were 10% and 11% during fiscal years 2004 and 2003, respectively. In fiscal year 2004, one customer had revenues greater than 5% of total revenues, accounting for 7% of total revenues. In fiscal year 2003, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 20% of total revenues. With respect to our largest customer in 2004, our contract can be cancelled for convenience by the customer upon 30 days' notice. Our project with this customer expires on September 2005. We do not anticipate any credit and/or collection issues with this customer. As is customary with most of our significant relationships, we may be able to continue with new and follow-on projects as this initiative progresses into subsequent phases. However, there is no assurance that we will be able to renew this contract. The cancellation or significant reduction in the use of services from our key customer could have a material adverse effect on our results of operations.

Project Personnel and Expenses. Project personnel costs and expenses primarily consist of salaries, benefits and incentive compensation for consultants and reimbursable expenses associated with projects. Project personnel costs and expenses increased 2.8% to $90.0 million in 2004 from $87.5 million in 2003. This slight increase was primarily attributable to an increase in the number of consultants in order to balance workforce capacity with market demand for services, partially offset by lower average cost per consultant. Consultant headcount was 550 as of December 31, 2004 compared to 483 as of January 2, 2004. Project personnel and expenses as a percentage of revenues decreased to 63% during 2004 from 66% in 2003, primarily as the result of lower average cost per consultant attributable to the addition of lower cost offshore resources as part of the acquisition of EZ Commerce.

Selling, General and Administrative. Selling, general and administrative expenses increased 10.3% to $48.5 million in 2004 from $44.0 million in 2003. The overall increases in selling, general and administrative expenses were primarily due to additional sales personnel and recruiting expenses to accommodate the growth in our benchmarking and business advisory services, partially offset by lower legal fees. Selling, general and administrative expenses as a percentage of revenues increased to 34% in 2004 from 33% in 2003. The increase is primarily attributable to the increase in selling and recruiting expenses for our benchmarking and business advisory services, partially offset by the impact of fixed expenses on higher levels of revenue in 2004 as compared to 2003.

Restructuring Costs and Discontinued Operations. Restructuring costs were $3.7 million and $4.9 million in 2004 and 2003, respectively. Restructuring costs in 2004 and 2003 relate to increases in previously established reserves for the closure and consolidation of facilities. Existing reserves were increased to account for higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease facilities based on current market conditions. Also in 2004, the restructuring accrual was reduced by $370 thousand relating to the final settlement of a lease obligation for our discontinued interactive marketing business. This amount was recorded as income from discontinued operations in the consolidated statement of operations for the year ended December 31, 2004.

Stock Compensation Expense. Stock compensation expense of $2.3 million and $1.2 million in 2004 and 2003, respectively, primarily related to our outstanding restricted stock units which were granted in July 2003 in connection with a voluntary stock exchange program. Restricted stock unit expense is based on the vesting provisions of the restricted stock units and the fair market value of the stock on the grant date. We expect to incur approximately $600 thousand of stock compensation expense per quarter over the remaining vesting period of the restricted stock units. Most of the restricted stock units fully vest in the third quarter of 2007. In addition, as of December 31, 2004 we had 182,858 stock options accounted under variable plan accounting pursuant to FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans.* During 2004 and 2003, variable plan accounting resulted in $62 thousand and $103 thousand of stock compensation expense, respectively.

Income Taxes. In 2004 and 2003, we recorded $324 thousand and $350 thousand, respectively, of income tax expense for certain state and foreign taxes, which represented 167.6% and 7.8% of our pre-tax loss, respectively. We did not recognize an income tax benefit for federal and state taxes due to the establishment of a valuation allowance for the tax benefit generated on losses during 2004 and 2003. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

In 2002, we discontinued our interactive marketing business which was acquired with THINK New Ideas. In connection therewith, we claimed a worthless stock deduction for our investment in THINK New Ideas in our 2002

tax return as a result of the discontinuance of THINK New Ideas. We voluntarily requested that the Internal Revenue Service ("IRS") review this position on an expedited basis. On August 5, 2004, we reached an agreement with the IRS representing the final step in the review process. Pursuant to the agreement, the IRS agreed that we are entitled to a worthless stock deduction of $77.3 million on our 2002 tax return. Including this deduction, we have approximately $74 million of U.S. federal net operating loss carryforwards as of December 31, 2004.

Comparison of 2003 to 2002

Overview. We reported a net loss of $4.8 million in 2003 compared to a net loss of $69.0 million in 2002. Our $4.8 million loss during 2003 included restructuring costs of $4.9 million and non-cash stock compensation expense of $1.2 million. The restructuring costs related to increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities. The compensation expense was primarily related to the issuance of restricted stock units to employees at a senior director level or above pursuant to a voluntary stock option exchange program which ended on July 14, 2003. Our $69.0 million net loss during 2002 included a $31.2 million cumulative effect of change in accounting principle as a result of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets,* a non-cash goodwill impairment charge of $20.0 million, restructuring costs of $10.9 million and a loss from discontinued operations of $8.9 million related to our interactive marketing business.

Revenues. Revenues decreased 25.1% to $132.4 million in 2003 from $176.8 million in 2002. The decrease in revenues was primarily attributable to lower revenues from a few of our larger customers due to the completion of some of their larger projects, as well as lower demand for information technology services as clients continued to reduce or defer expenditures for these services in 2003. Reimbursements as a percentage of revenues were 11% and 12% during fiscal years 2003 and 2002, respectively. In fiscal year 2003, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 20% of total revenues. In fiscal year 2002, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for 36% of total revenues.

Project Personnel and Expenses. Project personnel costs and expenses consist primarily of salaries, benefits and incentive compensation for consultants. Project personnel costs and expenses decreased 30.3% to $87.5 million in 2003 from $125.5 million in 2002. The decrease in project personnel and expenses was primarily due to the reduction in the number of consultants in order to balance workforce capacity with market demand for services. Consultant headcount was 483 as of January 2, 2004 compared to 620 as of January 3, 2003. Project personnel and expenses as a percentage of revenues decreased to 66.1% in 2002 from 71.0% in 2002. This decrease was primarily the result of higher utilization of consultants during 2003 compared to 2002, partially offset by slightly higher average cost per consultant attributable to a greater percentage of senior resources during 2003 compared to 2002.

Selling, General and Administrative. Selling, general and administrative expenses decreased 17.7% to $44.0 million in 2003 from $53.4 million in 2002. The overall decrease in selling, general and administrative expenses was primarily due to our continued cost control initiatives and reduced discretionary spending. We reduced functional support headcount and as a result incurred $755 thousand of severance costs in 2003 compared to $202 thousand in 2002. Additionally, we incurred lower recruiting, selling, marketing and bad debt expenses and reduced property and facility expenses as a result of a decrease in the number of offices from 12 at the end of 2002 to 9 at the end of 2003. These reductions in expenses were partially offset by an increase in selling, general and administrative expenses for our benchmarking and business advisory services related to an increased sales force and other administrative personnel. Selling, general and administrative expenses as a percentage of revenues increased to 33% in 2003 from 30% in 2002. This is primarily attributable to increased selling, general and administrative expenses in our benchmarking and business advisory services and the impact of fixed expenses on a lower level of revenues in 2003 compared to 2002.

Impairment of Goodwill and Cumulative Effect of Change in Accounting Principle. We adopted Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets,* during the first quarter of 2002. The new accounting rule eliminated the amortization of goodwill and changed the method of determining whether there is a goodwill impairment from an undiscounted cash flow method to a fair value method. As a result of the adoption of this standard, we incurred a non-cash transitional impairment charge of $31.2 million in the first quarter of 2002 due to the cumulative effect of a change in accounting principle. The new statement also requires that goodwill be tested for impairment on an annual basis and between annual tests in certain circumstances. We

performed an impairment test primarily as a result of the decline in our stock price and that of our peer group during the third quarter of 2002 and recorded a non-cash impairment charge of $20.0 million.

Restructuring Costs. Restructuring costs were $4.9 million and $10.9 million in 2003 and 2002, respectively. Restructuring costs in 2003 relate to an increase in previously established reserves recorded in the fourth quarters of 2002 and 2001 for the closure and consolidation of facilities. Existing reserves were increased to account for potentially higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease facilities. The 2002 costs consisted of $1.5 million for reduction in consultants and functional support personnel and $9.4 million for closure and consolidation of facilities and related exit costs, including a $5.0 million write-off of leasehold improvements and other assets. The 2002 restructuring plan involved the termination of approximately 100 employees. These actions were taken as a result of the continued decline in demand for technology services throughout 2002 and 2003. We took steps to reduce our costs to better align our overall cost structure and organization with anticipated demand for our services.

Stock Compensation Expense. Stock compensation expense in 2003 primarily related to the issuance of restricted stock units under a voluntary stock option exchange program, which ended on July 14, 2003. This program involved voluntary stock option exchanges for employees at a senior director level or above who had been with the Company since July 4, 2002. We recorded non-cash compensation expense of $1.1 million for the year ended January 2, 2004 based on the vesting provisions of the restricted stock units and the fair market value of the stock on the grant date.

Income Taxes. In 2003, we recorded $350 thousand of income tax expense for state and foreign taxes, which represented 7.8% of our pre-tax loss. We did not recognize an income tax benefit for federal and state taxes due to the establishment of a valuation allowance for the tax benefit generated on losses during 2003. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We recorded an income tax benefit of $3.5 million in 2002, which represented 10.8% of our 2002 loss before discontinued operations and cumulative effect of change in accounting principle. The low effective tax rate for 2002 was primarily due to the $20.0 million charge for the impairment of goodwill which was not deductible for tax purposes and to the establishment of a valuation allowance on our net deferred tax assets that existed at the end of the year.

Loss from Discontinued Operations. Results for 2002 included a net loss of $8.9 million from the discontinued operations of our interactive marketing business. The operating results of the interactive marketing business have been reported as discontinued operations and results for prior periods have been restated. The 2002 loss from discontinued operations includes restructuring costs of $3.4 million for reduction in consultants and for closure and consolidation of facilities and related exit costs. For the year ended January 3, 2003, total revenues for discontinued operations were $7.2 million.

Liquidity and Capital Resources

We have funded our operations primarily with cash flow generated from operations and the proceeds from our initial public offering. At December 31, 2004, we had $38.9 million of cash and cash equivalents compared to $54.4 million at January 2, 2004. We had $3.0 million at December 31, 2004 and January 2, 2004, on deposit with a financial institution as collateral for letters of credit and have classified this deposit as restricted cash on the accompanying consolidated balance sheets. We also had marketable investments of $9.9 million and $10 million at December 31, 2004 and January 2, 2004, respectively.

There were no material capital commitments at December 31, 2004. The following summarizes our lease commitments under non-cancelable operating leases for premises at December 31, 2004 (in thousands):

Less than 1 year	$ 5,240
1–3 years	10,050
4–5 years	9,096
After 5 years	14,558
	38,944
Less: sublease income	8,581

Total minimum lease payments, less sublease income	$30,363

Net cash provided by operating activities was $2.4 million in 2004 compared to $9.9 million for 2003. During 2004, net cash provided by operating activities was primarily attributable to $8.6 million of non-cash expenses offset by a $3.2 million increase in accounts receivable and unbilled revenue and a decrease of $3.0 million in accrued expenses and other liabilities. Non-cash expenses included depreciation and amortization, non-cash compensation expense and provision for doubtful accounts. During 2003, net cash provided by operating activities was primarily attributed to $6.0 million of non-cash expenses, a $10.1 million decrease in prepaid expenses and other assets primarily related to an $8.5 million tax refund received in the second quarter of 2003, and a $1.3 million decrease in accounts receivable and unbilled revenue. These effects were partially offset by our net loss of $4.8 million, a $2.1 million decrease in accounts payable and a $600 thousand decrease in accrued expenses and other liabilities.

Net cash used in investing activities was $10.4 million in 2004 compared to net cash provided by investing activities of $13.4 million in 2003. The uses of cash for investing activities in 2004 were primarily attributable to $7.2 million used in the acquisition of a business and $3.2 million for purchases of property and equipment. Net cash provided by investing activities in 2003 was attributable to proceeds of $76.5 million from sales of marketable investments, partially offset by purchases of $58.5 million of marketable investments, $1.2 million for purchases of property and equipment and $3.3 million used in the acquisition of a business.

Net cash used in financing activities was $7.6 million in 2004 compared to $4.2 million during 2003. During 2004 cash used in financing activities consisted of $10.5 million for the repurchase of our common stock, partially offset by proceeds of $2.9 million from the sale of stock through our Employee Stock Purchase Plan, and from the exercises of our common stock options. Cash used in financing activities during 2003 consisted of $5.5 million for repurchases of our common stock, offset by $1.3 million of proceeds from the sale of stock through our Employee Stock Purchase Plan, and from exercises of stock options.

On July 30, 2002, we announced that our Board of Directors approved the repurchase of up to $5.0 million of our common stock. During the second quarter of 2003, and the second, third and fourth quarters of 2004, our Board of Directors approved the repurchase of an additional $5.0 million of our common stock for each of these four quarters, thereby increasing the total program size to $25 million. Under the repurchase plans, we may buy back shares of our outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of December 31, 2004, we had repurchased 5,526,855 shares of our common stock at an average price of $3.29 per share. In June 2003, we repurchased 465,120 shares from the Company's President, who is also a director, at $2.15 per share. We hold repurchased shares of our common stock as treasury stock.

In May 2004, the Company purchased the U.S. and India operations of EZCommerce Global Solutions, Inc., a business specializing in the dual-shore implementation of primarily SAP and, to a lesser extent, Oracle software. The purchase price for this acquisition was $9.0 million in cash, which included $3.0 million of deferred payments payable in equal installments on the first and second anniversary of the purchase. In addition, approximately $3.0 million of contingent consideration will be payable over the next two years if certain earnings goals are achieved. In July 2003, we purchased the assets of Beacon Analytics, Inc., a business performance management consulting company focusing on the implementation of Hyperion software. The purchase price for this acquisition was $4.0 million in cash and approximately $2.5 million of contingent consideration due over the next three years if certain earnings goals are achieved. In 2004, we paid $1.1 million of earned contingent consideration.

We currently believe that available funds and cash flows generated by operations, if any, will be sufficient to fund our working capital and capital expenditures requirements for at least the next twelve months. We may decide to raise additional funds in order to fund expansion, to develop new or enhanced products and services, to respond to competitive pressures or to acquire complementary businesses or technologies. There is no assurance, however, that additional financing will be available when needed or desired.

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board issued SFAS 123 (revised 2004), *Share-Based Payment, ("SFAS 123R")*. SFAS 123R addresses the accounting for share-based payments to employees, including grants of employee stock options. Under the new standard, companies will no longer be able to account for share-based compensation transactions using the intrinsic method in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees*. Instead, companies will be required to account for such transactions using a fair-value method and recognize the expense in the consolidated statement of income. SFAS 123R will be effective for periods beginning after June 15, 2005 and allows, but does not require, companies to restate the full fiscal year of 2005

to reflect the impact of expensing share-based payments under SFAS 123R. We have not yet determined which fair-value method and transitional provision we will follow, or if the adoption of SFAS 123R will have a significant impact on our results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At December 31, 2004, our exposure to market risk related primarily to changes in interest rates on our investment portfolio. Our marketable investments consist primarily of short-term variable interest rate securities. We invest only with high credit quality issuers and we do not use derivative financial instruments in our investment portfolio. We do not believe that a significant increase or decrease in interest rates would have a material impact on the fair value of our investment portfolio.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ANSWERTHINK, INC.
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Report of Independent Registered Certified Public Accounting Firm

To the Board of Directors and Shareholders
of Answerthink, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of shareholders' equity and comprehensive income (loss) and of cash flows present fairly, in all material respects, the financial position of Answerthink, Inc. and its subsidiaries at December 31, 2004 and January 2, 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Miami, Florida
March 14, 2005

ANSWERTHINK, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2004	January 2, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,890	$ 54,441
Accounts receivable and unbilled revenue, net of allowance of $2,109 and $1,757 in 2004 and 2003, respectively	28,883	24,877
Prepaid expenses and other assets	3,459	4,260
Total current assets	71,232	83,578
Marketable investments	9,902	10,000
Restricted cash	3,000	3,000
Property and equipment, net	7,568	8,714
Other assets	3,245	3,211
Goodwill, net	33,786	26,720
Total assets	$ 128,733	$ 135,223
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,462	$ 3,793
Accrued expenses and other liabilities	17,910	20,959
Total current liabilities	21,372	24,752
Accrued expenses and other liabilities, non-current	7,507	5,236
Total liabilities	28,879	29,988
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $.001 par value, 1,250,000 shares authorized, none issued and outstanding	—	—
Common stock, $.001 par value, authorized 125,000,000 shares; issued: 48,969,181 shares at December 31, 2004; 48,290,640 shares at January 2, 2004	49	48
Additional paid-in capital	277,356	274,481
Unearned compensation	(6,011)	(8,367)
Treasury stock, at cost, 5,526,855 shares at December 31, 2004 and 3,550,279 shares at January 2, 2004	(18,178)	(7,686)
Accumulated deficit	(153,389)	(153,241)
Accumulated other comprehensive income	27	—
Total shareholders' equity	99,854	105,235
Total liabilities and shareholders' equity	$ 128,733	$ 135,223

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended		
	December 31, 2004	January 2, 2004	January 3, 2003
Revenues:			
Revenues before reimbursements	$129,339	$117,945	$156,357
Reimbursements	14,208	14,442	20,490
Total revenues	143,547	132,387	176,847
Costs and expenses:			
Project personnel and expenses:			
Project personnel and expenses before reimbursable expenses	75,774	73,061	104,981
Reimbursable expenses	14,208	14,442	20,490
Total project personnel and expenses	89,982	87,503	125,471
Selling, general and administrative expenses	48,491	43,951	53,416
Impairment of goodwill	—	—	20,000
Restructuring costs	3,749	4,875	10,886
Stock compensation expense	2,321	1,236	—
Total costs and operating expenses	144,543	137,565	209,773
Loss from operations	(996)	(5,178)	(32,926)
Other income (expense):			
Interest income	866	706	766
Interest expense	(64)	—	(196)
Loss before income taxes, income (loss) from discontinued operations and cumulative effect of change in accounting principle	(194)	(4,472)	(32,356)
Income taxes	324	350	(3,508)
Loss from continuing operations	(518)	(4,822)	(28,848)
Income (loss) from discontinued operations, net of income taxes	370	—	(8,911)
Loss before cumulative effect of change in accounting principle	(148)	(4,822)	(37,759)
Cumulative effect of change in accounting principle	—	—	(31,200)
Net loss	$ (148)	$ (4,822)	$(68,959)
Basic net loss per common share:			
Loss from continuing operations	$ (0.01)	$ (0.11)	$ (0.62)
Income (loss) from discontinued operations, net of income taxes	$ 0.01	$ —	$ (0.19)
Cumulative effect of change in accounting principle	$ —	$ —	$ (0.68)
Net loss per common share	$ (0.00)	$ (0.11)	$ (1.49)
Weighted average common shares outstanding	44,188	45,140	46,348
Diluted net loss per common share:			
Loss from continuing operations	$ (0.01)	$ (0.11)	$ (0.62)
Income (loss) from discontinued operations, net of income taxes	$ 0.01	$ —	$ (0.19)
Cumulative effect of change in accounting principle	$ —	$ —	$ (0.68)
Net loss per common share	$ (0.00)	$ (0.11)	$ (1.49)
Weighted average common and common equivalent shares outstanding	44,188	45,140	46,348

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Common Stock		Additional Paid-In Capital	Treasury Stock		Unearned Compensation	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Comprehensiv Income (Loss)
	Shares	Amount		Shares	Amount					
Balance at December 28, 2001	45,880	$46	$257,115	—	$ —	$ —	$ (79,460)	$ —	$ 177,701	
Issuance of common stock	1,848	2	6,511	—	—	—	—	—	6,513	
Treasury stock purchased	—	—	—	(1,146)	(2,208)	—	—	—	(2,208)	
Net loss	—	—	—	—	—	—	(68,959)	—	(68,959)	$ (68,959)
Total Comprehensive Loss	—	—	—	—	—	—	—	—	—	$ (68,959)
Balance at January 3, 2003	47,728	$48	$263,626	(1,146)	$ (2,208)	$ —	$(148,419)	$ —	$ 113,047	
Issuance of common stock	563	—	1,252	—	—	—	—	—	1,252	
Treasury stock purchased	—	—	—	(2,404)	(5,478)	—	—	—	(5,478)	
Issuance of restricted stock units, net of cancellations	—	—	9,487	—	—	(9,487)	—	—	—	
Amortization of restricted stock units	—	—	—	—	—	1,120	—	—	1,120	
Stock compensation expense	—	—	13	—	—	—	—	—	13	
Variable stock options	—	—	103	—	—	—	—	—	103	
Net loss	—	—	—	—	—	—	(4,822)	—	(4,822)	$ (4,822)
Total Comprehensive Loss	—	—	—	—	—	—	—	—	—	$ (4,822)
Balance at January 2, 2004	48,291	$48	$274,481	(3,550)	$ (7,686)	$ (8,367)	$(153,241)	$ —	$ 105,235	
Issuance of common stock	678	1	2,910	—	—	—	—	—	2,911	
Treasury stock purchased	—	—	—	(1,977)	(10,492)	—	—	—	(10,492)	
Issuance of restricted stock units, net of cancellations	—	—	(97)	—	—	97	—	—	—	
Amortization of restricted stock units	—	—	—	—	—	2,259	—	—	2,259	
Variable stock options	—	—	62	—	—	—	—	—	62	
Net loss	—	—	—	—	—	—	(148)	—	(148)	$ (148)
Unrealized holding losses on available for sale marketable investments	—	—	—	—	—	—	—	(98)	(98)	(98)
Foreign currency translations	—	—	—	—	—	—	—	125	125	125
Total Comprehensive Loss	—	—	—	—	—	—	—	—	—	$ (121)
Balance at December 31, 2004	48,969	$49	$277,356	(5,527)	$(18,178)	$ (6,011)	$(153,389)	$ 27	$ 99,854	

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended		
	December 31, 2004	January 2, 2004	January 3, 2003
Cash flows from operating activities:			
Net loss	$ (148)	$ (4,822)	$(68,959)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	—	—	31,200
Impairment of goodwill	—	—	20,000
Write-off of leasehold improvements and other assets	—	—	5,217
Depreciation and amortization	5,177	4,954	5,327
Non-cash compensation expense	2,321	1,236	—

Provision for doubtful accounts	1,060	(235)	779
Deferred income taxes	—	—	4,961
Changes in assets and liabilities, net of effects from acquisitions:			
Decrease (increase) in accounts receivable and unbilled revenue	(3,210)	1,309	18,930
Decrease (increase) in prepaid expenses and other assets	920	10,075	(5,419)
Decrease in accounts payable	(707)	(2,066)	(230)
Decrease in accrued expenses and other liabilities	(2,974)	(586)	(4,776)
Net cash provided by operating activities	2,439	9,865	7,030
Cash flows from investing activities:			
Purchases of property and equipment	(3,199)	(1,225)	(4,044)
Increase in restricted cash	—	(91)	(2,909)
Purchases of marketable investments	(39,750)	(58,458)	(43,191)
Proceeds from sales, calls and maturities of marketable investments	39,750	76,508	39,350
Cash used in acquisition of businesses, net of cash acquired	(7,210)	(3,301)	(851)
Net cash provided by (used in) investing activities	(10,409)	13,433	(11,645)
Cash flows from financing activities:			
Proceeds from issuance of common stock	2,911	1,252	6,513
Repurchases of common stock	(10,492)	(5,478)	(2,208)
Net cash provided by (used in) financing activities	(7,581)	(4,226)	4,305
Net increase (decrease) in cash and cash equivalents	(15,551)	19,072	(310)
Cash and cash equivalents at beginning of year	54,441	35,369	35,679
Cash and cash equivalents at end of year	$ 38,890	$ 54,441	$ 35,369
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ —	$ —	$ 72
Cash paid for income taxes	$ 193	$ 110	$ 133

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Significant Accounting Policies

Nature of Business

Answerthink, Inc. (the "Company" or "Answerthink") is a strategic business advisory and technology consulting firm. Answerthink's capabilities include benchmarking, business advisory, business transformation, business applications, business intelligence, and offshore application development and support.

Principles of Consolidation

The consolidated financial statements and information herein include the accounts of Answerthink and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year

The Company's fiscal year generally consists of a 52-week period and periodically consists of a 53-week period because the fiscal year ends on the Friday closest to December 31. Fiscal years 2004, 2003, and 2002 ended on December 31, 2004, January 2, 2004 and January 3, 2003, respectively. Fiscal year 2002 was a 53-week period. References to a year included in this section refer to a fiscal year rather than a calendar year.

Cash and Cash Equivalents

The Company considers all short-term investments with maturities of three months or less when purchased to be cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the F.D.I.C. insurance limits. The Company has not experienced any loss to date on these investments.

Marketable investments

Marketable investments are available-for-sale securities which are recorded at fair market value. Unrealized gains and losses on these investments are reported in comprehensive income or loss and accumulated as a separate component of stockholders' equity, net of any related tax effect. Declines in value that are judged to be other than temporary result in a reduction of the carrying amount of the investment to fair value and the recognition of an impairment charge in other income (expense). Realized gains and losses from sales of available-for-sale securities were not material for any period presented. For the purpose of determining realized gains and losses, the cost of securities sold is based upon specific identification.

Accounts Receivables and Allowances for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the our clients not making required payments. Management makes estimates of the uncollectibility of the accounts receivables. Management critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts.

Property and Equipment, Net

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the assets ranging from three to five years. Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements are capitalized. The carrying amount of assets sold or retired and related accumulated depreciation are removed from the accounts in the year of disposal and any resulting gains or losses are included in the statement of operations.

ANSWERTHINK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Nature of Business and Significant Accounting Policies (continued)

The Company capitalizes the costs of internal-use software in accordance with Statement of Position No. 98-1 ("SOP 98-1), *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.* SOP 98-1 provides guidance on applying generally accepted accounting principles in addressing whether and under what conditions the costs of internal-use software should be capitalized. The Company capitalizes certain costs, which generally include hardware, software, and payroll related costs for employees who are directly associated with and who devote time to the development of internal-use computer software.

Goodwill and Other Intangible Assets

Effective December 29, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets.* Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are reviewed at least annually for impairment. Other intangible assets will continue to be amortized over their estimated useful lives. SFAS No. 142 requires that goodwill be tested for impairment at the reporting unit level at adoption and at least annually thereafter, utilizing a "fair value" methodology versus an undiscounted cash flow method required under previous accounting rules. The Company evaluates the fair values of its reporting units utilizing various valuation techniques including discounted cash flow analysis. Based on the new method for recording impairment, the Company recognized a transitional impairment loss of $31.2 million as the cumulative effect of a change in accounting principle in the first quarter of 2002.

The new statement also requires that goodwill be tested for impairment on an annual basis and between annual tests in certain circumstances. The Company performed an impairment test primarily as a result of the decline in stock prices for the Company and its peer group during the quarter ended September 27, 2002 and recorded a non-cash impairment charge of $20.0 million. In our fiscal 2004 and 2003 annual analysis conducted in the fourth quarters of fiscal 2004 and 2003, respectively, we concluded that we did not have any additional impairment of goodwill.

Revenue Recognition

The Company principally derives revenues from fees for services generated on a project-by-project basis. Revenues for services rendered are recognized on a time and materials basis or on a fixed-fee or capped-fee basis. Revenues for time and materials contracts are recognized based on the number of hours worked by the Company's consultants at an agreed upon rate per hour and are recognized in the period in which services are performed. Revenues related to fixed-fee or capped-fee contracts are recognized on the proportional performance method of accounting based on the ratio of labor hours incurred to estimated total labor hours. This percentage is multiplied by the contracted dollar amount of the project to determine the amount of revenue to recognize in an accounting period. The contracted dollar amount used in this calculation excludes the amount the client pays for reimbursable expenses. There are situations where the number of hours to complete projects may exceed the Company's original estimate. These increases can be as a result of an increase in project scope, unforeseen events that arise, or the inability of the client or the delivery team to fulfill their responsibilities. On an on-going basis, the Company's project delivery, office of risk management and finance personnel review hours incurred and estimated total labor hours to complete projects and any revisions in these estimates are reflected in the period in which they become known.

Unbilled revenues represent revenues for services performed that have not been invoiced. If the Company does not accurately estimate the scope of the work to be performed, or does not manage the projects properly within the planned periods of time or does not meet the clients' expectations under the contracts, then future consulting margins may be negatively affected or losses on existing contracts may need to be recognized. Any such resulting reductions in margins or contract losses could be material to the Company's results of operations. Revenues before reimbursements exclude reimbursable expenses charged to clients. Reimbursements, which include travel and out-of-pocket expenses, are included in revenues, and an equivalent amount of reimbursable expenses is included in project personnel and expenses.

1. Nature of Business and Significant Accounting Policies (continued)

The agreements entered into in connection with a project, whether time and materials based or fixed-fee or capped-fee based, typically allow the Company's clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required to pay for all time, materials and expenses incurred by the Company through the effective date of the termination. In addition, from time to time the Company enters into agreements with clients that limit the Company's right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit the Company from performing a defined range of services that it might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Reimbursable Expenses

During the first quarter of 2002, the Company adopted Emerging Issues Task Force ("EITF") Issue No. 01-14, *Income Statement Characterization of Reimbursements Received for "Out of Pocket" Expenses Incurred.* In accordance with the provisions of EITF Issue No. 01-14, reimbursements received from customers for out-of-pocket expenses incurred by employees are classified as revenue in the statement of operations. Adoption of the provisions had no impact on the reported net loss or net loss per share.

Stock Compensation

The Company applies Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations in accounting for its stock option plans. The Company measures compensation expense related to the grant of stock options and stock-based awards to employees (including independent directors) in accordance with the provisions of APB No. 25. In accordance with APB Opinion No. 25, compensation expense, if any, is generally based on the difference between the exercise price of an option, or the amount paid for an award, and the market price or fair value of the underlying common stock at the date of the award or at the measurement date for variable awards. Stock-based compensation arrangements involving non-employees are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*, under which such arrangements are accounted for based on the fair value of the option or award.

Under SFAS No. 123, compensation cost for the Company's stock-based compensation plans would be determined based on the fair value at the grant dates for awards under those plans. The assumptions underlying the fair value calculations of the stock option grants are presented in Note 11. Had the Company adopted SFAS No. 123 in accounting for its stock option plans, the Company's consolidated net loss and net loss per share for the years ended December 31, 2004, January 2, 2004, January 3, 2003 would have been adjusted to the pro forma amounts indicated as follows (in thousands, expect per share data):

	Year Ended

	December 31, 2004	January 2, 2004	January 3, 2003
Net loss, as reported	$ (148)	$ (4,822)	$(68,959)
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects	2,321	1,236	—
Deduct: Total stock-based employee pro forma compensation expense determined under fair value based method for all awards, net of related tax effects	(5,354)	(6,702)	(27,802)
Pro forma net loss	$(3,181)	$(10,288)	$(96,761)
Basic net loss per common share			
As reported	$ (0.00)	$ (0.11)	$ (1.49)
Pro forma	$ (0.07)	$ (0.23)	$ (2.09)
Diluted net loss per common share			
As reported	$ (0.00)	$ (0.11)	$ (1.49)
Pro forma	$ (0.07)	$ (0.23)	$ (2.09)

1. Nature of Business and Significant Accounting Policies (continued)

Included in the pro forma net loss for the year ended January 3, 2003 is $10.6 million of expense related to the reversal of pro forma accumulated deferred tax benefits established in previous years to provide a pro forma valuation allowance on all deferred tax assets.

Income Taxes

The Company records income taxes using the liability method. Under this method, the Company records deferred taxes based on temporary taxable and deductible differences between the tax bases of the Company's assets and liabilities and their financial reporting bases. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. With regard to restricted stock or restricted stock units issued to employees, the calculation includes only the vested portion of such stock.

Net income (loss) per share assuming dilution is computed by dividing the net income (loss) by the weighted average number of common shares outstanding, increased by the assumed conversion of other potentially dilutive securities during the period.

Potentially dilutive shares were excluded from the diluted loss per share calculation for the years ended December 31, 2004, January 2, 2004 and January 3, 2003 because their effects would have been anti-dilutive to the loss incurred by the Company. Therefore, the amounts reported for basic and diluted net loss per share were the same for those years. Potentially dilutive shares which were not included in the diluted loss per share calculation for the years ending December 31, 2004, January 2, 2004 and January 3, 2003 were 3,601,100 shares, 1,806,963 shares and 333,644 shares, respectively, of unvested restricted stock issued to employees and 667,728 shares, 289,647 shares and 310,478 shares, respectively, of common stock issuable upon the exercise of stock options and warrants following the treasury stock method.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, marketable investments, accounts receivable and unbilled revenue, accounts payable, and accrued expenses and other liabilities. At December 31, 2004, and January 2, 2004, the fair value of these instruments approximated their carrying value.

Concentration of Credit Risk

The Company provides services primarily to Global 2000 companies and other sophisticated buyers of business consulting and IT services. The Company performs ongoing credit evaluations of its major customers and maintains reserves for potential credit losses. In fiscal year 2004, one customer had revenues greater than 5% of total revenues, accounting for approximately 7% of total revenues. In fiscal year 2003, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 20% of total revenues. In fiscal year 2002, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 36% of total revenues.

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Nature of Business and Significant Accounting Policies (continued)

Other Comprehensive Income (Loss)

Other comprehensive income consists of unrealized gains and losses on available-for-sale securities, and cumulative foreign currency translation adjustments.

Translation of Non-U.S. Currency Amounts

The net assets and operations of entities outside of the United States are translated into U.S. dollars. Assets and liabilities are translated at year-end exchange rates and income and expense items are translated at average exchange rates prevailing during the year. Translation adjustments are included in accumulated other comprehensive income (loss). Gains and losses arising from intercompany foreign currency transactions that are of a long-term-investment nature are reported in the same manner as translation adjustments.

Segment Reporting

The Company engages in business activities in one operating segment, which provides business and technology consulting services.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued SFAS 123 (revised 2004), *Share-Based Payment, ("SFAS 123R").* SFAS 123R addresses the accounting for share-based payments to employees, including grants of employee stock options. Under the new standard, companies will no longer be able to account for share-based compensation transactions using the intrinsic method in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees.* Instead, companies will be required to account for such transactions using a fair-value method and recognize the expense in the consolidated statement of income. SFAS 123R will be effective for periods beginning after June 15, 2005 and allows, but does not require, companies to restate the full fiscal year of 2005 to reflect the impact of expensing share-based payments under SFAS 123R. The Company has not yet determined which fair-value method and transitional provision it will follow, or if the adoption of SFAS 123R will have a significant impact on its results of operations.

Reclassifications

Certain prior year amounts in the consolidated financial statements have been reclassified to conform current year presentation, including reflecting the gross purchases and sales of investment grade variable rate securities as investing activities rather than as a component of cash and equivalents. This reclassification did not affect previously reported cash flows from operations.

2. Acquisitions and Investing Activities

During the three year period ended December 31, 2004, the Company acquired four businesses providing information technology services (collectively, the "Acquired Entities") in separate transactions. One was completed in 2004, one was completed in 2003, and two were completed

in 2002. Aggregate consideration for the Acquired Entities was $11.4 million. This amount has been allocated, on an entity-by-entity basis, to the assets acquired and liabilities assumed based on their respective fair values on the dates of acquisition.

The components of the purchase price allocation for the Acquired Entities, contingent consideration earned for previous acquisitions, and fees and expenses incurred are as follows (in thousands):

	2004	2003	2002
Fair value of net assets (excluding cash) acquired	$ 1,121	$1,264	$851
Goodwill	7,066	—	—
Intangible assets	1,943	2,287	—
Deferred payment	(2,920)	—	—
Accrued earn-out	—	(250)	—
Cash used in acquisitions of businesses, net of cash acquired	$ 7,210	$3,301	$851

2. Acquisitions and Investing Activities (continued)

These acquisitions have been accounted for using the purchase method of accounting. Accordingly, the results of the acquisitions are included in the Company's consolidated results of operations from the respective dates of acquisition. For each acquisition, the excess of the purchase price including any contingent consideration over the estimated fair value of the net identifiable assets acquired has been recorded as goodwill and/or intangible assets. The pro forma impact of the acquisitions completed in 2004, 2003 and 2002 was not significant to the results of the Company's consolidated operations for the years ended December 31, 2004, January 2, 2004 and January 3, 2003.

In May 2004, the Company purchased the US and India operations of EZCommerce Global Solutions, Inc., a business specializing in the dual-shore implementation of primarily SAP and, to a lesser extent, Oracle software. The purchase price for this acquisition was $9.0 million in cash, which included $3.0 million of deferred payments payable in equal installments on the first and second anniversary of the purchase. In addition, approximately $3.0 million of contingent consideration will be payable over the next two years if certain earnings goals are achieved. The excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets acquired has been recorded as $1.4 million of intangible assets and $6.5 million of goodwill. The intangible assets are being amortized over periods ranging from 8 months to 4 years.

In July 2003, the Company purchased the assets of Beacon Analytics, Inc., a business performance management consulting company focusing on the implementation of Hyperion software. The purchase price for this acquisition was $4.0 million in cash and approximately $2.5 million of contingent cash consideration due over the next three years if certain earnings goals are achieved. The excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets which totaled $2.0 million has been recorded as intangible assets and are being amortized over periods ranging from 6 months to 3 years. During 2004, the Company paid $1.1 million for earned contingent consideration related to the purchase of Beacon. Of this amount, $566 thousand was recorded as intangible assets and $528 thousand as goodwill.

The Company includes its acquired intangible assets with definitive lives in other assets in the accompanying consolidated balance sheets. As of December 31, 2004 and January 2, 2004, intangible assets totaled approximately $2.3 million and $2.4 million, respectively, net of accumulated amortization of $3.1 million and $1.1 million, respectively. Acquired intangible assets with definite lives are amortized over periods ranging from 6 months to 4 years. Amortization expense for such intangible assets was $2.0 million, $893 thousand and $208 thousand for the fiscal years ended December 31, 2004, January 2, 2004 and January 3, 2003, respectively. As of December 31, 2004, the Company estimates remaining amortization expense to be approximately $1.6 million, $645 thousand and $90 thousand in fiscal years 2005, 2006 and 2007, respectively.

3. Accounts Receivable and Unbilled Revenue, Net

Accounts receivable and unbilled revenues, net consists of the following (in thousands):

	December 31, 2004	January 2, 2004

Accounts receivable	$24,932	$18,632
Unbilled revenue	6,060	8,002
Allowance for doubtful accounts	(2,109)	(1,757)
	$28,883	$24,877

ANSWERTHINK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Marketable investments

At December 31, 2004 and January 2, 2004, all of the Company's marketable securities were U.S. Government Agencies and were classified as available for sale. Marketable investments are carried on the balance sheet at their fair value.

The following tables summarize the Company's marketable investments (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
2004				
U.S. Government Agencies	$10,000	$—	$(98)	$ 9,902
2003				
U.S. Government Agencies	$10,000	$—	$—	$10,000

Contractual maturities of marketable investments at December 31, 2004 are as follows (in thousands):

	Amortized Cost	Market Value
Less than one year	$ —	$ —
Due in 1–2 years	10,000	9,902
Due in 3–5 years	—	—
Due after 5 years	—	—
	$10,000	$9,902

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations. Gross realized gains and losses on the sale of securities were not material to the Company's consolidated results of operations for the years ended December 31, 2004, January 2, 2004 and January 3, 2003.

5. Property and Equipment

Property and equipment consists of the following (in thousands):

	December 31, 2004	January 2, 2004
Equipment	$ 8,997	$ 12,736
Furniture and fixtures	149	385
Software	5,478	6,892
Leasehold improvements	3,310	5,123
	17,934	25,136

Less accumulated depreciation	(10,366)	(16,422)
	$ 7,568	$ 8,714

During fiscal years 2004 and 2002, write-offs of $1.2 million and $5.0 million for leasehold improvements and other assets were recorded as part of the restructuring costs.

Depreciation expense for the years ended December 31, 2004, January 2, 2004 and January 3, 2003 was $3.2 million, $4.1 million and $5.1 million, respectively. Of these amounts, $1.0 million was included in the loss from discontinued operations in the consolidated statements of operations for the year ended January 3, 2003.

6. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following (in thousands):

	December 31, 2004	January 2, 2004
Accrued compensation and benefits	$ 4,418	$ 5,364
Accrued restructuring related expenses	2,021	4,835
Deferred revenue	4,680	4,850
Other accrued expenses	5,355	5,910
Acquisition related deferred payment	1,436	—
Current accrued expenses and other liabilities	17,910	20,959
Accrued restructuring related expenses — non-current	6,023	5,236
Acquisition related deferred payment — non-current	1,484	—
Non-current accrued expenses and other liabilities	7,507	5,236
Total accrued expenses and other liabilities	$ 25,417	$26,195

7. Letters of Credit

The Company has outstanding letters of credit of $2.6 million to secure our obligations on various operating leases. The Company has deposited $3.0 million at December 31, 2004 and January 2, 2004, with a financial institution as collateral for these letters of credit and has classified this deposit as restricted cash on the accompanying consolidated balance sheets.

8. Lease Commitments

The Company has operating lease agreements for its premises that expire on various dates through 2015. Rent expense for the years ended December 31, 2004, January 2, 2004 and January 3, 2003 was $2.0 million, $2.2 million and $4.9 million, respectively.

Future minimum lease commitments under non-cancelable operating leases for premises having a remaining term in excess of one year at December 31, 2004 are as follows (in thousands):

2005	$ 5,240
2006	5,246
2007	4,804
2008	4,573
2009	4,523

Thereafter	14,558
	38,944
Less: sublease income	8,581
Total minimum lease payments, less sublease income	$30,363

ANSWERTHINK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Income Taxes

The components of the tax expense (benefit) for income taxes are as follows (in thousands):

	Year Ended		
	December 31, 2004	January 2, 2004	January 3, 2003
Current tax expense (benefit)			
Federal	$ —	$ —	$(8,469)
State	231	262	—
Foreign	93	88	—
	324	350	(8,469)
Deferred tax expense			
Federal	—	—	4,697
State	—	—	—
Foreign	—	—	264
	—	—	4,961
Income taxes	$324	$350	$(3,508)

A reconciliation of the federal statutory tax rate with the effective tax rate is as follows:

	Year Ended		
	December 31, 2004	January 2, 2004	January 3, 2003
U.S. statutory income tax (benefit) rate	(35.0) %	(35.0) %	(35.0) %
State income taxes, net of Federal income tax benefit	77.7	3.8	—
Loss on investment in subsidiary	2,573.4	(129.6)	(85.2)
Valuation allowance	(2,559.2)	166.4	87.2
Impairment of goodwill	—	—	21.6
Other, net	110.7	2.2	0.6
Effective rate	167.6%	7.8%	(10.8) %

The components of the net deferred income tax asset are as follows (in thousands):

	December 31, 2004	January 2, 2004
Deferred income tax assets:		
Purchased research and development	$ 817	$ 921

Allowance for doubtful accounts	833	615
Net operating loss and tax credits carryforward	30,581	36,121
Accrued expenses and other liabilities	6,373	5,906
	38,604	43,563
Valuation allowance	(35,360)	(40,818)
	3,244	2,745
Deferred income tax liabilities:		
Depreciation and amortization	(2,060)	(1,627)
Other items	(1,184)	(1,118)
	(3,244)	(2,745)
Net deferred income tax asset	$ —	$ —

9. Income Taxes (continued)

At December 31, 2004 and January 2, 2004, the Company had $74.0 million and $88.0 million, respectively, of U.S. federal net operating loss carryforwards available for tax purposes, most of which expire in 2022 if not utilized.

In 2002, the Company discontinued its interactive marketing business which was acquired with THINK New Ideas. The Company claimed a worthless stock deduction for its investment in THINK New Ideas in its 2002 tax return as a result of the discontinuance of THINK New Ideas. The Company voluntarily requested that the Internal Revenue Service ("IRS") review this position on an expedited basis. On August 5, 2004, the Company reached an agreement with the IRS representing the final step in the review process. Pursuant to the agreement, the Company and the IRS agreed that the Company was entitled to a worthless stock deduction of $77.3 million on the Company's 2002 tax return.

The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. At December 31, 2004 and January 2, 2004, the Company had established a valuation allowance of $35.4 million and $40.8 million, respectively, to reduce deferred income tax assets primarily related to net operating loss carryforwards.

10. Shareholders' Equity

Securities Purchase Agreement

In March 1999, THINK New Ideas entered into a securities purchase agreement (the "Securities Purchase Agreement") with Capital Ventures International and Marshall Capital Management, Inc. (the "Purchasers") whereby the Purchasers agreed to purchase shares of common stock and warrants to acquire shares of common stock. Pursuant to the Securities Purchase Agreement, on March 5, 1999, THINK New Ideas issued, for proceeds of $6 million, 609,799 shares of its common stock at $9.84 per share. In connection with this agreement, at any time prior to March 5, 2000 the Purchasers also had the right but not the obligation to purchase 371,353 additional shares of common stock at $13.46 per share, together with warrants for 1/5 share for each additional share purchased, exercisable at an exercise price of 150% of the market price on the date the related additional shares were purchased. Pursuant to the Securities Purchase Agreement, the additional shares were sold in March 2000 for $5.0 million and warrants to acquire 74,270 shares of common stock, exercisable for a five-year term, were issued at an exercise price of $36.94. All of these warrants were outstanding as of December 31, 2004.

Stock Plans

Effective July 1, 1998, the Company adopted an Employee Stock Purchase Plan to provide substantially all employees who have completed three months of service as of the beginning of an offering period an opportunity to purchase shares of its common stock through payroll deductions. Purchases on any one grant are limited to 10% of eligible compensation. Participant account balances are used to purchase shares of stock at the lesser of 85 percent of the fair market value of shares on the first trading day of the six-month offering period or on the last trading day of such offering period. The aggregate fair market value, determined as of the first trading date of the offering period, as to shares purchased by an employee may not exceed $25,000 annually. The Employee Stock Purchase Plan expires on July 1, 2008. A total of 4,275,000 shares of common stock are available for purchase under the plan with a limit of 400,000 shares of common stock to be issued per offering

period. For plan years 2004, 2003 and 2002, 316,889 shares, 455,482 shares and 734,047 shares, respectively, were issued.

The Company has granted stock options to employees and directors of the Company at exercise prices equal to the market value of the stock at the date of grant. The options generally vest ratably over four years with a maximum term of 10 years. The number of shares available for future issuance at December 31, 2004 is 10,882,169 shares.

On June 11, 2003, the Company commenced two tender offer programs involving voluntary stock option exchanges for the Company's employees. The offering periods for the two stock option exchange programs ended on July 14, 2003.

10. Shareholders' Equity (continued)

One program was offered to employees at a director level or below. Under this exchange program, employees holding nonqualified or incentive stock options to purchase the Company's common stock with an exercise price of $4.50 or more were given the opportunity to exchange their existing options for new options to purchase shares of the Company's common stock equal to an amount depending on the exercise price of the surrendered options. Options for 521,991 shares were tendered on July 14, 2003 in the exchange program. On January 15, 2004, the Company granted 163,995 options to purchase shares of the Company's common stock in exchange for the options tendered. The new options were granted six months and one day after acceptance of the old options for exchange and cancellation. The exercise price of the new options was $6.34, which was the last reported sale price of the Company's common stock on the Nasdaq Stock Market's National Market on January 15, 2004. The new options vest over a two-year period from the date of grant.

The other program was offered to employees at a senior director level or above who had been with the Company since July 4, 2002. Under this exchange program, employees holding nonqualified options to purchase the Company's common stock with an exercise price of $2.80 or more were given the opportunity to exchange their existing options for restricted stock units which were granted on a one-to-one ratio and are subject to a new four-year vesting schedule. On July 14, 2003, the Company accepted for cancellation options to purchase 3,826,561 shares of the Company's common stock representing 95% of the 4,045,182 options that were eligible to be tendered in the exchange program. Pursuant to the terms of the exchange program, the Company issued 3,826,561 restricted stock units in exchange for the options surrendered. Eligible options that were not exchanged are required to be accounted for under variable plan accounting pursuant to FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*. As of December 31, 2004, 182,858 remaining eligible options were outstanding. The weighted average exercise price of these remaining eligible options is $2.07. Variable plan accounting resulted in approximately $62 thousand and $103 thousand of stock compensation expense for the years ended December 31, 2004 and January 2, 2004, respectively.

As of December 31, 2004 and January 2, 2004 the Company had 3,476,996 and 3,618,209 restricted stock units outstanding, respectively, of which 3,385,223 and 3,585,636 related to the exchange program. The Company recorded non-cash compensation expense of $2.3 million and $1.2 million, respectively in 2004 and 2003, based on the vesting provisions of the restricted stock units and the fair market value of the stock on the grant date. The Company expects to incur approximately $600 thousand of stock compensation expense per quarter over the remaining vesting period of the restricted stock units which fully vest in the third quarter of 2007.

Stock option activity under the Company's stock option plans is summarized as follows:

	Year Ended					
	December 31, 2004		January 2, 2004		January 3, 2003	
	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,013,625	$5.69	8,263,971	$6.78	6,812,444	$8.42
Granted	1,425,744	6.19	2,149,238	2.96	5,594,518	5.46
Exercised	(361,652)	4.26	(125,779)	5.29	(824,356)	3.47
Canceled	(818,265)	7.19	(7,273,805)	6.15	(3,318,635)	8.69
Outstanding at end of year	3,259,452	$5.68	3,013,625	$5.69	8,263,971	$6.78
Weighted average fair value of options granted during the period	$ 4.33		$ 2.08		$ 3.83	

ANSWERTHINK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Shareholders' Equity (continued)

The following assumptions were used by the Company to determine the fair value of stock options granted using the Black-Scholes options-pricing model:

	Year Ended		
	December 31, 2004	January 2, 2004	January 3, 2003
Expected volatility	75% to 100%	100%	100%
Average expected option life	4 years	4 years	4 years
Risk-free rate	3.5%	2.5%	3.0%
Dividend yield	0%	0%	0%

The following table summarizes information about the Company's stock options outstanding at December 31, 2004:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.45–$2.74	400,661	7.6	$ 2.19	158,829	$ 2.17
$2.75–$3.79	493,725	6.6	3.34	340,420	3.52
$3.80–$5.35	195,499	8.0	4.85	56,832	4.98
$5.36–$5.99	392,868	7.8	5.58	180,126	5.55
$6.00–$6.20	408,948	4.4	6.03	405,450	6.03
$6.21–$6.25	817,500	9.1	6.25	—	—
$6.26–$6.99	216,146	8.5	6.42	21,297	6.68
$7.00–$9.99	186,099	6.4	8.34	112,562	8.73
$10.00–$32.56	148,006	4.2	15.82	148,006	15.82
	3,259,452	7.3	$ 5.68	1,423,522	$ 6.14

Treasury Stock

On July 30, 2002, the Company announced that its Board of Directors approved the repurchase of up to $5.0 million of the Company's common stock. During the second quarter of 2003, and the second, third and fourth quarters of 2004, the Board of Directors approved the repurchase of an additional $5 million of the Company's common stock for each of the these four quarters, thereby increasing the total program size to $25 million. Under the repurchase plans, the Company may buy back shares of its outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of December 31, 2004 and January 2, 2004, the Company had repurchased 5,526,855 shares and 3,550,279 shares of its common stock at an average price of $3.29 and $2.16 per share, respectively. The amount of shares repurchased includes 465,120 shares purchased in 2003 from the Company's president, who is also a director, at $2.15 per share. The Company holds repurchased shares of its common stock as treasury stock and accounts for treasury stock under the cost method.

Shareholder Rights Plan

On February 13, 2004, the Board of Directors of the Company adopted a Shareholder Rights Plan. Under the plan, a dividend of one preferred share purchase right (a "Right") was declared for each share of common stock of the Company that was outstanding on February 26, 2004. Each right entitles the holder to purchase from the Company one one-thousandth of a share of Series A Junior Preferred Stock at a purchase price of $32.50, subject to adjustment.

ANSWERTHINK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Shareholders' Equity (continued)

The Rights will trade automatically with the common stock and will not be exercisable until a person or group has become an "acquiring person" by acquiring 15% or more of the Company's outstanding common stock, or a person or group commences or publicly announces a tender offer that will result in such a person or group owning 15% or more of the Company's outstanding common stock. However, Liberty Wanger Asset Management, L.P. (now known as Columbia Wanger Asset Management, L.P.), together with its affiliates and associates will be permitted to acquire up to 20% or more of the common stock without making the rights exercisable. Upon announcement that any person or group has become an acquiring person, each Right will entitle all rightholders (other than the acquiring person) to purchase, for the exercise price of $32.50, a number of shares of the Company's common stock having a market value equal to twice the exercise price. Rightholders would also be entitled to purchase common stock of the acquiring person having a value of twice the exercise price if, after a person had become an acquiring person, the Company were to enter into certain mergers or other transactions. If any person becomes an acquiring person, the Board of Directors may, at its option and subject to certain limitations, exchange one share of common stock for each right.

The rights have certain anti-takeover effects, in that they would cause substantial dilution to a person or group that attempts to acquire a significant interest in the Company on terms not approved by the Board of Directors. In the event that the Board of Directors determines a transaction to be in the best interests of the Company and its stockholders, the Board of Directors may redeem the Rights for $0.001 per share at any time prior to a person or group becoming an acquiring person. The Rights will expire on February 13, 2014.

Equity Related Commitments

Pursuant to an agreement with the Chief Executive Officer ("CEO") of the Hackett Group, Inc. ("Hackett"), one of our wholly owned subsidiaries, in the event of an initial public offering ("IPO") of common stock or sale of Hackett, the CEO will receive a 5% pre-sale/distributed equity ownership interest in Hackett. This ownership interest will be given in exchange for the surrender of Answerthink stock options held by the CEO. The equity value distributed will vest 50% at the IPO or sale and 50% on the first anniversary of such IPO or sale.

In addition, in the event of an IPO or sale of Hackett and subject to meeting certain performance criteria, certain employees of Hackett may elect to convert on a 1:1 to 3:1 basis, the in-the-money cash value of each of their Answerthink options or restricted stock units to an equivalent number of options or shares of Hackett common stock at the IPO price.

11. Benefit Plan

The Company maintains a 401(k) plan covering all eligible employees. Subject to certain dollar limits, eligible employees may contribute up to 15% of their pre-tax annual compensation to the plan. The Company may make discretionary contributions on an annual basis. During fiscal years 2004, 2003 and 2002, the Company made matching contributions of 25% of employee contributions up to 4% of their gross salaries. The Company's matching contributions were $289,000, $169,000 and $656,000 for the years ended December 31, 2004, January 2, 2004 and January 3, 2003, respectively.

ANSWERTHINK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Restructuring Costs

The Company recorded restructuring costs of $10.9 million and $5.6 million in fiscal years 2002 and 2001, respectively, for reductions in consultants and functional support personnel and for closure and consolidation of facilities and related exit costs. These actions were taken as a result of the continued decline in demand for technology services throughout 2001 and 2002. The Company took steps to reduce its costs to better align its overall cost structure and organization with anticipated demand for its services. In 2004 and 2003, the Company recorded restructuring costs of $3.7 and $4.9 million, respectively, to increase existing reserves to account for potentially higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease excess facilities. The 2004 and 2003 restructuring costs consisted of additions of $1.8 million and $3.1 million to the 2002 restructuring accrual and $1.9 million and $1.8 million to the 2001 restructuring accrual, respectively. Also in 2004, the 2002 restructuring accrual was reduced by $370 thousand relating to the

final settlement of a lease obligation which was recorded as income from discontinued operations in the accompanying consolidated statement of operations for year ended December 31, 2004.

The following table sets forth the detail and activity in the restructuring expense accruals during the years ended December 31, 2004, January 2, 2004 and January 3, 2003 (in thousands):

2001 Restructuring Accrual

	Accrual Balance at December 29, 2000	Additions to Accrual from Continuing Operations	Additions to Accrual from Discontinued Operations	2001 Expenditures	2002 Expenditures	2003 Expenditures	2004 Expenditures	2004 Asset Write-offs	Accrual Balance at December 31, 2004
Severance and other employee costs	$ —	$ 3,694	$ 559	$ (3,186)	$ (1,067)	$ —	$ —	$ —	$ —
Closure and consolidation of facilities and related exit costs	—	5,553	2,311	(248)	(1,965)	(933)	(839)	(1,205)	2,674
Total restructuring accrual	$ —	$ 9,247	$ 2,870	$ (3,434)	$ (3,032)	$ (933)	$ (839)	$(1,205)	$ 2,674

2002 Restructuring Accrual

	Accrual Balance at December 28, 2001	Additions to Accrual from Continuing Operations	Additions to Accrual from Discontinued Operations	2002 Asset Write-offs	2002 Expenditures	2003 Expenditures	2004 Expenditures	Accrual Balance at December 31, 2004
Severance and other employee costs	$ —	$ 1,528	$ 616	$ —	$ (855)	$ (1,289)	$ —	$ —
Closure and consolidation of facilities and related exit costs	$ —	$ 13,984	$ 2,747	$(5,217)	$ (584)	$ (2,198)	$ (3,362)	$ 5,370
Total restructuring accrual	$ —	$ 15,512	$ 3,363	$(5,217)	$ (1,439)	$ (3,487)	$ (3,362)	$ 5,370

13. Discontinued Operations

As a result of a decline in the demand for interactive marketing services, during 2002, the Company discontinued the interactive marketing business which was acquired in the merger with THINK New Ideas in 1999. In accordance with Financial Accounting Standards Board Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* the results of the interactive marketing business have been

reported as discontinued operations in the consolidated statements of operations and results for prior periods have been restated.

The following table sets forth revenues, pre-tax income (loss), income tax benefit and income (loss) from discontinued operations for the years ended December 31, 2004, January 2, 2004 and January 3, 2003 (in thousands):

	December 31, 2004	January 2, 2004	January 3, 2003
Revenues	$ —	$ —	$ 7,235
Pre-tax income (loss) from discontinued operations	$ 370	$ —	$(8,911)
Income tax benefit	$ —	$ —	$ —
Income (loss) from discontinued operations	$ 370	$ —	$(8,911)

During 2004, the Company reduced the restructuring accrual by $370 thousand relating to the final settlement of a lease obligation resulting in income from discontinued operations.

Included in the loss from discontinued operations for fiscal year 2002 were restructuring costs of $3.4 million, for reduction in consultants and for closure and consolidation of facilities and related exit costs.

14. Litigation

Between November 2002 and January 2003, six class actions seeking unspecified damages were filed against Answerthink and certain of its current and former officers and directors alleging violations of the Securities and Exchange Act of 1934. The complaints alleged misstatements and omissions concerning, among other things, related party transactions during the alleged class period of February 8, 2000 to April 25, 2002. On January 7, 2003 the federal district court entered an order closing and consolidating these cases and any subsequently filed related cases into Druskin, et al. v. Answerthink, Inc., et al., Case No. 02-23304-CIV-GOLD. A consolidated amended complaint was filed on May 9, 2003. The Company filed a motion to dismiss the consolidated amended complaint on July 15, 2003. The court granted the Company's motion to dismiss the consolidated and amended complaint on January 5, 2004 and allowed the plaintiffs leave to amend the consolidated amended complaint. The plaintiffs did not file an amended complaint within the time allowed by the court. On February 11, 2004, the court entered a final judgment dismissing the case against all parties with prejudice and closed the case. The time for appeal has expired. This matter is concluded.

The Company is involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such other matters will not have a material adverse effect on the Company's financial position or results of operations.

15. Related Party Transactions

During 2002, the Company and HCL Technologies Limited, an Indian information technology services and product engineering firm, formed HCL-Answerthink, Inc. to provide offshore custom application development and support services. The Company has a non-controlling equity interest of 50% in this joint venture. For the year ended December 31, 2004 and January 2, 2004, the Company's net equity income from the joint venture was $32,000 and $30,000, respectively. During 2004, 2003 and 2002, the Company sold services of $22,000, $232,000 and $233,000, respectively, to the joint venture. The Company also incurred costs of $27,000, $194,000 and $230,000 for consulting services provided by the joint venture to Answerthink in 2004, 2003 and 2002, respectively. In addition, the Company reduced general and administrative expenses by $14,000 and $856,000 for administrative services billed to the joint venture during 2003 and 2002, respectively. At December 31, 2004 and January 2, 2004, the Company had receivables of $1,000 and $258,000, respectively, due from the joint venture. At January 2, 2004 the Company had payables due to the joint venture of $193,000.

16. Quarterly Financial Information (unaudited)

The following table presents unaudited supplemental quarterly financial information for the years ended December 31, 2004 and January 2, 2004 (in thousands, except per share data):

	Quarter Ended			
	April 2, 2004	July 2, 2004	October 1, 2004	December 31, 2004
Total revenues	$35,089	$37,649	$37,131	$ 33,678
Income (loss) from operations	820	(1,871)	806	(751)
Income (loss) before income taxes and income from discontinued operations	1,010	(1,675)	950	(479)
Income (loss) from continuing operations	967	(1,579)	824	(730)
Income from discontinued operations	—	370	—	—
Net income (loss)	$ 967	$(1,209)	$ 824	$ (730)
Basic and diluted income (loss) per common share				
Income (loss) from continuing operations	$ 0.02	$ (0.04)	$ 0.02	$ (0.02)
Income from discontinued operations	$ —	$ 0.01	$ —	$ —
Net income (loss)	$ 0.02	$ (0.03)	$ 0.02	$ (0.02)

	Quarter Ended			
	April 4, 2003	July 4, 2003	October 3, 2003	January 2, 2004
Total revenues	$36,785	$31,497	$32,918	$ 31,187
Income (loss) from operations	(1,246)	(5,962)	1,055	975
Income (loss) before income taxes	(1,022)	(5,824)	1,210	1,164
Net income (loss)	$(1,022)	$(5,974)	$ 1,135	$ 1,039
Basic net income (loss) per common share	$ (0.02)	$ (0.13)	$ 0.03	$ 0.02
Diluted net income (loss) per common share	$ (0.02)	$ (0.13)	$ 0.02	$ 0.02

Quarterly basic and diluted net income or loss per common share were computed independently for each quarter and do not necessarily total to the year to date basic and diluted net income (loss) per common share.

ANSWERTHINK, INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

YEARS ENDED DECEMBER 31, 2004, JANUARY 2, 2004 AND JANUARY 3, 2003
(in thousands)

Allowance for Doubtful Accounts	Balance at Beginning of Year	Charge to Expense	Write-offs	Balance at Ending of Year
Year Ended December 31, 2004	$ 1,757	$1,060	$ (708)	$2,109
Year Ended January 2, 2004	$ 3,526	$ (235)	$(1,534)	$1,757
Year Ended January 3, 2003	$ 6,810	$ 779	$(4,063)	$3,526

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROL AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Report on Internal Control Over Financial Reporting

SEC rules require us to include in our Annual Report on Form 10-K, beginning with this Annual Report on Form 10-K, (1) a report of our management on internal control over financial reporting as of December 31, 2004 and (2) a report of our independent certified registered public accounting firm, on such assessment by our management of internal control over financial reporting. We have omitted these two reports from this Annual Report on Form 10-K as originally filed in reliance on the SEC's Order Under Section 36 of the Securities Exchange Act of 1934 Granting an Exemption from Specified Provisions of Exchange Act Rules 13a-1 and 15d-1, as set forth in SEC Release No. 34-50754 (the "Order"). In accordance with the Order, we will file the foregoing two reports in an amendment to this Annual Report on Form 10-K within the period, and subject to the other conditions, prescribed in the Order.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2005 proxy statement for the 2005 Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2005 proxy statement for the 2005 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2005 proxy statement for the 2005 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2005 proxy statement for the 2005 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information appearing under the caption "Fees Paid to Independent Accountants" in the 2005 Proxy Statement is hereby incorporated by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this Form:

1. Financial Statements

The Consolidated Financial Statements filed as part of this report are listed and indexed on page 25. Schedules other than those listed in the index have been omitted because they are not applicable or the required information has been included elsewhere in this report.

2. Financial Statement Schedules.

Schedule II—Valuation and Qualifying Accounts and Reserves are included in this report. Schedules other than those listed in the index have been omitted because they are inapplicable or the information required to be set forth therein is contained, or incorporated by reference, in the Consolidated Financial Statements of Answerthink or notes thereto.

3. Exhibits: See Index to Exhibits on page 51.

The Exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on the 16th day of March, 2005.

ANSWERTHINK, INC.

By: /s/ Ted A. Fernandez
Ted A. Fernandez
Chief Executive Officer and Chairman

Pursuant to the requirements of the Securities Act of 1934, this Form 10-K has been signed by the following persons in the capacities and on the date indicated.

Signatures	Title	Date
/s/ Ted A. Fernandez Ted A. Fernandez	Chief Executive Officer and Chairman (Principal Executive Officer)	March 16, 2005
/s/ John F. Brennan John F. Brennan	Executive Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2005
/s/ Allan R. Frank Allan R. Frank	President and Director	March 16, 2005
/s/ David N. Dungan David N. Dungan	Chief Operating Officer and Director	March 16, 2005
/s/ Richard Hamlin Richard Hamlin	Director	March 16, 2005

/s/ Edwin A. Huston Edwin A. Huston	Director	March 16, 2005
/s/ Jeffrey E. Keisling Jeffrey E. Keisling	Director	March 16, 2005
/s/ Alan T. G. Wix Alan T. G. Wix	Director	March 16, 2005

INDEX TO EXHIBITS

Exhibit No.	Exhibit Description
3.1++++	Second Amended and Restated Articles of Incorporation of the Registrant, as amended
3.2++++	Amended and Restated Bylaws of the Registrant, as amended
9.1+	Shareholders Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, the Miller Group, Messrs. Fernandez, Frank, Knotts and Miller and certain other shareholders of the Registrant parties thereto
9.2+	Amendment No. 1 to Shareholders Agreement dated February 24, 1998
9.3+	Letter Agreement dated as of March 15, 1998 to amend Shareholders Agreement
9.4+	Form of Restricted Securities Agreement dated April 23, 1997 among the Initial Investors and each of Messrs. Fernandez, Frank, Knotts and Miller
10.1+	Purchase Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, Gator and Tara
10.2+	Series A Preferred Stock Purchase Agreement dated February 24, 1998 among the Registrant, GTCR V, GTCR Associates and Miller Capital
10.3+	Stock Purchase Agreement dated March 5, 1998 between the Registrant and FSC
10.4+	Second Amended and Restated Registration Rights Agreement dated as of May 5, 1998 among the Registrant, GTCR V, MG, GTCR Associates, Miller Capital, FSC, Messrs. Fernandez, Frank, Knotts and Miller and certain other shareholders of the Registrant named therein
10.5+	Second Amended and Restated Registration Rights Agreement dated as of May 5, 1998 among the Registrant and the eight former shareholders of RTI
10.6*+	Registrant's 1998 Stock Option and Incentive Plan
10.7*+++++	Amendment to Registrant's 1998 Stock Option and Incentive Plan
10.8*+	Form of Senior Management Agreement dated April 23, 1997 between the Registrant and each of Messrs. Fernandez, Frank and Knotts
10.9*++++	Senior Management Agreement dated July 11, 1997 between Registrant and Mr. Dungan
10.10*+++++	Form of Employment Agreement entered into between the Registrant and Mr. Dungan
10.11*+	Form of Employment Agreement entered into between the Registrant and each of Messers. Fernandez, Frank and Knotts
10.12+	Amendment No. 2 dated as of May 5, 1998 to Purchase Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, Gator and Tara
10.13+	Amendment No. 2 dated as of May 5, 1998 to Stock Purchase Agreement dated March 5, 1998 between the Registrant and FSC
10.14*+	Amendment to Certain Senior Management Agreements dated March 27, 1998 among the Company, the Board of Directors and each of Messrs. Fernandez, Frank, Knotts and Dungan
10.15*+	Second Amendment to Certain Senior Management Agreements dated May 26, 1998 among the Company, the Board of Directors and each of Messrs. Fernandez, Frank, Knotts and Dungan
10.16*++	AnswerThink Consulting Group, Inc. Employee Stock Purchase Plan
10.17*+++++	Amendment to Registrant's Employee Stock Purchase Plan dated February 16, 2001
10.18*+++	Employment Agreement dated March 23, 1999 between the Registrant and Mr. Brennan
10.19*+++	Restricted Stock Agreement dated July 31, 1997 between the Registrant and Mr. Brennan

Exhibit No.	Exhibit Description

10.20*+++	Amendment to Restricted Stock Agreement dated March 27, 1998 between the Registrant and Mr. Brennan
10.21*+++	Form of Senior Management Agreement dated July 31, 1997 between the Registrant and Mr. Brennan
10.22++++++	Securities Purchase Agreement by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc.
10.23++++++	Registration Rights Agreement dated as of March 3, 1999 by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc.
10.24+++++++	Joint Marketing and Alliance Agreement, dated October 7, 2003, by and among Answerthink, Inc., The Hackett Group, Inc. and Accenture, L.L.P.
11.1++++++++	Amendment to Executive Agreement between Answerthink, Inc. and Ted A. Fernandez
11.2++++++++	Amendment to Executive Agreement between Answerthink, Inc. and David N. Dungan
11.3++++++++	Amendment to Executive Agreement between Answerthink, Inc. and Allan R. Frank
11.4++++++++	Amendment to Executive Agreement between Answerthink, Inc. and John F. Brennan
21.1^	Subsidiaries of the Registrant
23.1^	Consent of PricewaterhouseCoopers LLP
31.1^	Certification by CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2^	Certification by CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32^	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Management agreement or compensatory plan or arrangement

^ Exhibits filed herewith.

\+ Incorporated herein by reference to the Company's Registration Statement on Form S-1 (333-48123).

++ Incorporated herein by reference to the Company's Registration Statement on Form S-8 (333-69951).

+++ Incorporated herein by reference to the Company's Form 10-K for the year ended January 1, 1999.

++++ Incorporated herein by reference to the Company's Form 10-K for the year ended December 29, 2000.

+++++ Incorporated herein by reference to the Company's Form 10-K for the year ended December 28, 2001.

++++++ Incorporated herein by reference to THINK New Ideas, Inc.'s Form 8-K dated March 12, 1999.

+++++++ Incorporated herein by reference to the Company's Form 8-K dated October 14, 2003.

++++++++ Incorporated herein by reference to the Company's Form 10-Q dated November 10, 2004

EXHIBIT 12

10-K 1 d12233.htm

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JANUARY 3, 2003

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-24343

Answerthink, Inc.

(Exact name of registrant as specified in its charter)

FLORIDA *(State or other jurisdiction of incorporation or organization)*	**65-0750100** *(I.R.S. Employer Identification Number)*
1001 Brickell Bay Drive, Suite 3000 **Miami, Florida** *(Address of principal executive offices)*	**33131** *(Zip Code)*

(305) 375-8005
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $.001 per share

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES |X| NO |_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2 of the Securities Exchange Act of 1934). YES [X] NO [ ]

The aggregate market value of the common stock held by non-affiliates of the registrant was $167,944,352 on June 28, 2002 based on the last reported sale price of the registrant's common stock on the Nasdaq National Market on June 28, 2002.

The number of shares of the registrant's common stock outstanding on March 14, 2003 was 46,415,527.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of the Form 10-K incorporates by reference certain portions of the Registrant's proxy statement for its 2003 Annual Meeting of Stockholders to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this report.

ANSWERTHINK, INC.

FORM 10-K

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and the information incorporated by reference in it include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and forecasted demographic and economic trends relating to our industry are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect," or "intend" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Factors that impact such forward looking statements include, among others, our ability to attract additional business, the timing of projects and the potential for contract cancellation by our customers, changes in expectations regarding the information technology industry, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable, risks of competition, price and margin trends, changes in general economic conditions and interest rates, the risk that the Internal Revenue Service or the courts may not accept the amount or nature of one or more items of deduction, loss, income or gain as reported by Answerthink for tax purposes and the possible outcome of pending litigation and our actions in connection with such litigation. An additional description of our risk factors is described in Part 1—Item 1 "Business—Risk Factors". We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS

GENERAL

Answerthink, Inc. ("Answerthink") (www.answerthink.com) is a leading business and technology consulting firm that enables companies to achieve world-class business performance. By leveraging the comprehensive database of our Hackett Group business, with its world-renowned repository of enterprise best practice metrics and business process knowledge, our business and technology solutions help clients improve performance and optimize returns on technology investments. Our capabilities include performance measurement, business transformation, business applications, technology integration, and offshore application maintenance and support.

In this Form 10-K, unless the context otherwise requires, "Answerthink", the "Company", "we", "us", and "our" refer to Answerthink, Inc. and its subsidiaries and predecessors.

INDUSTRY BACKGROUND

For the third straight year, business and technology consultancies experienced a weak spending outlook and generally soft market in 2002. For 2003, some market observers are predicting a slight increase or "uptick" in IT spending, though a return to the boom years of the late 1990s is unlikely. Throughout the downturn, companies have placed heavy emphasis on risk management and tangible return on their business and technology investments. As the economy recovers, large enterprises will center their IT spending on tools that help them generate more value from past investments. Specifically, they will be looking to derive maximum value from their existing enterprise applications. Enabling technologies will be used to complement and extend the capabilities of enterprise and key functional systems. For example, Business Process Management, or BPM, tools will give companies increased visibility into key business processes that reach across functional and organizational boundaries. Not only will BPM help reduce error rates and cycle times by automating workflow, it will also increase the efficiency and productivity of all the people and systems that collaborate on individual processes.

There will also be market opportunity around the need for better real-time performance measurement and strategic decision-making. Many companies are seeking to link optimized processes directly to technology and consolidate the gains of their business process re-engineering efforts. Enterprise applications and BPM software will both play a role. Companies will embed optimized processes directly into ERP systems, and use BPM and other enabling technologies to improve ongoing management and control, so they can ensure that streamlined or re-engineered processes continue to deliver cost and performance improvements in the future. Business intelligence, analytics and knowledge management applications will also play an increasingly significant role in the future as

companies seek to generate more valuable insight and analysis from their operational and financial data. These enabling technologies point the way to tomorrow's real-time enterprises which will be capable of nearly instantaneous views of current performance and more accurate and efficient planning, forecasting and reporting.

OUR APPROACH

Answerthink enables companies to achieve world-class business performance by combining intellectual capital from The Hackett Group, with its world-renowned database of business process best practices and performance measurement results, and Answerthink's proprietary Business Process Intelligence (BPI) approach, which is based on proven implementation techniques. Hackett's services help clients understand how well they are performing today compared with the world's most effective companies, while Answerthink specialists have the skills and experience to implement solutions, based on client performance measurement results, to drive them toward world-class performance. Hackett provides deep insight into how top-performing companies operate, and Answerthink applies those best practices to generate cost and performance gains for clients. Specifically, Answerthink uses best practice process flows and configuration guides to integrate Hackett's empirically proven best practices directly into enterprise applications and enabling technologies.

Because our solutions are based on Hackett-certified best practices, clients gain a significant advantage. They can have confidence that their solutions are based on strategies from the world's leading companies. This clearly defined path to world-class performance delivers enhanced efficiency, improved effectiveness, increased flexibility, maximized ROI, reduced risk and sustainability of performance improvements moving forward.

The BPI approach begins with a clear understanding of current performance, which is gained through measuring key processes and comparing the results to world-class levels and industry standards captured in the Hackett database. We then, help clients prioritize and select the appropriate best practices to implement through a coordinated performance improvement strategy. Without a coordinated strategy that addresses the four key business drivers of people, process, technology and information, companies risk losing a significant portion of business case benefits. Based on Hackett's deep knowledge of world-class business performance, we have designed detailed best practice process flows which enable clients to streamline and automate key processes, and generate performance improvements quickly and efficiently at both the functional and enterprise level.

Similarly, we integrate Hackett Best Practices directly into technology solutions. Because today's business applications are flexible, it is imperative to simplify and automate processes to meet best practice standards before new technology implementations and upgrades are completed. Otherwise, old, inefficient processes will simply be automated and continue to drive up costs, cycle times and error rates. Answerthink has completed detailed fit-gap analyses, in certain functional areas of major business application packages from Lawson, Oracle, PeopleSoft and SAP to determine their ability to support best practices. Application-specific tools, implementation guides and process flows allow us to optimize the configuration of ERP software, while limiting customization. These best practice implementations establish the foundation for improved performance. Building on that foundation a new breed of enabling technologies complement enterprise systems to drive further performance gains. These technologies, which include business process management software, portals, business intelligence and analytics, and knowledge management, enhance real-time business process management, visibility and decision-making.

This combination of optimized processes, a best practices-based business application environment and the right enabling technologies allows our clients to achieve and sustain significant business performance improvement.

COMPETITION

Even as the economy has slowed these last few years, competition in the technology consulting marketplace has heated up. Our competitors include international, national and regional systems consulting and implementation firms, international accounting firms and the IT services divisions of application software firms. Mergers, consolidation and bankruptcies throughout our industry have resulted in higher levels of competition. There is great pressure to complete projects quickly, control costs and maintain efficient operations.

Still, we believe our competitive position is strong. Because of our Hackett intellectual capital and its direct link to our BPI implementation approach, we believe we can assist clients better than our competitors. Our ability to apply best practices to client operations via proven techniques further strengthens our competitive standing.

Answerthink's culture of collaboration leverages the power of our cross-functional and service line teams to increase revenue, strengthen relationships. We believe that this culture, along with our multidisciplinary approach, allows the company to compete favorably.

STRATEGY

Moving forward, Answerthink's focus is on executing those strategies that will lead to significant growth. They include:

- ***The integration of our Hackett best practices knowledge base into our business and technology solutions.*** Our single largest initiative in 2002 was in our innovative Business Process Intelligence (BPI) service delivery approach. Formally launched in the fourth quarter, BPI has received very favorable reaction from clients and industry analysts. For this reason, BPI and our expanded Hackett offerings will be the cornerstones of our marketing and communications programs in the coming year. We will drive both greater understanding of and demand for this approach. We will continue to train associates in all of our practices about BPI so they are equipped with the knowledge and tools necessary to share our vision with existing and prospective clients. BPI incorporates intellectual capital from The

Hackett Group into our proven implementation tools and techniques. For clients, the end results are tangible cost and performance gains and the improved ROI they are seeking in this difficult economic environment. We will continue to enhance and expand the BPI toolkit, which includes best practice process flows and application-specific configuration guides, in 2003.

- ***Accelerated growth of our Hackett offerings with new and renewable services.*** We have expanded the Hackett offerings with a new Business Value Index product and renewable business advisory services. We have also developed renewable collaborative learning products that allow executives to share insights and learn from their peers in a confidential environment. Our Business Value Index offering helps companies identify and quantify opportunities for operational improvements in functional areas and efficiently measure and track the degree of improvement against specific internal and peer performance targets over multi-year periods. We also plan to launch Business Advisory Services targeted at senior executives seeking guidance and proven strategies on operational and strategic issues. Additionally, a new ERP Optimization collaborative learning program will help clients develop strategies to optimize their operating efficiency based on existing investments in enterprise application investments. We are also working on a set of follow-on products that allow clients to utilize implementation support services to efficiently realize the benefits identified in the Hackett performance measurement process. Hackett services allow companies to assess and specifically measure their performance against the highest-performing companies, while Answerthink business process transformation and technology implementation services help companies convert the opportunities identified by Hackett into specific performance gains. Our goal is to establish Answerthink as the leader in business process measurement and related optimization services.

- ***The creation of a new Business Process Outsourcing Advisory Service.*** Because of Answerthink's understanding of how to optimize processes and software configuration with proven best practices, business process outsourcing represents a logical opportunity to expand our client base. The company is seeking a strategic partnership with a leading provider of BPO services. We will continue our pursuit of potential partners, until we identify a partner who recognizes the value of our Hackett knowledge base and BPI tools and how they can benefit their go-to-market efforts.

- ***Strategic Acquisitions.*** Answerthink will continue to pursue strategic acquisitions that strengthen our ability to compete. Given our current financial position and distinct value proposition, Answerthink is well positioned to pursue opportunities as they arise.

THE ANSWERTHINK SOLUTION

Answerthink offers a comprehensive range of services, including performance measurement and research, business transformation, enterprise business applications, technology integration and offshore application maintenance and support. With strategic and functional knowledge in customer service, sales and marketing, finance, human resources, information technology, procurement and supply chain management, our expertise extends across the entire enterprise. We have completed successful engagements in a variety of industries, including automotive, consumer goods, financial services, high tech, life sciences, manufacturing, media and entertainment, retail, telecommunications, transportation and utilities.

Service Capabilities

- ***The Hackett Group***

The Hackett Group has measured and evaluated the efficiency and effectiveness of staff functions at nearly 2,000 global

organizations since 1991. Hackett's clients include 97 percent of the Dow Jones Industrials, 83 percent of the Fortune 100, and 86 percent of the Dow Jones Global Titans Index. Ongoing studies are conducted in a wide range of areas, including finance, human resources, information technology, procurement, SG&A and shared service centers. Hackett has nearly 1,200 best practices for approximately 100 processes in these key functional areas.

Hackett uses proprietary performance measurement tools and a data collection model that enables companies to complete the performance measurement cycle and identify and quantify improvement opportunities in as little as four weeks. Additionally, Hackett offers subscription-based group learning opportunities and access to an online library of best practices data.

- ***Business Transformation***

Answerthink's Business Transformation services help clients develop a coordinated strategy for process improvements across the enterprise. Our expert teams use reliable performance measurement data to link performance gains to industry best practices. Our strategic capabilities include operational planning, process and organization design, change management and the effective application of technology. Because Answerthink combines best practices knowledge with our business expertise and broad technology capabilities, our solutions maximize return on client investments in people, processes, technology and information.

- ***Business Applications***

Our Business Applications professionals help clients choose and deploy the software applications that best meet their needs and objectives. The group offers comprehensive services from strategic planning, architecture, and vendor evaluation and selection through implementation, customization, testing and integration. Our expertise is focused on the following application providers: Lawson, Oracle, PeopleSoft, SAP, Siebel, and several leading time and attendance providers. Furthermore, comprehensive fit-gap analyses of all major packages against Hackett Best Practices have been completed. Proven tools and templates integrate best practices into business applications. The group also offers post-implementation support, change management, system documentation and end-user training, all of which are designed to enhance return on investment.

- ***Technology Integration***

Based on our extensive best practices knowledge, our Technology Integration group designs, develops and implements IT solutions for more effective Business Process Management (BPM) and increased business intelligence (BI). Our Technology Integration experts know how to apply BPM tools to increase process transparency, improve efficiency in workflow and exception management, and create continuous improvement environments. Similarly, our BI services are designed to increase visibility into current performance, improve access to key financial and operational data, and enhance strategic decision making. The group offers strategy and management services, including operational diagnostics and planning and enterprise architecture. Further, we assist clients in improving business performance by rationalizing IT infrastructures, and selecting the right enabling technologies, such as Web services, portals and BPM software, to complement enterprise systems and facilitate information sharing and process integration inside and outside the enterprise.

JOINT VENTURE

Application Maintenance and Support: HCL-Answerthink

Through a joint venture with HCL Technologies, Answerthink provides offshore custom application development and maintenance services. HCL-Answerthink brings together the skills and experience of one of India's top IT services and product engineering firms with the world-class business process and best practices knowledge of Answerthink. The joint venture offers outsourcing diagnostics, post-implementation support for enterprise systems, legacy system and custom application maintenance, custom development and application reporting services.

CLIENTS

Answerthink focuses on long-term client relationships with Global 2000 firms and other sophisticated buyers of business consulting and IT services. During 2002, our ten most significant clients accounted for approximately 57% of revenues. Two clients, Waste Management and Exelon, each had revenues greater than 10% of total revenues.

The continuing high level of satisfaction across our client base offers more evidence of our success in 2002. The responses to the surveys we send to clients continue to be extremely positive. During 2002, we received surveys from a significant number of our engagements with a weighted average score of 4.5 on a 5.0 scale. The direct feedback and suggestions we receive on surveys are captured and used to continuously improve our delivery execution, sales processes, methodologies and training.

BUSINESS DEVELOPMENT AND MARKETING

Our extensive client base and relationships with Global 2000 firms remains our most significant sources of new business. Our revenue generation strategy is formulated to ensure we are addressing the multiple facets of business development. The categories below define our business development resources and market segmentation. Expanding awareness of our brand by leveraging the unique value proposition we have created around BPI is our main goal for 2003. Our BPI message will be the hallmark of our marketing and communications programs this year as we drive both an understanding of and demand for this approach. Similarly, we have increased our Hackett sales resources and established compensation programs that reward the linkage between sales of Hackett services and Answerthink implementation solutions.

BUSINESS DEVELOPMENT RESOURCES

Although virtually all of our consultants have a responsibility to impact revenue, our primary internal business development resources are comprised of the following:

- The Leadership Team
- The Sales Organization
- The Solution Strategist Network
- Telemarketing
- The Delivery Organization

The Leadership Team is comprised of the senior leaders within Answerthink who have a combination of executive, functional, practice and anchor account responsibilities. In addition to their management responsibilities, this group of associates is responsible for growing business by fostering executive level relationships within accounts and leveraging their existing contacts in the marketplace.

The Sales Organization is comprised of associates who are 100% dedicated to increasing revenue. They are deployed geographically in key markets and are primarily focused on developing new account relationships within their target accounts (described below). Each sales associate has between two and 10 target accounts split between existing clients and select Global 2000 prospects. They represent the entire Answerthink offering. They also handle geographic-related opportunities as they arise.

The Solution Strategist Network is comprised of associates throughout our various practices who are primarily dedicated to developing business. Solution strategists possess deep subject matter expertise within a specific discipline and receive incentive compensation on the amount of revenue they generate. Solution strategists sell new business in geographic accounts and collaborate with the sales organization on target account opportunities to provide content expertise.

Telemarketing. Answerthink has trained groups of telemarketers to be conversant with its various solution areas. Telemarketing is coordinated to ensure that our inbound and outbound efforts are synchronized.

The Delivery Organization is comprised of our billable associates who work at client locations. Their job is to find additional opportunities through their normal course of delivering existing projects, thereby helping the company

expand our business within existing accounts.

In addition to our business development team, we have a corporate marketing and communications organization responsible for overseeing Answerthink's marketing programs, public relations and employee communications activities. Our Business Process Intelligence approach will form the main thrust of our market

message in 2003. It will continue to be our defining voice and differentiating point of view in the marketplace. During 2002, we formally launched the BPI message to clients and industry analysts through a variety of communications initiatives, including collateral, white papers, a series of executive breakfasts and Web casts.

MARKET SEGMENTATION

We have segmented our market focus into the following categories:

- Top 25 Accounts
- Target Accounts
- Geographic Focus Accounts

Top 25 Accounts are a mix of our largest existing clients and our most strategic prospects. To facilitate proper account management, each top 25 account has a leadership team member assigned to perform the role of client executive, an associate from the sales, solution strategist or delivery organizations to perform the role of account manager, and an associate from the delivery organizations to perform the role of delivery leader.

Target Accounts are comprised of prospects and clients who are geographically situated where a sales representative resides. Criteria for inclusion as a target account includes the size of the company, industry affiliation, propensity to buy external consulting services and contacts within the account. The sales representative is primarily responsible to identify business opportunities in the account, act as the single point of coordination for the client and perform the general duties of account manager.

Geographic Focus Accounts are accounts within a specified geography that fall neither within the top 25 or target account lists. These accounts can include large prospects, dormant clients, existing medium-sized clients and mid-tier market accounts. This account set is handled primarily on an opportunistic basis, except for active clients where delivery teams are focused on driving additional revenue.

MANAGEMENT SYSTEMS

Our management control systems are comprised of various accounting, billing, financial reporting, human resources, marketing and resource allocations systems, many of which are integrated with our knowledge management system, Mind~Share. We continuously work to improve Mind~Share, as well as our infrastructure and management control systems, which we believe represents a competitive advantage for us. We believe that Mind~Share significantly enhances our ability to serve our clients efficiently by allowing our knowledge base to be shared by all of our consultants worldwide on a real-time basis. Our well-developed, flexible, scalable infrastructure has allowed us to quickly integrate the new employees and systems of businesses we have acquired.

HUMAN RESOURCES

Our culture fosters intellectual rigor and creativity, collaboration and innovation. We believe in building relationships with our clients. We believe the best solutions come from teams of diverse individuals addressing problems collectively and from multiple dimensions, including the business, technological and human dimensions. We maintain that the most effective working environment is one where everyone is encouraged to contribute.

We believe that Answerthink's central values are the strongest expression of our working style. They represent the

behavior we want to encourage and the people we want to develop. They are what, at our core, we really stand for. These central values are:

- Diversity: of backgrounds, skills and experiences
- Knowledge: as individuals and a system of individuals
- Collaboration: with one another, with our partners and with our clients

Answerthink's working style is how those values get translated in daily life, how clients experience working with the Answerthink individuals and how we deliver on our promises. Our work style is:

- Insightful: the problems our clients face are complex; therefore we have to be imaginative and innovative
- Thorough: we deliver rigorous, thorough solutions because that is what our clients expect
- Committed: we are utterly and absolutely committed to delivering the right solutions and avoiding the tempting compromises sometimes offered by deadlines, budgets or politics
- Passionate: passion drives business success, our clients' success and, therefore, ours

Our HR staff includes dedicated resources to recruit consultants with both business and technology expertise. Our recruiting team drives our hiring process by focusing on the highest demand solution areas of our business to ensure an adequate pipeline of resources. We also have an employee referral program, which rewards existing employees who source new hires.

Training and development are keys to our success—and therefore, our clients' successes. That is why we provide a thorough orientation and training curriculum for employees at every level. New hires complete "OnBoarding" training to gain a complete picture of Answerthink, our mission, core objectives and values, as well as our organization, clients and structure. Key executives regularly attend these sessions. In addition, we train our consultants via Answerthink University in specific skill sets, such as business strategy, technology and project management, that best complement our multidisciplinary teams. To fully leverage our "front-line" experiences and support our culture, we often use our own people as trainers. Many of our practices maintain technology and development labs, so our implementation specialists can stay current on the latest software releases from leading vendors. Much of the ongoing development of our consultants comes from their work on client engagements involving new business models and technology, which is then captured in Mind~Share and made available for training other consultants.

The benefits package that we provide includes comprehensive health and welfare insurance, work/life balance programs, a 401(k) program including a company match, stock options and a stock purchase program. Our associates are paid competitive salaries and cash bonuses based upon market conditions and our performance.

As of January 3, 2003, we had approximately 750 associates, approximately 80% of whom were billable professionals. None of our associates are subject to collective bargaining arrangements. We have entered into nondisclosure and non-solicitation agreements with virtually all of our personnel. We engage consultants as independent contractors from time to time.

COMMUNITY INVOLVEMENT

One important way we put our values into action is through our commitment to the communities where we work. The mission of Answerthink's Community Council, which operates in each of the cities where we have offices, is to leave the markets, communities and clients we serve better than we found them. We do it by building a strong sense of community, collaboration and personal interaction among all of our associates, through both volunteer and service programs and social gatherings. Not only do the Community Council's efforts make our towns and cities better places to live and do business, but they also make Answerthink a better place to work. Answerthink's associates are actively involved in many valuable and high-impact community programs, including United Way, Ronald McDonald House, Big Brothers & Sisters, Race for the Cure, Make-A-Wish Foundation, Habitat for Humanity, the National Adoption Center, the National Heart Association and Special

Olympics.

AVAILABLE INFORMATION

We make our public filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all exhibits and amendments to these reports, available free of charge at our web site http://www.answerthink.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Any material that we file with the Securities and Exchange Commission may be read and copied at the Securities and Exchange Commission's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330.

RISK FACTORS

The following important factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K or printed elsewhere by management from time to time.

Our quarterly operating results may vary.

Our financial results may fluctuate from quarter to quarter. In future quarters, our operating results may not meet public market analysts' and investors' expectations. If that happens, the price of our common stock may fall. Many factors can cause these fluctuations, including:

- the number, size, timing and scope of client engagements;
- customer concentration;
- long and unpredictable sales cycles;
- contract terms of client engagements;
- degrees of completion of client engagements;
- client engagement delays or cancellations;
- competition for and utilization of employees;
- how well we estimate the resources we need to complete client engagements;
- the integration of acquired businesses;
- pricing changes in the industry;
- economic conditions specific to information technology consulting; and
- general economic conditions.

A high percentage of our operating expenses, particularly personnel and rent, are fixed in advance of any particular quarter. As a result, if we experience unanticipated changes in client engagements or in employee utilization rates, we could experience large variations in quarterly operating results and losses in any particular quarter. Due to these factors, we believe you should not compare our quarter-to-quarter operating results to predict future performance.

If we are unable to maintain our reputation and expand our name recognition, we may have difficulty attracting new business and retaining current clients and employees.

We believe that establishing and maintaining a good reputation and name recognition are critical for attracting and retaining clients and employees. We also believe that the importance of reputation and name recognition is increasing and will continue to increase due to the number of providers of IT services. If our reputation is damaged or if potential clients are not familiar with us or with the solutions we provide, we may be unable to attract new, or retain existing, clients and employees. Promotion and enhancement of our name will depend largely on our success in continuing to provide effective solutions. If

clients do not perceive our solutions to be effective or of high quality, our brand name and reputation will suffer. In addition, if solutions we provide have defects, critical business functions of our clients may fail, and we could suffer adverse publicity as well as economic liability.

We depend heavily on a limited number of clients.

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of clients for which we perform large projects. In 2002, our ten largest clients accounted for approximately 57% of our revenues in the aggregate, with two clients each accounting for more than 10% of revenues. In addition, revenues from a large client may constitute a significant portion of our total revenues in a particular quarter. The loss of any principal client for any reason, including as a result of the acquisition of that client by another entity, our failure to meet that client's expectations, or that client's decision to reduce spending on technology-related projects, could have a material adverse effect on our business, financial condition and results of operations.

We have risks associated with potential acquisitions or investments.

Since we were founded, we have significantly expanded through acquisitions. In the future, we plan to pursue additional acquisitions. We will do this to:

- recruit well-trained, high-quality professionals;
- expand our service offerings;

- gain additional industry expertise;
- broaden our client base; and
- expand our geographic presence.

We may not be able to integrate successfully businesses which we may acquire in the future without substantial expense, delays or other operational or financial problems. We may not be able to identify, acquire or profitably manage additional businesses. Also, acquisitions may involve a number of risks, including:

- diversion of management's attention;
- failure to retain key personnel;
- failure to retain existing clients;
- unanticipated events or circumstances;
- legal liabilities; and
- amortization of acquired intangible assets.

We cannot assure you that client satisfaction or performance problems at a single acquired firm will not have a material adverse impact on our reputation as a whole. Further, we cannot assure you that our recent or future acquired businesses will generate anticipated revenues or earnings.

We may be unable to achieve anticipated benefits from acquisitions and joint ventures.

The anticipated benefits from our acquisitions may not be achieved. For example, when we acquire a company or certain assets of a company, we cannot be certain that customers acquired in the transaction will continue to do business with us or that employees of the acquired operations will continue their employment or become well integrated into our operations. The identification, consummation and integration of acquisitions and joint ventures require substantial attention from management. The diversion of this attention from management, as well as any difficulties encountered in the integration process, could have an adverse impact on our business, financial condition and results of operations.

We may be subject to claims for past acts of the companies that we acquire, which may subject us to increased expenses.

We could experience financial or other setbacks if any of the businesses that we acquire had problems in the past of which we are not aware. To the extent any client or other third party asserts any legal claim against any of the companies we have acquired, our business, results of operations and financial condition could be materially and adversely affected.

We may not be able to hire, train, motivate, retain and manage professional staff.

To succeed, we must hire, train, motivate, retain and manage highly skilled employees. Competition for skilled employees who can perform the services we offer is intense. We might not be able to hire enough of them or to train, motivate, retain and manage the employees we hire. This could hinder our ability to complete existing client engagements and bid for new client engagements. Hiring, training, motivating, retaining and managing employees with the skills we need is time-consuming and expensive.

We could lose money on our contracts.

As part of our strategy, we enter into capped or fixed-price contracts, in addition to contracts based on payment for time and materials. Because of the complexity of many of our client engagements, accurately estimating the cost, scope and duration of a particular engagement can be a difficult task. If we fail to make these estimates accurately, we could be forced to devote additional resources to these engagements for which we will not receive additional compensation. To the extent that an expenditure of additional resources is required on an engagement, this could reduce the profitability of, or result in a loss on, the engagement. In the past, we have, on occasion, engaged in negotiations with clients regarding changes to the cost, scope or duration of specific engagements. To the extent we do not sufficiently communicate to our clients, or our clients fail to adequately appreciate, the nature and extent of any of these types of changes to an engagement, our reputation may be harmed and we may suffer losses on an engagement.

Lack of detailed written contracts could impair our ability to collect fees, protect our intellectual property and protect ourselves from liability to others.

We try to protect ourselves by entering into detailed written contracts with our clients covering the terms and contingencies of the client engagement. In some cases, however, consistent with what we believe to be industry practice,

work is performed for clients on the basis of a limited statement of work or verbal agreements before a detailed written contract can be finalized. To the extent that we fail to have detailed written contracts in place, our ability to collect fees, protect our intellectual property and protect ourselves from liability to others may be impaired.

Our corporate governance provisions may deter a financially attractive takeover attempt.

Provisions of our charter and by-laws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which stockholders would receive a premium for their shares. These provisions include the following:

- stockholders must comply with advance notice requirements before raising a matter at a meeting of stockholders or nominating a director for election;
- our board of directors is staggered into three classes and the members may be removed only for cause upon the affirmative vote of holders of at least two-thirds of the shares entitled to vote;
- we would not be required to hold a special meeting to consider a takeover proposal unless holders of more than a majority of the shares entitled to vote on the matter were to submit a written demand or demands for us to do so; and
- our board of directors may, without obtaining stockholder approval, classify and issue up to 1,250,000 shares of

preferred stock with powers, preferences, designations and rights that may make it more difficult for a third party to acquire us.

Our markets are highly competitive.

We may not be able to compete effectively with current or future competitors. The IT services market is highly competitive. We expect competition to further intensify as this market continues to evolve. Some of our competitors have longer operating histories, larger client bases, longer relationships with their clients, greater brand or name recognition and significantly greater financial, technical and marketing resources than we do. As a result, our competitors may be in a stronger position to respond more quickly to new or emerging technologies and changes in client requirements and to devote greater resources than we can to the development, promotion and sale of their services. Competitors could lower their prices, potentially forcing us to lower our prices and suffer reduced operating margins. We face competition from international accounting firms; international, national and regional systems consulting and implementation firms; the IT services divisions of application software firms; and marketing and communication firms.

In addition, there are relatively low barriers to entry into the IT services market. We do not own any patented technology that would stop competitors from entering this market and providing services similar to ours. As a result, the emergence of new competitors may pose a threat to our business. Existing or future competitors may develop and offer services that are superior to, or have greater market acceptance, than ours, which could significantly decrease our revenues and the value of your investment.

We may lose large clients or significant client engagements.

Our client engagements are generally short-term arrangements, and most clients can reduce or cancel their contracts for our services with 30 days notice and without penalty. As a result, if we lose a major client or large client engagement, our revenues will be adversely affected. We perform varying amounts of work for specific clients from year to year. A major client in one year may not use our services in another year. In addition, we may derive revenue from a major client that constitutes a large portion of total revenue for particular quarters. If we lose any major clients or any of our clients cancel or significantly reduce the scope of a large client engagement, our business, financial condition and results of operations could be materially and adversely affected. Also, if we fail to collect a large account receivable, we could be subjected to significant financial exposure. Consequently, you should not predict or anticipate our future revenue based upon the number of clients we currently have or the number and size of our existing client engagements.

We rely on our intellectual property rights.

We rely upon a combination of nondisclosure and other contractual arrangements and trade secret, copyright and trademark laws to protect our proprietary rights and the proprietary rights of third parties from whom we license intellectual property. Although we enter into confidentiality agreements with our employees and limit distribution of proprietary information, there can be no assurance that the steps we have taken in this regard will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

Although we believe that our services do not infringe on the intellectual property rights of others and that we have all rights necessary to utilize the intellectual property employed in our business, we are subject to the risk of claims alleging infringement of third-party intellectual property rights. Any claims could require us to spend significant sums in litigation, pay damages, develop non-infringing intellectual property or acquire licenses to the intellectual property that is the subject of asserted infringement.

The market price of our common stock may fluctuate widely.

The market price of our common stock could fluctuate substantially due to:

- future announcements concerning us or our competitors;
- quarterly fluctuations in operating results;
- announcements of acquisitions or technological innovations; or
- changes in earnings estimates or recommendations by analysts.

In addition, the stock prices of many technology companies fluctuate widely for reasons which may be unrelated to operating results. Fluctuations in our common stock's market price may impact our ability to finance our operations and retain personnel.

ITEM 2. PROPERTIES

Our principal executive offices currently are located at 1001 Brickell Bay Drive, Suite 3000, Miami, Florida 33131. The lease on these premises covers 16,036 square feet and expires June 30, 2003. We also have offices in Atlanta, Boston, Chicago, Cleveland, Frankfurt, New York, Philadelphia, London and Iselin, New Jersey. We believe that we will be able to obtain suitable space as needed. We own no real estate and do not intend to invest in real estate or real estate-related assets.

ITEM 3. LEGAL PROCEEDINGS

Between November, 2002 and January, 2003, six class actions seeking unspecified damages were filed against Answerthink and certain of its current and former officers and directors alleging violations of the Securities and Exchange Act of 1934. The complaints allege misstatements and omissions concerning related party transactions during the alleged class period of February 8, 2000 to April 25, 2002. On January 7, 2003 the federal district court entered an order closing and consolidating these cases and any subsequently filed related cases (the "Consolidation Order") into Druskin, et al. v. Answerthink, Inc., et al., Case No. 02-23304-CIV-GOLD. The Consolidated Amended Complaint is due to be filed on April 18, 2003. We intend to file a motion seeking the dismissal of the Consolidated Amended Complaint. Based on the status of these actions it is not possible to determine the range of loss to us, if any. We believe that the plaintiffs' claims are without merit and intend to defend the lawsuits vigorously.

Between September and October 1998, seven purported class action suits were filed against THINK New Ideas, Inc. ("THINK New Ideas") and certain of its then current and former officers and directors alleging violations of the Securities Exchange Act of 1934. All seven of these lawsuits were consolidated by order of the court. This lawsuit became our responsibility upon the merger of Answerthink and THINK New Ideas. On April 18, 2002, the parties reached an agreement in principle to settle this action. The Court approved the settlement in September 2002 in all respects and dismissed the complaint with prejudice. The time for appeal has expired and the settlement has become final. The full amount of the settlement has been paid by THINK New Ideas' insurance carrier.

We are involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such other matters will not have a material adverse effect on our financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2002.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock has been traded on the Nasdaq National Market since our initial public offering on May 28, 1998 under the Nasdaq symbol "ANSR". The following table sets forth for the fiscal periods indicated the high and low sales prices of the common stock, as reported on the Nasdaq National Market.

	High	Low
2002		
Fourth Quarter	$3.29	$1.43
Third Quarter	$3.91	$1.52
Second Quarter	$7.30	$3.60
First Quarter	$8.34	$4.65
2001		
Fourth Quarter	$6.80	$3.15
Third Quarter	$9.81	$3.50
Second Quarter	$9.99	$3.50
First Quarter	$9.06	$3.25

The closing sale price for the common stock on March 14, 2003 was $2.43.

As of March 14, 2003, there were approximately 386 holders of record of our common stock and 46,415,527 shares of common stock outstanding.

Company Dividend Policy

We do not expect to pay any cash dividends on our common stock in the foreseeable future. Our present policy is to retain earnings, if any, for use in the operation of our business.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data sets forth selected financial information for Answerthink as of and for each of the years in the five-year period ended January 3, 2003, and has been derived from our audited financial statements. The selected consolidated financial data should be read together with our consolidated financial statements and related notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended				
	January 3, 2003	December 28, 2001	December 29, 2000	December 31, 1999	January 1, 1999
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenues:					
Revenues before reimbursements	$ 156,357	$ 220,966	$ 260,892	$ 202,318	$ 118,155
Reimbursements	20,490	29,377	35,811	29,255	14,648
Total revenues	176,847	250,343	296,703	231,573	132,803

Costs and expenses:					
Project personnel and expenses:					
Project personnel and expenses before reimbursable expenses	104,981	132,843	147,040	118,844	71,890
Reimbursable expenses	20,490	29,377	35,811	29,255	14,648
Total project personnel and expenses	125,471	162,220	182,851	148,099	86,538
Selling, general and administrative expenses	53,416	77,087	92,321	57,297	38,516
Impairment of goodwill	20,000	—	—	—	—
Restructuring costs	10,886	5,619	3,268	—	—
Stock compensation expense	—	4,855	853	960	40,843
Total costs and operating expenses	209,773	249,781	279,293	206,356	165,897
Income (loss) from operations	(32,926)	562	17,410	25,217	(33,094)
Other income (expense):					
Litigation settlement	—	—	1,850	—	2,500
Non-cash investment losses	—	—	(2,350)	—	—
Interest income (expense), net	570	843	589	(26)	(739)
Income (loss) before income taxes, loss from discontinued operations, extraordinary loss and cumulative effect of change in accounting principle	(32,356)	1,405	17,499	25,191	(31,333)
Income taxes	(3,508)	1,807	8,571	11,431	1,719
Income (loss) from continuing operations	(28,848)	(402)	8,928	13,760	(33,052)
Loss from discontinued operations, net of income taxes	(8,911)	(8,117)	(1,027)	(10,513)	(28,362)
Income (loss) before extraordinary loss and cumulative effect of change in accounting principle	(37,759)	(8,519)	7,901	3,247	(61,414)
Extraordinary loss on early extinguishment of debt, net of taxes	—	—	—	(2,113)	—
Cumulative effect of change in accounting principle	(31,200)	—	—	—	—
Net income (loss)	$ (68,959)	$ (8,519)	$ 7,901	$ 1,134	$ (61,414)
Basic net income (loss) per common share:					
Income (loss) from continuing operations	$ (0.62)	$ (0.01)	$ 0.22	$ 0.39	$ (1.33)
Loss from discontinued operations, net of income taxes	$ (0.19)	$ (0.18)	$ (0.02)	$ (0.30)	$ (1.14)
Extraordinary loss on early extinguishment of debt	$ —	$ —	$ —	$ (0.06)	$ —
Cumulative effect of change in accounting principle	$ (0.68)	$ —	$ —	$ —	$ —
Net income (loss) per common share	$ (1.49)	$ (0.19)	$ 0.20	$ 0.03	$ (2.47)
Weighted average common shares outstanding	46,348	43,999	40,262	34,953	24,844
Diluted net income (loss) per common share:					
Income (loss) from continuing operations	$ (0.62)	$ (0.01)	$ 0.20	$ 0.32	$ (1.33)
Loss from discontinued operations, net of income taxes	$ (0.19)	$ (0.18)	$ (0.02)	$ (0.24)	$ (1.14)
Extraordinary loss on early extinguishment of debt	$ —	$ —	$ —	$ (0.05)	$ —
Cumulative effect of change in accounting principle	$ (0.68)	$ —	$ —	$ —	$ —
Net income (loss) per common share	$ (1.49)	$ (0.19)	$ 0.18	$ 0.03	$ (2.47)
Weighted average common shares and common share equivalents	46,348	43,999	45,137	43,098	24,844

	January 3, 2003	December 28, 2001	December 29, 2000	December 31, 1999	January 1, 1999
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 63,419	$ 59,888	$ 51,662	$ 27,124	$ 36,931

Working capital	$ 74,537	$ 81,313	$ 74,787	$ 55,166	$ 49,711
Total assets	$145,361	$ 211,919	$ 228,676	$ 200,713	$153,394
Shareholders' equity	$113,047	$ 177,701	$ 172,054	$ 140,270	$100,789

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Answerthink is a leading business and technology consulting firm that enables companies to achieve world-class business performance. By leveraging the comprehensive database of The Hackett Group, with its world-renowned repository of enterprise best practice metrics and business process knowledge, Answerthink's business and technology solutions help clients significantly improve performance and optimize returns on technology investments. Answerthink's capabilities include performance measurement services, business transformation, business applications, technology integration, and offshore application maintenance and support. Answerthink was formed on April 23, 1997. Since our formation, we have grown through internal expansion as well as through mergers and acquisitions. Our consolidated financial statements may lack comparability from period to period because of acquisitions we made for which we used the purchase method of accounting.

Critical Accounting Policies

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial position in the preparation of financial statements in conformity with generally accepted accounting principles. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe the following discussion addresses our most critical accounting policies. These policies require management to exercise judgements that are often difficult, subjective and complex due to the necessity of estimating the effect of matters that are inherently uncertain.

Revenue Recognition

Our revenues are derived from fees for services generated on a project-by-project basis. Revenues for services rendered are recognized on a time and materials basis based on the number of hours worked by our consultants at an agreed upon rate per hour or on a fixed-fee or capped-fee basis. Revenues related to time and material contracts are recognized in the period in which services are performed. Revenues related to fixed-fee or capped-fee contracts are recognized based on our evaluation of actual costs incurred to date compared to total estimated costs using the percentage of completion method of accounting. The cumulative impact of any revisions in estimated total revenues and direct contract costs are recognized in the period in which they become known. Unbilled revenues represent revenues for services performed that have not been billed. If we do not accurately estimate the resources required or the scope of the work to be performed, or we do not manage our projects properly within the planned periods of time or we do not meet our clients' expectations under the contracts, then future consulting margins may be significantly and negatively affected or losses on existing contracts may need to be recognized. Any such resulting reductions in margins or contract losses could be material to our results of operations.

The agreements entered into in connection with a project, whether time and materials based or fixed-fee or capped-fee based, are typically terminable by the client upon 30 days' notice. Upon early termination of an engagement, the client is required to pay for all time, materials and expenses incurred by us through the effective date of the termination. In addition, provisions in some of the agreements we have with our clients limit our right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit us from performing a defined range of our services that we might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Accounts Receivable and Allowances for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments. Our management makes estimates of the uncollectibility of our accounts receivables. Management critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of our clients were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Goodwill

We assess goodwill for impairment when events or circumstances indicate that the carrying value may not be recoverable, or, at a minimum, on an annual basis. We have made determinations as to what our reporting units are and what amounts of goodwill and intangible assets should be allocated to those reporting units.

In assessing the recoverability of long-lived identifiable assets and goodwill, we must make assumptions regarding estimated future cash flows, discount rates and other factors to determine if impairment tests are met. These estimates contain management's best estimates, using appropriate and customary assumptions and projections at the time. If these estimates or their related assumptions change in the future, we may be required to record additional impairment charges.

Restructuring Costs

During 2002, 2001 and 2000, we recorded charges in connection with our restructuring actions. The related reserves reflect judgements and estimates of our ultimate costs for severance, closure and consolidation of facilities and settlement of contractual obligations under our operating leases, including sublease rental rates, absorption period to relet space and other related costs. We reassess the reserve requirements to complete each individual plan under our restructuring programs at the end of each reporting period. Such charges have been recorded under Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)* and Securities and Exchange Commission Staff Accounting Bulletin No. 100, *Restructuring and Impairment Charges.* If these estimates change in the future or actual results are different than our estimates, we may be required to record additional charges in the future.

Income Taxes

We record income taxes using the liability method. Under this method, we record deferred taxes based on temporary taxable and deductible differences between the tax bases of our assets and liabilities and our financial reporting bases. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Litigation and Contingencies

Litigation and contingencies are reflected in our consolidated financial statements based on management's assessment, along with legal counsel, of the expected outcome from such litigation. If the final outcome of such litigation and contingencies differs adversely from that currently expected, it would result in a charge to earnings when determined.

Results of Operations

Our fiscal year generally consists of a 52-week period and periodically consists of a 53-week period because the fiscal year ends on the Friday closest to December 31. Fiscal years 2002, 2001 and 2000 ended on January 3, 2003, December 28, 2001 and December 29, 2000, respectively. Our fiscal year 2002 was a 53-week period. References to a year included in this section refer to a fiscal year rather than a calendar year.

The following table sets forth, for the periods indicated, our results of operations and the percentage relationship to net revenues of such results:

	Year Ended					
	January 3, 2003		December 28, 2001		December 29, 2000	
	(in thousands, except percentage data)					
Revenues:						
Revenues before reimbursements	$156,357	88.4%	$ 220,966	88.3%	$ 260,892	87.9%
Reimbursements	20,490	11.6%	29,377	11.7%	35,811	12.1%
Total revenues	176,847	100.0%	250,343	100.0%	296,703	100.0%
Costs and expenses:						
Project personnel and expenses:						
Project personnel and expenses before reimbursable expenses	104,981	59.4%	132,843	53.1%	147,040	49.5%
Reimbursable expenses	20,490	11.6%	29,377	11.7%	35,811	12.1%
Total project personnel and expenses	125,471	71.0%	162,220	64.8%	182,851	61.6%
Selling, general and administrative expenses	53,416	30.2%	77,087	30.8%	92,321	31.1%
Impairment of goodwill	20,000	11.3%	—	—	—	—
Restructuring costs	10,886	6.2%	5,619	2.2%	3,268	1.1%
Stock compensation expense	—	—	4,855	2.0%	853	0.3%
Total costs and operating expenses	209,773	118.7%	249,781	99.8%	279,293	94.1%
Income (loss) from operations	(32,926)	(18.7%)	562	0.2%	17,410	5.9%
Other income (expense):						
Litigation settlement	—	—	—	—	1,850	0.6%
Non-cash investment losses	—	—	—	—	(2,350)	(0.8%)
Interest income (expense), net	570	0.4%	843	0.3%	589	0.2%
Income (loss) before income taxes, loss from discontinued operations and cumulative effect of change in accounting principle	(32,356)	(18.3%)	1,405	0.5%	17,499	5.9%
Income taxes	(3,508)	(2.0%)	1,807	0.7%	8,571	2.9%
Income (loss) from continuing operations	(28,848)	(16.3%)	(402)	(0.2%)	8,928	3.0%
Loss from discontinued operations, net of income taxes	(8,911)	(5.1%)	(8,117)	(3.2%)	(1,027)	(0.3%)
Income (loss) before cumulative effect of change in accounting principle	(37,759)	(21.4%)	(8,519)	(3.4%)	7,901	2.7%
Cumulative effect of change in accounting principle	(31,200)	(17.6%)	—	—	—	—
Net income (loss)	$ (68,959)	(39.0%)	$ (8,519)	(3.4%)	$ 7,901	2.7%

Comparison of 2002 to 2001

Overview. We reported a net loss of $69.0 million in 2002 compared to a net loss of $8.5 million in 2001. Our $69.0 million net loss during 2002 included a $31.2 million cumulative effect of change in accounting principle as a result of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, a non-cash goodwill impairment charge of $20.0 million, restructuring costs of $10.9 million and a loss from discontinued operations of $8.9 million related to our interactive marketing business. Our $8.5 million net loss during 2001 included a loss from discontinued operations of $8.1 million, restructuring costs of $5.6 million and $4.9 million of non-cash compensation expense. The compensation expense was primarily related to the granting of "in-the-money" stock options to participants in our Employee Stock Purchase Plan in lieu of the Employee Stock Purchase Plan shares that could not be issued because the plan was oversubscribed for the purchase periods ending December 31, 2000 and June 30, 2001. Our losses in 2002 and 2001 were attributable to the items mentioned above. The decrease in revenues in 2002 resulted from a decline in information technology spending by our customers and potential customers in reaction to the overall slowdown in the economy during 2002.

Revenues. Revenues decreased 29.4% to $176.8 million in 2002 from $250.3 million in 2001. The decrease in revenues was

primarily attributable to a decrease in the number of customers and the average size of our projects

resulting from the decreased demand for information technology services due to weak economic conditions. In fiscal year 2002, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for 36% of total revenues. In fiscal year 2001, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 39% of total revenues.

Project Personnel and Expenses. Project personnel costs and expenses consist primarily of salaries, benefits and bonuses for consultants. Project personnel costs and expenses decreased 22.7% to $125.5 million in 2002 from $162.2 million in 2001. The decrease in project personnel and expenses was primarily due to the reduction in the number of consultants in order to balance workforce capacity with market demand for services. Consultant headcount was 620 as of January 3, 2003 compared to 887 as of December 28, 2001. Project personnel and expenses as a percentage of revenues increased to 71.0% in 2002 from 64.8% in 2001. This increase in project personnel costs and expenses as a percentage of revenues was primarily the result of lower per hour billing rates charged to customers and a higher average cost per consultant attributable to a greater percentage of senior associates working on projects during 2002 compared to 2001.

Selling, General and Administrative. Selling, general and administrative expenses decreased 30.7% to $53.4 million in 2002 from $77.1 million in 2001. The decrease in selling, general and administrative expenses were primarily due to our continued cost control initiatives, reduced discretionary spending and the adoption of SFAS No. 142, which eliminated amortization expense of goodwill in 2002. Goodwill amortization for the year 2001 was $3.9 million. In addition to the change in goodwill amortization, we reduced functional support headcount, incurred lower recruiting, selling and bad debt expenses, and reduced property and facility expenses as a result of a decrease in the number of offices from 14 at the end of 2001 to 12 at the end of 2002. Sales and functional support headcount was 133 as of January 3, 2003 compared to 168 as of December 28, 2001. Selling, general and administrative expenses as a percentage of revenues were comparable between 2002 and 2001 at 30.2% and 30.8%, respectively.

Impairment of Goodwill and Cumulative Effect of Change in Accounting Principle. We adopted SFAS No. 142 during the first quarter of 2002. The new accounting rule eliminated the amortization of goodwill and changed the method of determining whether there is a goodwill impairment from an undiscounted cash flow method to a fair value method. As a result of the adoption of this standard, we incurred a non-cash transitional impairment charge of $31.2 million in the first quarter of 2002 due to the cumulative effect of a change in accounting principle. This charge related to the Technology Integration reporting unit. The new statement also requires that goodwill be tested for impairment on an annual basis and between annual tests in certain circumstances. We performed an impairment test primarily as a result of the decline in our stock price and that of our peer group during the third quarter of 2002 and recorded a non-cash impairment charge of $20.0 million related to the Technology Integration reporting unit.

Restructuring Costs. Restructuring costs were $10.9 million and $5.6 million in 2002 and 2001, respectively. In 2002, costs consisted of $1.5 million for reduction in consultants and functional support personnel and $9.4 million for closure and consolidation of facilities and related exit costs, including a $5.0 million write-off of leasehold improvements and other assets. The 2002 restructuring plan involved the involuntary termination of approximately 100 employees. The 2001 costs consisted of $3.7 million for reduction in consultants and functional support personnel and $1.9 million for closure and consolidation of facilities and related exit costs. The 2001 restructuring plan involved the involuntary termination of approximately 200 employees. These actions were taken as a result of the continued decline in demand for technology services throughout 2001 and 2002. We took steps to reduce our costs to better align our overall cost structure and organization with anticipated demand for our services.

Stock Compensation Expense. Stock compensation expense in 2001 primarily related to the granting of stock options to participants in our Employee Stock Purchase Plan. These stock options were granted in lieu of the Employee Stock Purchase Plan shares that could not be issued because the plan was oversubscribed for the purchase periods ending on December 31, 2000 and June 30, 2001. We recorded a non-cash compensation charge of $4.2 million in 2001 for the difference between the fair market value of the stock on the option grant date and the exercise price.

Income Taxes. We recorded an income tax benefit of $3.5 million in 2002, which represented 10.8% of our 2002 loss before

discontinued operations and cumulative effect of change in accounting principle. In 2001, we recorded income tax expense of $1.8 million, which represented 128.6% of our 2001 pre-tax income from

continuing operations. The low effective tax rate for 2002 was primarily due to the $20.0 million charge for the impairment of goodwill which was not deductible for tax purposes and to the establishment of a valuation allowance on our net deferred tax assets that existed at the end of the year.

In 2002, we discontinued our interactive marketing business which we acquired with THINK New Ideas. The discontinuance of THINK New Ideas will generate an approximate $75.0 million worthless stock deduction for our investment in THINK New Ideas in our 2002 tax return. Although we believe that our tax position is sustainable there is no assurance that the Internal Revenue Service will not challenge our conclusion.

At the end of 2002, we had a net operating loss carryforward available for tax purposes of $68.0 million, which we will use in future years to offset future taxable income.

The high effective tax rate for 2001 was the result of the impact of permanent differences on a very low level of pretax income. Our effective tax rate may vary from period to period based on changes in our estimated annual taxable income or loss.

Loss from Discontinued Operations. Results for 2002 included a net loss of $8.9 million from the discontinued operations of our interactive marketing business. The operating results of the interactive marketing business have been reported as discontinued operations and results for prior periods have been restated. For the years ended January 3, 2003 and December 28, 2001 the losses from discontinued operations were $8.9 million and $8.1 million, respectively, and included restructuring costs of $3.4 million and $2.9 million, respectively, for reduction in consultants and for closure and consolidation of facilities and related exit costs. For the years ended January 3, 2003 and December 28, 2001, total revenues for discontinued operations were $7.2 million and $28.9 million, respectively.

Comparison of 2001 to 2000

Overview. We reported a net loss of $8.5 million in 2001 compared to net income of $7.9 million in 2000. Our $8.5 million net loss during 2001 was primarily attributable to a loss from discontinued operations of $8.1 million related to the discontinued operations of our interactive marketing business, restructuring costs of $5.6 million related to restructuring costs associated with personnel and facilities reductions and $4.9 million of non-cash compensation expense. The compensation expense was primarily related to the granting of "in-the-money" stock options to participants in our Employee Stock Purchase Plan in lieu of the Employee Stock Purchase Plan shares that could not be issued because the plan was oversubscribed for the purchase periods ending December 31, 2000 and June 30, 2001. In 2000, we incurred non-recurring items of $9.9 million related to reserves for dotcom related receivables, $3.3 million of restructuring costs associated with personnel and facilities reductions, $2.4 million for non-cash investment losses, a $1.0 million loss from discontinued operations and $1.9 million of income from a litigation settlement. Our loss in 2001 was attributable to the items mentioned above as well as the decrease in revenues resulting from a decline in information technology spending by our customers and potential customers in reaction to the overall slowdown in the economy during 2001.

Revenues. Revenues decreased 15.6% to $250.3 million in 2001 from $296.7 million in 2000. The decrease in revenues was primarily attributable to a decrease in the number of customers and the average size of our projects resulting from reduced demand for information technology services. In 2001, three customers each had revenues greater than 5% of total net revenues, which, in the aggregate, accounted for approximately 39% of total revenues. In 2000, one customer accounted for approximately 13% of revenues.

Project Personnel and Expenses. Project personnel costs and expenses consist primarily of salaries, benefits and bonuses for consultants. Project personnel costs and expenses decreased 11.3% to $162.2 million in 2001 from $182.9 million in 2000. The decrease in project personnel and expenses was the result of a decrease in the number of consultants, partially offset by an increase in average salaries. Consultant headcount was 887 as of December 28, 2001 compared to 1,074 as of December 29, 2000. Project personnel and expenses as a percentage of revenues increased to 64.8% in 2001 from 61.6% in 2000. This increase in

project personnel costs and expenses as a percentage of revenues was due to lower consultant utilization, partially offset by higher billing rates.

Selling, General and Administrative. Selling, general and administrative expenses decreased 16.5% to $77.1 million in 2001 from $92.3 million in 2000. The decrease in selling, general and administrative expenses was primarily a result of a decrease in bad debt expense, lower salary and benefit expenses associated with a decrease in functional support associates, lower recruiting and training costs resulting from a decrease in the number of

consultants and reduced marketing costs. Sales and functional support headcount was 168 as of December 28, 2001 compared to 270 as of December 29, 2000. Selling, general and administrative expenses as a percentage of net revenues were comparable between 2001 and 2000 at 30.8% and 31.1%, respectively.

Restructuring Costs. Restructuring costs were $5.6 million and $3.3 million in 2001 and 2000, respectively. In 2001, costs consisted of $3.7 million for reduction in consultants and functional support personnel and $1.9 million for closure and consolidation of facilities and related exit costs. The 2000 costs related to the reduction in consultants and functional support personnel and closure and consolidation of facilities and related exit costs. These actions were taken as a result of the continued decline in demand for technology services in the latter portion of 2000 and throughout 2001. We took steps to reduce our costs to better align our overall cost structure and organization with anticipated demand for our services.

Stock Compensation Expense. Stock compensation expense in 2001 primarily related to the granting of stock options to participants in our Employee Stock Purchase Plan. These stock options were granted in lieu of the Employee Stock Purchase Plan shares that could not be issued because the plan was oversubscribed for the purchase periods ending on December 31, 2000 and June 30, 2001. We recorded a non-cash compensation charge of $4.2 million in 2001 for the difference between the fair market value of the stock on the option grant date and the exercise price.

Litigation Settlement. In June 2000, pursuant to a confidential settlement agreement, we settled litigation in which we were the plaintiff. We recorded a gain of $1.9 million as a result of this settlement.

Non-Cash Investment Losses. In the fourth quarter of 2000, we recorded non-cash investment losses of $2.4 million related to the full impairment of all of our dotcom related investments.

Income Taxes. We recorded an income tax expense from continuing operations of $1.8 million in 2001, which represented 128.6% of our 2001 pre-tax loss from continuing operations. In 2000, we recorded income tax expense of $8.6 million, which represented 49.0% of our 2000 pre-tax income from continuing operations. The high effective tax rate for 2001 was the result of the impact of permanent differences on a very low level of pretax income.

Loss from Discontinued Operations. For the years ended December 28, 2001 and December 29, 2000, loss from discontinued operations for the interactive marketing business were $8.1 million and $1.0 million, respectively, while total revenues were $28.9 million and $53.9 million, respectively. Included in the loss from discontinued operations for fiscal years 2001 and 2000 were restructuring costs of $2.9 million and $432,000, respectively, for reduction in consultants and for closure and consolidation of facilities and related exit costs.

Liquidity and Capital Resources

We have funded our operations primarily with cash flow generated from operations and the proceeds from our initial public offering. At January 3, 2003, we had $63.4 million of cash and cash equivalents compared to $59.9 million at December 28, 2001.

In August 2002, we cancelled our $15.0 million revolving credit facility. At the time of cancellation and at all times throughout 2002 and 2001, we had no borrowings outstanding under the facility. Letters of credit of $2.6 million were outstanding under the agreement at the time of the cancellation. We have deposited $2.9 million with a financial institution as collateral for these letters of credit and have classified this cash as restricted on the accompanying consolidated balance sheet

at January 3, 2003.

There were no material capital commitments at January 3, 2003. The following summarizes our lease commitments under non-cancelable operating leases for premises having a remaining term in excess of one year at January 3, 2003 (in thousands):

2003	$ 7,194
2004	6,166
2005	5,017
2006	4,941
2007	4,581
Thereafter	22,981
	50,880
Less: sublease income	15,293
Total minimum lease payments, less sublease income	$35,587

Net cash provided by operating activities was $7.0 million for 2002 compared to $15.5 million during 2001. During 2002, net cash provided by operating activities was primarily attributable to a $18.9 million decrease in accounts receivable and unbilled revenue. This was partially offset by a $5.4 million increase in prepaid expenses and other assets, a $3.9 million decrease in accrued expenses and other liabilities and our $69.0 million net loss adjusted for non-cash expenses of $67.5 million. Non-cash expenses included the impact of adopting SFAS No. 142, impairment of goodwill, write-off of leasehold improvements, depreciation, deferred taxes and provision for doubtful accounts. During 2001, net cash provided by operating activities was primarily attributable to an $18.0 million decrease in accounts receivable and unbilled revenue and our $8.5 million net loss adjusted for $22.5 million of non-cash expenses which included depreciation and amortization, non-cash compensation expense and provision for doubtful accounts. These effects were partially offset by a $6.3 million decrease in media payable, a $6.0 million decrease in accrued expenses and other liabilities and a $4.8 million decrease in accounts payable. Media payables represent media placement costs owed to media providers on behalf of our customers. Amounts in media payables that have been billed to our customers are included in accounts receivables.

Net cash used in investing activities was $7.8 million for 2002 compared to $11.7 million used during 2001. The uses of cash for investing activities in 2002 were attributable to $4.0 million of purchases of property and equipment, an increase in restricted cash of $2.9 million and $851,000 used in acquisitions in 2002. The uses of cash for investing activities in 2001 were attributable to $9.5 million of purchases of property and equipment and $2.1 million used in the acquisition of businesses.

Net cash provided by financing activities was $4.3 million in 2002 compared to $4.4 million during 2001. Cash from financing activities during 2002 and 2001 was from the sale of common stock as a result of exercises of stock options as well as the sale of stock through our Employee Stock Purchase Plan, offset by repurchases of common stock of $2.2 million in 2002.

On July 30, 2002, we announced that our Board of Directors approved the repurchase of up to $5.0 million of our common stock. Under the repurchase plan, we may buy back shares of our outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of January 3, 2003, we had repurchased 1,146,000 shares of our common stock at an average price of $1.93 per share.

We currently believe that available funds and cash flows generated by operations, if any, will be sufficient to fund our working capital and capital expenditures requirements for at least the next twelve months. We may decide to raise additional funds in order to fund expansion, to develop new or enhanced products and services, to respond to competitive pressures or to acquire complementary businesses or technologies. We cannot assure you however, that additional financing will be

available when needed or desired on terms favorable to us or at all.

Recently Issued Accounting Standards

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 146, *Accounting for Costs Associated with Exit or Disposal Activities.* SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities. This statement supersedes Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity* and requires that a liability for a cost associated with an exit or disposal activity

be recognized when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. We do not believe that the adoption of SFAS No. 146 will have a material impact on our consolidated financial statements.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure.* SFAS No. 148 amends Statement of Financial Accounting Standards No. 123, *Stock-Based Compensation,* to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We continue to account for stock-based compensation using Accounting Principles Board Statement No. 25, *Accounting for Stock Issued to Employees,* and have not adopted the recognition provisions of SFAS No. 123, as amended by SFAS No. 148. The disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002 and have been incorporated into our footnotes to the financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not believe that there is any material market risk exposure with respect to derivative or other financial instruments, which would require disclosure under this item. At January 3, 2003, our exposure to market risk relates primarily to changes in interest rates on our investment portfolio. Our marketable investments consist primarily of short-term fixed income securities. We invest only with high credit quality issuers and we do not use derivative financial instruments in our investment portfolio. We do not believe that a significant increase or decrease in interest rates would have a material adverse impact on the fair value of our investment portfolio.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ANSWERTHINK, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and
Shareholders of Answerthink, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Answerthink, Inc. and its subsidiaries at January 3, 2003 and December 28, 2001, and the results of their operations and their cash flows for each of the three years in the period ended January 3, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, pursuant to the adoption of Financial Accounting Standards Board Statement No. 142, *Goodwill and Other Intangible Assets,* the Company changed its method of accounting for goodwill in 2002.

/s/ PricewaterhouseCoopers LLP

Miami, Florida
February 11, 2003

ANSWERTHINK, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	January 3, 2003	December 28, 2001

ASSETS		
Current assets:		
Cash and cash equivalents	$ 63,419	$ 59,888
Restricted cash	2,909	
Accounts receivable and unbilled revenue, net of allowance of $3,526 and $6,810 in 2002 and 2001, respectively	24,159	40,015
Prepaid expenses and other assets	16,364	15,628
Total current assets	106,851	115,531
Property and equipment, net	11,790	18,468
Goodwill, net	26,720	77,920
Total assets	$ 145,361	$ 211,919
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,684	$ 5,187
Accrued expenses and other liabilities	26,478	27,992
Media payable	152	1,039
Total current liabilities	32,314	34,218
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $.001 par value, 1,250,000 shares authorized, none issued and outstanding	—	—
Common stock, $.001 par value, authorized 125,000,000 shares; issued: 47,728,129 shares at January 3, 2003; 45,880,118 shares at December 28, 2001	48	46
Additional paid-in capital	263,626	257,115
Treasury stock, at cost, 1,146,000 shares at January 3, 2003	(2,208)	—
Accumulated deficit	(148,419)	(79,460)
Total shareholders' equity	113,047	177,701
Total liabilities and shareholders' equity	$ 145,361	$ 211,919

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Year Ended		
	January 3, 2003	December 28, 2001	December 29, 2000
Revenues:			
Revenues before reimbursements	$ 156,357	$ 220,966	$ 260,892
Reimbursements	20,490	29,377	35,811
Total revenues	176,847	250,343	296,703
Costs and expenses:			
Project personnel and expenses:			
Project personnel and expenses before reimbursable expenses	104,981	132,843	147,040
Reimbursable expenses	20,490	29,377	35,811
Total project personnel and expenses	125,471	162,220	182,851
Selling, general and administrative expenses	53,416	77,087	92,321
Impairment of goodwill	20,000	—	—
Restructuring costs	10,886	5,619	3,268
Stock compensation expense	—	4,855	853
Total costs and operating expenses	209,773	249,781	279,293
Income (loss) from operations	(32,926)	562	17,410
Other income (expense):			
Litigation settlement	—	—	1,850
Non-cash investment losses	—	—	(2,350)
Interest income	766	1,008	844
Interest expense	(196)	(165)	(255)
Income (loss) before income taxes, loss from discontinued operations and cumulative effect of change in accounting principle	(32,356)	1,405	17,499
Income taxes	(3,508)	1,807	8,571
Income (loss) from continuing operations	(28,848)	(402)	8,928
Loss from discontinued operations, net of income taxes	(8,911)	(8,117)	(1,027)
Income (loss) before cumulative effect of change in accounting principle	(37,759)	(8,519)	7,901
Cumulative effect of change in accounting principle	(31,200)	—	—
Net income (loss)	$ (68,959)	$ (8,519)	$ 7,901
Basic net income (loss) per common share:			
Income (loss) from continuing operations	$ (0.62)	$ (0.01)	$ 0.22
Loss from discontinued operations, net of income taxes	$ (0.19)	$ (0.18)	$ (0.02)
Cumulative effect of change in accounting principle	$ (0.68)	$ —	$ —
Net income (loss) per common share	$ (1.49)	$ (0.19)	$ 0.20
Weighted average common shares outstanding	46,348	43,999	40,262
Diluted net income (loss) per common share:			
Income (loss) from continuing operations	$ (0.62)	$ (0.01)	$ 0.20
Loss from discontinued operations, net of income taxes	$ (0.19)	$ (0.18)	$ (0.02)
Cumulative effect of change in accounting principle	$ (0.68)	$ —	$ —
Net income (loss) per common share	$ (1.49)	$ (0.19)	$ 0.18
Weighted average common and common equivalent shares outstanding	46,348	43,999	45,137

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands)

	Common Stock		Additional Paid-In Capital	Treasury Stock		Unearned Compensation	Accumulated Deficit	Total Shareholder's Equity
	Shares	Amount		Shares	Amount			
Balance at December 31, 1999	42,732	$ 43	$219,884	—	$ —	$(815)	$ (78,842)	$140,270
Issuance of common stock	1,298	1	17,176	—	—	—	—	17,177
Purchase and retirement of stock	(172)	—	(1,883)	—	—	—	—	(1,883)
Issuance of common stock for business acquisitions	377	—	8,122	—	—	—	—	8,122
Amortization of deferred compensation expense	—	—	—	—	—	467	—	467
Net income	—	—	—	—	—	—	7,901	7,901
Balance at December 29, 2000	44,235	$ 44	$243,299	—	$ —	$(348)	$ (70,941)	$172,054
Issuance of common stock	890	1	4,366	—	—	—	—	4,367
Issuance of stock options	—	—	4,218	—	—	—	—	4,218
Issuance of common stock for business acquisitions	755	1	5,232	—	—	—	—	5,233
Amortization of deferred compensation expense	—	—	—	—	—	348	—	348
Net loss	—	—	—	—	—	—	(8,519)	(8,519)
Balance at December 28, 2001	45,880	$ 46	$257,115	—	$ —	$ —	$ (79,460)	$177,701
Issuance of common stock	1,848	2	6,511	—	—	—	—	6,513
Treasury stock purchased	—	—	—	(1,146)	(2,208)	—	—	(2,208)
Net loss	—	—	—	—	—	—	(68,959)	(68,959)
Balance at January 3, 2003	47,728	$ 48	$263,626	(1,146)	$ (2,208)	$ —	$(148,419)	$113,047

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended		
	January 3, 2003	December 28, 2001	December 29, 2000

Cash flows from operating activities:			
Net income (loss)	$ (68,959)	$ (8,519)	$ 7,901
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	31,200	—	—
Impairment of goodwill	20,000	—	—
Write-off of leasehold improvements and other assets	5,217	—	—
Depreciation and amortization	5,327	12,531	12,589
Non-cash compensation expense	—	4,855	853
Provision for doubtful accounts	779	5,279	12,982
Deferred income taxes	4,961	(160)	(175)
Investment losses	—	—	2,350
Gain on litigation settlement	—	—	(1,850)
Changes in assets and liabilities, net of effects from acquisitions:			
Decrease in accounts receivable and unbilled revenue	18,930	17,959	3,509
Decrease (increase) in prepaid expenses and other assets	(5,419)	740	(9,689)
Increase (decrease) in accounts payable	(230)	(4,819)	1,024
Decrease in accrued expenses and other liabilities	(3,889)	(6,044)	(181)
Decrease in media payable	(887)	(6,307)	(9,154)
Net cash provided by operating activities	7,030	15,515	20,159
Cash flows from investing activities:			
Purchases of property and equipment	(4,044)	(9,514)	(8,920)
Increase in restricted cash	(2,909)	—	—
Purchases of short-term investments	—	—	(500)
Redemption, sales and maturities of short-term investments	—	—	2,932
Cash used in acquisition of businesses, net of cash acquired	(851)	(2,142)	(4,560)
Net cash used in investing activities	(7,804)	(11,656)	(11,048)
Cash flows from financing activities:			
Proceeds from issuance of common stock	6,513	4,367	17,177
Repurchases of common stock	(2,208)	—	—
Repayment of notes payable	—	—	(1,750)
Net cash provided by financing activities	4,305	4,367	15,427
Net increase in cash and cash equivalents	3,531	8,226	24,538
Cash and cash equivalents at beginning of year	59,888	51,662	27,124
Cash and cash equivalents at end of year	$ 63,419	$ 59,888	$ 51,662
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 72	$ 92	$ 100

Cash paid for income taxes	$ 133	$ 1,524	$ 9,673

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Significant Accounting Policies

Nature of Business

Answerthink, Inc. (the "Company" or "Answerthink") is a leading business and technology consulting firm. Answerthink's capabilities include performance measurement, business transformation, business applications, technology integration, and offshore application maintenance and support.

Principles of Consolidation

The consolidated financial statements and information herein include the accounts of Answerthink and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. In February 1999, Answerthink merged with triSpan, Inc. ("triSpan") and in November 1999, Answerthink merged with THINK New Ideas, Inc. ("THINK New Ideas"). The mergers with triSpan and THINK New Ideas were accounted for using the pooling-of-interests method of accounting.

Fiscal Year

The Company's fiscal year generally consists of a 52-week period and periodically consists of a 53-week period because the fiscal year ends on the Friday closest to December 31. Fiscal years 2002, 2001 and 2000 ended on January 3, 2003, December 28, 2001 and December 29, 2000, respectively. Fiscal year 2002 was a 53-week period. References to a year included in this section refer to a fiscal year rather than a calendar year.

Cash and Cash Equivalents

The Company considers all short-term investments with maturities of three months or less when purchased to be cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the F.D.I.C. insurance limits. The Company has not experienced any loss to date on these investments.

Accounts Receivables and Allowances for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments. Management makes estimates of the uncollectibility of the accounts receivables. Management critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts.

Media Payable

Media payables represent media placement costs due to media providers on behalf of the Company's clients. Amounts in media payables that have been billed to the Company's customers are included in accounts receivables.

Property and Equipment, Net

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the assets ranging from three to five years. Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements are capitalized. The carrying amount of assets sold or retired and related accumulated depreciation are removed from the accounts in the year of disposal and any resulting gains or losses are included in the statement of operations.

The Company capitalizes the costs of internal-use software in accordance with Statement of Position No. 98-1 ("SOP 98-1), *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. SOP 98-1 provides guidance on applying generally accepted accounting principles in addressing whether and under what conditions the costs of internal-use software should be capitalized.

1. Nature of Business and Significant Accounting Policies (continued)

Goodwill and Other Intangible Assets

Effective December 29, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*. Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are reviewed at least annually for impairment. Other intangible assets will continue to be amortized over their estimated useful lives. Prior to the adoption of SFAS No. 142, the Company amortized goodwill over 15 years. SFAS No. 142 requires that goodwill be tested for impairment at the reporting unit level at adoption and at least annually thereafter, utilizing a "fair value" methodology versus an undiscounted cash flow method required under previous accounting rules. The Company evaluates the fair values of its reporting units utilizing various valuation techniques including discounted cash flow analysis. Based on the new method for recording impairment, the Company recognized a transitional impairment loss of $31.2 million as the cumulative effect of a change in accounting principle in the first quarter of 2002. This charge related to the Technology Integration reporting unit.

The new statement also requires that goodwill be tested for impairment on an annual basis and between annual tests in certain circumstances. The Company performed an impairment test primarily as a result of the decline in stock prices for the Company and its peer group during the quarter ended September 27, 2002 and recorded a non-cash impairment charge of $20.0 million related to the Technology Integration reporting unit.

Goodwill amortization for the years ended December 28, 2001 and December 29, 2000 was $6.7 million and $6.1 million, respectively. Of these amounts, $2.8 million and $2.3 million for the years ended December 28, 2001 and December 29, 2000, respectively, are included in the loss from discontinued operations in the consolidated statements of operations. The following schedule reconciles net income (loss) and per share amounts for the years ended December 28, 2001 and December 29, 2000, adjusted for SFAS No. 142 (in thousands, except per share data):

	Year Ended		
	January 3, 2003	December 28, 2001	December 29, 2000
Net income (loss) as reported	$ (68,959)	$ (8,519)	$ 7,901
Add back: Goodwill amortization	—	6,657	6,104
Adjusted net income (loss)	$ (68,959)	$ (1,862)	14,005

Basic net income (loss) per share:			
Net income (loss) as reported	$ (1.49)	$ (0.19)	$ 0.20
Goodwill amortization	—	0.15	0.15
Adjusted net income (loss) per share	$ (1.49)	$ (0.04)	$ 0.35
Diluted net income (loss) per share:			
Net income (loss) as reported	$ (1.49)	$ (0.19)	$ 0.18
Goodwill amortization	—	0.15	0.13
Adjusted net income (loss) per share	$ (1.49)	$ (0.04)	$ 0.31

Revenue Recognition

The Company recognizes revenues for services as work is performed on a project-by-project basis adjusted for any anticipated losses in the period in which any such losses are identified. For projects charged on a time and materials basis, revenue is recognized based on the number of hours worked by consultants at an agreed-upon rate per hour. The Company also undertakes projects on a fixed-fee or capped-fee basis for which revenues are recognized on the percentage of completion method of accounting based on the evaluation of actual costs incurred to date compared to total estimated costs.

1. Nature of Business and Significant Accounting Policies (continued)

Reimbursable Expenses

During the first quarter of 2002, the Company adopted Emerging Issues Task Force ("EITF") Issue No. 01-14, *Income Statement Characterization of Reimbursements Received for "Out of Pocket" Expenses Incurred.* In accordance with the provisions of EITF Issue No. 01-14, reimbursements received from customers for out-of-pocket expenses incurred by employees are classified as revenue in the statement of operations. The Company has historically accounted for reimbursements received for out-of-pocket expenses incurred as a reduction to project personnel and expenses in the statement of operations. The statements of operations for the years ended December 28, 2001 and December 29, 2000 were reclassified to comply with the guidance in EITF Issue No. 01-14. Adoption of the provisions had no impact on the reported net income (loss) or net income (loss) per share.

Stock Compensation

The Company applies Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations in accounting for its stock option plans. The Company measures compensation expense related to the grant of stock options and stock-based awards to employees (including independent directors) in accordance with the provisions of APB No. 25. In accordance with APB Opinion No. 25, compensation expense, if any, is generally based on the difference between the exercise price of an option, or the amount paid for an award, and the market price or fair value of the underlying common stock at the date of the award or at the measurement date for variable awards. Stock-based compensation arrangements involving non-employees are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*, under which such arrangements are accounted for based on the fair value of the option or award.

Under SFAS No. 123, compensation cost for the Company's stock-based compensation plans would be determined based on the fair value at the grant dates for awards under those plans. The assumptions underlying the fair value calculations for the stock option grants are presented in Note 8. Had the Company adopted SFAS No. 123 in accounting for its stock option plans, the Company's consolidated net income (loss) and net income (loss) per share for the years ended January 3, 2003, December 28, 2001 and December 29, 2000 would have been adjusted to the pro forma amounts indicated as follows (in thousands, expect per share data):

	Year Ended		
	January 3, 2003	December 28, 2001	December 29, 2000
Net income (loss), as reported	$ (68,959)	$ (8,519)	$ 7,901
Total stock-based employee pro forma compensation expense determined under fair value based method for all awards, net of related tax benefits	(27,802)	(4,929)	(7,820)
Pro forma net income	$ (96,761)	$ (13,448)	$ 81
Basic net income (loss) per common share			
As reported	$ (1.49)	$ (0.19)	$ 0.20
Pro forma	$ (2.09)	$ (0.31)	$ —
Diluted net income (loss) per common share			
As reported	$ (1.49)	$ (0.19)	$ 0.18
Pro forma	$ (2.09)	$ (0.31)	$ —

Included in the pro forma net loss for the year ended January 3, 2003 is $10.6 million of expense related to the reversal of pro forma accumulated deferred tax benefits established in previous years to provide a pro forma valuation allowance on all deferred tax assets.

1. Nature of Business and Significant Accounting Policies (continued)

Income Taxes

The Company records income taxes using the liability method. Under this method, the Company records deferred taxes based on temporary taxable and deductible differences between the tax bases of the Company's assets and liabilities and their financial reporting bases. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. With regard to common shares issued to employees under employment agreements, the calculation includes only the vested portion of such shares. Accordingly, common shares outstanding for the basic net income (loss) per share computation is lower than actual shares issued and outstanding. Included in the common shares outstanding for the basic net income per share computation for the year ended December 29, 2000 were an estimated

1,443,466 shares (based on the share price on December 29, 2000) related to an earn-out that was paid in the Company's common stock in March 2001 (see Note 2). In March 2001, the Company issued 755,374 shares (based on the average share price on the last three days of February 2001) of the Company's common stock for the earn-out.

Net income (loss) per share assuming dilution is computed by dividing the net income (loss) by the weighted average number of common shares outstanding, increased by the assumed conversion of other potentially dilutive securities during the period. Potentially dilutive shares were excluded from the diluted loss per share calculation for the years ended January 3, 2003 and December 28, 2001 because their effects would have been anti-dilutive to the loss incurred by the Company. Therefore, the amounts reported for basic and diluted net loss per share were the same for those years. Potentially dilutive shares that were not included in the diluted loss per share calculation for the years ending January 3, 2003 and December 28, 2001 included 333,644 and 1,444,392 shares, respectively, of unvested common stock issued under employment agreements and 310,478 and 860,751 shares, respectively, issuable upon the exercise of stock options and warrants assuming the treasury stock method. For the year ended December 29, 2000 potentially dilutive securities included 3,681,880 shares of unvested common stock issued under employment agreements and 1,193,050 shares issuable upon the exercise of stock options and warrants assuming the treasury stock method.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and unbilled revenue, accounts payable, accrued expenses and other liabilities, and media payable. At January 3, 2003 and December 28, 2001, the fair value of these instruments approximated their carrying value.

Concentration of Credit Risk

The Company provides services primarily to Global 2000 companies and other sophisticated buyers of business consulting and IT services. The Company performs ongoing credit evaluations of its major customers and maintains reserves for potential credit losses. In fiscal year 2002, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 36% of total revenues. In fiscal year 2001, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 39% of total revenues. In fiscal year 2000, one customer accounted for approximately 13% of revenues.

1. Nature of Business and Significant Accounting Policies (continued)

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segment Reporting

The Company engages in business activities in one operating segment, which provides technology-enabled business solutions.

Recent Accounting Pronouncements

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities. This statement supersedes Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity* and requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not believe that the adoption of SFAS 146 will have a material impact on its consolidated financial statements.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*. SFAS No. 148 amends Statement of Financial Accounting Standards No. 123, *Stock-Based Compensation,* to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company continues to account for stock-based compensation using Accounting Principles Board Statement No. 25, *Accounting for Stock Issued to Employees,* and has not adopted the recognition provisions of SFAS No. 123, as amended by SFAS No. 148. The disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002 and have been incorporated into the footnotes.

Reclassifications

Certain prior year amounts in the consolidated financial statements have been reclassified to conform with the current year presentation.

2. Acquisitions and Investing Activities

During the three year period ended January 3, 2003, the Company acquired three businesses providing information technology services (collectively, the "Acquired Entities") in separate transactions. Two were completed in 2002 and one was completed in 2001. Aggregate consideration for the Acquired Entities was $3.0 million. This amount has been allocated, on an entity-by-entity basis, to the assets acquired and liabilities assumed based on their respective fair values on the dates of acquisition. During 2000, the Company recorded a liability of $5.2 million for an earned contingent consideration paid in the Company's common stock in March 2001, when the Company issued 755,374 shares of the Company's common stock for the earned contingent consideration.

2. Acquisitions and Investing Activities (continued)

The components of the purchase price allocation for the Acquired Entities, contingent consideration earned for previous acquisitions, and fees and expenses incurred are as follows (in thousands):

	2002	2001	2000
Fair value of net assets (excluding cash) acquired	$851	$ 150	$ (250)
Goodwill	—	1,992	18,165
Common stock issued	—	(5,233)	(8,122)
Accrued earn-out	—	5,233	(5,233)

Cash used in acquisitions of businesses, net of cash acquired	$851	$ 2,142	$ 4,560

These acquisitions have been accounted for using the purchase method of accounting. Accordingly, the results of the acquisitions are included in the Company's consolidated results of operations from the respective dates of acquisition. For each acquisition, the excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets acquired and any contingent consideration has been recorded as goodwill and/or intangible assets. The pro forma impact of the acquisitions completed in 2002 and 2001 was not significant to the results of the Company's consolidated operations for the years ended January 3, 2003 and December 28, 2001.

3. Property and Equipment

Property and equipment consists of the following (in thousands):

	January 3, 2003	December 28, 2001
Equipment	$ 12,320	$ 11,360
Furniture and fixtures	738	1,535
Software	6,114	5,946
Leasehold improvements	5,057	10,956
	24,229	29,797
Less accumulated depreciation	(12,439)	(11,329)
	$ 11,790	$ 18,468

During fiscal year 2002, write-offs of $5.0 million for leasehold improvements and other assets were recorded as part of restructuring costs.

Depreciation expense for the years ended January 3, 2003, December 28, 2001 and December 29, 2000 was $5.1 million, $5.5 million and $5.5 million, respectively. Of these amounts, $1.0 million, $2.0 million and $1.8 million for the years ended January 3, 2003, December 28, 2001 and December 29, 2000, respectively, are included in the loss from discontinued operations in the consolidated statements of operations.

4. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consists of the following (in thousands):

	January 3, 2003	December 28, 2001
Accrued compensation and benefits	$ 5,521	$ 7,023
Accrued restructuring related expenses	9,616	5,677
Deferred revenue	6,453	8,812
Employee stock purchase plan payable	—	1,652
Other accrued expenses	4,888	4,828
	$ 26,478	$ 27,992

ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Revolving Credit Facility

In August 2002, the Company cancelled its $15.0 million revolving credit facility. At the time of cancellation and at all times throughout 2002 and 2001, there were no borrowings outstanding under the facility. Letters of credit of $2.6 million were outstanding under the agreement at the time of the cancellation. The Company has deposited $2.9 million with a financial institution as collateral for these letters of credit and has classified this cash as restricted on the accompanying consolidated balance sheet at January 3, 2003.

6. Lease Commitments

The Company has operating lease agreements for its premises that expire on various dates through 2015. Rent expense for the years ended January 3, 2003, December 28, 2001 and December 29, 2000 was $4.9 million, $6.5 million and $6.1 million, respectively.

Future minimum lease commitments under non-cancelable operating leases for premises having a remaining term in excess of one year at January 3, 2003 are as follows (in thousands):

2003	$ 7,194
2004	6,166
2005	5,017
2006	4,941
2007	4,581
Thereafter	22,981
	50,880
Less: sublease income	15,293
Total minimum lease payments, less sublease income	$35,587

7. Income Taxes

The components of the tax expense (benefit) for income taxes are as follows (in thousands):

	Year Ended		
	January 3, 2003	December 28, 2001	December 29, 2000
Current tax expense (benefit)			
Federal	$ (8,469)	$ 1,173	$ 5,788
State	—	514	1,420
	(8,469)	1,687	7,208

Deferred tax expense			
Federal	4,961	115	1,099
State	—	5	264
	4,961	120	1,363
Income taxes	$ (3,508)	$ 1,807	$ 8,571

ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Income Taxes (continued)

A reconciliation of the Federal statutory tax rate with the effective tax rate is as follows:

	Year Ended		
	January 3, 2003	December 28, 2001	December 29, 2000
U.S. statutory rate	(35.0)%	35.0%	35.0%
State income taxes, net of Federal income tax benefit	—	24.0	6.2
Loss on investment in subsidiary	(85.2)	—	—
Valuation allowance	87.2	7.4	—
Goodwill amortization	21.6	52.1	4.0
Miscellaneous items, net	0.6	10.1	3.8
Effective rate	(10.8)%	128.6%	49.0%

The components of the net deferred income tax asset are as follows (in thousands):

	January 3, 2003	December 28, 2001
Deferred income tax assets		
Purchased research and development	$ 1,267	$ 1,374
Allowance for doubtful accounts	1,234	2,213
Net operating loss and tax credits carryforward	25,538	1,340
Accrued expenses and other liabilities	4,816	2,831
	32,855	7,758
Valuation allowance	(30,101)	(935)
	2,754	6,823

Deferred income tax liabilities		
Depreciation and amortization	(1,869)	(1,480)
Other items	(885)	(382)
	(2,754)	(1,862)
Net deferred income tax asset	$ —	$ 4,961

An income tax receivable of $11.0 million and $4.2 million is included in prepaid expenses and other assets in the consolidated balance sheets as of January 3, 2003 and December 28, 2001, respectively. Current net deferred tax assets of $-0- million and $5.5 million are included in prepaid expenses and other assets in the consolidated balance sheets as of January 3, 2003 and December 28, 2001, respectively. Net deferred tax liabilities of $-0- and $573,000 are included in accrued expenses and other liabilities in the consolidated balance sheets as of January 3, 2003 and December 28, 2001, respectively. At January 3, 2003 and December 28, 2001, the Company had $68.0 million and $4.2 million, respectively, of net operating loss carryforwards available for tax purposes, most of which expire in 2023 if not utilized.

In 2002, the Company discontinued its interactive marketing business which was acquired with THINK New Ideas. The discontinuance of THINK New Ideas will generate an approximate $75.0 million worthless stock deduction for the Company's investment in THINK New Ideas in its 2002 tax return. Although the Company believes that its tax position is sustainable there is no assurance that the Internal Revenue Service will not challenge its conclusion.

At January 3, 2003 and December 28, 2001, the Company had established a valuation allowance of $30.1 million and $935,000, respectively, to reduce deferred income tax assets primarily related to net operating loss carryforwards. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

8. Shareholders' Equity

Common Stock Subject to Vesting Requirements

As of January 3, 2003 and December 28, 2001, the Company had shares of outstanding common stock totaling 205,512 and 615,188, respectively, that are subject to certain vesting criteria. Answerthink sold the shares to its employees at nominal purchase prices per share in connection with Answerthink's formation in 1997. Each employee executed an employment agreement or a stock agreement with the Company providing for, among other things, the manner in which the shares will vest. In general, a certain percentage of shares will begin to vest upon the second anniversary from the purchase date of such shares and will become fully vested either by the fourth or sixth anniversary from the purchase date so long as the holder remains an employee.

Securities Purchase Agreement

In March 1999, THINK New Ideas entered into a securities purchase agreement (the "Securities Purchase Agreement") with Capital Ventures International and Marshall Capital Management, Inc. (the "Purchasers") whereby the Purchasers agreed to purchase shares of common stock and warrants to acquire shares of common stock. Pursuant to the Securities Purchase Agreement, on March 5, 1999, THINK New Ideas issued, for proceeds of $6 million, 609,799 shares of its common stock at $9.84 per share and warrants to purchase an additional 121,961 shares of common stock exercisable for a five-year term, at an exercise

price of $14.76. All of these warrants were outstanding as of January 3, 2003.

At any time prior to March 5, 2000 the Purchasers also had the right but not the obligation to purchase 371,353 additional shares of common stock at $13.46 per share, together with warrants for 1/5 share for each additional share purchased, exercisable at an exercise price of 150% of the market price on the date the related additional shares were purchased. Pursuant to the Securities Purchase Agreement, the additional shares were sold in March 2000 for $5.0 million and warrants to acquire 74,270 shares of common stock, exercisable for a five-year term, were issued at an exercise price of $36.94. All of these warrants were outstanding as of January 3, 2003.

Stock Plans

Effective July 1, 1998, the Company adopted an Employee Stock Purchase Plan to provide substantially all employees who have completed three months of service as of the beginning of an offering period an opportunity to purchase shares of its common stock through payroll deductions, up to 10% of eligible compensation. Participant account balances are used to purchase shares of stock at the lesser of 85 percent of the fair market value of shares on the first trading day of the six-month offering period or on the last trading day of such offering period. The aggregate fair market value, determined as of the first trading date of the offering period, as to shares purchased by an employee may not exceed $25,000 annually. The Employee Stock Purchase Plan expires on July 1, 2008. A total of 2,750,000 shares of common stock (increased from 750,000 shares per an amendment to the plan that was approved by the shareholders on May 9, 2001) are available for purchase under the plan with a limit of 400,000 shares of common stock to be issued per offering period. For plan years 2002, 2001 and 2000, 734,047, 298,210 and 482,196 shares, respectively, were issued.

In 2001, the Company granted stock options to participants in the Company's Employee Stock Purchase Plan. These options were granted in lieu of the Employee Stock Purchase Plan shares that could not be issued because the plan was oversubscribed for the purchase periods ending December 31, 2000 and June 30, 2001. The Company recorded a non-cash compensation charge of $4.2 million in the year ended December 28, 2001 based on the vesting provisions of the options for the difference between the fair market value of the stock on the option grant date and the exercise price. These options fully vested on June 30, 2001, therefore, operating results in future periods will not be impacted by this special grant.

The Company has granted stock options to employees and directors of the Company at exercise prices equal to the market value of the stock at the date of grant . The options generally vest ratably over periods ranging from four years to six years with a maximum term of 10 years. The number of shares available for future issuance at January 3, 2003 is 9,838,660 shares.

8. Shareholders' Equity (continued)

On June 27, 2001, the Company filed with the Securities and Exchange Commission a Schedule TO describing a program offering a voluntary stock option exchange for the Company's employees. The offering period for the stock option exchange ended on August 8, 2001. Under the program, employees holding nonqualified options to purchase the Company's common stock or incentive stock options to purchase the Company's common stock with an exercise price of $10.00 per share or more were given the opportunity to exchange their existing options for new options to purchase shares of the Company's common stock equal in number to 66 2/3% of the number of options tendered and accepted for exchange. The new options were granted on February 9, 2002, which was six months and one day after acceptance of the old options for exchange and cancellation. The exercise price of the new options was $6.03, which was the last reported sale price of the Company's common stock on the Nasdaq Stock Market's National Market on February 8, 2002. Options for 4,400,893 shares were tendered on August 8, 2001 in the exchange program. On February 9, 2002, Company granted 2,479,699 shares of the Company's common stock in exchange for the shares tendered.

Stock option activity under the Company's stock option plans is summarized as follows:

	Year Ended					
	January 3, 2003		December 28, 2001		December 29, 2000	
	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price
Outstanding at beginning of year	6,812,444	$ 8.42	9,871,253	$ 19.84	7,351,535	$ 16.58
Granted	5,594,518	5.46	5,945,286	4.83	6,312,584	23.08
Exercised	(824,356)	3.47	(742,015)	3.19	(485,520)	7.84
Canceled	(3,318,635)	8.69	(8,262,080)	20.34	(3,307,346)	20.35
Outstanding at end of year	8,263,971	$ 6.78	6,812,444	$ 8.42	9,871,253	$ 19.84
Weighted average fair value of options granted during the period	$ 3.83		$ 3.43		$ 16.22	

The following assumptions were used by the Company to determine the fair value of stock options granted using the Black-Scholes options-pricing model:

	Year Ended		
	January 3, 2003	December 28, 2001	December 29, 2000
Expected volatility	100%	100%	100%
Average expected option life	4 years	4 years	4 years
Risk-free rate	3.0%	4.5%	5.5%
Dividend yield	0%	0%	0%

8. Shareholders' Equity (continued)

The following table summarizes information about the Company's stock options outstanding at January 3, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price

$1.45–$ 2.74	618,115	8.3	$ 2.06	123,651	$ 2.50
$3.08–$ 3.79	1,051,176	7.0	3.63	532,240	3.63
$4.66–$ 5.99	2,221,942	8.6	5.43	139,929	5.15
$6.00–$ 6.86	2,594,445	6.1	6.06	1,663,198	6.05
$7.08–$ 9.97	815,708	7.1	8.79	436,822	8.86
$10.46–$ 14.44	345,091	4.4	11.60	315,935	11.55
$16.25–$ 18.50	465,769	6.6	17.08	319,700	17.20
$19.25–$ 24.50	66,776	5.4	21.22	50,549	21.03
$25.25–$ 34.25	84,949	5.8	31.10	51,938	30.70
	8,263,971	7.1	$ 6.78	3,633,962	$ 7.90

Treasury Stock

On July 30, 2002, the Company announced that its Board of Directors approved the repurchase of up to $5.0 million of the Company's common stock. Under the repurchase plan, the Company may buy back shares of its outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of January 3, 2003, the Company had repurchased 1,146,000 shares of its common stock at an average price of $1.93 per share. The Company holds repurchased shares of its common stock as treasury stock and accounts for treasury stock under the cost method.

9. Benefit Plan

The Company maintains a 401(k) plan covering all eligible employees. Subject to certain dollar limits, eligible employees may contribute up to 15% of their pre-tax annual compensation to the plan. The Company may make discretionary contributions on an annual basis. During fiscal years 2002 and 2001, the Company made matching contributions of 25% of employee contributions up to 4% of their gross salaries. The Company's matching contributions were $656,000 and $736,000 for the years ended January 3, 2003 and December 28, 2001, respectively. The Company made no matching contributions in fiscal year 2000.

10. Restructuring Costs

Restructuring costs were $10.9 million, $5.6 million and $3.3 million in 2002, 2001 and 2000, respectively. In 2002 and 2001, costs consisted of $1.5 million and $3.7 million, respectively, for reduction in consultants and functional support personnel and $9.4 million and $1.9 million, respectively, for closure and consolidation of facilities and related exit costs. The 2000 costs consisted of $2.1 million for reduction in consultants and functional support personnel and $1.2 million for the closure and consolidation of facilities and related exit costs. These actions were taken as a result of the continued decline in demand for technology services in the latter portion of 2000 and throughout 2001 and 2002. The Company took steps to reduce its costs to better align its overall cost structure and organization with anticipated demand for its services. The 2002 restructuring plan involved the involuntary termination of approximately 100 employees. The 2001 restructuring plan involved the involuntary termination of approximately 200 employees. The Company has subleased or is attempting to mitigate the lease obligations on the vacated space.

10. Restructuring Costs (continued)

The following table sets forth the detail and activity in the restructuring expense accruals during the years ended January 3, 2003, December 28, 2001 and December 29, 2000 (in thousands):

2000 Restructuring Accrual

	Accrual Balance at December 31, 1999	Additions toAccrual from Continuing Operations	Additions toAccrual from Discontinued Operations	2000 Expenditures	2001 Expenditures	2002 Expenditures	Accrual Balance at January 3, 2003
Severance and other employee costs	$ —	$ 2,054	$ 432	$ (800)	$ (1,686)	$ —	$ —
Closure and consolidation of facilities and related exit costs	—	1,214	—	—	(592)	(622)	—
Total restructuring accrual	$ —	$ 3,268	$ 432	$ (800)	$ (2,278)	$ (622)	$ —

2001 Restructuring Accrual

	Accrual Balance at December 29, 2000	Additions to Accrual from Continuing Operations	Additions to Accrual from Discontinued Operations	2001 Expenditures	2002 Expenditures	Accrual Balance at January 3, 2003
Severance and other employee costs	$ —	$ 3,694	$ 559	$ (3,186)	$ (1,064)	$ —
Closure and consolidation of facilities and related exit costs	—	1,925	2,311	(248)	(1,965)	2,023
Total restructuring accrual	$ —	$ 5,619	$ 2,870	$ (3,434)	$ (3,032)	$ 2,023

2002 Restructuring Accrual

	Accrual Balance at December 28, 2001	Additions to Accrual from Continuing Operations	Additions to Accrual from Discontinued Operations	Expenditures	Asset Write-offs	Accrual Balance at January 3, 2003
Severance and other employee costs	$ —	$ 1,528	$ 616	$ (855)	$ —	$ 1,289
Closure and consolidation of facilities and related exit costs	—	9,358	2,747	(584)	(5,217)	6,304
Total restructuring accrual	$ —	$ 10,886	$ 3,363	$ (1,439)	$ (5,217)	$ 7,593

11. Discontinued Operations

As a result of a decline in the demand for interactive marketing services during 2002, the Company discontinued the interactive marketing business which was acquired in the merger with THINK New Ideas, Inc. in 1999. In accordance with Financial and Accounting Standards Board Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the results of the interactive marketing business have been reported as discontinued operations in the consolidated statements of operations and results for prior periods have been restated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Discontinued Operations (continued)

The following table sets forth revenues, pre-tax loss, income tax benefit and loss from discontinued operations for the years ended January 3, 2003, December 28, 2001 and December 29, 2000 (in thousands):

	January 31, 2003	December 28, 2001	December 29, 2000
Revenues	$ 7,235	$ 28,942	$ 53,868
Pre-tax loss from discontinued operations	$ 8,911	$ (10,085)	$ (2,659)
Income tax benefit	$ —	$ (1,968)	$ (1,632)
Loss from discontinued operations	$ 8,911	$ (8,117)	$ (1,027)

Included in the loss from discontinued operations for fiscal years 2002, 2001 and 2000 were restructuring costs of $3.4 million, $2.9 million and $432,000, respectively, for reduction in consultants and for closure and consolidation of facilities and related exit costs.

12. Litigation

Between November, 2002 and January, 2003, six class actions seeking unspecified damages were filed against Answerthink and certain of its current and former officers and directors alleging violations of the Securities and Exchange Act of 1934. The complaints allege misstatements and omissions concerning related party transactions during the alleged class period of February 8, 2000 to April 25, 2002. On January 7, 2003 the federal district court entered an order closing and consolidating these cases and any subsequently filed related cases (the "Consolidation Order") into Druskin, et al. v. Answerthink, Inc., et al., Case No. 02-23304-CIV-GOLD. The Consolidated Amended Complaint is due to be filed on April 18, 2003. The Company intends to file a motion seeking the dismissal of the Consolidated Amended Complaint. Based on the status of these actions it is not possible to determine the range of loss to the Company, if any. The Company believes that the plaintiffs' claims are without merit and intend to defend the lawsuits vigorously.

Between September and October 1998, seven purported class action suits were filed against THINK New Ideas, Inc. ("THINK New Ideas") and certain of its then current and former officers and directors alleging violations of the Securities Exchange Act of 1934. All seven of these lawsuits were consolidated by order of the court. This lawsuit became the Company's responsibility upon the merger of Answerthink and THINK New Ideas. On April 18, 2002, the parties reached an agreement in principle to settle this action. The Court approved the settlement in September 2002 in all respects and dismissed the complaint with prejudice. The time for appeal has expired and the settlement has become final. The full amount of the settlement has been paid by THINK New Ideas' insurance carrier.

In June 2000, pursuant to a confidential settlement agreement, the Company settled litigation in which it was the plaintiff. The Company recorded a gain of $1.85 million as a result of this settlement.

The Company is involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such other matters will not have a material adverse effect on the Company's financial position or results of operations.

13. Related Party Transactions

During 2002, the Company and HCL Technologies Limited, an Indian information technology services and product engineering firm, formed HCL-Answerthink, Inc. to provide offshore custom application development and maintenance services. The Company has a non-controlling equity interest of 50% in this joint venture. For the year ended January 3, 2003, the Company's net equity loss from the joint venture was $687,000. During 2002, the Company sold services of $233,000 to the joint venture. The Company also incurred costs of $230,000 for consulting services provided by the joint venture to Answerthink. In addition, the Company reduced general and administrative expenses by $856,000 for administrative services

billed to the joint venture during 2002. At January 3, 2003, the Company had receivables of $550,000 due from the joint venture and payables of $230,000 due to the joint venture.

ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Related Party Transactions (continued)

During 2000, the Company recognized approximately $16.7 million in sales to related parties in which the Company had non-controlling equity interests or whereby a director of the Company holds equity interests in such clients or is a director of such company. The Company had net receivables due from these entities of approximately $-0- and $788,000, and payables due to these entities of approximately $-0- and $443,000, at January 3, 2003 and December 28, 2001, respectively.

14. Quarterly Financial Information (unaudited)

The following table presents unaudited supplemental quarterly financial information for the years ended January 3, 2003 and December 28, 2001 (in thousands, except per share data):

	Quarter Ended			
	March 29, 2002	June 28, 2002	September 27, 2002	January 3, 2003
Total revenues	$ 49,688	$ 46,364	$ 41,418	$ 39,377
Loss from operations	(192)	(607)	(20,332)	(11,795)
Loss before income taxes, loss from discontinued operations and cumulative effect of change in accounting principle	(82)	(481)	(20,220)	(11,573)
Income (loss) from continuing operations	534	544	(19,820)	(10,106)
Loss from discontinued operations, net of income taxes	(1,457)	(2,082)	(780)	(4,592)
Cumulative effect of change in accounting principle	(31,200)	—	—	—
Net loss	$ (32,123)	$ (1,538)	$ (20,600)	$ (14,698)
Basic and diluted income (loss) per common share:				
Income (loss) from continuing operations	$ 0.01	$ 0.01	$ (0.42)	$ (0.22)
Loss from discontinued operations, net of income taxes	$ (0.03)	$ (0.04)	$ (0.02)	$ (0.10)
Cumulative effect of change in accounting principle	$ (0.68)	$ —	$ —	$ —
Net loss per common share	$ (0.70)	$ (0.03)	$ (0.44)	$ (0.32)

	Quarter Ended			
	March 30, 2001	June 29, 2001	September 28, 2001	December 28, 2001
Total revenues	$ 69,988	$ 64,072	$ 62,242	54,041
Income (loss) from operations	(631)	950	2,937	(2,694)
Income (loss) before income taxes and loss from discontinued operations	(285)	1,109	3,105	(2,524)
Income (loss) from continuing operations	82	(317)	(888)	721
Income (loss) from discontinued operations, net of income taxes	(282)	382	(1,307)	(6,910)
Net income (loss)	$ (200)	$ 65	$ (2,195)	$ (6,189)
Basic and diluted income (loss) per common share:				
Income (loss) from continuing operations	$ —	$ (0.01)	$ (0.02)	$ 0.01

Income (loss) from discontinued operations, net of income taxes	$ —	$ 0.01	$ (0.03)	$ (0.15)
Net income (loss) per common share	$ —	$ —	$ (0.05)	$ (0.14)

ANSWERTHINK, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Quarterly Financial Information (unaudited) (continued)

Quarterly basic and diluted net income or loss per common share were computed independently for each quarter and do not necessarily total to the year to date basic and diluted net income (loss) per common share.

The results of the interactive marketing business have been reported as discontinued operations in the consolidated statements of operations and results for prior periods have been restated (see Note 11).

ANSWERTHINK, INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

YEARS ENDED JANUARY 3, 2003, DECEMBER 28, 2001 AND DECEMBER 29, 2000

(in thousands)

Allowance for Doubtful Accounts	Balance at Beginning of Year	Charge to Expense	Write-offs	Balance at Ending of Year
Year Ended December 29, 2000	$ 1,510	$ 12,982	$ (3,370)	$ 11,122
Year Ended December 28, 2001	$ 11,122	$ 5,279	$ (9,591)	$ 6,810
Year Ended January 3, 2003	$ 6,810	$ 779	$ (4,063)	$ 3,526

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information responsive to this Item is incorporated herein to the Company's definitive 2003 proxy statement for the 2003 Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

Information responsive to this Item is incorporated herein to the Company's definitive 2003 proxy statement for the 2003 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information responsive to this Item is incorporated herein to the Company's definitive 2003 proxy statement for the 2003 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information responsive to this Item is incorporated herein to the Company's definitive 2003 proxy statement for the 2003 Annual Meeting of Shareholders.

ITEM 14. CONTROL AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Within 90 days prior to the filing of this report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures ("Disclosure Controls") pursuant to Rule 13a-14(c) and Rule 15d-14(c) under the Securities Exchange Act of 1934. Based upon that evaluation, the CEO and CFO concluded that, subject to the limitations noted below, our Disclosure Controls are effective in timely alerting them to material information required to be included in our periodic SEC filings.

Changes in Internal Controls

Subsequent to the date we carried out our evaluation, there have been no significant changes in the our internal controls or other factors that could significantly affect these internal controls.

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our Disclosure Controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Form:

1. Financial Statements

The Consolidated Financial Statements filed as part of this report are listed and indexed on page 22. Schedules other than those listed in the index have been omitted because they are not applicable or the required information has been included elsewhere in this report.

2. Financial Statement Schedules.

Schedule II—Valuation and Qualifying Accounts and Reserves are included in this report. Schedules other than those listed in the index have been omitted because they are inapplicable or the information required to be set forth therein is contained, or incorporated by reference, in the Consolidated Financial Statements of Answerthink or notes thereto.

3. Exhibits: See Index to Exhibits on page 49.

The Exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this report.

(b) Reports on Form 8-K:

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on the 31st day of March, 2003.

ANSWERTHINK, INC.

By: /s/ Ted A. Fernandez

Ted A. Fernandez
Chief Executive Officer and Chairman

Pursuant to the requirements of the Securities Act of 1934, this Form 10-K has been signed by the following persons in the capacities and on the date indicated.

Signatures	Title	Date

/s/ Ted A. Fernandez Ted A. Fernandez	Chief Executive Officer and Chairman (Principal Executive Officer)	March 31, 2003
/s/ John F. Brennan John F. Brennan	Executive Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2003
/s/ Allan R. Frank Allan R. Frank	President and Director	March 31, 2003
/s/ David N. Dungan David N. Dungan	Chief Operating Officer and Director	March 31, 2003
/s/ Richard Hamlin Richard Hamlin	Director	March 31, 2003
/s/ Edwin A. Huston Edwin A. Huston	Director	March 31, 2003
/s/ Jeffrey E. Keisling Jeffrey E. Keisling	Director	March 31, 2003
/s/ Alan T. G. Wix Alan T. G. Wix	Director	March 31, 2003

CERTIFICATIONS

I, Ted A. Fernandez, certify that:

1. I have reviewed this Annual Report on Form 10-K of Answerthink, Inc. (the "Registrant");

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Annual Report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

   (b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and

   (c) presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officer and I have indicated in this Annual Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Ted A. Fernandez

Ted A. Fernandez
Chairman and Chief Financial Officer
Answerthink, Inc.

Date: March 31, 2003

I, John F. Brennan, certify that:

1. I have reviewed this Annual Report on Form 10-K of Answerthink, Inc. (the "Registrant");

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Annual Report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

(b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and

(c) presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officer and I have indicated in this Annual Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ John F. Brennan

John F. Brennan
Executive Vice President and Chief Financial Officer
Answerthink, Inc.

Date: March 31, 2003

INDEX TO EXHIBITS

Exhibit No.	Exhibit Description
3.1++++	Second Amended and Restated Articles of Incorporation of the Registrant, as amended
3.2++++	Amended and Restated Bylaws of the Registrant, as amended
9.1+	Shareholders Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, the Miller Group, Messrs. Fernandez, Frank, Knotts and Miller and certain other shareholders of the Registrant parties thereto
9.2+	Amendment No. 1 to Shareholders Agreement dated February 24, 1998
9.3+	Letter Agreement dated as of March 15, 1998 to amend Shareholders Agreement
9.4+	Form of Restricted Securities Agreement dated April 23, 1997 among the Initial Investors and each of Messrs. Fernandez, Frank, Knotts and Miller
10.1+	Purchase Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, Gator and Tara
10.2+	Series A Preferred Stock Purchase Agreement dated February 24, 1998 among the Registrant, GTCR V, GTCR Associates and Miller Capital
10.3+	Stock Purchase Agreement dated March 5, 1998 between the Registrant and FSC
10.4+	Second Amended and Restated Registration Rights Agreement dated as of May 5, 1998 among the Registrant, GTCR V, MG, GTCR Associates, Miller Capital, FSC, Messrs. Fernandez, Frank, Knotts and Miller and certain other shareholders of the Registrant named therein
10.5+	Second Amended and Restated Registration Rights Agreement dated as of May 5, 1998 among the Registrant and the eight former shareholders of RTI
10.6*+	Registrant's 1998 Stock Option and Incentive Plan

10.7*+++++	Amendment to Registrant's 1998 Stock Option and Incentive Plan
10.8*+	Form of Senior Management Agreement dated April 23, 1997 between the Registrant and each of Messrs. Fernandez, Frank and Knotts
10.9*++++	Senior Management Agreement dated July 11, 1997 between Registrant and Mr. Dungan
10.10*+++++	Form of Employment Agreement entered into between the Registrant and Mr. Dungan
10.11*+	Form of Employment Agreement entered into between the Registrant and each of Messers. Fernandez, Frank and Knotts
10.12+	Amendment No. 2 dated as of May 5, 1998 to Purchase Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, Gator and Tara
10.13+	Amendment No. 2 dated as of May 5, 1998 to Stock Purchase Agreement dated March 5, 1998 between the Registrant and FSC
10.14*+	Amendment to Certain Senior Management Agreements dated March 27, 1998 among the Company, the Board of Directors and each of Messrs. Fernandez, Frank, Knotts and Dungan
10.15*+	Second Amendment to Certain Senior Management Agreements dated May 26, 1998 among the Company, the Board of Directors and each of Messrs. Fernandez, Frank, Knotts and Dungan
10.16*++	AnswerThink Consulting Group, Inc. Employee Stock Purchase Plan
10.17*+++++	Amendment to Registrant's Employee Stock Purchase Plan dated February 16, 2001
10.18*+++	Employment Agreement dated March 23, 1999 between the Registrant and Mr. Brennan
10.19*+++	Restricted Stock Agreement dated July 31, 1997 between the Registrant and Mr. Brennan
10.20*+++	Amendment to Restricted Stock Agreement dated March 27, 1998 between the Registrant and Mr. Brennan
10.21*+++	Form of Senior Management Agreement dated July 31, 1997 between the Registrant and Mr. Brennan
10.22++++++	Securities Purchase Agreement by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc.
10.23++++++	Registration Rights Agreement dated as of March 3, 1999 by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc.
21.1^	Subsidiaries of the Registrant

Exhibit No.		Exhibit Description
23.1	^	Consent of PricewaterhouseCoopers LLP
99.1	^	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 Of The Sarbanes-Oxley Act of 2002
99.2	^	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 Of The Sarbanes-Oxley Act of 2002

*	Management agreement or compensatory plan or arrangement
^	Exhibits filed herewith.
+	Incorporated herein by reference to the Company's Registration Statement on Form S-1 (333-48123).
++	Incorporated herein by reference to the Company's Registration Statement on Form S-8 (333-69951).
+++	Incorporated herein by reference to the Company's Form 10-K for the year ended January 1, 1999.
++++	Incorporated herein by reference to the Company's Form 10-K for the year ended December 29, 2000.
+++++	Incorporated herein by reference to the Company's Form 10-K for the year ended December 28, 2001.
++++++	Incorporated herein by reference to THINK New Ideas, Inc.'s Form 8-K dated March 12, 1999.

EXHIBIT 13

answerthink. | HELPING BUSINESS EVOLVE.

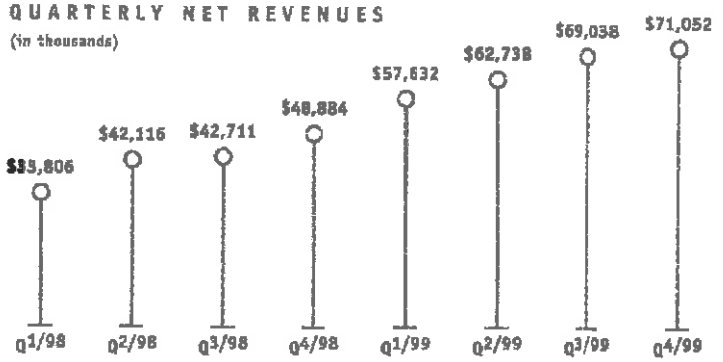
1999 | ANNUAL REPORT

FINANCIAL HIGHLIGHTS

(in thousands, except per share data)	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED JANUARY 1, 1999
RESULTS OF OPERATIONS:		
Net revenues	$260,460	$167,517
Cost and expenses:		
Project personnel and expenses	154,531	99,054
Selling, general and administrative expenses	82,672	62,609
Stock compensation expense	—	63,886
Merger related expenses	11,700	—
Impairment of capitalized software	989	—
Purchased research and development expense	—	5,200
Restructuring costs	—	921
Income (loss) from operations	10,568	(64,153)
Other income (expense):		
Litigation settlement	—	2,500
Interest income (expense), net	281	(631)
Income (loss) before income taxes and extraordinary loss	10,849	(62,284)
Income taxes	7,602	(870)
Income (loss) before extraordinary loss	3,247	(61,414)
Extraordinary loss on early extinguishment of debt (net of taxes)	2,113	—
Basic net income (loss) per common share	$ 0.03	$ (2.47)
Weighted average common shares outstanding	34,953	24,844
Diluted net income (loss) per common share	$ 0.03	$ (2.47)
Weighted average common and common equivalent shares outstanding	43,098	24,844

	DECEMBER 31, 1999	JANUARY 1, 1999
FINANCIAL POSITION:		
Cash and cash equivalents	$ 27,124	$ 36,931
Working capital	$ 55,166	$ 49,711
Total assets	$200,713	$153,394
Shareholders' equity	$140,270	$100,789

1998 - 1999
QUARTERLY NET REVENUES
(in thousands)



HELPING BUSINE

Dear Shareholder,

As you opened up this annual report, I hope the first thing you noticed was the brand new answer*think* corporate identity. Have another look if you like. You might notice a few changes. For starters, there's the head with those "electronic" rings around it. "AnswerThink Consulting Group" and the ACG acronym have given way to "answer*think*." And finally there's the new tagline: "Helping business evolve."

What's it all mean? Plenty.

It's been quite an exciting year in the life of this company, and the new identity reflects, among other things, that answer*think* is itself evolving in order to best help our clients capitalize on the opportunities provided by the emerging Internet economy.

To put it another way, there's a reason answer*think* is qualified to help businesses evolve: we had to do it ourselves. Three years ago, a group of associates founded a new company because they saw the limitations of conventional consulting models. It was an opportunity to help redefine a sector during a period in which the Internet and related technologies would have a very profound effect on every aspect of our lives. In a sense, AnswerThink Consulting Group was created with the premise that, in order to remain a leader in its sector, it must continue to evolve...right from the start. This is a requirement of any great organization, but especially important given the role we play in helping our clients successfully execute their strategies.

So as we looked ahead to the opportunities of the ebusiness age, we knew we needed to augment our skills with world-class interactive marketing and branding expertise, and we did it by merging with THINK New Ideas. We knew we needed to add new services, and we did it by launching services such as eProcurement and eCRM. We knew we needed to partner with other technology leaders to fully deliver on the Internet promise, and we did it by announcing new strategic initiatives with organizations such as IBM and I2 Technologies. But even as we evolved, our original mission proved to be solid. From the outset, it was all about anticipating, adapting and leading change. Now, that mission is clearer than ever.

All of these changes have now enabled us to again help redefine our sector with the recent introduction of our electronic marketplace offering, ePlex. The ePlex brings focused Application Service Provider (ASP) solutions tailored to buyers and sellers conducting business in a real-time marketplace setting. Our offering will include a series of ePlex modules specifically designed to execute online transactions including Trading Exchanges, Pay and Settle, Transportation and Logistics, Demand Planning and Forecasting, Supply Chain Execution, Customer Relationship Management, Content Management and Decision Support. The ePlex service modules are being used to bring complete industries, suppliers, customers and even competitors together to transact business on the Internet through a comprehensive electronic marketplace approach. According to

SS EVOLVE

International Data Corporation and Forrester Research, over 5000 new ePlexes will be developed during 2000, while Gartner Group estimates that $2.71 trillion in commerce will be conducted through ePlexes by 2004. This provides an exceptional opportunity to truly differentiate the depth and breadth of our esolutions services.

Today, businesses large and small face the same challenge we at answer*think* had to confront: to accurately assess the opportunities and realities of the ebusiness era, and make the necessary changes to ensure and maximize their success. In short, to evolve or die. Fortunately, answer*think* is equipped and positioned to provide, in an unmatched offering, the technology expertise, strategic thinking and creative firepower companies will need to transition into the dynamic ebusiness world.

Here at the outset of a new century, companies stand at a crossroads. In the rearview mirror, the threat of "business as usual." Ahead, the wide-open landscape of ebusiness. There's never been a greater opportunity for companies that are wise enough to maximize the way they do business and make the most of shifting paradigms.

I want to personally thank each one of our associates and investors who join us for the journey as answer*think* rises to a position of leadership in the rapidly changing world of "e" and in the process helps business evolve.

Ted A. Fernandez
Chief Executive Officer & Chairman, answer*think*

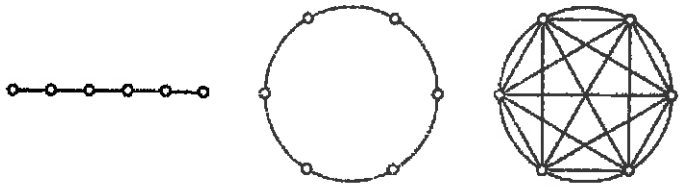
"Our clients can now creatively solve all their ebusiness, technology and strategic issues with the help of a single, multi-dimensional, world-class partner."

> Ted A. Fernandez

IS THIS THE BEGINN OR THE END OF

Saying the Internet is impacting business is a bit like saying that discovering the earth was round had an impact on mapmaking. It's a given.

But while progressive senior executives acknowledge their companies need to embrace change, many are unsure how to best grow their business as paradigms shift. To complicate matters, individual solution providers could solve parts, but never all, of the puzzle. Even AnswerThink Consulting Group, with our world-renowned consulting, benchmarking and best-practices, technology integration and ecommerce services, simply couldn't offer Fortune 1000 companies end-to-end ebusiness solutions. No one could.



The opportunity was enormous. If one company could supply the entire range of services and solutions—from front-end brand engineering to back-end legacy systems integration—it could gain an enviable leadership position helping businesses exploit the opportunities of the new ecommerce paradigm.

We wanted answer*think* to be that company.

But before we could help anyone else evolve, we had to evolve ourselves. Which is why in November, answer*think* merged with THINK New Ideas, a company that provided a high level of integrated, strategic marketing, technology and communications solutions to Fortune 1000 companies.

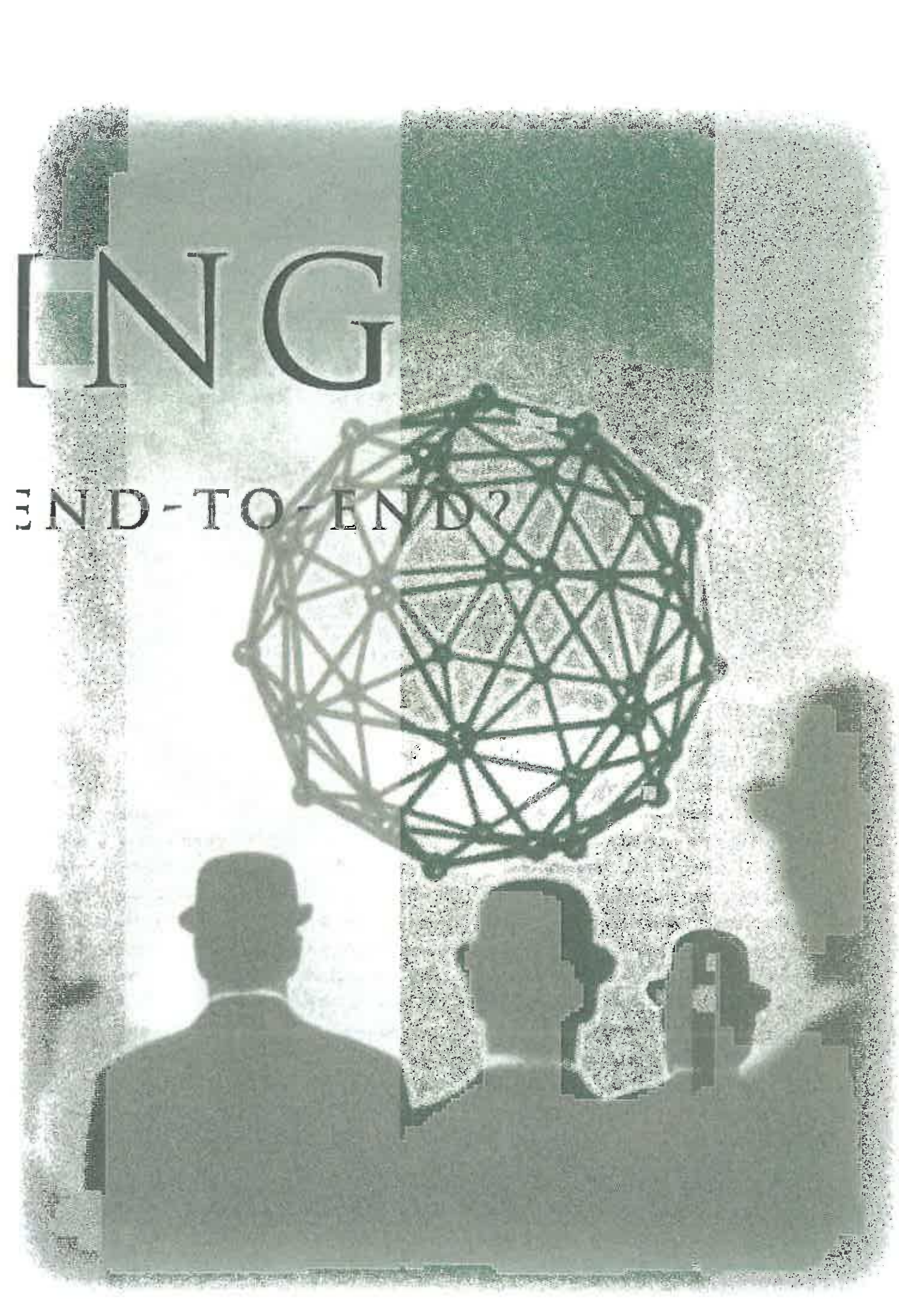
With the merger, answer*think* now helps design, build, market and support the ebusiness efforts of a growing list of Fortune 1000 and dot-com clients. answer*think* offers an unparalleled range of services that fall primarily within six key areas: Benchmarking, Branding & Marketing, eBusiness Strategy and Services, eCommerce, Technology Architecture & Integration, and Web Development.

From ebusiness consulting to interactive marketing; from branding and creative content development to Web design; from benchmarking and best-practices to ebusiness transformation, organization change and more; answer*think* now offers clients a comprehensive spectrum of excellence never before available from one company.

So, is this the dawn of the end-to-end esolutions era? Well, not the way we see it. "The concept of 'end-to-end' resonates with clients because conventional business thinking has created an end-to-end mentality," says Allan R. Frank, President & Chief Technology Officer. "Technology is changing that. It enables business to operate open architectures that incorporate flux and leverage all the benefits of the enterprise. It's not one point that connects with one point and so on down the line. It's all points connected to all other points."

When it comes to information, we at answer*think* embrace virtually everything, and everything virtually. We believe the lines are quickly disappearing from end-to-end thinking. We believe the true leaders will be the companies that think, operate and communicate in organic, flexible and multidimensional ways.

"In answer*think*," David N. Dungan, Chief Operating Officer, notes, "companies now have a single partner that can solve problems at any—or every—phase of ebusiness. But philosophically, 'end-to-end' suggests a linear model. And we believe dynamic beats linear. Offering eservices is one thing. Recognizing how they're connected in new and powerful ways is where our point of difference really begins."


ING
END-TO-END?

eBUSINESS STRAT AND SERVICES

Developing effective ebusiness solutions requires more than sticking a lower case "e" in front of words. It takes knowledge and experience. Fortunately, answer*think* has plenty of both. We help drive superior growth and results by evaluating the inner workings of organizations, streamlining processes, motivating human resources and ultimately mapping the quickest path to a company's ebusiness destination. We have a comprehensive understanding of the new business models being employed by both traditional businesses as they leverage the Internet, as well as virtual companies and trading communities operating exclusively on the Internet. For example, for our client Floraplex,™ we designed and built an ePlex that links growers, wholesalers and retailers and allows them to transact business in real-time over the Internet. Much of our expertise is derived from our senior consultants, who combine many years of business experience with focus on the Internet.

"As global Internet usage expands," states Susan D. Goodman, Chief Corporate Development Officer, Managing Director eMarketing Solutions, "global companies are increasingly allocating significant resources to seize the broader opportunities presented by the Internet—not just how to market online in the United States, but how to build new channels, reach new audiences, communicate with global partners, more efficiently process transactions—across borders and time zones. These opportunities require senior consultants who are not only fluent in the Internet, but also are multilingual, multicultural and, more importantly, multidisciplinary."

SERVICES:

- eBUSINESS TRANSFORMATION
- SUPPLY CHAIN DEMAND FULFILLMENT
- ePLEX ELECTRONIC MARKETS
- PROCUREMENT
- CRM/DEMAND GENERATION
- eRESOURCES

We offer our clients a comprehensive range of services required to identify, design, develop and deploy Internet-based solutions. Our solution offerings include ePlex, eCommerce, eCRM, eProcurement and eResources. We bring together our strategists, designers, engineers and project managers in multidisciplinary teams. This enables our clients to avoid the bottlenecks in project management and deliverables associated with multiple consulting firms designing and implementing a desired solution. By doing this, we allow our clients to achieve improved time-to-market and value in today's competitive environment.

GY

eCOMMERCE

SERVICES:

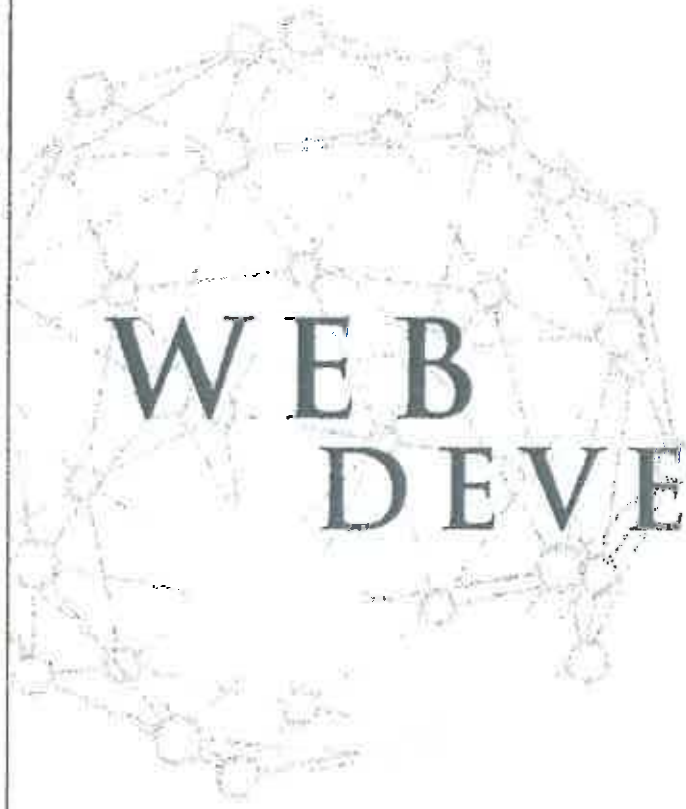
- STRATEGY/CONSULTING
- B2B
- B2C
- COMMERCE APPLICATIONS

The business transaction. The primary connection between company and customer. The culmination of everything a company and its employees work toward. A glitch here can undo a year of man-hours in just seconds.

Our ecommerce mission is simple: to ensure that at this most critical juncture, companies have the necessary information technology products in place to help them thrive. While there are many Internet services firms active in the market today, we believe that most focus on Web design, user experience and Web-enablement of simple transaction systems. In addition, we believe that few firms have all of the technical skills or resources necessary to design solutions that are reliable, scalable and flexible or which can be deployed in an environment that may involve multiple computing platforms and technologies. answer*think* provides both the business knowledge required to understand emerging business models, including ePlexes, and the technical skills required to integrate software packages, custom software components and legacy systems in order to handle the enormous growth in volume that businesses are expected to experience on the Internet.

In today's virtual world, companies must integrate and deploy technology and services across the boundaries of their enterprises. Whether it's running customer self-service facilities, online transaction and Internet-based procurement systems, or managing shipments of products and supplies, the same four criteria prevail: speed, accuracy, accountability and consistency. At answer*think*, we have the experience and the proven ability to help companies succeed in the world of today's transactional environments. The stakes have never been higher. But the rewards have never been greater.

BR



WEB DEVELOPMENT

SERVICES:

- SITE BUILDING
- WEB APPLICATION DEVELOPMENT
- DATABASE INTEGRATION
- INTRANETS
- EXTRANETS
- INTERACTIVE MARKETING

The world of Web sites has undergone a dramatic metamorphosis. No longer technological afterthoughts, Web sites are the essential business tool, if not the very business itself. answer*think* has led this transformation. And we've done it not by asking "What technology can companies use?" but rather, "What do they need to achieve?" The best technology in the world can't help a Web site that lacks a crystal-clear strategy and purpose.

"Once a company's Web presence is fully conceived, our experts in technology and marketing work with the client to make sure that the interactive strategic promise is fully realized—whatever that takes," says Ulysses S. Knotts, Chief Sales & Marketing Officer. "Our Web developers consider themselves 'technology agnostics,' devoted only to what works best for each company's needs. It's a philosophy that has distinct advantages for our clients. Because over the years it has allowed answer*think* to develop a far-reaching network of resources with a proven ability to meet any technological challenge."

ANDING AND MARKETING

SERVICES:

- INTERACTIVE MARKETING & ADVERTISING
- eMARKETING STRATEGY
- RESEARCH
- MEDIA CAPABILITIES
- STRATEGIC AND ACCOUNT PLANNING
- TRADITIONAL ADVERTISING

We've all grown up in the age of the brand. Back in the olden days (before 1994), brands were described using words like "new," "fast," "bigger" or "better." Now, in the new world of connected expectation, the way in which we interact with brands has transformed the very meaning of what a brand is.

Information technology first connected companies to their customers, partners, suppliers, investors, critics, and even competitors. The nature of brand was transformed; no longer objects or places, brands became experiences. Maxwell House was a first-generation coffee brand defined as a product. Starbucks is a new coffee brand defined by experience.

The Internet age elevates the brand experience to a one-to-one relationship. Each of us now has a personal belief about what we expect in our interactions with companies and brands. The brand experience now becomes the very essence of a company's mission. Brand informs every element of a company's behavior.

Unlike many techno-centric companies, answer*think* excels at branding and marketing, through both online and offline channels. We don't just build effective conduits between companies and their stakeholders, we develop brands and messaging that have an impact on people. Which, in this era of information overload, is no longer a luxury.

TEC

Global business conditions. Changing technology. Put them together and what have you got? In the minds of more and more senior executives, you've got a realization. Management is finding that the knowledge-worker functions in today's enterprises need to be fundamentally reoriented in their mission, operation and, most essentially, in how value is added.

But before a company can get from here to there, it better have a pretty clear idea where "here" is. answer*think*'s Hackett Benchmarking & Research believes strongly that no company can

BENCHMARKING

successfully sustain an improvement effort without first understanding its current situation, relative to its industry and marketspace. Consequently, our Benchmarking Solutions group maintains one of the world's largest, most comprehensive knowledge-worker benchmarking and best-practices database. Companies can use this resource to compare their process performance with that of other companies.

Beyond comparison capabilities, our benchmarking services enable executives to learn from the practices of the best performers in an ongoing study. Instead of struggling with new, untested techniques, companies can devise solutions based on the proven methods of leaders. Use of best-practices can not only mean immediate cost savings, but also increased organizational effectiveness, better information flow and higher satisfaction—exactly the things a company trying to keep pace with evolving ebusiness challenges needs.

SERVICES:

- FULFILLMENT
- PROCUREMENT
- INFORMATION TECHNOLOGY
- FINANCE
- HUMAN RESOURCES
- PLANNING & PERFORMANCE MEASUREMENT
- CUSTOM RESEARCH
- CONTACT CENTERS

1
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TECHNOLOGY ARCHITECTURE AND INTEGRATION

Information. It's the very lifeblood of a business—any business. And the way it flows within a company has never been more important than in this, the ebusiness age.

Managing information is critical for success. Putting the right information at the end-user's fingertips creates an undeniably lasting competitive advantage. With capabilities including IT Management and Strategy, IT Transformation, Information Architecture and Applications Integration, answer*think* enables organizations to build fluid information architectures, develop dynamic knowledge workers and combine structures and techniques to help employees work more efficiently.

We evaluate, design, build, and integrate applications and related technology infrastructures that help clients take full advantage of emerging ebusiness models. We also focus on how new technologies in the wireless and broadband area will continue to impact the architecture, devices and infrastructure requirements of our clients. We provide consulting, design and implementation of commerce applications, enterprise information portals and data warehouse solutions. Our services include data and network architecture, application architecture and integration, implementation of third-party software and custom application development. We believe that a key differentiation from our competitors is our deep understanding of third-party software functionality, and our ability to modify and integrate applications into existing computing environments. This understanding is most critical in the deployment of complex business-to-business networks or ePlexes.

SERVICES:

- IT MANAGEMENT/STRATEGY
- BUSINESS INTELLIGENCE
- BUSINESS APPLICATIONS
- KNOWLEDGE MANAGEMENT
- ADVANCED TECHNOLOGY
- CUSTOM DEVELOPMENT
- SYSTEMS INTEGRATION

answer*think* empowers IT executives to understand and manage mission-critical assignments. We quantify and articulate the challenges that must be addressed to transform the enterprise and its IT function into an efficient, proactive and successful ebusiness.

THE RIGHT COMPANY. IN THE RIGHT PLACE. AT THE RIGHT TIME.

With our comprehensive, integrated and dynamic ebusiness capabilities, answerthink is perfectly and uniquely positioned to help companies large and small evolve in the information age. We offer clients a higher collective of technological and strategic knowledge that powers the eworld's most vibrant business transformations. We looked into the future and strategically equipped ourselves for a period of unprecedented change. And the opportunity of a lifetime.

BOARD OF DIRECTORS

- Ted A. Fernandez
  Chief Executive Officer & Chairman
- Robert J. Bahash
  Executive Vice President & Chief Financial Officer, The McGraw-Hill Companies
- Allan R. Frank
  President & Chief Technology Officer
- Jeffrey E. Keisling
  Senior Vice President & Chief Information Officer, Advanta Corporation
- William C. Kessinger
  Principal, GTCR Golder Rauner, LLC
- Ulysses S. Knotts, III
  Chief Sales & Marketing Officer
- Edmund R. Miller
  President, Miller Capital Management, Inc.
- Fernando Montero
  President, Mentor Capital Corporation
- Bruce V. Rauner
  Managing Principal, GTCR Golder Rauner, LLC
- Alan T.G. Wix
  Retired Managing Director, Lloyds TSB

CORPORATE HEADQUARTERS

- answerthink
  1001 Brickell Bay Drive, Suite 3000
  Miami, FL 33131
- *Telephone: 305.375.8005*
  Facsimile: 305.379.8810
  www.answerthink.com

ANNUAL MEETING

- *Wednesday, May 10, 2000, 11:00 am*
  The Hotel Inter-Continental Miami
  100 Chopin Plaza
  Miami, FL 33131

TRANSFER AGENT

- *BankBoston, N.A. c/o EquiServe, LP*
  Canton, MA

INDEPENDENT AUDITORS

- *PricewaterhouseCoopers LLP*
  Miami, FL

LEGAL COUNSEL

- *Hogan & Hartson LLP*
  Washington, DC

WWW.ANSWERTHINK.COM

1001 BRICKELL BAY DRIVE, SUITE 2000, MIAMI, FL 33131

EXHIBIT 14

Answerthink

2001
Annual Report

Dear Shareholder,

Tomorrow's historians will remember 2001 as a watershed year. A world already rapidly changing was suddenly transformed one Tuesday morning in September. A global recession threatened to overwhelm established companies, mature industries and even entire nations. Thousands of start-ups and new economy firms born during the Internet boom closed their virtual (and non-virtual) doors. Unforgiving market conditions meant only those firms with clear missions and viable business plans survived.

I am proud to report that during this "make or break" year, Answerthink not only survived, but took strategic steps to maintain our position in the marketplace. Our ability to act decisively and stay focused on our objectives throughout a difficult year served as a clear testament to the strength of our business model, the discipline in our operating philosophy and the outstanding commitment of our people. We carried a positive cash flow during the year and ended 2001 with an all-time high cash balance of $60 million. By limiting our exposure to dot com projects and focusing on IT-enabled initiatives that provide lasting value for our clients, we were able to move ahead, while many competitors failed.

In 2001 our strategic gains were particularly significant. We strengthened our business model by expanding our service offerings. For example, we grew our business applications practice by purchasing the SAP applications group of Condor Technology Solutions, Inc. Our recently formed joint venture with HCL Technologies, Inc. represents a significant new revenue opportunity

and allows us to provide cost-effective off-shore application development, maintenance and support to Fortune 1000 clients. The offerings of this new venture are an excellent complement to our business model and allow us to quickly enter this expanding market. The launch of Hackett Collaborative Learning, based on our acquisition of the Exult Process Intelligence Center (EPIC), furthers our leadership in best practices. By giving us best practice expertise focused on business process, this acquisition enhances our ability to meet the growing demand for business process outsourcing.

How were we able to move ahead in 2001? Just as our clients focused on fundamentals, so did our people. Our ability to deliver projects on time and on budget and to focus on client service enabled us to strengthen our relationships. To further promote our client-focused culture, we initiated a project performance bonus for our people tied to client satisfaction and quality of project delivery. The results from our client satisfaction surveys continue to be extremely positive and are a reflection of the value we are providing in the marketplace. Our work also won widespread recognition from industry experts and analysts, including seven Web Marketing Association Awards and an Electronic Multimedia Award.

In the coming year, we will build on the success of 2001 by further differentiating the Answerthink brand based on our unique approach, called Business Process Intelligence (BPI). BPI is not new—it's based on the founding principles of Answerthink and is how we do business every day. To a marketplace with no appetite for "cookie-cutter" consulting solutions that fail to satisfy client needs for true return on investment, this approach is compelling—as you will see in our Annual Report. BPI will be a big part of our efforts in 2002 as we demonstrate to clients how simultaneously optimizing people, process, technology and information leads to breakthrough performance gains.

Moving into 2002, the recovering economy is only one reason to be enthusiastic about our prospects. Client satisfaction remains high, and we are committed to deepening our relationships with our most significant and productive accounts. Our development of new service and revenue channels holds great potential for growth. The initiatives and acquisitions described above have given us a clear edge in important market sectors. We've never been better positioned, and as you'll see on the following pages the time is right for Answerthink to be recognized as a clear industry leader.

Ted A. Fernandez
Chairman & Chief Executive Officer

Financial Highlights

RESULTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 28, 2001	Year Ended December 29, 2000
Net revenues	$ 247,461	$ 311,136
Costs and expenses:		
Project personnel and expenses	155,150	181,335
Selling, general and administrative expenses	88,704	111,033
Restructuring costs	8,489	5,700
Stock compensation expense	4,855	856
Total costs and operating expenses	257,198	296,924
Income (loss) from operations	(9,737)	14,212
Other income (expense):		
Litigation settlement	—	1,850
Non-cash investment losses	—	(2,350)
Interest income	1,222	1,363
Interest expense	(165)	(285)
Income (loss) before income taxes	(8,680)	14,840
Income tax expense (benefit)	(161)	6,939
Net income (loss)	$ (8,519)	$ 7,901
Basic net income (loss) per common share	$ (0.19)	$ 0.20
Weighted average common shares outstanding	43,999	40,362
Diluted net income (loss) per common share	$ (0.19)	$ 0.18
Weighted average common and common equivalent shares outstanding	43,999	45,127

FINANCIAL POSITION
(in thousands)

	December 28, 2001	December 29, 2000
Cash and cash equivalents	$ 59,888	$ 51,662
Working capital	$ 81,313	$ 74,787
Total assets	$ 211,919	$ 228,676
Shareholders' equity	$ 177,701	$ 172,054

(continued on inside flap)

Ted A. Fernandez
Chairman & Chief Executive Officer

Robert J. Bahash
Executive Vice President & Chief Financial Officer, The McGraw-Hill Companies

David N. Dungan
Chief Operating Officer

Allan R. Frank
President

Edwin A. Huston
Retired Vice Chairman, Ryder System, Inc.

Jeffrey E. Keisling
Vice President, Information Services, Wyeth-Ayerst Pharmaceuticals

Alan T. G. Wix
Chairman, 9th Floor PLC

Answerthink, Inc.
1001 Brickell Bay Drive
Suite 3000
Miami, Florida 33131
t 305.375.8005
f 305.379.8810
www.answerthink.com

ANNUAL MEETING

Answerthink shareholders are invited to attend our annual meeting on Wednesday, May 8, 2002 at 11am at:

Hotel Inter-Continental
100 Chopin Plaza
Miami, Florida

TRANSFER AGENT

Fleet Bank, N.A.
Providence, Rhode Island
t 781.575.3400

INDEPENDENT AUDITORS

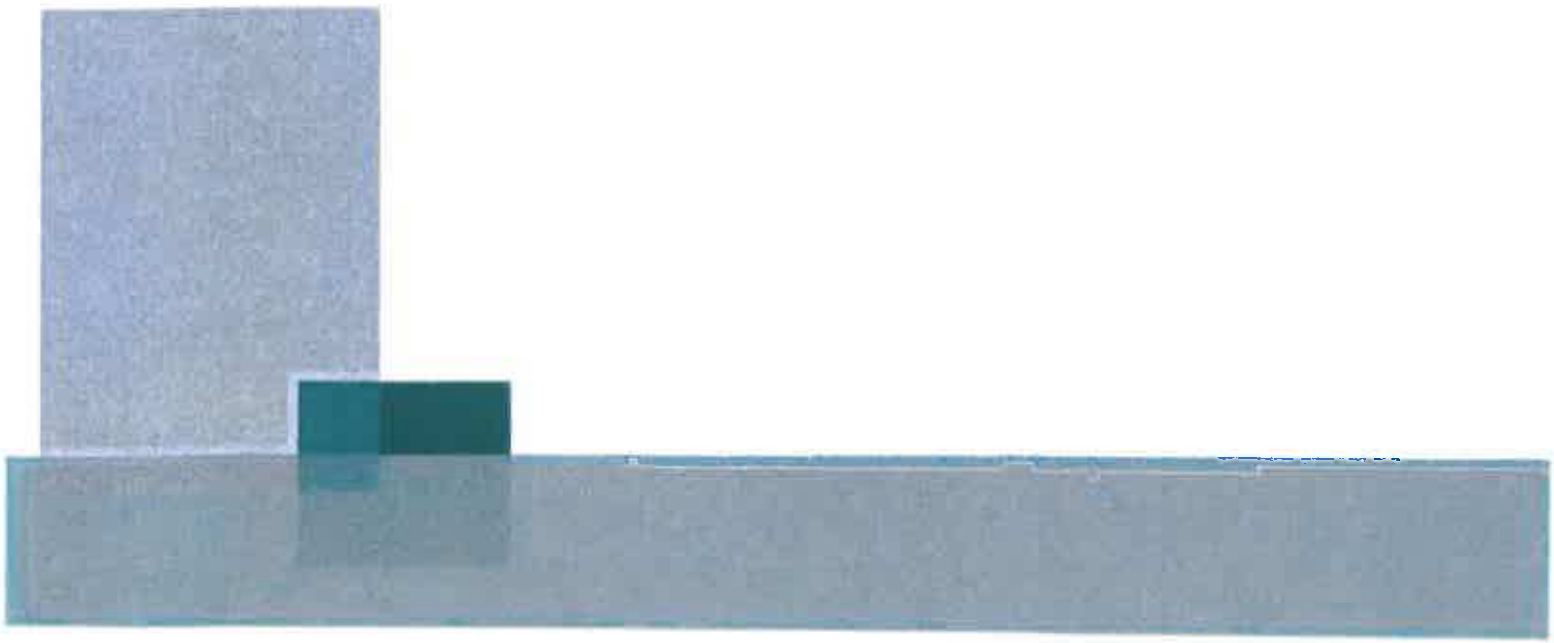
PricewaterhouseCoopers LLP
Miami, Florida

Concept & Design: Barbarian (Atlanta/San Francisco)
Printing: Graphic Arts Center (Portland)

EXHIBIT 15

Answerthink

2002 Annual Report



We have
enhanced our value proposition,
broadened our business model and
improved our
ability to compete.

Ted A. Fernandez
Chairman and Chief Executive Officer

Dear Shareholders,

As we move forward into a new year, I am very pleased about Answerthink's strategic focus, unique value proposition and financial strength. With economic uncertainty lingering, what are the reasons for our optimism? Throughout 2002, we worked hard and invested heavily to create a unique delivery approach and set of offerings that would expand our business model and strongly differentiate ourselves in the marketplace.

During the fourth quarter, we formally launched several important initiatives. The first was our innovative service delivery approach called Business Process Intelligence, or BPI. BPI incorporates intellectual capital from The Hackett Group, with its world-renowned database of business process best practices and benchmarking results, into Answerthink's implementation tools and techniques. Hackett has deep insight into how the world's top companies operate, while Answerthink specialists possess the skills and experience to implement solutions, based on these insights, that enable world-class performance. Specifically, Answerthink uses best practice process flows and software configuration methods to ensure Hackett Best Practices are optimized in the implementation of business processes, enterprise applications and enabling technologies. The end results are tangible cost improvements, strategic performance gains and improved ROI. None of our competitors have this intellectual capital. Simply put, we believe we can define, measure and evaluate world-class performance more clearly and help our clients achieve it more effectively than any other business and technology consultancy. To drive both greater understanding and demand for this approach, BPI and our expanded Hackett offerings will be the cornerstones of our sales and marketing programs in the coming year. Our associates have been trained and fully understand the value of BPI. They are equipped with the knowledge and tools necessary to share our vision with existing and prospective clients.

Secondly, we are expanding our Hackett offerings with a new Business Value Index offering, collaborative learning products and business advisory services. Hackett services allow companies to assess and specifically measure their performance against the highest performing corporations, while Answerthink's business process transformation and technology implementation services help companies convert the opportunities identified by Hackett into specific performance gains. Our Business Value Index, or BVI, offering helps companies identify and quantify opportunities for operational improvements in functional areas. BVI efficiently measures and tracks the degree of improvement against specific internal and peer performance targets over multi-year periods. A new ERP optimization collaborative learning

platform will help clients develop strategies to optimize their operating efficiency from enterprise application investments. We also plan to launch business advisory services targeted at senior executives seeking guidance and proven strategies on operational and strategic issues. Further, a set of Hackett follow-on products will allow clients to utilize implementation support services to efficiently realize the benefits identified in the Hackett benchmark offering. By the end of the coming year, our goal is to firmly establish Answerthink as the leader in business process measurement and related optimization services.

Our third key initiative, the creation of a Business Process Outsourcing, or BPO, advisory service, directly leverages our BPI tools and Hackett knowledge base. We have an unrivaled understanding of how to optimize processes and configure software with proven best practices. To take full advantage of our competitive advantage and to expand our client base, we are seeking a strategic partnership with a leading provider of BPO services. We will continue our pursuit until we identify a partner who recognizes the value of our approach and how it can benefit their go-to-market efforts.

In 2002, we improved our ability to compete for and serve clients. We continued to build a culture of collaboration that leverages the power of our multi-disciplinary teams and enables us to work with clients more strategically, as evidenced by our increasing customer satisfaction levels.

We have not only survived a three-year IT spending recession, but we have also significantly improved our value proposition, broadened our business model, strengthened our client relationships and enhanced our ability to increase revenue. During this period we have improved our financial position, completing 2002 with a record $66 million in cash balances. The result is that we are in a stronger position both financially and strategically. Facing a new year, we are confident we will take full advantage of the considerable opportunities ahead.

Ted A. Fernandez
Chairman and Chief Executive

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JANUARY 3, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-24343

Answerthink, Inc.

(Exact name of registrant as specified in its charter)

FLORIDA	**65-0750100**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
1001 Brickell Bay Drive, Suite 3000 Miami, Florida	**33131**
(Address of principal executive offices)	*(Zip Code)*

(305) 375-8005

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.001 per share

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2 of the Securities Exchange Act of 1934). YES [X] NO [ ]

The aggregate market value of the common stock held by non-affiliates of the registrant was $167,944,352 on June 28, 2002 based on the last reported sale price of the registrant's common stock on the Nasdaq National Market on June 28, 2002.

The number of shares of the registrant's common stock outstanding on March 14, 2003 was 46,415,527.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of the Form 10-K incorporates by reference certain portions of the Registrant's proxy statement for its 2003 Annual Meeting of Stockholders to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this report.

ANSWERTHINK, INC.

FORM 10-K

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and the information incorporated by reference in it include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and forecasted demographic and economic trends relating to our industry are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect," or "intend" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Factors that impact such forward looking statements include, among others, our ability to attract additional business, the timing of projects and the potential for contract cancellation by our customers, changes in expectations regarding the information technology industry, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable, risks of competition, price and margin trends, changes in general economic conditions and interest rates, the risk that the Internal Revenue Service or the courts may not accept the amount or nature of one or more items of deduction, loss, income or gain as reported by Answerthink for tax purposes and the possible outcome of pending litigation and our actions in connection with such litigation. An additional description of our risk factors is described in Part 1—Item 1 "Business—Risk Factors". We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS

GENERAL

Answerthink, Inc. ("Answerthink") (www.answerthink.com) is a leading business and technology consulting firm that enables companies to achieve world-class business performance. By leveraging the comprehensive database of our Hackett Group business, with its world-renowned repository of enterprise best practice metrics and business process knowledge, our business and technology solutions help clients improve performance and optimize returns on technology investments. Our capabilities include performance measurement, business transformation, business applications, technology integration, and offshore application maintenance and support.

In this Form 10-K, unless the context otherwise requires, "Answerthink", the "Company", "we", "us", and "our" refer to Answerthink, Inc. and its subsidiaries and predecessors.

INDUSTRY BACKGROUND

For the third straight year, business and technology consultancies experienced a weak spending outlook and generally soft market in 2002. For 2003, some market observers are predicting a slight increase or "uptick" in IT spending, though a return to the boom years of the late 1990s is unlikely. Throughout the downturn, companies have placed heavy emphasis on risk management and tangible return on their business and technology investments. As the economy recovers, large enterprises will center their IT spending on tools that help them generate more value from past investments. Specifically, they will be looking to derive maximum value from their existing enterprise applications. Enabling technologies will be used to complement and extend the capabilities of enterprise and key functional systems. For example, Business Process Management, or BPM, tools will give companies increased visibility into key business processes that reach across functional and organizational boundaries. Not only will BPM help reduce error rates and cycle times by automating workflow, it will also increase the efficiency and productivity of all the people and systems that collaborate on individual processes.

There will also be market opportunity around the need for better real-time performance measurement and strategic decision-making. Many companies are seeking to link optimized processes directly to technology and consolidate the gains of their business process re-engineering efforts. Enterprise applications and BPM software will both play a role. Companies will embed optimized processes directly into ERP systems, and use BPM and other enabling technologies to improve ongoing management and control, so they can ensure that streamlined or re-engineered processes continue to deliver cost and performance improvements in the future. Business intelligence, analytics and knowledge management applications will also play an increasingly significant role in the future as

companies seek to generate more valuable insight and analysis from their operational and financial data. These enabling technologies point the way to tomorrow's real-time enterprises which will be capable of nearly instantaneous views of current performance and more accurate and efficient planning, forecasting and reporting.

OUR APPROACH

Answerthink enables companies to achieve world-class business performance by combining intellectual capital from The Hackett Group, with its world-renowned database of business process best practices and performance measurement results, and Answerthink's proprietary Business Process Intelligence (BPI) approach, which is based on proven implementation techniques. Hackett's services help clients understand how well they are performing today compared with the world's most effective companies, while Answerthink specialists have the skills and experience to implement solutions, based on client performance measurement results, to drive them toward world-class performance. Hackett provides deep insight into how top-performing companies operate, and Answerthink applies those best practices to generate cost and performance gains for clients. Specifically, Answerthink uses best practice process flows and configuration guides to integrate Hackett's empirically proven best practices directly into enterprise applications and enabling technologies.

Because our solutions are based on Hackett-certified best practices, clients gain a significant advantage. They can have confidence that their solutions are based on strategies from the world's leading companies. This clearly defined path to world-class performance delivers enhanced efficiency, improved effectiveness, increased flexibility, maximized ROI, reduced risk and sustainability of performance improvements moving forward.

The BPI approach begins with a clear understanding of current performance, which is gained through measuring key processes and comparing the results to world-class levels and industry standards captured in the Hackett database. We then, help clients prioritize and select the appropriate best practices to implement through a coordinated performance improvement strategy. Without a coordinated strategy that addresses the four key business drivers of people, process, technology and information, companies risk losing a significant portion of business case benefits. Based on Hackett's deep knowledge of world-class business performance, we have designed detailed best practice process flows which enable clients to streamline and automate key processes, and generate performance improvements quickly and efficiently at both the functional and enterprise level.

Similarly, we integrate Hackett Best Practices directly into technology solutions. Because today's business applications are flexible, it is imperative to simplify and automate processes to meet best practice standards before new technology implementations and upgrades are completed. Otherwise, old, inefficient processes will simply be automated and continue to drive up costs, cycle times and error rates. Answerthink has completed detailed fit-gap analyses, in certain functional areas of major business application packages from Lawson, Oracle, PeopleSoft and SAP to determine their ability to support best practices. Application-specific tools, implementation guides and process flows allow us to optimize the configuration of ERP software, while limiting customization. These best practice implementations establish the foundation for improved performance. Building on that foundation a new breed of enabling technologies complement enterprise systems to drive further performance gains. These technologies, which include business process management software, portals, business intelligence and analytics, and knowledge management, enhance real-time business process management, visibility and decision-making.

This combination of optimized processes, a best practices-based business application environment and the right enabling technologies allows our clients to achieve and sustain significant business performance improvement.

COMPETITION

Even as the economy has slowed these last few years, competition in the technology consulting marketplace has heated up. Our competitors include international, national and regional systems consulting and implementation firms, international accounting firms and the IT services divisions of application software firms. Mergers, consolidation and bankruptcies throughout our industry have resulted in higher levels of competition. There is great pressure to complete projects quickly, control costs and maintain efficient operations.

Still, we believe our competitive position is strong. Because of our Hackett intellectual capital and its direct link to our BPI implementation approach, we believe we can assist clients better than our competitors. Our ability to apply best practices to client operations via proven techniques further strengthens our competitive standing.

Answerthink's culture of collaboration leverages the power of our cross-functional and service line teams to increase revenue, strengthen relationships. We believe that this culture, along with our multidisciplinary approach, allows the company to compete favorably.

STRATEGY

Moving forward, Answerthink's focus is on executing those strategies that will lead to significant growth. They include:

- ***The integration of our Hackett best practices knowledge base into our business and technology solutions***. Our single largest initiative in 2002 was in our innovative Business Process Intelligence (BPI) service delivery approach. Formally launched in the fourth quarter, BPI has received very favorable reaction from clients and industry analysts. For this reason, BPI and our expanded Hackett offerings will be the cornerstones of our marketing and communications programs in the coming year. We will drive both greater understanding of and demand for this approach. We will continue to train associates in all of our practices about BPI so they are equipped with the knowledge and tools necessary to share our vision with existing and prospective clients. BPI incorporates intellectual capital from The Hackett Group into our proven implementation tools and techniques. For clients, the end results are tangible cost and performance gains and the improved ROI they are seeking in this difficult economic environment. We will continue to enhance and expand the BPI toolkit, which includes best practice process flows and application-specific configuration guides, in 2003.

- ***Accelerated growth of our Hackett offerings with new and renewable services***. We have expanded the Hackett offerings with a new Business Value Index product and renewable business advisory services. We have also developed renewable collaborative learning products that allow executives to share insights and learn from their peers in a confidential environment. Our Business Value Index offering helps companies identify and quantify opportunities for operational improvements in functional areas and efficiently measure and track the degree of improvement against specific internal and peer performance targets over multi-year periods. We also plan to launch Business Advisory Services targeted at senior executives seeking guidance and proven strategies on operational and strategic issues. Additionally, a new ERP Optimization collaborative learning program will help clients develop strategies to optimize their operating efficiency based on existing investments in enterprise application investments. We are also working on a set of follow-on products that allow clients to utilize implementation support services to efficiently realize the benefits identified in the Hackett performance measurement process. Hackett services allow companies to assess and specifically measure their performance against the highest-performing companies, while Answerthink business process transformation and technology implementation services help companies convert the opportunities identified by Hackett into specific performance gains. Our goal is to establish Answerthink as the leader in business process measurement and related optimization services.

- ***The creation of a new Business Process Outsourcing Advisory Service***. Because of Answerthink's understanding of how to optimize processes and software configuration with proven best practices, business process outsourcing represents a logical opportunity to expand our client base. The company is seeking a strategic partnership with a leading provider of BPO services. We will continue our pursuit of potential partners, until we identify a partner who recognizes the value of our Hackett knowledge base and BPI tools and how they can benefit their go-to-market efforts.

- ***Strategic Acquisitions***. Answerthink will continue to pursue strategic acquisitions that strengthen our ability to compete. Given our current financial position and distinct value proposition, Answerthink is well positioned to pursue opportunities as they arise.

THE ANSWERTHINK SOLUTION

Answerthink offers a comprehensive range of services, including performance measurement and research, business transformation, enterprise business applications, technology integration and offshore application maintenance and support. With strategic and functional knowledge in customer service, sales and marketing, finance, human resources, information technology, procurement and supply chain management, our expertise extends across the entire enterprise. We have completed successful engagements in a variety of industries, including automotive, consumer goods, financial services, high tech, life sciences, manufacturing, media and entertainment, retail, telecommunications, transportation and utilities.

Service Capabilities

- ***The Hackett Group***

The Hackett Group has measured and evaluated the efficiency and effectiveness of staff functions at nearly 2,000 global organizations since 1991. Hackett's clients include 97 percent of the Dow Jones Industrials, 83 percent of the Fortune 100, and 86 percent of the Dow Jones Global Titans Index. Ongoing studies are conducted in a wide range of areas, including finance, human resources, information technology, procurement, SG&A and shared service centers. Hackett has nearly 1,200 best practices for approximately 100 processes in these key functional areas.

Hackett uses proprietary performance measurement tools and a data collection model that enables companies to complete the performance measurement cycle and identify and quantify improvement opportunities in as little as four weeks. Additionally, Hackett offers subscription-based group learning opportunities and access to an online library of best practices data.

- ***Business Transformation***

Answerthink's Business Transformation services help clients develop a coordinated strategy for process improvements across the enterprise. Our expert teams use reliable performance measurement data to link performance gains to industry best practices. Our strategic capabilities include operational planning, process and organization design, change management and the effective application of technology. Because Answerthink combines best practices knowledge with our business expertise and broad technology capabilities, our solutions maximize return on client investments in people, processes, technology and information.

- ***Business Applications***

Our Business Applications professionals help clients choose and deploy the software applications that best meet their needs and objectives. The group offers comprehensive services from strategic planning, architecture, and vendor evaluation and selection through implementation, customization, testing and integration. Our expertise is focused on the following application providers: Lawson, Oracle, PeopleSoft, SAP, Siebel, and several leading time and attendance providers. Furthermore, comprehensive fit-gap analyses of all major packages against Hackett Best Practices have been completed. Proven tools and templates integrate best practices into business applications. The group also offers post-implementation support, change management, system documentation and end-user training, all of which are designed to enhance return on investment.

- ***Technology Integration***

Based on our extensive best practices knowledge, our Technology Integration group designs, develops and implements IT solutions for more effective Business Process Management (BPM) and increased business intelligence (BI). Our Technology Integration experts know how to apply BPM tools to increase process transparency, improve efficiency in workflow and exception management, and create continuous improvement environments. Similarly, our BI services are designed to increase visibility into current performance, improve access to key financial and operational data, and enhance strategic decision making. The group offers strategy and management services, including operational diagnostics and planning and enterprise architecture. Further, we assist clients in improving business performance by rationalizing IT infrastructures, and selecting the right enabling technologies, such as Web services, portals and BPM software, to complement enterprise systems and facilitate information sharing and process integration inside and outside the enterprise.

JOINT VENTURE

Application Maintenance and Support: HCL-Answerthink

Through a joint venture with HCL Technologies, Answerthink provides offshore custom application development and maintenance services. HCL-Answerthink brings together the skills and experience of one of India's top IT services and product engineering firms with the world-class business process and best practices knowledge of Answerthink. The joint venture offers outsourcing diagnostics, post-implementation support for enterprise systems, legacy system and custom application maintenance, custom development and application reporting services.

CLIENTS

Answerthink focuses on long-term client relationships with Global 2000 firms and other sophisticated buyers of business consulting and IT services. During 2002, our ten most significant clients accounted for approximately 57% of revenues. Two clients, Waste Management and Exelon, each had revenues greater than 10% of total revenues.

The continuing high level of satisfaction across our client base offers more evidence of our success in 2002. The responses to the surveys we send to clients continue to be extremely positive. During 2002, we received surveys from a significant number of our engagements with a weighted average score of 4.5 on a 5.0 scale. The direct feedback and suggestions we receive on surveys are captured and used to continuously improve our delivery execution, sales processes, methodologies and training.

BUSINESS DEVELOPMENT AND MARKETING

Our extensive client base and relationships with Global 2000 firms remains our most significant sources of new business. Our revenue generation strategy is formulated to ensure we are addressing the multiple facets of business development. The categories below define our business development resources and market segmentation. Expanding awareness of our brand by leveraging the unique value proposition we have created around BPI is our main goal for 2003. Our BPI message will be the hallmark of our marketing and communications programs this year as we drive both an understanding of and demand for this approach. Similarly, we have increased our Hackett sales resources and established compensation programs that reward the linkage between sales of Hackett services and Answerthink implementation solutions.

BUSINESS DEVELOPMENT RESOURCES

Although virtually all of our consultants have a responsibility to impact revenue, our primary internal business development resources are comprised of the following:

- The Leadership Team
- The Sales Organization
- The Solution Strategist Network
- Telemarketing
- The Delivery Organization

The Leadership Team is comprised of the senior leaders within Answerthink who have a combination of executive, functional, practice and anchor account responsibilities. In addition to their management responsibilities, this group of associates is responsible for growing business by fostering executive level relationships within accounts and leveraging their existing contacts in the marketplace.

The Sales Organization is comprised of associates who are 100% dedicated to increasing revenue. They are deployed geographically in key markets and are primarily focused on developing new account relationships within their target accounts (described below). Each sales associate has between two and 10 target accounts split between existing clients and select Global 2000 prospects. They represent the entire Answerthink offering. They also handle geographic-related opportunities as they arise.

The Solution Strategist Network is comprised of associates throughout our various practices who are primarily dedicated to developing business. Solution strategists possess deep subject matter expertise within a specific discipline and receive incentive compensation on the amount of revenue they generate. Solution strategists sell new business in geographic accounts and collaborate with the sales organization on target account opportunities to provide content expertise.

Telemarketing. Answerthink has trained groups of telemarketers to be conversant with its various solution areas. Telemarketing is coordinated to ensure that our inbound and outbound efforts are synchronized.

The Delivery Organization is comprised of our billable associates who work at client locations. Their job is to find additional opportunities through their normal course of delivering existing projects, thereby helping the company expand our business within existing accounts.

In addition to our business development team, we have a corporate marketing and communications organization responsible for overseeing Answerthink's marketing programs, public relations and employee communications activities. Our Business Process Intelligence approach will form the main thrust of our market

message in 2003. It will continue to be our defining voice and differentiating point of view in the marketplace. During 2002, we formally launched the BPI message to clients and industry analysts through a variety of communications initiatives, including collateral, white papers, a series of executive breakfasts and Web casts.

MARKET SEGMENTATION

We have segmented our market focus into the following categories:

- Top 25 Accounts
- Target Accounts
- Geographic Focus Accounts

Top 25 Accounts are a mix of our largest existing clients and our most strategic prospects. To facilitate proper account management, each top 25 account has a leadership team member assigned to perform the role of client executive, an associate from the sales, solution strategist or delivery organizations to perform the role of account manager, and an associate from the delivery organizations to perform the role of delivery leader.

Target Accounts are comprised of prospects and clients who are geographically situated where a sales representative resides. Criteria for inclusion as a target account includes the size of the company, industry affiliation, propensity to buy external consulting services and contacts within the account. The sales representative is primarily responsible to identify business opportunities in the account, act as the single point of coordination for the client and perform the general duties of account manager.

Geographic Focus Accounts are accounts within a specified geography that fall neither within the top 25 or target account lists. These accounts can include large prospects, dormant clients, existing medium-sized clients and mid-tier market accounts. This account set is handled primarily on an opportunistic basis, except for active clients where delivery teams are focused on driving additional revenue.

MANAGEMENT SYSTEMS

Our management control systems are comprised of various accounting, billing, financial reporting, human resources, marketing and resource allocations systems, many of which are integrated with our knowledge management system, Mind~Share. We continuously work to improve Mind~Share, as well as our infrastructure and management control systems, which we believe represents a competitive advantage for us. We believe that Mind~Share significantly enhances our ability to serve our clients efficiently by allowing our knowledge base to be shared by all of our consultants worldwide on a real-time basis. Our well-developed, flexible, scalable infrastructure has allowed us to quickly integrate the new employees and systems of businesses we have acquired.

HUMAN RESOURCES

Our culture fosters intellectual rigor and creativity, collaboration and innovation. We believe in building relationships with our clients. We believe the best solutions come from teams of diverse individuals addressing problems collectively and from multiple dimensions, including the business, technological and human dimensions. We maintain that the most effective working environment is one where everyone is encouraged to contribute.

We believe that Answerthink's central values are the strongest expression of our working style. They represent the behavior we want to encourage and the people we want to develop. They are what, at our core, we really stand for. These central values are:

- Diversity: of backgrounds, skills and experiences
- Knowledge: as individuals and a system of individuals
- Collaboration: with one another, with our partners and with our clients

Answerthink's working style is how those values get translated in daily life, how clients experience working with the Answerthink individuals and how we deliver on our promises. Our work style is:

- Insightful: the problems our clients face are complex; therefore we have to be imaginative and innovative
- Thorough: we deliver rigorous, thorough solutions because that is what our clients expect
- Committed: we are utterly and absolutely committed to delivering the right solutions and avoiding the tempting compromises sometimes offered by deadlines, budgets or politics
- Passionate: passion drives business success, our clients' success and, therefore, ours

Our HR staff includes dedicated resources to recruit consultants with both business and technology expertise. Our recruiting team drives our hiring process by focusing on the highest demand solution areas of our business to ensure an adequate pipeline of resources. We also have an employee referral program, which rewards existing employees who source new hires.

Training and development are keys to our success—and therefore, our clients' successes. That is why we provide a thorough orientation and training curriculum for employees at every level. New hires complete "OnBoarding" training to gain a complete picture of Answerthink, our mission, core objectives and values, as well as our organization, clients and structure. Key executives regularly attend these sessions. In addition, we train our consultants via Answerthink University in specific skill sets, such as business strategy, technology and project management, that best complement our multidisciplinary teams. To fully leverage our "front-line" experiences and support our culture, we often use our own people as trainers. Many of our practices maintain technology and development labs, so our implementation specialists can stay current on the latest software releases from leading vendors. Much of the ongoing development of our consultants comes from their work on client engagements involving new business models and technology, which is then captured in Mind~Share and made available for training other consultants.

The benefits package that we provide includes comprehensive health and welfare insurance, work/life balance programs, a 401(k) program including a company match, stock options and a stock purchase program. Our associates are paid competitive salaries and cash bonuses based upon market conditions and our performance.

As of January 3, 2003, we had approximately 750 associates, approximately 80% of whom were billable professionals. None of our associates are subject to collective bargaining arrangements. We have entered into nondisclosure and non-solicitation agreements with virtually all of our personnel. We engage consultants as independent contractors from time to time.

COMMUNITY INVOLVEMENT

One important way we put our values into action is through our commitment to the communities where we work. The mission of Answerthink's Community Council, which operates in each of the cities where we have offices, is to leave the markets, communities and clients we serve better than we found them. We do it by building a strong sense of community, collaboration and personal interaction among all of our associates, through both volunteer and service programs and social gatherings. Not only do the Community Council's efforts make our towns and cities better places to live and do business, but they also make Answerthink a better place to work. Answerthink's associates are actively involved in many valuable and high-impact community programs, including United Way, Ronald McDonald House, Big Brothers & Sisters, Race for the Cure, Make-A-Wish Foundation, Habitat for Humanity, the National Adoption Center, the National Heart Association and Special Olympics.

AVAILABLE INFORMATION

We make our public filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all exhibits and amendments to these reports, available free of charge at our web site http://www.answerthink.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Any material that we file with the Securities and Exchange Commission may be read and copied at the Securities and Exchange Commission's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330.

RISK FACTORS

The following important factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K or printed elsewhere by management from time to time.

Our quarterly operating results may vary.

Our financial results may fluctuate from quarter to quarter. In future quarters, our operating results may not meet public market analysts' and investors' expectations. If that happens, the price of our common stock may fall. Many factors can cause these fluctuations, including:

- the number, size, timing and scope of client engagements;
- customer concentration;
- long and unpredictable sales cycles;
- contract terms of client engagements;
- degrees of completion of client engagements;
- client engagement delays or cancellations;
- competition for and utilization of employees;
- how well we estimate the resources we need to complete client engagements;
- the integration of acquired businesses;
- pricing changes in the industry;
- economic conditions specific to information technology consulting; and
- general economic conditions.

A high percentage of our operating expenses, particularly personnel and rent, are fixed in advance of any particular quarter. As a result, if we experience unanticipated changes in client engagements or in employee utilization rates, we could experience large variations in quarterly operating results and losses in any particular quarter. Due to these factors, we believe you should not compare our quarter-to-quarter operating results to predict future performance.

If we are unable to maintain our reputation and expand our name recognition, we may have difficulty attracting new business and retaining current clients and employees.

We believe that establishing and maintaining a good reputation and name recognition are critical for attracting and retaining clients and employees. We also believe that the importance of reputation and name recognition is increasing and will continue to increase due to the number of providers of IT services. If our reputation is damaged or if potential clients are not familiar with us or with the solutions we provide, we may be unable to attract new, or retain existing, clients and employees. Promotion and enhancement of our name will depend largely on our success in continuing to provide effective solutions. If clients do not perceive our solutions to be effective or of high quality, our brand name and reputation will suffer. In addition, if solutions we provide have defects, critical business functions of our clients may fail, and we could suffer adverse publicity as well as economic liability.

We depend heavily on a limited number of clients.

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of clients for which we perform large projects. In 2002, our ten largest clients accounted for approximately 57% of our revenues in the aggregate, with two clients each accounting for more than 10% of revenues. In addition, revenues from a large client may constitute a significant portion of our total revenues in a particular quarter. The loss of any principal client for any reason, including as a result of the acquisition of that client by another entity, our failure to meet that client's expectations, or that client's decision to reduce spending on technology-related projects, could have a material adverse effect on our business, financial condition and results of operations.

We have risks associated with potential acquisitions or investments.

Since we were founded, we have significantly expanded through acquisitions. In the future, we plan to pursue additional acquisitions. We will do this to:

- recruit well-trained, high-quality professionals;
- expand our service offerings;

- gain additional industry expertise;
- broaden our client base; and
- expand our geographic presence.

We may not be able to integrate successfully businesses which we may acquire in the future without substantial expense, delays or other operational or financial problems. We may not be able to identify, acquire or profitably manage additional businesses. Also, acquisitions may involve a number of risks, including:

- diversion of management's attention;
- failure to retain key personnel;
- failure to retain existing clients;
- unanticipated events or circumstances;
- legal liabilities; and
- amortization of acquired intangible assets.

We cannot assure you that client satisfaction or performance problems at a single acquired firm will not have a material adverse impact on our reputation as a whole. Further, we cannot assure you that our recent or future acquired businesses will generate anticipated revenues or earnings.

We may be unable to achieve anticipated benefits from acquisitions and joint ventures.

The anticipated benefits from our acquisitions may not be achieved. For example, when we acquire a company or certain assets of a company, we cannot be certain that customers acquired in the transaction will continue to do business with us or that employees of the acquired operations will continue their employment or become well integrated into our operations. The identification, consummation and integration of acquisitions and joint ventures require substantial attention from management. The diversion of this attention from management, as well as any difficulties encountered in the integration process, could have an adverse impact on our business, financial condition and results of operations.

We may be subject to claims for past acts of the companies that we acquire, which may subject us to increased expenses.

We could experience financial or other setbacks if any of the businesses that we acquire had problems in the past of which we are not aware. To the extent any client or other third party asserts any legal claim against any of the companies we have acquired, our business, results of operations and financial condition could be materially and adversely affected.

We may not be able to hire, train, motivate, retain and manage professional staff.

To succeed, we must hire, train, motivate, retain and manage highly skilled employees. Competition for skilled employees who can perform the services we offer is intense. We might not be able to hire enough of them or to train, motivate, retain and manage the employees we hire. This could hinder our ability to complete existing client engagements and bid for new client engagements. Hiring, training, motivating, retaining and managing employees with the skills we need is time-consuming and expensive.

We could lose money on our contracts.

As part of our strategy, we enter into capped or fixed-price contracts, in addition to contracts based on payment for time and materials. Because of the complexity of many of our client engagements, accurately estimating the cost, scope and duration of a particular engagement can be a difficult task. If we fail to make these estimates accurately, we could be forced to devote additional resources to these engagements for which we will not receive additional compensation. To the extent that an expenditure of additional resources is required on an engagement, this could reduce the profitability of, or result in a loss on, the engagement. In the past, we have, on occasion, engaged in negotiations with clients regarding changes to the cost, scope or duration of specific engagements. To the extent we do not sufficiently communicate to our clients, or our clients fail to adequately appreciate, the nature and extent of any of these types of changes to an engagement, our reputation may be harmed and we may suffer losses on an engagement.

Lack of detailed written contracts could impair our ability to collect fees, protect our intellectual property and protect ourselves from liability to others.

We try to protect ourselves by entering into detailed written contracts with our clients covering the terms and contingencies of the client engagement. In some cases, however, consistent with what we believe to be industry practice,

work is performed for clients on the basis of a limited statement of work or verbal agreements before a detailed written contract can be finalized. To the extent that we fail to have detailed written contracts in place, our ability to collect fees, protect our intellectual property and protect ourselves from liability to others may be impaired.

Our corporate governance provisions may deter a financially attractive takeover attempt.

Provisions of our charter and by-laws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which stockholders would receive a premium for their shares. These provisions include the following:

- stockholders must comply with advance notice requirements before raising a matter at a meeting of stockholders or nominating a director for election;
- our board of directors is staggered into three classes and the members may be removed only for cause upon the affirmative vote of holders of at least two-thirds of the shares entitled to vote;
- we would not be required to hold a special meeting to consider a takeover proposal unless holders of more than a majority of the shares entitled to vote on the matter were to submit a written demand or demands for us to do so; and
- our board of directors may, without obtaining stockholder approval, classify and issue up to 1,250,000 shares of preferred stock with powers, preferences, designations and rights that may make it more difficult for a third party to acquire us.

Our markets are highly competitive.

We may not be able to compete effectively with current or future competitors. The IT services market is highly competitive. We expect competition to further intensify as this market continues to evolve. Some of our competitors have longer operating histories, larger client bases, longer relationships with their clients, greater brand or name recognition and significantly greater financial, technical and marketing resources than we do. As a result, our competitors may be in a stronger position to respond more quickly to new or emerging technologies and changes in client requirements and to devote greater resources than we can to the development, promotion and sale of their services. Competitors could lower their prices, potentially forcing us to lower our prices and suffer reduced operating margins. We face competition from international accounting firms; international, national and regional systems consulting and implementation firms; the IT services divisions of application software firms; and marketing and communication firms.

In addition, there are relatively low barriers to entry into the IT services market. We do not own any patented technology that would stop competitors from entering this market and providing services similar to ours. As a result, the emergence of new competitors may pose a threat to our business. Existing or future competitors may develop and offer services that are superior to, or have greater market acceptance, than ours, which could significantly decrease our revenues and the value of your investment.

We may lose large clients or significant client engagements.

Our client engagements are generally short-term arrangements, and most clients can reduce or cancel their contracts for our services with 30 days notice and without penalty. As a result, if we lose a major client or large client engagement, our revenues will be adversely affected. We perform varying amounts of work for specific clients from year to year. A major client in one year may not use our services in another year. In addition, we may derive revenue from a major client that constitutes a large portion of total revenue for particular quarters. If we lose any major clients or any of our clients cancel or significantly reduce the scope of a large client engagement, our business, financial condition and results of operations could be materially and adversely affected. Also, if we fail to collect a large account receivable, we could be subjected to significant financial exposure. Consequently, you should not predict or anticipate our future revenue based upon the number of clients we currently have or the number and size of our existing client engagements.

We rely on our intellectual property rights.

We rely upon a combination of nondisclosure and other contractual arrangements and trade secret, copyright and trademark laws to protect our proprietary rights and the proprietary rights of third parties from whom we license intellectual property. Although we enter into confidentiality agreements with our employees and limit distribution of proprietary information, there can be no assurance that the steps we have taken in this regard will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

Although we believe that our services do not infringe on the intellectual property rights of others and that we have all rights necessary to utilize the intellectual property employed in our business, we are subject to the risk of claims alleging infringement of third-party intellectual property rights. Any claims could require us to spend significant sums in litigation, pay damages, develop non-infringing intellectual property or acquire licenses to the intellectual property that is the subject of asserted infringement.

The market price of our common stock may fluctuate widely.

The market price of our common stock could fluctuate substantially due to:

- future announcements concerning us or our competitors;
- quarterly fluctuations in operating results;
- announcements of acquisitions or technological innovations; or
- changes in earnings estimates or recommendations by analysts.

In addition, the stock prices of many technology companies fluctuate widely for reasons which may be unrelated to operating results. Fluctuations in our common stock's market price may impact our ability to finance our operations and retain personnel.

ITEM 2. PROPERTIES

Our principal executive offices currently are located at 1001 Brickell Bay Drive, Suite 3000, Miami, Florida 33131. The lease on these premises covers 16,036 square feet and expires June 30, 2003. We also have offices in Atlanta, Boston, Chicago, Cleveland, Frankfurt, New York, Philadelphia, London and Iselin, New Jersey. We believe that we will be able to obtain suitable space as needed. We own no real estate and do not intend to invest in real estate or real estate-related assets.

ITEM 3. LEGAL PROCEEDINGS

Between November, 2002 and January, 2003, six class actions seeking unspecified damages were filed against Answerthink and certain of its current and former officers and directors alleging violations of the Securities and Exchange Act of 1934. The complaints allege misstatements and omissions concerning related party transactions during the alleged class period of February 8, 2000 to April 25, 2002. On January 7, 2003 the federal district court entered an order closing and consolidating these cases and any subsequently filed related cases (the "Consolidation Order") into Druskin, et al. v. Answerthink, Inc., et al., Case No. 02-23304-CIV-GOLD. The Consolidated Amended Complaint is due to be filed on April 18, 2003. We intend to file a motion seeking the dismissal of the Consolidated Amended Complaint. Based on the status of these actions it is not possible to determine the range of loss to us, if any. We believe that the plaintiffs' claims are without merit and intend to defend the lawsuits vigorously.

Between September and October 1998, seven purported class action suits were filed against THINK New Ideas, Inc. ("THINK New Ideas") and certain of its then current and former officers and directors alleging violations of the Securities Exchange Act of 1934. All seven of these lawsuits were consolidated by order of the court. This lawsuit became our responsibility upon the merger of Answerthink and THINK New Ideas. On April 18, 2002, the parties reached an agreement in principle to settle this action. The Court approved the settlement in September 2002 in all respects and dismissed the complaint with prejudice. The time for appeal has expired and the settlement has become final. The full amount of the settlement has been paid by THINK New Ideas' insurance carrier.

We are involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such other matters will not have a material adverse effect on our financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2002.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock has been traded on the Nasdaq National Market since our initial public offering on May 28, 1998 under the Nasdaq symbol "ANSR". The following table sets forth for the fiscal periods indicated the high and low sales prices of the common stock, as reported on the Nasdaq National Market.

	High	Low
2002		
Fourth Quarter	$3.29	$1.43
Third Quarter	$3.91	$1.52
Second Quarter	$7.30	$3.60
First Quarter	$8.34	$4.65
2001		
Fourth Quarter	$6.80	$3.15
Third Quarter	$9.81	$3.50
Second Quarter	$9.99	$3.50
First Quarter	$9.06	$3.25

The closing sale price for the common stock on March 14, 2003 was $2.43.

As of March 14, 2003, there were approximately 386 holders of record of our common stock and 46,415,527 shares of common stock outstanding.

Company Dividend Policy

We do not expect to pay any cash dividends on our common stock in the foreseeable future. Our present policy is to retain earnings, if any, for use in the operation of our business.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data sets forth selected financial information for Answerthink as of and for each of the years in the five-year period ended January 3, 2003, and has been derived from our audited financial statements. The selected consolidated financial data should be read together with our consolidated financial statements and related notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended				
	January 3, 2003	December 28, 2001	December 29, 2000	December 31, 1999	January 1, 1999
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenues:					
Revenues before reimbursements	$156,357	$220,966	$260,892	$202,318	$118,155
Reimbursements	20,490	29,377	35,811	29,255	14,648
Total revenues	176,847	250,343	296,703	231,573	132,803
Costs and expenses:					
Project personnel and expenses:					
Project personnel and expenses before reimbursable expenses	104,981	132,843	147,040	118,844	71,890
Reimbursable expenses	20,490	29,377	35,811	29,255	14,648
Total project personnel and expenses	125,471	162,220	182,851	148,099	86,538
Selling, general and administrative expenses	53,416	77,087	92,321	57,297	38,516
Impairment of goodwill	20,000	—	—	—	—
Restructuring costs	10,886	5,619	3,268	—	—
Stock compensation expense	—	4,855	853	960	40,843
Total costs and operating expenses	209,773	249,781	279,293	206,356	165,897
Income (loss) from operations	(32,926)	562	17,410	25,217	(33,094)
Other income (expense):					
Litigation settlement	—	—	1,850	—	2,500
Non-cash investment losses	—	—	(2,350)	—	—
Interest income (expense), net	570	843	589	(26)	(739)
Income (loss) before income taxes, loss from discontinued operations, extraordinary loss and cumulative effect of change in accounting principle	(32,356)	1,405	17,499	25,191	(31,333)
Income taxes	(3,508)	1,807	8,571	11,431	1,719
Income (loss) from continuing operations	(28,848)	(402)	8,928	13,760	(33,052)
Loss from discontinued operations, net of income taxes	(8,911)	(8,117)	(1,027)	(10,513)	(28,362)
Income (loss) before extraordinary loss and cumulative effect of change in accounting principle	(37,759)	(8,519)	7,901	3,247	(61,414)
Extraordinary loss on early extinguishment of debt, net of taxes	—	—	—	(2,113)	—
Cumulative effect of change in accounting principle	(31,200)	—	—	—	—
Net income (loss)	$(68,959)	$ (8,519)	$ 7,901	$ 1,134	$(61,414)
Basic net income (loss) per common share:					
Income (loss) from continuing operations	$ (0.62)	$ (0.01)	$ 0.22	$ 0.39	$ (1.33)
Loss from discontinued operations, net of income taxes	$ (0.19)	$ (0.18)	$ (0.02)	$ (0.30)	$ (1.14)
Extraordinary loss on early extinguishment of debt	$ —	$ —	$ —	$ (0.06)	$ —
Cumulative effect of change in accounting principle	$ (0.68)	$ —	$ —	$ —	$ —
Net income (loss) per common share	$ (1.49)	$ (0.19)	$ 0.20	$ 0.03	$ (2.47)
Weighted average common shares outstanding	46,348	43,999	40,262	34,953	24,844
Diluted net income (loss) per common share:					
Income (loss) from continuing operations	$ (0.62)	$ (0.01)	$ 0.20	$ 0.32	$ (1.33)
Loss from discontinued operations, net of income taxes	$ (0.19)	$ (0.18)	$ (0.02)	$ (0.24)	$ (1.14)
Extraordinary loss on early extinguishment of debt	$ —	$ —	$ —	$ (0.05)	$ —
Cumulative effect of change in accounting principle	$ (0.68)	$ —	$ —	$ —	$ —
Net income (loss) per common share	$ (1.49)	$ (0.19)	$ 0.18	$ 0.03	$ (2.47)
Weighted average common shares and common share equivalents	46,348	43,999	45,137	43,098	24,844

	January 3, 2003	December 28, 2001	December 29, 2000	December 31, 1999	January 1, 1999
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 63,419	$ 59,888	$ 51,662	$ 27,124	$ 36,931
Working capital	$ 74,537	$ 81,313	$ 74,787	$ 55,166	$ 49,711
Total assets	$145,361	$211,919	$228,676	$200,713	$153,394
Shareholders' equity	$113,047	$177,701	$172,054	$140,270	$100,789

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Answerthink is a leading business and technology consulting firm that enables companies to achieve world-class business performance. By leveraging the comprehensive database of The Hackett Group, with its world-renowned repository of enterprise best practice metrics and business process knowledge, Answerthink's business and technology solutions help clients significantly improve performance and optimize returns on technology investments. Answerthink's capabilities include performance measurement services, business transformation, business applications, technology integration, and offshore application maintenance and support. Answerthink was formed on April 23, 1997. Since our formation, we have grown through internal expansion as well as through mergers and acquisitions. Our consolidated financial statements may lack comparability from period to period because of acquisitions we made for which we used the purchase method of accounting.

Critical Accounting Policies

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial position in the preparation of financial statements in conformity with generally accepted accounting principles. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe the following discussion addresses our most critical accounting policies. These policies require management to exercise judgements that are often difficult, subjective and complex due to the necessity of estimating the effect of matters that are inherently uncertain.

Revenue Recognition

Our revenues are derived from fees for services generated on a project-by-project basis. Revenues for services rendered are recognized on a time and materials basis based on the number of hours worked by our consultants at an agreed upon rate per hour or on a fixed-fee or capped-fee basis. Revenues related to time and material contracts are recognized in the period in which services are performed. Revenues related to fixed-fee or capped-fee contracts are recognized based on our evaluation of actual costs incurred to date compared to total estimated costs using the percentage of completion method of accounting. The cumulative impact of any revisions in estimated total revenues and direct contract costs are recognized in the period in which they become known. Unbilled revenues represent revenues for services performed that have not been billed. If we do not accurately estimate the resources required or the scope of the work to be performed, or we do not manage our projects properly within the planned periods of time or we do not meet our clients' expectations under the contracts, then future consulting margins may be significantly and negatively affected or losses on existing contracts may need to be recognized. Any such resulting reductions in margins or contract losses could be material to our results of operations.

The agreements entered into in connection with a project, whether time and materials based or fixed-fee or capped-fee based, are typically terminable by the client upon 30 days' notice. Upon early termination of an engagement, the client is required to pay for all time, materials and expenses incurred by us through the effective date of the termination. In addition, provisions in some of the agreements we have with our clients limit our right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit us from performing a defined range of our services that we might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Accounts Receivable and Allowances for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments. Our management makes estimates of the uncollectibility of our accounts receivables. Management critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of our clients were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Goodwill

We assess goodwill for impairment when events or circumstances indicate that the carrying value may not be recoverable, or, at a minimum, on an annual basis. We have made determinations as to what our reporting units are and what amounts of goodwill and intangible assets should be allocated to those reporting units.

In assessing the recoverability of long-lived identifiable assets and goodwill, we must make assumptions regarding estimated future cash flows, discount rates and other factors to determine if impairment tests are met. These estimates contain management's best estimates, using appropriate and customary assumptions and projections at the time. If these estimates or their related assumptions change in the future, we may be required to record additional impairment charges.

Restructuring Costs

During 2002, 2001 and 2000, we recorded charges in connection with our restructuring actions. The related reserves reflect judgements and estimates of our ultimate costs for severance, closure and consolidation of facilities and settlement of contractual obligations under our operating leases, including sublease rental rates, absorption period to relet space and other related costs. We reassess the reserve requirements to complete each individual plan under our restructuring programs at the end of each reporting period. Such charges have been recorded under Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)* and Securities and Exchange Commission Staff Accounting Bulletin No. 100, *Restructuring and Impairment Charges.* If these estimates change in the future or actual results are different than our estimates, we may be required to record additional charges in the future.

Income Taxes

We record income taxes using the liability method. Under this method, we record deferred taxes based on temporary taxable and deductible differences between the tax bases of our assets and liabilities and our financial reporting bases. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Litigation and Contingencies

Litigation and contingencies are reflected in our consolidated financial statements based on management's assessment, along with legal counsel, of the expected outcome from such litigation. If the final outcome of such litigation and contingencies differs adversely from that currently expected, it would result in a charge to earnings when determined.

Results of Operations

Our fiscal year generally consists of a 52-week period and periodically consists of a 53-week period because the fiscal year ends on the Friday closest to December 31. Fiscal years 2002, 2001 and 2000 ended on January 3, 2003, December 28, 2001 and December 29, 2000, respectively. Our fiscal year 2002 was a 53-week period. References to a year included in this section refer to a fiscal year rather than a calendar year.

The following table sets forth, for the periods indicated, our results of operations and the percentage relationship to net revenues of such results:

	Year Ended					
	January 3, 2003		December 28, 2001		December 29, 2000	
	(in thousands, except percentage data)					
Revenues:						
Revenues before reimbursements	$156,357	88.4%	$220,966	88.3%	$260,892	87.9%
Reimbursements	20,490	11.6%	29,377	11.7%	35,811	12.1%
Total revenues	176,847	100.0%	250,343	100.0%	296,703	100.0%
Costs and expenses:						
Project personnel and expenses:						
Project personnel and expenses before reimbursable expenses	104,981	59.4%	132,843	53.1%	147,040	49.5%
Reimbursable expenses	20,490	11.6%	29,377	11.7%	35,811	12.1%
Total project personnel and expenses	125,471	71.0%	162,220	64.8%	182,851	61.6%
Selling, general and administrative expenses	53,416	30.2%	77,087	30.8%	92,321	31.1%
Impairment of goodwill	20,000	11.3%	—	—	—	—
Restructuring costs	10,886	6.2%	5,619	2.2%	3,268	1.1%
Stock compensation expense	—	—	4,855	2.0%	853	0.3%
Total costs and operating expenses	209,773	118.7%	249,781	99.8%	279,293	94.1%
Income (loss) from operations	(32,926)	(18.7%)	562	0.2%	17,410	5.9%
Other income (expense):						
Litigation settlement	—	—	—	—	1,850	0.6%
Non-cash investment losses	—	—	—	—	(2,350)	(0.8%)
Interest income (expense), net	570	0.4%	843	0.3%	589	0.2%
Income (loss) before income taxes, loss from discontinued operations and cumulative effect of change in accounting principle	(32,356)	(18.3%)	1,405	0.5%	17,499	5.9%
Income taxes	(3,508)	(2.0%)	1,807	0.7%	8,571	2.9%
Income (loss) from continuing operations	(28,848)	(16.3%)	(402)	(0.2%)	8,928	3.0%
Loss from discontinued operations, net of income taxes	(8,911)	(5.1%)	(8,117)	(3.2%)	(1,027)	(0.3%)
Income (loss) before cumulative effect of change in accounting principle	(37,759)	(21.4%)	(8,519)	(3.4%)	7,901	2.7%
Cumulative effect of change in accounting principle	(31,200)	(17.6%)	—	—	—	—
Net income (loss)	$(68,959)	(39.0%)	$ (8,519)	(3.4%)	$ 7,901	2.7%

Comparison of 2002 to 2001

Overview. We reported a net loss of $69.0 million in 2002 compared to a net loss of $8.5 million in 2001. Our $69.0 million net loss during 2002 included a $31.2 million cumulative effect of change in accounting principle as a result of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, a non-cash goodwill impairment charge of $20.0 million, restructuring costs of $10.9 million and a loss from discontinued operations of $8.9 million related to our interactive marketing business. Our $8.5 million net loss during 2001 included a loss from discontinued operations of $8.1 million, restructuring costs of $5.6 million and $4.9 million of non-cash compensation expense. The compensation expense was primarily related to the granting of "in-the-money" stock options to participants in our Employee Stock Purchase Plan in lieu of the Employee Stock Purchase Plan shares that could not be issued because the plan was oversubscribed for the purchase periods ending December 31, 2000 and June 30, 2001. Our losses in 2002 and 2001 were attributable to the items mentioned above. The decrease in revenues in 2002 resulted from a decline in information technology spending by our customers and potential customers in reaction to the overall slowdown in the economy during 2002.

Revenues. Revenues decreased 29.4% to $176.8 million in 2002 from $250.3 million in 2001. The decrease in revenues was primarily attributable to a decrease in the number of customers and the average size of our projects

resulting from the decreased demand for information technology services due to weak economic conditions. In fiscal year 2002, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for 36% of total revenues. In fiscal year 2001, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 39% of total revenues.

Project Personnel and Expenses. Project personnel costs and expenses consist primarily of salaries, benefits and bonuses for consultants. Project personnel costs and expenses decreased 22.7% to $125.5 million in 2002 from $162.2 million in 2001. The decrease in project personnel and expenses was primarily due to the reduction in the number of consultants in order to balance workforce capacity with market demand for services. Consultant headcount was 620 as of January 3, 2003 compared to 887 as of December 28, 2001. Project personnel and expenses as a percentage of revenues increased to 71.0% in 2002 from 64.8% in 2001. This increase in project personnel costs and expenses as a percentage of revenues was primarily the result of lower per hour billing rates charged to customers and a higher average cost per consultant attributable to a greater percentage of senior associates working on projects during 2002 compared to 2001.

Selling, General and Administrative. Selling, general and administrative expenses decreased 30.7% to $53.4 million in 2002 from $77.1 million in 2001. The decrease in selling, general and administrative expenses were primarily due to our continued cost control initiatives, reduced discretionary spending and the adoption of SFAS No. 142, which eliminated amortization expense of goodwill in 2002. Goodwill amortization for the year 2001 was $3.9 million. In addition to the change in goodwill amortization, we reduced functional support headcount, incurred lower recruiting, selling and bad debt expenses, and reduced property and facility expenses as a result of a decrease in the number of offices from 14 at the end of 2001 to 12 at the end of 2002. Sales and functional support headcount was 133 as of January 3, 2003 compared to 168 as of December 28, 2001. Selling, general and administrative expenses as a percentage of revenues were comparable between 2002 and 2001 at 30.2% and 30.8%, respectively.

Impairment of Goodwill and Cumulative Effect of Change in Accounting Principle. We adopted SFAS No. 142 during the first quarter of 2002. The new accounting rule eliminated the amortization of goodwill and changed the method of determining whether there is a goodwill impairment from an undiscounted cash flow method to a fair value method. As a result of the adoption of this standard, we incurred a non-cash transitional impairment charge of $31.2 million in the first quarter of 2002 due to the cumulative effect of a change in accounting principle. This charge related to the Technology Integration reporting unit. The new statement also requires that goodwill be tested for impairment on an annual basis and between annual tests in certain circumstances. We performed an impairment test primarily as a result of the decline in our stock price and that of our peer group during the third quarter of 2002 and recorded a non-cash impairment charge of $20.0 million related to the Technology Integration reporting unit.

Restructuring Costs. Restructuring costs were $10.9 million and $5.6 million in 2002 and 2001, respectively. In 2002, costs consisted of $1.5 million for reduction in consultants and functional support personnel and $9.4 million for closure and consolidation of facilities and related exit costs, including a $5.0 million write-off of leasehold improvements and other assets. The 2002 restructuring plan involved the involuntary termination of approximately 100 employees. The 2001 costs consisted of $3.7 million for reduction in consultants and functional support personnel and $1.9 million for closure and consolidation of facilities and related exit costs. The 2001 restructuring plan involved the involuntary termination of approximately 200 employees. These actions were taken as a result of the continued decline in demand for technology services throughout 2001 and 2002. We took steps to reduce our costs to better align our overall cost structure and organization with anticipated demand for our services.

Stock Compensation Expense. Stock compensation expense in 2001 primarily related to the granting of stock options to participants in our Employee Stock Purchase Plan. These stock options were granted in lieu of the Employee Stock Purchase Plan shares that could not be issued because the plan was oversubscribed for the purchase periods ending on December 31, 2000 and June 30, 2001. We recorded a non-cash compensation charge of $4.2 million in 2001 for the difference between the fair market value of the stock on the option grant date and the exercise price.

Income Taxes. We recorded an income tax benefit of $3.5 million in 2002, which represented 10.8% of our 2002 loss before discontinued operations and cumulative effect of change in accounting principle. In 2001, we recorded income tax expense of $1.8 million, which represented 128.6% of our 2001 pre-tax income from

continuing operations. The low effective tax rate for 2002 was primarily due to the $20.0 million charge for the impairment of goodwill which was not deductible for tax purposes and to the establishment of a valuation allowance on our net deferred tax assets that existed at the end of the year.

In 2002, we discontinued our interactive marketing business which we acquired with THINK New Ideas. The discontinuance of THINK New Ideas will generate an approximate $75.0 million worthless stock deduction for our investment in THINK New Ideas in our 2002 tax return. Although we believe that our tax position is sustainable there is no assurance that the Internal Revenue Service will not challenge our conclusion.

At the end of 2002, we had a net operating loss carryforward available for tax purposes of $68.0 million, which we will use in future years to offset future taxable income.

The high effective tax rate for 2001 was the result of the impact of permanent differences on a very low level of pretax income. Our effective tax rate may vary from period to period based on changes in our estimated annual taxable income or loss.

Loss from Discontinued Operations. Results for 2002 included a net loss of $8.9 million from the discontinued operations of our interactive marketing business. The operating results of the interactive marketing business have been reported as discontinued operations and results for prior periods have been restated. For the years ended January 3, 2003 and December 28, 2001 the losses from discontinued operations were $8.9 million and $8.1 million, respectively, and included restructuring costs of $3.4 million and $2.9 million, respectively, for reduction in consultants and for closure and consolidation of facilities and related exit costs. For the years ended January 3, 2003 and December 28, 2001, total revenues for discontinued operations were $7.2 million and $28.9 million, respectively.

Comparison of 2001 to 2000

Overview. We reported a net loss of $8.5 million in 2001 compared to net income of $7.9 million in 2000. Our $8.5 million net loss during 2001 was primarily attributable to a loss from discontinued operations of $8.1 million related to the discontinued operations of our interactive marketing business, restructuring costs of $5.6 million related to restructuring costs associated with personnel and facilities reductions and $4.9 million of non-cash compensation expense. The compensation expense was primarily related to the granting of "in-the-money" stock options to participants in our Employee Stock Purchase Plan in lieu of the Employee Stock Purchase Plan shares that could not be issued because the plan was oversubscribed for the purchase periods ending December 31, 2000 and June 30, 2001. In 2000, we incurred non-recurring items of $9.9 million related to reserves for dotcom related receivables, $3.3 million of restructuring costs associated with personnel and facilities reductions, $2.4 million for non-cash investment losses, a $1.0 million loss from discontinued operations and $1.9 million of income from a litigation settlement. Our loss in 2001 was attributable to the items mentioned above as well as the decrease in revenues resulting from a decline in information technology spending by our customers and potential customers in reaction to the overall slowdown in the economy during 2001.

Revenues. Revenues decreased 15.6% to $250.3 million in 2001 from $296.7 million in 2000. The decrease in revenues was primarily attributable to a decrease in the number of customers and the average size of our projects resulting from reduced demand for information technology services. In 2001, three customers each had revenues greater than 5% of total net revenues, which, in the aggregate, accounted for approximately 39% of total revenues. In 2000, one customer accounted for approximately 13% of revenues.

Project Personnel and Expenses. Project personnel costs and expenses consist primarily of salaries, benefits and bonuses for consultants. Project personnel costs and expenses decreased 11.3% to $162.2 million in 2001 from $182.9 million in 2000. The decrease in project personnel and expenses was the result of a decrease in the number of consultants, partially offset by an increase in average salaries. Consultant headcount was 887 as of December 28, 2001 compared to 1,074 as of December 29, 2000. Project personnel and expenses as a percentage of revenues increased to 64.8% in 2001 from 61.6% in 2000. This increase in project personnel costs and expenses as a percentage of revenues was due to lower consultant utilization, partially offset by higher billing rates.

Selling, General and Administrative. Selling, general and administrative expenses decreased 16.5% to $77.1 million in 2001 from $92.3 million in 2000. The decrease in selling, general and administrative expenses was primarily a result of a decrease in bad debt expense, lower salary and benefit expenses associated with a decrease in functional support associates, lower recruiting and training costs resulting from a decrease in the number of

consultants and reduced marketing costs. Sales and functional support headcount was 168 as of December 28, 2001 compared to 270 as of December 29, 2000. Selling, general and administrative expenses as a percentage of net revenues were comparable between 2001 and 2000 at 30.8% and 31.1%, respectively.

Restructuring Costs. Restructuring costs were $5.6 million and $3.3 million in 2001 and 2000, respectively. In 2001, costs consisted of $3.7 million for reduction in consultants and functional support personnel and $1.9 million for closure and consolidation of facilities and related exit costs. The 2000 costs related to the reduction in consultants and functional support personnel and closure and consolidation of facilities and related exit costs. These actions were taken as a result of the continued decline in demand for technology services in the latter portion of 2000 and throughout 2001. We took steps to reduce our costs to better align our overall cost structure and organization with anticipated demand for our services.

Stock Compensation Expense. Stock compensation expense in 2001 primarily related to the granting of stock options to participants in our Employee Stock Purchase Plan. These stock options were granted in lieu of the Employee Stock Purchase Plan shares that could not be issued because the plan was oversubscribed for the purchase periods ending on December 31, 2000 and June 30, 2001. We recorded a non-cash compensation charge of $4.2 million in 2001 for the difference between the fair market value of the stock on the option grant date and the exercise price.

Litigation Settlement. In June 2000, pursuant to a confidential settlement agreement, we settled litigation in which we were the plaintiff. We recorded a gain of $1.9 million as a result of this settlement.

Non-Cash Investment Losses. In the fourth quarter of 2000, we recorded non-cash investment losses of $2.4 million related to the full impairment of all of our dotcom related investments.

Income Taxes. We recorded an income tax expense from continuing operations of $1.8 million in 2001, which represented 128.6% of our 2001 pre-tax loss from continuing operations. In 2000, we recorded income tax expense of $8.6 million, which represented 49.0% of our 2000 pre-tax income from continuing operations. The high effective tax rate for 2001 was the result of the impact of permanent differences on a very low level of pretax income.

Loss from Discontinued Operations. For the years ended December 28, 2001 and December 29, 2000, loss from discontinued operations for the interactive marketing business were $8.1 million and $1.0 million, respectively, while total revenues were $28.9 million and $53.9 million, respectively. Included in the loss from discontinued operations for fiscal years 2001 and 2000 were restructuring costs of $2.9 million and $432,000, respectively, for reduction in consultants and for closure and consolidation of facilities and related exit costs.

Liquidity and Capital Resources

We have funded our operations primarily with cash flow generated from operations and the proceeds from our initial public offering. At January 3, 2003, we had $63.4 million of cash and cash equivalents compared to $59.9 million at December 28, 2001.

In August 2002, we cancelled our $15.0 million revolving credit facility. At the time of cancellation and at all times throughout 2002 and 2001, we had no borrowings outstanding under the facility. Letters of credit of $2.6 million were outstanding under the agreement at the time of the cancellation. We have deposited $2.9 million with a financial institution as collateral for these letters of credit and have classified this cash as restricted on the accompanying consolidated balance sheet at January 3, 2003.

There were no material capital commitments at January 3, 2003. The following summarizes our lease commitments under non-cancelable operating leases for premises having a remaining term in excess of one year at January 3, 2003 (in thousands):

2003	$ 7,194
2004	6,166
2005	5,017
2006	4,941
2007	4,581
Thereafter	22,981
	50,880
Less: sublease income	15,293
Total minimum lease payments, less sublease income	$35,587

Net cash provided by operating activities was $7.0 million for 2002 compared to $15.5 million during 2001. During 2002, net cash provided by operating activities was primarily attributable to a $18.9 million decrease in accounts receivable and unbilled revenue. This was partially offset by a $5.4 million increase in prepaid expenses and other assets, a $3.9 million decrease in accrued expenses and other liabilities and our $69.0 million net loss adjusted for non-cash expenses of $67.5 million. Non-cash expenses included the impact of adopting SFAS No. 142, impairment of goodwill, write-off of leasehold improvements, depreciation, deferred taxes and provision for doubtful accounts. During 2001, net cash provided by operating activities was primarily attributable to an $18.0 million decrease in accounts receivable and unbilled revenue and our $8.5 million net loss adjusted for $22.5 million of non-cash expenses which included depreciation and amortization, non-cash compensation expense and provision for doubtful accounts. These effects were partially offset by a $6.3 million decrease in media payable, a $6.0 million decrease in accrued expenses and other liabilities and a $4.8 million decrease in accounts payable. Media payables represent media placement costs owed to media providers on behalf of our customers. Amounts in media payables that have been billed to our customers are included in accounts receivables.

Net cash used in investing activities was $7.8 million for 2002 compared to $11.7 million used during 2001. The uses of cash for investing activities in 2002 were attributable to $4.0 million of purchases of property and equipment, an increase in restricted cash of $2.9 million and $851,000 used in acquisitions in 2002. The uses of cash for investing activities in 2001 were attributable to $9.5 million of purchases of property and equipment and $2.1 million used in the acquisition of businesses.

Net cash provided by financing activities was $4.3 million in 2002 compared to $4.4 million during 2001. Cash from financing activities during 2002 and 2001 was from the sale of common stock as a result of exercises of stock options as well as the sale of stock through our Employee Stock Purchase Plan, offset by repurchases of common stock of $2.2 million in 2002.

On July 30, 2002, we announced that our Board of Directors approved the repurchase of up to $5.0 million of our common stock. Under the repurchase plan, we may buy back shares of our outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of January 3, 2003, we had repurchased 1,146,000 shares of our common stock at an average price of $1.93 per share.

We currently believe that available funds and cash flows generated by operations, if any, will be sufficient to fund our working capital and capital expenditures requirements for at least the next twelve months. We may decide to raise additional funds in order to fund expansion, to develop new or enhanced products and services, to respond to competitive pressures or to acquire complementary businesses or technologies. We cannot assure you however, that additional financing will be available when needed or desired on terms favorable to us or at all.

Recently Issued Accounting Standards

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 146, *Accounting for Costs Associated with Exit or Disposal Activities.* SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities. This statement supersedes Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity* and requires that a liability for a cost associated with an exit or disposal activity

be recognized when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. We do not believe that the adoption of SFAS No. 146 will have a material impact on our consolidated financial statements.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure.* SFAS No. 148 amends Statement of Financial Accounting Standards No. 123, *Stock-Based Compensation,* to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We continue to account for stock-based compensation using Accounting Principles Board Statement No. 25, *Accounting for Stock Issued to Employees,* and have not adopted the recognition provisions of SFAS No. 123, as amended by SFAS No. 148. The disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002 and have been incorporated into our footnotes to the financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not believe that there is any material market risk exposure with respect to derivative or other financial instruments, which would require disclosure under this item. At January 3, 2003, our exposure to market risk relates primarily to changes in interest rates on our investment portfolio. Our marketable investments consist primarily of short-term fixed income securities. We invest only with high credit quality issuers and we do not use derivative financial instruments in our investment portfolio. We do not believe that a significant increase or decrease in interest rates would have a material adverse impact on the fair value of our investment portfolio.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ANSWERTHINK, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and
Shareholders of Answerthink, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Answerthink, Inc. and its subsidiaries at January 3, 2003 and December 28, 2001, and the results of their operations and their cash flows for each of the three years in the period ended January 3, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, pursuant to the adoption of Financial Accounting Standards Board Statement No. 142, *Goodwill and Other Intangible Assets,* the Company changed its method of accounting for goodwill in 2002.

/s/ PricewaterhouseCoopers LLP

Miami, Florida
February 11, 2003

ANSWERTHINK, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	January 3, 2003	December 28, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 63,419	$ 59,888
Restricted cash	2,909	
Accounts receivable and unbilled revenue, net of allowance of $3,526 and $6,810 in 2002 and 2001, respectively	24,159	40,015
Prepaid expenses and other assets	16,364	15,628
Total current assets	106,851	115,531
Property and equipment, net	11,790	18,468
Goodwill, net	26,720	77,920
Total assets	$ 145,361	$211,919
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,684	$ 5,187
Accrued expenses and other liabilities	26,478	27,992
Media payable	152	1,039
Total current liabilities	32,314	34,218
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $.001 par value, 1,250,000 shares authorized, none issued and outstanding	—	—
Common stock, $.001 par value, authorized 125,000,000 shares; issued: 47,728,129 shares at January 3, 2003; 45,880,118 shares at December 28, 2001	48	46
Additional paid-in capital	263,626	257,115
Treasury stock, at cost, 1,146,000 shares at January 3, 2003	(2,208)	—
Accumulated deficit	(148,419)	(79,460)
Total shareholders' equity	113,047	177,701
Total liabilities and shareholders' equity	$ 145,361	$211,919

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Year Ended		
	January 3, 2003	December 28, 2001	December 29, 2000
Revenues:			
Revenues before reimbursements	$156,357	$220,966	$260,892
Reimbursements	20,490	29,377	35,811
Total revenues	176,847	250,343	296,703
Costs and expenses:			
Project personnel and expenses:			
Project personnel and expenses before reimbursable expenses	104,981	132,843	147,040
Reimbursable expenses	20,490	29,377	35,811
Total project personnel and expenses	125,471	162,220	182,851
Selling, general and administrative expenses	53,416	77,087	92,321
Impairment of goodwill	20,000	—	—
Restructuring costs	10,886	5,619	3,268
Stock compensation expense	—	4,855	853
Total costs and operating expenses	209,773	249,781	279,293
Income (loss) from operations	(32,926)	562	17,410
Other income (expense):			
Litigation settlement	—	—	1,850
Non-cash investment losses	—	—	(2,350)
Interest income	766	1,008	844
Interest expense	(196)	(165)	(255)
Income (loss) before income taxes, loss from discontinued operations and cumulative effect of change in accounting principle	(32,356)	1,405	17,499
Income taxes	(3,508)	1,807	8,571
Income (loss) from continuing operations	(28,848)	(402)	8,928
Loss from discontinued operations, net of income taxes	(8,911)	(8,117)	(1,027)
Income (loss) before cumulative effect of change in accounting principle	(37,759)	(8,519)	7,901
Cumulative effect of change in accounting principle	(31,200)	—	—
Net income (loss)	$(68,959)	$ (8,519)	$ 7,901
Basic net income (loss) per common share:			
Income (loss) from continuing operations	$ (0.62)	$ (0.01)	$ 0.22
Loss from discontinued operations, net of income taxes	$ (0.19)	$ (0.18)	$ (0.02)
Cumulative effect of change in accounting principle	$ (0.68)	$ —	$ —
Net income (loss) per common share	$ (1.49)	$ (0.19)	$ 0.20
Weighted average common shares outstanding	46,348	43,999	40,262
Diluted net income (loss) per common share:			
Income (loss) from continuing operations	$ (0.62)	$ (0.01)	$ 0.20
Loss from discontinued operations, net of income taxes	$ (0.19)	$ (0.18)	$ (0.02)
Cumulative effect of change in accounting principle	$ (0.68)	$ —	$ —
Net income (loss) per common share	$ (1.49)	$ (0.19)	$ 0.18
Weighted average common and common equivalent shares outstanding	46,348	43,999	45,137

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands)

	Common Stock		Additional Paid-In	Treasury Stock		Unearned	Accumulated	Total Shareholder's
	Shares	Amount	Capital	Shares	Amount	Compensation	Deficit	Equity
Balance at December 31, 1999	42,732	$43	$219,884	—	$ —	$(815)	$ (78,842)	$140,270
Issuance of common stock	1,298	1	17,176	—	—	—	—	17,177
Purchase and retirement of stock	(172)	—	(1,883)	—	—	—	—	(1,883)
Issuance of common stock for business acquisitions	377	—	8,122	—	—	—	—	8,122
Amortization of deferred compensation expense	—	—	—	—	—	467	—	467
Net income	—	—	—	—	—	—	7,901	7,901
Balance at December 29, 2000	44,235	$44	$243,299	—	$ —	$(348)	$ (70,941)	$172,054
Issuance of common stock	890	1	4,366	—	—	—	—	4,367
Issuance of stock options	—	—	4,218	—	—	—	—	4,218
Issuance of common stock for business acquisitions	755	1	5,232	—	—	—	—	5,233
Amortization of deferred compensation expense	—	—	—	—	—	348	—	348
Net loss	—	—	—	—	—	—	(8,519)	(8,519)
Balance at December 28, 2001	45,880	$46	$257,115	—	$ —	$ —	$ (79,460)	$177,701
Issuance of common stock	1,848	2	6,511	—	—	—	—	6,513
Treasury stock purchased	—	—	—	(1,146)	(2,208)	—	—	(2,208)
Net loss	—	—	—	—	—	—	(68,959)	(68,959)
Balance at January 3, 2003	47,728	$48	$263,626	(1,146)	$(2,208)	$ —	$(148,419)	$113,047

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended		
	January 3, 2003	December 28, 2001	December 29, 2000
Cash flows from operating activities:			
Net income (loss)	$(68,959)	$ (8,519)	$ 7,901
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	31,200	—	—
Impairment of goodwill	20,000	—	—
Write-off of leasehold improvements and other assets	5,217	—	—
Depreciation and amortization	5,327	12,531	12,589
Non-cash compensation expense	—	4,855	853
Provision for doubtful accounts	779	5,279	12,982
Deferred income taxes	4,961	(160)	(175)
Investment losses	—	—	2,350
Gain on litigation settlement	—	—	(1,850)
Changes in assets and liabilities, net of effects from acquisitions:			
Decrease in accounts receivable and unbilled revenue	18,930	17,959	3,509
Decrease (increase) in prepaid expenses and other assets	(5,419)	740	(9,689)
Increase (decrease) in accounts payable	(230)	(4,819)	1,024
Decrease in accrued expenses and other liabilities	(3,889)	(6,044)	(181)
Decrease in media payable	(887)	(6,307)	(9,154)
Net cash provided by operating activities	7,030	15,515	20,159
Cash flows from investing activities:			
Purchases of property and equipment	(4,044)	(9,514)	(8,920)
Increase in restricted cash	(2,909)	—	—
Purchases of short-term investments	—	—	(500)
Redemption, sales and maturities of short-term investments	—	—	2,932
Cash used in acquisition of businesses, net of cash acquired	(851)	(2,142)	(4,560)
Net cash used in investing activities	(7,804)	(11,656)	(11,048)
Cash flows from financing activities:			
Proceeds from issuance of common stock	6,513	4,367	17,177
Repurchases of common stock	(2,208)	—	—
Repayment of notes payable	—	—	(1,750)
Net cash provided by financing activities	4,305	4,367	15,427
Net increase in cash and cash equivalents	3,531	8,226	24,538
Cash and cash equivalents at beginning of year	59,888	51,662	27,124
Cash and cash equivalents at end of year	$ 63,419	$ 59,888	$ 51,662
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 72	$ 92	$ 100
Cash paid for income taxes	$ 133	$ 1,524	$ 9,673

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of Business and Significant Accounting Policies

Nature of Business

Answerthink, Inc. (the "Company" or "Answerthink") is a leading business and technology consulting firm. Answerthink's capabilities include performance measurement, business transformation, business applications, technology integration, and offshore application maintenance and support.

Principles of Consolidation

The consolidated financial statements and information herein include the accounts of Answerthink and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. In February 1999, Answerthink merged with triSpan, Inc. ("triSpan") and in November 1999, Answerthink merged with THINK New Ideas, Inc. ("THINK New Ideas"). The mergers with triSpan and THINK New Ideas were accounted for using the pooling-of-interests method of accounting.

Fiscal Year

The Company's fiscal year generally consists of a 52-week period and periodically consists of a 53-week period because the fiscal year ends on the Friday closest to December 31. Fiscal years 2002, 2001 and 2000 ended on January 3, 2003, December 28, 2001 and December 29, 2000, respectively. Fiscal year 2002 was a 53-week period. References to a year included in this section refer to a fiscal year rather than a calendar year.

Cash and Cash Equivalents

The Company considers all short-term investments with maturities of three months or less when purchased to be cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the F.D.I.C. insurance limits. The Company has not experienced any loss to date on these investments.

Accounts Receivables and Allowances for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments. Management makes estimates of the uncollectibility of the accounts receivables. Management critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts.

Media Payable

Media payables represent media placement costs due to media providers on behalf of the Company's clients. Amounts in media payables that have been billed to the Company's customers are included in accounts receivables.

Property and Equipment, Net

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the assets ranging from three to five years. Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements are capitalized. The carrying amount of assets sold or retired and related accumulated depreciation are removed from the accounts in the year of disposal and any resulting gains or losses are included in the statement of operations.

The Company capitalizes the costs of internal-use software in accordance with Statement of Position No. 98-1 ("SOP 98-1), *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. SOP 98-1 provides guidance on applying generally accepted accounting principles in addressing whether and under what conditions the costs of internal-use software should be capitalized.

1. Nature of Business and Significant Accounting Policies (continued)

Goodwill and Other Intangible Assets

Effective December 29, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*. Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are reviewed at least annually for impairment. Other intangible assets will continue to be amortized over their estimated useful lives. Prior to the adoption of SFAS No. 142, the Company amortized goodwill over 15 years. SFAS No. 142 requires that goodwill be tested for impairment at the reporting unit level at adoption and at least annually thereafter, utilizing a "fair value" methodology versus an undiscounted cash flow method required under previous accounting rules. The Company evaluates the fair values of its reporting units utilizing various valuation techniques including discounted cash flow analysis. Based on the new method for recording impairment, the Company recognized a transitional impairment loss of $31.2 million as the cumulative effect of a change in accounting principle in the first quarter of 2002. This charge related to the Technology Integration reporting unit.

The new statement also requires that goodwill be tested for impairment on an annual basis and between annual tests in certain circumstances. The Company performed an impairment test primarily as a result of the decline in stock prices for the Company and its peer group during the quarter ended September 27, 2002 and recorded a non-cash impairment charge of $20.0 million related to the Technology Integration reporting unit.

Goodwill amortization for the years ended December 28, 2001 and December 29, 2000 was $6.7 million and $6.1 million, respectively. Of these amounts, $2.8 million and $2.3 million for the years ended December 28, 2001 and December 29, 2000, respectively, are included in the loss from discontinued operations in the consolidated statements of operations. The following schedule reconciles net income (loss) and per share amounts for the years ended December 28, 2001 and December 29, 2000, adjusted for SFAS No. 142 (in thousands, except per share data):

	Year Ended		
	January 3, 2003	December 28, 2001	December 29 2000
Net income (loss) as reported	$(68,959)	$(8,519)	$ 7,901
Add back: Goodwill amortization	—	6,657	6,104
Adjusted net income (loss)	$(68,959)	$(1,862)	14,005
Basic net income (loss) per share:			
Net income (loss) as reported	$ (1.49)	$ (0.19)	$ 0.20
Goodwill amortization	—	0.15	0.15
Adjusted net income (loss) per share	$ (1.49)	$ (0.04)	$ 0.35
Diluted net income (loss) per share:			
Net income (loss) as reported	$ (1.49)	$ (0.19)	$ 0.18
Goodwill amortization	—	0.15	0.13
Adjusted net income (loss) per share	$ (1.49)	$ (0.04)	$ 0.31

Revenue Recognition

The Company recognizes revenues for services as work is performed on a project-by-project basis adjusted for any anticipated losses in the period in which any such losses are identified. For projects charged on a time and materials basis, revenue is recognized based on the number of hours worked by consultants at an agreed-upon rate per hour. The Company also undertakes projects on a fixed-fee or capped-fee basis for which revenues are recognized on the percentage of completion method of accounting based on the evaluation of actual costs incurred to date compared to total estimated costs.

1. Nature of Business and Significant Accounting Policies (continued)

Reimbursable Expenses

During the first quarter of 2002, the Company adopted Emerging Issues Task Force ("EITF") Issue No. 01-14, *Income Statement Characterization of Reimbursements Received for "Out of Pocket" Expenses Incurred.* In accordance with the provisions of EITF Issue No. 01-14, reimbursements received from customers for out-of-pocket expenses incurred by employees are classified as revenue in the statement of operations. The Company has historically accounted for reimbursements received for out-of-pocket expenses incurred as a reduction to project personnel and expenses in the statement of operations. The statements of operations for the years ended December 28, 2001 and December 29, 2000 were reclassified to comply with the guidance in EITF Issue No. 01-14. Adoption of the provisions had no impact on the reported net income (loss) or net income (loss) per share.

Stock Compensation

The Company applies Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations in accounting for its stock option plans. The Company measures compensation expense related to the grant of stock options and stock-based awards to employees (including independent directors) in accordance with the provisions of APB No. 25. In accordance with APB Opinion No. 25, compensation expense, if any, is generally based on the difference between the exercise price of an option, or the amount paid for an award, and the market price or fair value of the underlying common stock at the date of the award or at the measurement date for variable awards. Stock-based compensation arrangements involving non-employees are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*, under which such arrangements are accounted for based on the fair value of the option or award.

Under SFAS No. 123, compensation cost for the Company's stock-based compensation plans would be determined based on the fair value at the grant dates for awards under those plans. The assumptions underlying the fair value calculations for the stock option grants are presented in Note 8. Had the Company adopted SFAS No. 123 in accounting for its stock option plans, the Company's consolidated net income (loss) and net income (loss) per share for the years ended January 3, 2003, December 28, 2001 and December 29, 2000 would have been adjusted to the pro forma amounts indicated as follows (in thousands, expect per share data):

	Year Ended		
	January 3, 2003	December 28, 2001	December 29, 2000
Net income (loss), as reported	$(68,959)	$ (8,519)	$ 7,901
Total stock-based employee pro forma compensation expense determined under fair value based method for all awards, net of related tax benefits	(27,802)	(4,929)	(7,820)
Pro forma net income	$(96,761)	$(13,448)	$ 81
Basic net income (loss) per common share			
As reported	$ (1.49)	$ (0.19)	$ 0.20
Pro forma	$ (2.09)	$ (0.31)	$ —
Diluted net income (loss) per common share			
As reported	$ (1.49)	$ (0.19)	$ 0.18
Pro forma	$ (2.09)	$ (0.31)	$ —

Included in the pro forma net loss for the year ended January 3, 2003 is $10.6 million of expense related to the reversal of pro forma accumulated deferred tax benefits established in previous years to provide a pro forma valuation allowance on all deferred tax assets.

1. Nature of Business and Significant Accounting Policies (continued)

Income Taxes

The Company records income taxes using the liability method. Under this method, the Company records deferred taxes based on temporary taxable and deductible differences between the tax bases of the Company's assets and liabilities and their financial reporting bases. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. With regard to common shares issued to employees under employment agreements, the calculation includes only the vested portion of such shares. Accordingly, common shares outstanding for the basic net income (loss) per share computation is lower than actual shares issued and outstanding. Included in the common shares outstanding for the basic net income per share computation for the year ended December 29, 2000 were an estimated 1,443,466 shares (based on the share price on December 29, 2000) related to an earn-out that was paid in the Company's common stock in March 2001 (see Note 2). In March 2001, the Company issued 755,374 shares (based on the average share price on the last three days of February 2001) of the Company's common stock for the earn-out.

Net income (loss) per share assuming dilution is computed by dividing the net income (loss) by the weighted average number of common shares outstanding, increased by the assumed conversion of other potentially dilutive securities during the period. Potentially dilutive shares were excluded from the diluted loss per share calculation for the years ended January 3, 2003 and December 28, 2001 because their effects would have been anti-dilutive to the loss incurred by the Company. Therefore, the amounts reported for basic and diluted net loss per share were the same for those years. Potentially dilutive shares that were not included in the diluted loss per share calculation for the years ending January 3, 2003 and December 28, 2001 included 333,644 and 1,444,392 shares, respectively, of unvested common stock issued under employment agreements and 310,478 and 860,751 shares, respectively, issuable upon the exercise of stock options and warrants assuming the treasury stock method. For the year ended December 29, 2000 potentially dilutive securities included 3,681,880 shares of unvested common stock issued under employment agreements and 1,193,050 shares issuable upon the exercise of stock options and warrants assuming the treasury stock method.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and unbilled revenue, accounts payable, accrued expenses and other liabilities, and media payable. At January 3, 2003 and December 28, 2001, the fair value of these instruments approximated their carrying value.

Concentration of Credit Risk

The Company provides services primarily to Global 2000 companies and other sophisticated buyers of business consulting and IT services. The Company performs ongoing credit evaluations of its major customers and maintains reserves for potential credit losses. In fiscal year 2002, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 36% of total revenues. In fiscal year 2001, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 39% of total revenues. In fiscal year 2000, one customer accounted for approximately 13% of revenues.

1. Nature of Business and Significant Accounting Policies (continued)

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segment Reporting

The Company engages in business activities in one operating segment, which provides technology-enabled business solutions.

Recent Accounting Pronouncements

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities. This statement supersedes Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity* and requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not believe that the adoption of SFAS 146 will have a material impact on its consolidated financial statements.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*. SFAS No. 148 amends Statement of Financial Accounting Standards No. 123, *Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company continues to account for stock-based compensation using Accounting Principles Board Statement No. 25, *Accounting for Stock Issued to Employees*, and has not adopted the recognition provisions of SFAS No. 123, as amended by SFAS No. 148. The disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002 and have been incorporated into the footnotes.

Reclassifications

Certain prior year amounts in the consolidated financial statements have been reclassified to conform with the current year presentation.

2. Acquisitions and Investing Activities

During the three year period ended January 3, 2003, the Company acquired three businesses providing information technology services (collectively, the "Acquired Entities") in separate transactions. Two were completed in 2002 and one was completed in 2001. Aggregate consideration for the Acquired Entities was $3.0 million. This amount has been allocated, on an entity-by-entity basis, to the assets acquired and liabilities assumed based on their respective fair values on the dates of acquisition. During 2000, the Company recorded a liability of $5.2 million for an earned contingent consideration paid in the Company's common stock in March 2001, when the Company issued 755,374 shares of the Company's common stock for the earned contingent consideration.

2. Acquisitions and Investing Activities (continued)

The components of the purchase price allocation for the Acquired Entities, contingent consideration earned for previous acquisitions, and fees and expenses incurred are as follows (in thousands):

	2002	2001	2000
Fair value of net assets (excluding cash) acquired	$851	$ 150	$ (250)
Goodwill	—	1,992	18,165
Common stock issued	—	(5,233)	(8,122)
Accrued earn-out	—	5,233	(5,233)
Cash used in acquisitions of businesses, net of cash acquired	$851	$ 2,142	$ 4,560

These acquisitions have been accounted for using the purchase method of accounting. Accordingly, the results of the acquisitions are included in the Company's consolidated results of operations from the respective dates of acquisition. For each acquisition, the excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets acquired and any contingent consideration has been recorded as goodwill and/or intangible assets. The pro forma impact of the acquisitions completed in 2002 and 2001 was not significant to the results of the Company's consolidated operations for the years ended January 3, 2003 and December 28, 2001.

3. Property and Equipment

Property and equipment consists of the following (in thousands):

	January 3, 2003	December 28, 2001
Equipment	$ 12,320	$ 11,360
Furniture and fixtures	738	1,535
Software	6,114	5,946
Leasehold improvements	5,057	10,956
	24,229	29,797
Less accumulated depreciation	(12,439)	(11,329)
	$ 11,790	$ 18,468

During fiscal year 2002, write-offs of $5.0 million for leasehold improvements and other assets were recorded as part of restructuring costs.

Depreciation expense for the years ended January 3, 2003, December 28, 2001 and December 29, 2000 was $5.1 million, $5.5 million and $5.5 million, respectively. Of these amounts, $1.0 million, $2.0 million and $1.8 million for the years ended January 3, 2003, December 28, 2001 and December 29, 2000, respectively, are included in the loss from discontinued operations in the consolidated statements of operations.

4. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consists of the following (in thousands):

	January 3, 2003	December 28, 2001
Accrued compensation and benefits	$ 5,521	$ 7,023
Accrued restructuring related expenses	9,616	5,677
Deferred revenue	6,453	8,812
Employee stock purchase plan payable	—	1,652
Other accrued expenses	4,888	4,828
	$26,478	$27,992

5. Revolving Credit Facility

In August 2002, the Company cancelled its $15.0 million revolving credit facility. At the time of cancellation and at all times throughout 2002 and 2001, there were no borrowings outstanding under the facility. Letters of credit of $2.6 million were outstanding under the agreement at the time of the cancellation. The Company has deposited $2.9 million with a financial institution as collateral for these letters of credit and has classified this cash as restricted on the accompanying consolidated balance sheet at January 3, 2003.

6. Lease Commitments

The Company has operating lease agreements for its premises that expire on various dates through 2015. Rent expense for the years ended January 3, 2003, December 28, 2001 and December 29, 2000 was $4.9 million, $6.5 million and $6.1 million, respectively.

Future minimum lease commitments under non-cancelable operating leases for premises having a remaining term in excess of one year at January 3, 2003 are as follows (in thousands):

2003	$ 7,194
2004	6,166
2005	5,017
2006	4,941
2007	4,581
Thereafter	22,981
	50,880
Less: sublease income	15,293
Total minimum lease payments, less sublease income	$35,587

7. Income Taxes

The components of the tax expense (benefit) for income taxes are as follows (in thousands):

	Year Ended		
	January 3, 2003	December 28, 2001	December 29, 2000
Current tax expense (benefit)			
Federal	$(8,469)	$1,173	$5,788
State	—	514	1,420
	(8,469)	1,687	7,208
Deferred tax expense			
Federal	4,961	115	1,099
State	—	5	264
	4,961	120	1,363
Income taxes	$(3,508)	$1,807	$8,571

7. Income Taxes (continued)

A reconciliation of the Federal statutory tax rate with the effective tax rate is as follows:

	Year Ended		
	January 3, 2003	December 28, 2001	December 29, 2000
U.S. statutory rate	(35.0)%	35.0%	35.0%
State income taxes, net of Federal income tax benefit	—	24.0	6.2
Loss on investment in subsidiary	(85.2)	--	—
Valuation allowance	87.2	7.4	—
Goodwill amortization	21.6	52.1	4.0
Miscellaneous items, net	0.6	10.1	3.8
Effective rate	(10.8)%	128.6%	49.0%

The components of the net deferred income tax asset are as follows (in thousands):

	January 3, 2003	December 28, 2001
Deferred income tax assets		
Purchased research and development	$ 1,267	$ 1,374
Allowance for doubtful accounts	1,234	2,213
Net operating loss and tax credits carryforward	25,538	1,340
Accrued expenses and other liabilities	4,816	2,831
	32,855	7,758
Valuation allowance	(30,101)	(935)
	2,754	6,823
Deferred income tax liabilities		
Depreciation and amortization	(1,869)	(1,480)
Other items	(885)	(382)
	(2,754)	(1,862)
Net deferred income tax asset	$ —	$ 4,961

An income tax receivable of $11.0 million and $4.2 million is included in prepaid expenses and other assets in the consolidated balance sheets as of January 3, 2003 and December 28, 2001, respectively. Current net deferred tax assets of $-0- million and $5.5 million are included in prepaid expenses and other assets in the consolidated balance sheets as of January 3, 2003 and December 28, 2001, respectively. Net deferred tax liabilities of $-0- and $573,000 are included in accrued expenses and other liabilities in the consolidated balance sheets as of January 3, 2003 and December 28, 2001, respectively. At January 3, 2003 and December 28, 2001, the Company had $68.0 million and $4.2 million, respectively, of net operating loss carryforwards available for tax purposes, most of which expire in 2023 if not utilized.

In 2002, the Company discontinued its interactive marketing business which was acquired with THINK New Ideas. The discontinuance of THINK New Ideas will generate an approximate $75.0 million worthless stock deduction for the Company's investment in THINK New Ideas in its 2002 tax return. Although the Company believes that its tax position is sustainable there is no assurance that the Internal Revenue Service will not challenge its conclusion.

At January 3, 2003 and December 28, 2001, the Company had established a valuation allowance of $30.1 million and $935,000, respectively, to reduce deferred income tax assets primarily related to net operating loss carryforwards. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

8. Shareholders' Equity

Common Stock Subject to Vesting Requirements

As of January 3, 2003 and December 28, 2001, the Company had shares of outstanding common stock totaling 205,512 and 615,188, respectively, that are subject to certain vesting criteria. Answerthink sold the shares to its employees at nominal purchase prices per share in connection with Answerthink's formation in 1997. Each employee executed an employment agreement or a stock agreement with the Company providing for, among other things, the manner in which the shares will vest. In general, a certain percentage of shares will begin to vest upon the second anniversary from the purchase date of such shares and will become fully vested either by the fourth or sixth anniversary from the purchase date so long as the holder remains an employee.

Securities Purchase Agreement

In March 1999, THINK New Ideas entered into a securities purchase agreement (the "Securities Purchase Agreement") with Capital Ventures International and Marshall Capital Management, Inc. (the "Purchasers") whereby the Purchasers agreed to purchase shares of common stock and warrants to acquire shares of common stock. Pursuant to the Securities Purchase Agreement, on March 5, 1999, THINK New Ideas issued, for proceeds of $6 million, 609,799 shares of its common stock at $9.84 per share and warrants to purchase an additional 121,961 shares of common stock exercisable for a five-year term, at an exercise price of $14.76. All of these warrants were outstanding as of January 3, 2003.

At any time prior to March 5, 2000 the Purchasers also had the right but not the obligation to purchase 371,353 additional shares of common stock at $13.46 per share, together with warrants for 1/5 share for each additional share purchased, exercisable at an exercise price of 150% of the market price on the date the related additional shares were purchased. Pursuant to the Securities Purchase Agreement, the additional shares were sold in March 2000 for $5.0 million and warrants to acquire 74,270 shares of common stock, exercisable for a five-year term, were issued at an exercise price of $36.94. All of these warrants were outstanding as of January 3, 2003.

Stock Plans

Effective July 1, 1998, the Company adopted an Employee Stock Purchase Plan to provide substantially all employees who have completed three months of service as of the beginning of an offering period an opportunity to purchase shares of its common stock through payroll deductions, up to 10% of eligible compensation. Participant account balances are used to purchase shares of stock at the lesser of 85 percent of the fair market value of shares on the first trading day of the six-month offering period or on the last trading day of such offering period. The aggregate fair market value, determined as of the first trading date of the offering period, as to shares purchased by an employee may not exceed $25,000 annually. The Employee Stock Purchase Plan expires on July 1, 2008. A total of 2,750,000 shares of common stock (increased from 750,000 shares per an amendment to the plan that was approved by the shareholders on May 9, 2001) are available for purchase under the plan with a limit of 400,000 shares of common stock to be issued per offering period. For plan years 2002, 2001 and 2000, 734,047, 298,210 and 482,196 shares, respectively, were issued.

In 2001, the Company granted stock options to participants in the Company's Employee Stock Purchase Plan. These options were granted in lieu of the Employee Stock Purchase Plan shares that could not be issued because the plan was oversubscribed for the purchase periods ending December 31, 2000 and June 30, 2001. The Company recorded a non-cash compensation charge of $4.2 million in the year ended December 28, 2001 based on the vesting provisions of the options for the difference between the fair market value of the stock on the option grant date and the exercise price. These options fully vested on June 30, 2001, therefore, operating results in future periods will not be impacted by this special grant.

The Company has granted stock options to employees and directors of the Company at exercise prices equal to the market value of the stock at the date of grant. The options generally vest ratably over periods ranging from four years to six years with a maximum term of 10 years. The number of shares available for future issuance at January 3, 2003 is 9,838,660 shares.

8. Shareholders' Equity (continued)

On June 27, 2001, the Company filed with the Securities and Exchange Commission a Schedule TO describing a program offering a voluntary stock option exchange for the Company's employees. The offering period for the stock option exchange ended on August 8, 2001. Under the program, employees holding nonqualified options to purchase the Company's common stock or incentive stock options to purchase the Company's common stock with an exercise price of $10.00 per share or more were given the opportunity to exchange their existing options for new options to purchase shares of the Company's common stock equal in number to 66 2/3% of the number of options tendered and accepted for exchange. The new options were granted on February 9, 2002, which was six months and one day after acceptance of the old options for exchange and cancellation. The exercise price of the new options was $6.03, which was the last reported sale price of the Company's common stock on the Nasdaq Stock Market's National Market on February 8, 2002. Options for 4,400,893 shares were tendered on August 8, 2001 in the exchange program. On February 9, 2002, the Company granted 2,479,699 shares of the Company's common stock in exchange for the shares tendered.

Stock option activity under the Company's stock option plans is summarized as follows:

	Year Ended					
	January 3, 2003		December 28, 2001		December 29, 2000	
	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price
Outstanding at beginning of year	6,812,444	$8.42	9,871,253	$19.84	7,351,535	$16.58
Granted	5,594,518	5.46	5,945,286	4.83	6,312,584	23.08
Exercised	(824,356)	3.47	(742,015)	3.19	(485,520)	7.84
Canceled	(3,318,635)	8.69	(8,262,080)	20.34	(3,307,346)	20.35
Outstanding at end of year	8,263,971	$6.78	6,812,444	$ 8.42	9,871,253	$19.84
Weighted average fair value of options granted during the period	$ 3.83		$ 3.43		$ 16.22	

The following assumptions were used by the Company to determine the fair value of stock options granted using the Black-Scholes options-pricing model:

	Year Ended		
	January 3, 2003	December 28, 2001	December 29, 2000
Expected volatility	100%	100%	100%
Average expected option life	4 years	4 years	4 years
Risk-free rate	3.0%	4.5%	5.5%
Dividend yield	0%	0%	0%

8. Shareholders' Equity (continued)

The following table summarizes information about the Company's stock options outstanding at January 3, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.45–$2.74	618,115	8.3	$ 2.06	123,651	$ 2.50
$3.08–$3.79	1,051,176	7.0	3.63	532,240	3.63
$4.66–$5.99	2,221,942	8.6	5.43	139,929	5.15
$6.00–$6.86	2,594,445	6.1	6.06	1,663,198	6.05
$7.08–$9.97	815,708	7.1	8.79	436,822	8.86
$10.46–$14.44	345,091	4.4	11.60	315,935	11.55
$16.25–$18.50	465,769	6.6	17.08	319,700	17.20
$19.25–$24.50	66,776	5.4	21.22	50,549	21.03
$25.25–$34.25	84,949	5.8	31.10	51,938	30.70
	8,263,971	7.1	$ 6.78	3,633,962	$ 7.90

Treasury Stock

On July 30, 2002, the Company announced that its Board of Directors approved the repurchase of up to $5.0 million of the Company's common stock. Under the repurchase plan, the Company may buy back shares of its outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of January 3, 2003, the Company had repurchased 1,146,000 shares of its common stock at an average price of $1.93 per share. The Company holds repurchased shares of its common stock as treasury stock and accounts for treasury stock under the cost method.

9. Benefit Plan

The Company maintains a 401(k) plan covering all eligible employees. Subject to certain dollar limits, eligible employees may contribute up to 15% of their pre-tax annual compensation to the plan. The Company may make discretionary contributions on an annual basis. During fiscal years 2002 and 2001, the Company made matching contributions of 25% of employee contributions up to 4% of their gross salaries. The Company's matching contributions were $656,000 and $736,000 for the years ended January 3, 2003 and December 28, 2001, respectively. The Company made no matching contributions in fiscal year 2000.

10. Restructuring Costs

Restructuring costs were $10.9 million, $5.6 million and $3.3 million in 2002, 2001 and 2000, respectively. In 2002 and 2001, costs consisted of $1.5 million and $3.7 million, respectively, for reduction in consultants and functional support personnel and $9.4 million and $1.9 million, respectively, for closure and consolidation of facilities and related exit costs. The 2000 costs consisted of $2.1 million for reduction in consultants and functional support personnel and $1.2 million for the closure and consolidation of facilities and related exit costs. These actions were taken as a result of the continued decline in demand for technology services in the latter portion of 2000 and throughout 2001 and 2002. The Company took steps to reduce its costs to better align its overall cost structure and organization with anticipated demand for its services. The 2002 restructuring plan involved the involuntary termination of approximately 100 employees. The 2001 restructuring plan involved the involuntary termination of approximately 200 employees. The Company has subleased or is attempting to mitigate the lease obligations on the vacated space.

10. Restructuring Costs (continued)

The following table sets forth the detail and activity in the restructuring expense accruals during the years ended January 3, 2003, December 28, 2001 and December 29, 2000 (in thousands):

2000 Restructuring Accrual

	Accrual Balance at December 31, 1999	Additions to Accrual from Continuing Operations	Additions to Accrual from Discontinued Operations	2000 Expenditures	2001 Expenditures	2002 Expenditures	Accrual Balance at January 3, 2003
Severance and other employee costs	$ —	$2,054	$432	$(800)	$(1,686)	$ —	$ —
Closure and consolidation of facilities and related exit costs	—	1,214	—	—	(592)	(622)	—
Total restructuring accrual	$ —	$3,268	$432	$(800)	$(2,278)	$(622)	$ —

2001 Restructuring Accrual

	Accrual Balance at December 29, 2000	Additions to Accrual from Continuing Operations	Additions to Accrual from Discontinued Operations	2001 Expenditures	2002 Expenditures	Accrual Balance at January 3, 2003
Severance and other employee costs	$ —	$3,694	$ 559	$(3,186)	$(1,064)	$ —
Closure and consolidation of facilities and related exit costs	—	1,925	2,311	(248)	(1,965)	2,023
Total restructuring accrual	$ —	$5,619	$2,870	$(3,434)	$(3,032)	$2,023

2002 Restructuring Accrual

	Accrual Balance at December 28, 2001	Additions to Accrual from Continuing Operations	Additions to Accrual from Discontinued Operations	Expenditures	Asset Write-offs	Accrual Balance at January 3, 2003
Severance and other employee costs	$ —	$ 1,528	$ 616	$ (855)	$ —	$1,289
Closure and consolidation of facilities and related exit costs	—	9,358	2,747	(584)	(5,217)	6,304
Total restructuring accrual	$ —	$10,886	$3,363	$(1,439)	$(5,217)	$7,593

11. Discontinued Operations

As a result of a decline in the demand for interactive marketing services during 2002, the Company discontinued the interactive marketing business which was acquired in the merger with THINK New Ideas, Inc. in 1999. In accordance with Financial and Accounting Standards Board Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the results of the interactive marketing business have been reported as discontinued operations in the consolidated statements of operations and results for prior periods have been restated.

11. Discontinued Operations (continued)

The following table sets forth revenues, pre-tax loss, income tax benefit and loss from discontinued operations for the years ended January 3, 2003, December 28, 2001 and December 29, 2000 (in thousands):

	January 31, 2003	December 28, 2001	December 29, 2000
Revenues	$7,235	$ 28,942	$53,868
Pre-tax loss from discontinued operations	$8,911	$(10,085)	$ (2,659)
Income tax benefit	$ —	$ (1,968)	$ (1,632)
Loss from discontinued operations	$8,911	$ (8,117)	$ (1,027)

Included in the loss from discontinued operations for fiscal years 2002, 2001 and 2000 were restructuring costs of $3.4 million, $2.9 million and $432,000, respectively, for reduction in consultants and for closure and consolidation of facilities and related exit costs.

12. Litigation

Between November, 2002 and January, 2003, six class actions seeking unspecified damages were filed against Answerthink and certain of its current and former officers and directors alleging violations of the Securities and Exchange Act of 1934. The complaints allege misstatements and omissions concerning related party transactions during the alleged class period of February 8, 2000 to April 25, 2002. On January 7, 2003 the federal district court entered an order closing and consolidating these cases and any subsequently filed related cases (the "Consolidation Order") into Druskin, et al. v. Answerthink, Inc., et al., Case No. 02-23304-CIV-GOLD. The Consolidated Amended Complaint is due to be filed on April 18, 2003. The Company intends to file a motion seeking the dismissal of the Consolidated Amended Complaint. Based on the status of these actions it is not possible to determine the range of loss to the Company, if any. The Company believes that the plaintiffs' claims are without merit and intend to defend the lawsuits vigorously.

Between September and October 1998, seven purported class action suits were filed against THINK New Ideas, Inc. ("THINK New Ideas") and certain of its then current and former officers and directors alleging violations of the Securities Exchange Act of 1934. All seven of these lawsuits were consolidated by order of the court. This lawsuit became the Company's responsibility upon the merger of Answerthink and THINK New Ideas. On April 18, 2002, the parties reached an agreement in principle to settle this action. The Court approved the settlement in September 2002 in all respects and dismissed the complaint with prejudice. The time for appeal has expired and the settlement has become final. The full amount of the settlement has been paid by THINK New Ideas' insurance carrier.

In June 2000, pursuant to a confidential settlement agreement, the Company settled litigation in which it was the plaintiff. The Company recorded a gain of $1.85 million as a result of this settlement.

The Company is involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such other matters will not have a material adverse effect on the Company's financial position or results of operations.

13. Related Party Transactions

During 2002, the Company and HCL Technologies Limited, an Indian information technology services and product engineering firm, formed HCL-Answerthink, Inc. to provide offshore custom application development and maintenance services. The Company has a non-controlling equity interest of 50% in this joint venture. For the year ended January 3, 2003, the Company's net equity loss from the joint venture was $687,000. During 2002, the Company sold services of $233,000 to the joint venture. The Company also incurred costs of $230,000 for consulting services provided by the joint venture to Answerthink. In addition, the Company reduced general and administrative expenses by $856,000 for administrative services billed to the joint venture during 2002. At January 3, 2003, the Company had receivables of $550,000 due from the joint venture and payables of $230,000 due to the joint venture.

13. Related Party Transactions (continued)

During 2000, the Company recognized approximately $16.7 million in sales to related parties in which the Company had non-controlling equity interests or whereby a director of the Company holds equity interests in such clients or is a director of such company. The Company had net receivables due from these entities of approximately $-0- and $788,000, and payables due to these entities of approximately $-0- and $443,000, at January 3, 2003 and December 28, 2001, respectively.

14. Quarterly Financial Information (unaudited)

The following table presents unaudited supplemental quarterly financial information for the years ended January 3, 2003 and December 28, 2001 (in thousands, except per share data):

	Quarter Ended			
	March 29, 2002	June 28, 2002	September 27, 2002	January 3, 2003
Total revenues	$ 49,688	$46,364	$ 41,418	$ 39,377
Loss from operations	(192)	(607)	(20,332)	(11,795)
Loss before income taxes, loss from discontinued operations and cumulative effect of change in accounting principle	(82)	(481)	(20,220)	(11,573)
Income (loss) from continuing operations	534	544	(19,820)	(10,106)
Loss from discontinued operations, net of income taxes	(1,457)	(2,082)	(780)	(4,592)
Cumulative effect of change in accounting principle	(31,200)	—	—	—
Net loss	$(32,123)	$(1,538)	$(20,600)	$(14,698)
Basic and diluted income (loss) per common share:				
Income (loss) from continuing operations	$ 0.01	$ 0.01	$ (0.42)	$ (0.22)
Loss from discontinued operations, net of income taxes	$ (0.03)	$ (0.04)	$ (0.02)	$ (0.10)
Cumulative effect of change in accounting principle	$ (0.68)	$ —	$ —	$ —
Net loss per common share	$ (0.70)	$ (0.03)	$ (0.44)	$ (0.32)

	Quarter Ended			
	March 30, 2001	June 29, 2001	September 28, 2001	December 28, 2001
Total revenues	$69,988	$64,072	$62,242	$54,041
Income (loss) from operations	(631)	950	2,937	(2,694)
Income (loss) before income taxes and loss from discontinued operations	(285)	1,109	3,105	(2,524)
Income (loss) from continuing operations	82	(317)	(888)	721
Income (loss) from discontinued operations, net of income taxes	(282)	382	(1,307)	(6,910)
Net income (loss)	$ (200)	$ 65	$(2,195)	$(6,189)
Basic and diluted income (loss) per common share:				
Income (loss) from continuing operations	$ —	$ (0.01)	$ (0.02)	$ 0.01
Income (loss) from discontinued operations, net of income taxes	$ —	$ 0.01	$ (0.03)	$ (0.15)
Net income (loss) per common share	$ —	$ —	$ (0.05)	$ (0.14)

14. Quarterly Financial Information (unaudited) (continued)

Quarterly basic and diluted net income or loss per common share were computed independently for each quarter and do not necessarily total to the year to date basic and diluted net income (loss) per common share.

The results of the interactive marketing business have been reported as discontinued operations in the consolidated statements of operations and results for prior periods have been restated (see Note 11).

ANSWERTHINK, INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

YEARS ENDED JANUARY 3, 2003, DECEMBER 28, 2001 AND DECEMBER 29, 2000

(in thousands)

Allowance for Doubtful Accounts	Balance at Beginning of Year	Charge to Expense	Write-offs	Balance at Ending of Year
Year Ended December 29, 2000	$ 1,510	$12,982	$(3,370)	$11,122
Year Ended December 28, 2001	$11,122	$ 5,279	$(9,591)	$ 6,810
Year Ended January 3, 2003	$ 6,810	$ 779	$(4,063)	$ 3,526

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information responsive to this Item is incorporated herein to the Company's definitive 2003 proxy statement for the 2003 Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

Information responsive to this Item is incorporated herein to the Company's definitive 2003 proxy statement for the 2003 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information responsive to this Item is incorporated herein to the Company's definitive 2003 proxy statement for the 2003 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information responsive to this Item is incorporated herein to the Company's definitive 2003 proxy statement for the 2003 Annual Meeting of Shareholders.

ITEM 14. CONTROL AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Within 90 days prior to the filing of this report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures ("Disclosure Controls") pursuant to Rule 13a-14(c) and Rule 15d-14(c) under the Securities Exchange Act of 1934. Based upon that evaluation, the CEO and CFO concluded that, subject to the limitations noted below, our Disclosure Controls are effective in timely alerting them to material information required to be included in our periodic SEC filings.

Changes in Internal Controls

Subsequent to the date we carried out our evaluation, there have been no significant changes in the our internal controls or other factors that could significantly affect these internal controls.

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our Disclosure Controls and internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Form:

1. Financial Statements

The Consolidated Financial Statements filed as part of this report are listed and indexed on page 22. Schedules other than those listed in the index have been omitted because they are not applicable or the required information has been included elsewhere in this report.

2. Financial Statement Schedules.

Schedule II—Valuation and Qualifying Accounts and Reserves are included in this report. Schedules other than those listed in the index have been omitted because they are inapplicable or the information required to be set forth therein is contained, or incorporated by reference, in the Consolidated Financial Statements of Answerthink or notes thereto.

3. Exhibits: See Index to Exhibits on page 49.

The Exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this report.

(b) Reports on Form 8-K:

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on the 31st day of March, 2003.

ANSWERTHINK, INC.

By: /s/ Ted A. Fernandez
Ted A. Fernandez
Chief Executive Officer and Chairman

Pursuant to the requirements of the Securities Act of 1934, this Form 10-K has been signed by the following persons in the capacities and on the date indicated.

Signatures	Title	Date
/s/ Ted A. Fernandez Ted A. Fernandez	Chief Executive Officer and Chairman (Principal Executive Officer)	March 31, 2003
/s/ John F. Brennan John F. Brennan	Executive Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2003
/s/ Allan R. Frank Allan R. Frank	President and Director	March 31, 2003
/s/ David N. Dungan David N. Dungan	Chief Operating Officer and Director	March 31, 2003
/s/ Richard Hamlin Richard Hamlin	Director	March 31, 2003
/s/ Edwin A. Huston Edwin A. Huston	Director	March 31, 2003
/s/ Jeffrey E. Keisling Jeffrey E. Keisling	Director	March 31, 2003
/s/ Alan T. G. Wix Alan T. G. Wix	Director	March 31, 2003

CERTIFICATIONS

I, Ted A. Fernandez, certify that:

1. I have reviewed this Annual Report on Form 10-K of Answerthink, Inc. (the "Registrant");

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Annual Report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

   (b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and

   (c) presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officer and I have indicated in this Annual Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Ted A. Fernandez

Ted A. Fernandez
Chairman and Chief Financial Officer
Answerthink, Inc.

Date: March 31, 2003

I, John F. Brennan, certify that:

1. I have reviewed this Annual Report on Form 10-K of Answerthink, Inc. (the "Registrant");

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Annual Report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

   (b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Annual Report (the "Evaluation Date"); and

   (c) presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officer and I have indicated in this Annual Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ John F. Brennan

John F. Brennan
Executive Vice President and Chief Financial Officer
Answerthink, Inc.

Date: March 31, 2003

INDEX TO EXHIBITS

Exhibit No.	Exhibit Description
3.1++++	Second Amended and Restated Articles of Incorporation of the Registrant, as amended
3.2++++	Amended and Restated Bylaws of the Registrant, as amended
9.1+	Shareholders Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, the Miller Group, Messrs. Fernandez, Frank, Knotts and Miller and certain other shareholders of the Registrant parties thereto
9.2+	Amendment No. 1 to Shareholders Agreement dated February 24, 1998
9.3+	Letter Agreement dated as of March 15, 1998 to amend Shareholders Agreement
9.4+	Form of Restricted Securities Agreement dated April 23, 1997 among the Initial Investors and each of Messrs. Fernandez, Frank, Knotts and Miller
10.1+	Purchase Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, Gator and Tara
10.2+	Series A Preferred Stock Purchase Agreement dated February 24, 1998 among the Registrant, GTCR V, GTCR Associates and Miller Capital
10.3+	Stock Purchase Agreement dated March 5, 1998 between the Registrant and FSC
10.4+	Second Amended and Restated Registration Rights Agreement dated as of May 5, 1998 among the Registrant, GTCR V, MG, GTCR Associates, Miller Capital, FSC, Messrs. Fernandez, Frank, Knotts and Miller and certain other shareholders of the Registrant named therein
10.5+	Second Amended and Restated Registration Rights Agreement dated as of May 5, 1998 among the Registrant and the eight former shareholders of RTI
10.6*+	Registrant's 1998 Stock Option and Incentive Plan
10.7*+++++	Amendment to Registrant's 1998 Stock Option and Incentive Plan
10.8*+	Form of Senior Management Agreement dated April 23, 1997 between the Registrant and each of Messrs. Fernandez, Frank and Knotts
10.9*++++	Senior Management Agreement dated July 11, 1997 between Registrant and Mr. Dungan
10.10*+++++	Form of Employment Agreement entered into between the Registrant and Mr. Dungan
10.11*+	Form of Employment Agreement entered into between the Registrant and each of Messers. Fernandez, Frank and Knotts
10.12+	Amendment No. 2 dated as of May 5, 1998 to Purchase Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, Gator and Tara
10.13+	Amendment No. 2 dated as of May 5, 1998 to Stock Purchase Agreement dated March 5, 1998 between the Registrant and FSC
10.14*+	Amendment to Certain Senior Management Agreements dated March 27, 1998 among the Company, the Board of Directors and each of Messrs. Fernandez, Frank, Knotts and Dungan
10.15*+	Second Amendment to Certain Senior Management Agreements dated May 26, 1998 among the Company, the Board of Directors and each of Messrs. Fernandez, Frank, Knotts and Dungan
10.16*++	AnswerThink Consulting Group, Inc. Employee Stock Purchase Plan
10.17*+++++	Amendment to Registrant's Employee Stock Purchase Plan dated February 16, 2001
10.18*+++	Employment Agreement dated March 23, 1999 between the Registrant and Mr. Brennan
10.19*+++	Restricted Stock Agreement dated July 31, 1997 between the Registrant and Mr. Brennan
10.20*+++	Amendment to Restricted Stock Agreement dated March 27, 1998 between the Registrant and Mr. Brennan
10.21*+++	Form of Senior Management Agreement dated July 31, 1997 between the Registrant and Mr. Brennan
10.22++++++	Securities Purchase Agreement by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc.
10.23++++++	Registration Rights Agreement dated as of March 3, 1999 by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc.
21.1^	Subsidiaries of the Registrant

Exhibit No.	Exhibit Description
23.1^	Consent of PricewaterhouseCoopers LLP
99.1^	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 Of The Sarbanes-Oxley Act of 2002
99.2^	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 Of The Sarbanes-Oxley Act of 2002

*	Management agreement or compensatory plan or arrangement
^	Exhibits filed herewith.
+	Incorporated herein by reference to the Company's Registration Statement on Form S-1 (333-48123).
++	Incorporated herein by reference to the Company's Registration Statement on Form S-8 (333-69951).
+++	Incorporated herein by reference to the Company's Form 10-K for the year ended January 1, 1999.
++++	Incorporated herein by reference to the Company's Form 10-K for the year ended December 29, 2000.
+++++	Incorporated herein by reference to the Company's Form 10-K for the year ended December 28, 2001.
++++++	Incorporated herein by reference to THINK New Ideas, Inc.'s Form 8-K dated March 12, 1999.

Corporate Information

Corporate Headquarters

Answerthink, Inc.
1001 Brickell Bay Drive, Suite 3000
Miami, FL 33131

Telephone: 305-375-8005
Facsimile: 305-379-8810
www.answerthink.com

Annual Meeting

Answerthink shareholders are invited to attend our annual meeting on Wednesday, May 7, 2003 at 11:00 am at:
JW Marriott Hotel Miami
1109 Brickell Avenue
Miami, FL 33131

Transfer Agent

EquiServe Trust Company, NA
Canton, MA
877-282-1168

Independent Auditors

PricewaterhouseCoopers LLP
Miami, FL

Board of Directors

Ted A. Fernandez
Chairman & Chief Executive Officer
Answerthink, Inc.

David N. Dungan
Chief Operating Officer
Answerthink, Inc.

Allan R. Frank
President
Answerthink, Inc.

Richard N. Hamlin
Chief Financial Officer
CommerceQuest, Inc.

Edwin A. Huston
Retired Vice Chairman
Ryder System, Inc.

Jeffrey E. Keisling
Vice President, Information Services
Wyeth Pharmaceuticals

Alan T.G. Wix
Chairman of the Board
Farsight PLC

Simply put,
we can define world-class performance more clearly and help our clients achieve it more effectively than any other business and technology consultancy.

1001 Brickell Bay Drive, Suite 3000
Miami, FL 33131

Answerthink

EXHIBIT 16

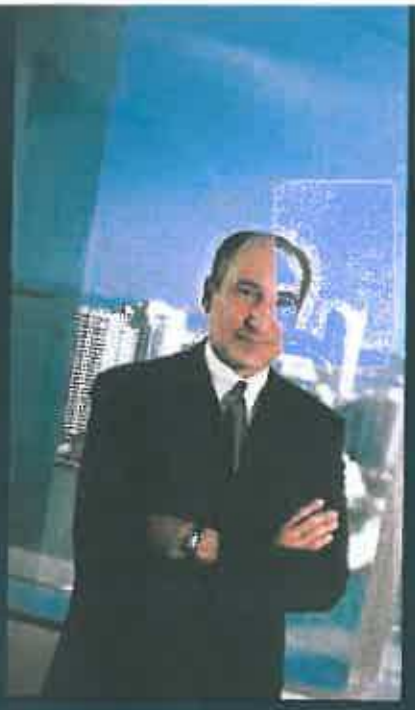
Answerthink

Enabling World-Class Performance

2004 Annual Report

The Hackett Group

World-Class Defined.



Ted A. Fernandez
Chairman and Chief Executive Officer

"We are pleased with the progress we made across many areas of our business. More importantly, we look forward to further capitalizing on the strategic investments we've made over the last several years."

Dear Shareholders,

As we reflect on 2004 we are pleased with the progress we made across many areas of our business. More importantly, we look forward to further capitalizing on the strategic investments we ve made over the last several years in driving the growth and positioning of The Hackett Group, the enhancement of our Best Practice Implementation tools and the expansion of our strategic alliances.

We saw real progress in 2004 driven by our strong growth in Hackett and Business Transformation service lines and the emergence of our alliance with Accenture. A key driver of the Hackett growth was our ability to further emphasize the sale of renewable multi-year subscription-driven advisory services which grew very strongly throughout the year.

Leveraging the proprietary best practices intellectual capital from The Hackett Group, our benchmarking and business process advisory organization, remains the keystone of our growth strategy. Utilizing Hackett s comprehensive enterprise performance and best practice database, we provide empirically based, and therefore independent, and objective advice in a timeframe and at a price point which is impossible to match by our competitors without our Hackett assets. Additionally, by using this proprietary knowledge base as the foundation for our Best Practice Implementation tools, we can uniquely help clients validate targeted results and get greater ROI from their business and technology investments.

In 2005 we plan to further leverage the sales and marketing investments we made in The Hackett Group to sell a series of new Transformation advisory products along with our existing benchmarking and business advisory product offerings. We think this will allow us to extend the value we currently deliver to our Hackett clients and will also result in increased consulting opportunities for our other Answerthink service offerings. We also plan to further leverage our Answerthink Best Practice Implementation tools and the related best practices research to further expand the value and the offerings that Hackett currently provides to its advisory clients. The tighter integration of Hackett content with our strategic consulting and technology implementation services is a key element of our 2005 strategy.

Clients consistently attribute their decision to engage us to our Best Practice Implementation approach and tools. Clients make smarter business process and software configuration decisions as a result of our knowledge of best practices. We expanded our capability in this area in January 2005 with the launch of version 2 of our BPI tools. This new version incorporates an expanded best practice repository along with key revisions in business process areas recently impacted by emerging information technologies. We expect this new and expanded version of our tools and methods to further differentiate our ability to serve clients and contribute to the future success of our strategic partnerships.

In the first year of our strategic alliance with Accenture, we demonstrated the ability to consistently win new work. Most encouraging was our ability to turn benchmark and diagnostic engagements into sizeable application implementation joint wins. Throughout the year, we also saw an increase in the number of joint registered pursuits. Registered pursuits are very important because they mean we have formally agreed to pursue specific initiatives at agreed upon clients. This sets the stage for joint proposals and wins. When we consider the joint wins and increasing number of registered pursuits, we remain very optimistic about the favorable impact this alliance can have, especially on our technology implementation service lines.

In 2004 we opened our new global development center in Hyderabad, India. The facility will allow us to more aggressively market and leverage our offshore capability in all of our offerings.

Finally, Sarbanes-Oxley presented us with both opportunities and challenges in 2004. We were successful at developing a Sarbanes-Oxley compliance support practice. However, Sarbanes-Oxley also caused disruption of client IT integration projects in the second half of the year. Many companies chose to freeze their control environments through the end of their fiscal reporting periods in order to ensure Sarbanes-Oxley compliance for the year. As we move through 2005, we expect IT implementation opportunities to increase as the remediation recommendations that emanate from the 2004 compliance reviews are permanently addressed.

Although great progress was made in 2004, we know there is still great progress to be made. Lastly, it is important to acknowledge the great work and dedication of our associates, and recognize the loyalty of our clients and shareholders. As we look forward, we remain focused on our strategic priorities and look to build on our past achievements and fully realize the opportunities available to our organization.

Ted A. Fernandez
Chairman and Chief Executive Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-24343

Answerthink, Inc.

(Exact name of registrant as specified in its charter)

FLORIDA	**65-0750100**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
1001 Brickell Bay Drive, Suite 3000 Miami, Florida	**33131**
(Address of principal executive offices)	*(Zip Code)*

(305) 375-8005

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.001 per share

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2 of the Securities Exchange Act of 1934). YES [X] NO [ ]

The aggregate market value of the common stock held by non-affiliates of the registrant was $271,840,816 on July 2, 2004 based on the last reported sale price of the registrant's common stock on the Nasdaq National Market.

The number of shares of the registrant's common stock outstanding on March 4, 2005 was 43,451,221.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of the Form 10-K incorporates by reference certain portions of the registrant's proxy statement for its 2005 Annual Meeting of Stockholders to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this report.

ANSWERTHINK, INC.

FORM 10-K

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and the information incorporated by reference in it include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and forecasted demographic and economic trends relating to our industry are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect," or "intend" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Factors that impact such forward looking statements include, among others, our ability to attract additional business, the timing of projects and the potential for contract cancellation by our customers, changes in expectations regarding the business and information technology advisory and consulting industries, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable, risks of competition, price and margin trends, and changes in general economic conditions and interest rates. An additional description of our risk factors is described in Part 1—Item 1 "Business—Risk Factors." We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS

GENERAL

Answerthink, Inc. is a strategic business advisory and technology consulting firm that provides services designed to enable companies to achieve world-class business performance. By leveraging the comprehensive database of The Hackett Group, the world's leading repository of enterprise best practice metrics and business process knowledge, our business and technology solutions help clients improve performance and maximize returns on technology investments. Our capabilities include benchmarking, business advisory, business transformation, business applications, business intelligence, and offshore application development and support.

In this Form 10-K, unless the context otherwise requires, "Answerthink," the "Company," "we," "us," and "our" refer to Answerthink, Inc. and its subsidiaries and predecessors.

INDUSTRY BACKGROUND

The economy showed modest growth in 2004 as interest rates and inflation continued to remain low and employment rates increased. Business and technology consultancies had modest increases in business activity that followed the growth rate of the economy. There was some disruption of client IT integration projects in the latter part of 2004 as a result of the need to freeze control environments through the end of fiscal reporting periods in order to support Sarbanes-Oxley compliance. We feel that this demand disruption in the IT implementation marketplace will continue until Sarbanes-Oxley adoption efforts are substantially completed. Companies continue to place heavy emphasis on risk management and tangible return on their business and technology investments. As the economy continues to grow, we believe large enterprises will continue to focus their business consulting and IT spending on strategies and tools that help them generate more value from past investments in the form of enhanced productivity and efficiency. Specifically, we still believe they will be looking to derive maximum value from their existing enterprise applications. We believe enabling technologies will continue to be used to complement and extend the capabilities of enterprise and key functional systems. For example, Business Process Management (BPM) tools will give companies increased visibility into key business processes that reach across functional and organizational boundaries. Not only may BPM help reduce error rates and cycle times by automating workflow, it may also increase the efficiency and productivity of all the people and systems that collaborate on individual processes.

We believe there will still be market opportunities around the need for better real-time performance measurement and strategic decision-making. Many companies seek to link optimized processes directly to technology and consolidate the gains of their business process re-engineering efforts. Enterprise applications and BPM software will continue to play a key role. We expect companies to continue to embed optimized processes directly into Enterprise Resource Planning (ERP) systems, and use BPM and other enabling technologies to improve

ongoing management and control, so they can ensure that streamlined or re-engineered processes continue to deliver cost and performance improvements in the future. Business intelligence, analytics and knowledge management applications are expected to also play an increasingly significant role as companies seek to generate more valuable insight and analysis from their operational and financial data. We believe that these enabling technologies will produce real-time enterprises, capable of nearly instantaneous views of current performance and more accurate and efficient planning, forecasting and reporting.

OUR APPROACH

We provide services designed to enable companies to achieve world-class business performance by combining intellectual capital from The Hackett Group, with its extensive database of business process best practices and performance measurement results, and our proprietary Best Practice Implementation (BPI) approach. Our BPI approach leverages our knowledge of world-class best practices gathered through Hackett benchmarks and incorporates that detail throughout a tool set to ensure that best practices are identified and implemented throughout a project. This coordinated approach addresses people, process, information and technology. Hackett services help clients understand how well they are performing today compared with the world's most effective companies. Its specialists have the skills and experience to implement solutions, based on client performance measurement results, to drive them toward world-class performance. Hackett provides deep insight into how top-performing companies operate, and applies those best practices to generate cost and performance gains for clients. Answerthink uses Hackett intellectual capital in the form of best practice process flows and configuration guides to integrate Hackett's empirically proven best practices directly into business processes and workflow and functionality that is enabled by enterprise applications.

Because our solutions are based on Hackett-certified best practices, clients gain a significant advantage. They can have confidence that their solutions are based on strategies from the world's leading companies. This clearly defined path to world-class performance delivers enhanced efficiency, improved effectiveness, increased flexibility, optimized return on investment and reduced implementation risk.

The BPI approach often begins with a clear understanding of current performance, which is gained through measuring key processes and comparing the results to world-class levels and industry standards captured in the Hackett database. We then help clients prioritize and select the appropriate best practices to implement through a coordinated performance improvement strategy. Without a coordinated strategy that addresses the four key business drivers of people, process, technology and information, companies risk losing a significant portion of business case benefits. We have designed detailed best practice process flows based on Hackett's deep knowledge of world-class business performance which enable clients to streamline and automate key processes, and generate performance improvements quickly and efficiently at both the functional and enterprise level.

Similarly, we integrate Hackett Best Practices directly into technology solutions. It is imperative to simplify and automate processes to meet best practice standards before new technology implementations and upgrades are completed. The automation of inefficient processes only serves to continue to drive up costs, cycle times and error rates. We have completed detailed fit-gap analyses, in most functional areas of major business application packages from Lawson, Oracle, Hyperion, PeopleSoft and SAP to determine their ability to support best practices. Application-specific tools, implementation guides and process flows allow us to optimize the configuration of ERP software, while limiting customization. Best practice implementations establish the foundation for improved performance. Building on that foundation, a new breed of enabling technologies complement enterprise systems to drive further performance gains. These technologies, which include business process management software, portals, business intelligence and analytics, and knowledge management, enhance real-time business process management, visibility and decision-making.

The combination of optimized processes, a best practices-based business application environment and the right enabling technologies allows our clients to achieve and sustain significant business performance improvement.

COMPETITION

The strategic business advisory and technology consulting marketplace continues to be extremely competitive. The marketplace will remain competitive as the economy grows and companies begin to spend more on improving their business models and IT infrastructure. Our competitors include international, national and regional strategic consulting and technology implementation firms, and the IT services divisions of application software firms. Mergers, consolidation and bankruptcies throughout our industry have resulted in higher levels of competition. There is great pressure to complete projects quickly, control costs and maintain efficient operations.

Still, we believe our competitive position is strong. With Hackett intellectual capital and its direct link to our BPI approach, we believe we can assist clients better than our competitors. Our ability to apply best practices to client operations via proven techniques further strengthens our competitive standing.

Our culture of collaboration leverages the power of our cross-functional and service line teams to increase revenue and strengthen relationships. We believe that this culture, along with our multidisciplinary approach, allows us to compete favorably.

STRATEGY

Moving forward, our focus is on executing the following strategies:

- ***Continue to rapidly grow The Hackett Group with new and renewable multi-year offerings.*** Our benchmarking offerings help companies identify and quantify opportunities for operational improvements and efficiently measure and track the degree of improvement against specific internal and peer performance targets over multi-year periods. Our business advisory services target executives seeking guidance and proven strategies on operational and strategic issues. During 2004 we experienced strong growth in our Hackett benchmarking and subscription based advisory programs. We continue to develop subscription advisory products that will allow clients to efficiently realize the benefits identified in the Hackett benchmarking services. As subscription sales continue to grow an increasing number of sales will involve multi-year commitments which will improve the predictability of our results.

- ***Continue to expand our Best Practices Implementation tools.*** BPI incorporates intellectual capital from The Hackett Group into our implementation tools and techniques. For clients, the end results are tangible cost and performance gains and the improved return on investment. Our clients attribute their decision to use us to our Best Practice Implementation (BPI) approach and tools. Our objective is to help clients make smarter business process and software configuration decisions as a result of our Best Practice Implementation methods and knowledge. The recent launch of version two of our BPI tools resulted in an expanded best practice repository along with key revisions in business process areas that have been impacted by emerging information technologies. We expect this new and expanded version of our tools and methods to further differentiate our ability to serve our clients. We will continue to train associates in all of our practices about BPI so they are equipped with the knowledge and tools necessary to share our vision with existing and prospective clients.

- ***Continue to leverage our unique best practice knowledge through select strategic alliances.*** Because of our understanding of how to optimize processes and software configuration with proven best practices, a relationship with a larger provider of comprehensive business and IT services represents a logical opportunity to expand our client base. Our strategic relationship with Accenture, L.L.P., a leading provider of consulting services, gives them the exclusive right to collaborate with Answerthink and The Hackett Group in offering best practices benchmarking services and our BPI tools in designated functional areas, including finance, accounting, performance management, business intelligence and procurement. In situations where Accenture uses our intellectual capital, we have an opportunity to staff up to 15% of the project positions of each engagement jointly pursued. If we are the lead source on jointly pursued opportunities with Accenture, then we will have the opportunity to staff up to 25% of the positions. Our strategy is to execute on this current alliance and expand to other functional areas as well as geographic locations outside of North America. In addition, we continue to build upon joint marketing initiatives with Oracle, SAP, Lawson, and Hyperion and other strategic business and IT providers.

- ***Seek out strategic acquisitions.*** We will continue to pursue strategic acquisitions that strengthen our ability to compete. We believe that our unique Hackett access and our BPI approach coupled with our strong balance sheet and infrastructure can be utilized to support a larger organization. Acquisitions must be accretive or have strong growth prospects, but most importantly, have strong synergy with our best practice intellectual capital focus.

- ***Expand our dual shore capabilities.*** Developing an offshore resource capability to support all of our offerings has been a key strategy for our organization. In late 2004, we opened our new facility in Hyderabad, India which will allow us to more aggressively market this capability in our proposals in 2005. With this improved infrastructure in place, we are expecting our headcount and utilization of India resources to expand in 2005.

OUR SOLUTION

We offer a comprehensive range of services, including benchmarking, business advisory programs and business transformation, enterprise business applications implementation, business intelligence and offshore application development support. With strategic and functional knowledge in finance, human resources, information technology, procurement supply chain management, customer service and sales and marketing, our expertise extends across the enterprise. We have completed successful engagements in a variety of industries, including automotive, consumer goods, financial services, technology, life sciences, manufacturing, media and entertainment, retail, telecommunications, transportation and utilities.

The Hackett Group

- **Benchmarking & Executive Advisory Programs**

Since Hackett's inception in 1991, The Hackett Group has measured and evaluated the efficiency and effectiveness of enterprise functions at nearly 2000 global organizations. This includes 93 percent of the Dow Jones Industrials, 80 percent of the Fortune 100, and 90 percent of the Dow Jones Global Titans Index. Ongoing studies are conducted in a wide range of areas, including finance, human resources, information technology, procurement, SG&A and shared service centers. Hackett has identified nearly 1,300 best practices for approximately 100 processes in these key functional areas. Hackett uses proprietary performance measurement tools and data collection process that enables companies to complete the performance measurement cycle and identify and quantify improvement opportunities in as little as four weeks. Additionally, Hackett offers a full range of services to executives such as advisory inquiries, peer interaction, and access to an online repository of best practices data. Topics range from finance and accounting and ERP optimization to planning and performance management and outsourcing considerations.

- **Business Transformation**

Our Business Transformation programs help clients develop a coordinated strategy for achieving performance improvements across the enterprise. Our experienced teams use Hackett performance measurement data to link performance gains to industry best practices. Our strategic capabilities include operational planning, process and organization design, change management and the effective application of technology. We combine best practices knowledge with business expertise and broad technology capabilities, which we believe enables our programs to optimize return on client investments in people, processes, technology and information.

Best Practices Solutions

- **Business Applications**

Our Business Applications professionals help clients choose and deploy the software applications that best meet their needs and objectives. Our expertise is focused on the following application providers: Lawson, Oracle, PeopleSoft, SAP, and several leading time and attendance providers. The group offers comprehensive services from planning, architecture, and vendor evaluation and selection through implementation, customization, testing and integration. Comprehensive fit-gap analyses of all major packages against Hackett Best Practices are utilized by our Business Applications teams. BPI tools and templates help integrate best practices into business applications. The group also offers post-implementation support, change management, system documentation and end-user training, all of which are designed to enhance return on investment. We also provide offshore application development and support services. These services include post-implementation support for select business application platforms. Our Business Applications group also includes a division responsible for the sale and maintenance support of the SAP suite of enterprise resource planning applications.

- **Business Intelligence**

Based on our extensive best practices knowledge, our Business Intelligence group designs, develops and implements IT solutions for more effective enterprise performance management (EPM) and business intelligence (BI). Our BI experts know how to apply and implement custom or packaged analytical applications such as Hyperion and Cognos to increase process transparency, exception management, and create continuous improvement environments. Similarly, our BI services are designed to increase visibility into current performance, improve access to key financial and operational data, and enhance strategic decision making. The group offers strategy and management services, including operational diagnostics and planning and enterprise architecture. Further, we assist

clients in improving business performance by rationalizing IT infrastructures, and selecting the right enabling technologies, such as Web services, portals and BPM software, to complement enterprise systems and facilitate information sharing and process integration inside and outside the enterprise.

CLIENTS

We focus on long-term client relationships with Global 2000 firms and other sophisticated strategic buyers of business and IT consulting. During 2004, our ten most significant clients accounted for approximately 28% of revenues. No clients generated more than 10% of total revenues.

We believe that we have achieved a high level of satisfaction across our client base in 2004. The responses to the surveys we send to clients continue to be extremely positive. During 2004, we received surveys from a significant number of our engagements with an average score of 4.6 on a 5.0 scale. The direct feedback and suggestions we receive on surveys are captured and used to continuously improve our delivery execution, sales processes, methodologies and training.

BUSINESS DEVELOPMENT AND MARKETING AND MARKET SEGMENTATION

Our extensive client base and relationships with Global 2000 firms remain our most significant sources of new business. Our revenue generation strategy is formulated to ensure we are addressing multiple facets of business development. The categories below define our business development resources and market segmentation. Our primary goal in 2005 is to continue to increase awareness of our brand that we have created around Hackett and BPI. Our Hackett and BPI message will remain the central focus of our marketing and communications programs this year as we drive both an understanding of and demand for this approach. Similarly, we have realigned our sales force so it can market business transformation programs along with our benchmarking and executive advisory programs. We continue to maintain compensation programs that reward the linkage between sales of benchmarking and business advisory programs provided by The Hackett Group and best practices solutions provided by our Business Applications and Business Intelligence groups.

BUSINESS DEVELOPMENT RESOURCES

Although virtually all of our consultants have the ability to and are expected to contribute to new revenue opportunities, our primary internal business development resources are comprised of the following:

- The Leadership Team
- The Sales Organization
- The Solution Strategist Network
- Lead Generation Specialists
- The Delivery Organization

The Leadership Team is comprised of our senior leaders who have a combination of executive, functional, practice and anchor account responsibilities. In addition to their management responsibilities, this group of associates is responsible for growing business by fostering executive level relationships within accounts and leveraging their existing contacts in the marketplace.

The Sales Organization is comprised of associates who are 100% dedicated to generating sales. They are deployed geographically in key markets and are primarily focused on developing new relationships within their target accounts. Each sales associate has between two and ten target accounts split between existing clients and select Global 2000 prospects. They represent our entire offering. They also handle geographic-related opportunities as they arise.

The Solution Strategist Network is comprised of associates throughout our various practices who are primarily dedicated to developing new business. Solution strategists possess deep subject matter expertise within a specific discipline and receive incentive compensation on the amount of revenue they generate in addition to other criteria. Solution strategists sell new business in geographic accounts and collaborate with the sales organization on specific account opportunities to provide content expertise.

Lead Generation Specialists are comprised of trained groups of lead development specialists who are conversant with its various solution areas. Lead generation is coordinated with our marketing and sales groups to ensure that our inbound and outbound efforts are synchronized with targeted marketing and sales programs.

The Delivery Organization is comprised of our billable associates who work at client locations. We encourage associates to pursue additional business development opportunities through their normal course of delivering existing projects and help us expand our business within existing accounts.

In addition to our business development team, we have a corporate marketing and communications organization responsible for overseeing our marketing programs, public relations and employee communications activities.

We have segmented our market focus into the following categories:

- Top 25 Accounts
- Target Accounts
- Geographic Focus Accounts
- Strategic Alliance Accounts

Top 25 Accounts are a mix of our largest existing clients and our most strategic prospects. To facilitate proper account management, each top 25 account has a leadership team member assigned to perform the role of client executive, an associate from the sales, solution strategist or delivery organizations to perform the role of account manager, and an associate from the delivery organizations to perform the role of delivery leader.

Target Accounts are comprised of prospects and clients who are geographically situated where a sales representative resides. Criteria for inclusion as a target account includes the size of the company, industry affiliation, propensity to buy external consulting services and contacts within the account. The sales representative is primarily responsible for identifying business opportunities in the account, acting as the single point of coordination for the client, and performing the general duties of account manager.

Geographic Focus Accounts are accounts within a specified geographic location that fall neither within the top 25 or target account lists. These accounts can include large prospects, dormant clients, existing medium-sized clients and mid-tier market accounts. This account set is handled primarily on an opportunistic basis, except for active clients where delivery teams are focused on driving additional revenue.

Strategic Alliance Accounts are accounts that allow us to partner with organizations with greater scale or different skill sets or with software developers so that all parties can jointly market their products and services to prospective clients. An example of this type of alliance is the agreement with Accenture that was signed in late 2003. This agreement gives Accenture the exclusive right to collaborate with us in offering its clients our best practice benchmarking programs and best practices solutions in designated functional areas, including finance, accounting, performance management, business intelligence and procurement. Under the agreement, we have the ability to expand into additional enterprise functional areas and geographic locations. The agreement gives us access to Accenture's global client base and sales distribution channel. By working with more clients, The Hackett Group will be able to broaden the base of critical metrics and best practices, thereby creating even richer benchmark data to help companies achieve world-class performance. Our alliance allows us to staff a portion of the consulting positions for each engagement that is jointly closed with Accenture. We continue to seek alliances that broaden our distribution channel.

MANAGEMENT SYSTEMS

Our management control systems are comprised of various accounting, billing, financial reporting, human resources, marketing and resource allocations systems, many of which are integrated with our knowledge management system, Mind~Share. We continuously work to improve Mind~Share, as well as our infrastructure and management control systems, which we believe represents a competitive advantage for us. We believe that Mind~Share significantly enhances our ability to serve our clients efficiently by allowing our knowledge base to be shared by all of our consultants worldwide on a real-time basis. Our well-developed, flexible, scalable infrastructure has allowed us to quickly integrate the new employees and systems of businesses we have acquired.

HUMAN RESOURCES

We believe that our culture fosters intellectual rigor and creativity, collaboration and innovation. We believe in building relationships with both our associates and clients. We believe the best solutions come from teams of diverse individuals addressing problems collectively and from multiple dimensions, including the business, technological and human dimensions. We believe that the most effective working environment is one where everyone is encouraged to contribute and is rewarded for that contribution.

Our core values are the strongest expression of our working style. They are what we stand for. These core values are:

- Development of our associates our unique content business model and knowledge base creates a highly unique learning opportunity
- Diversity of backgrounds, skills and experiences
- Knowledge capture, contribution and utilization
- Collaboration with one another, with our partners and with our clients

Our human resources staff includes dedicated resources to recruit consultants with both business and technology expertise. Our recruiting team drives our hiring process by focusing on the highest demand solution areas of our business to ensure an adequate pipeline of resources. Our human resources staff also includes seasoned professionals that support our practices by, among other things, administering our benefit programs and facilitating the hiring process. We also have an employee referral program, which rewards existing employees who source new hires.

The benefits package that we provide includes comprehensive health and welfare insurance, work/life balance programs and a 401(k) program including a company match for associates below the level of senior director. Our associates are paid competitive salaries and incentive pay. Incentive pay for delivery resources is based on an individual's contribution to the projects on which he or she is staffed. Incentive pay for sales associates is based on achievement of sales quotas. Incentive pay for management is based on company performance, sales contributions, client management and practice management.

As of December 31, 2004, we had approximately 720 associates, approximately 80% of whom were billable professionals. None of our associates are subject to collective bargaining arrangements. We have entered into nondisclosure and non-solicitation agreements with virtually all of our personnel. We engage consultants as independent contractors from time to time.

COMMUNITY INVOLVEMENT

One important way we put our values into action is through our commitment to the communities where we work. The mission of our Community Council, which operates in each of the cities where we have offices, is to strive to leave the markets, communities and clients we serve better than we found them. We do it by building a strong sense of community, collaboration and personal interaction among all of our associates, through both volunteer and service programs and social gatherings. Our associates are actively involved in many valuable and high-impact community programs, including United Way, Ronald McDonald House, Big Brothers & Sisters, Race for the Cure, Make-A-Wish Foundation, Habitat for Humanity, the National Adoption Center, the National Heart Association and Special Olympics.

AVAILABLE INFORMATION

We make our public filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all exhibits and amendments to these reports, available free of charge at our web site http://www.answerthink.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Any material that we file with the Securities and Exchange Commission may be read and copied at the Securities and Exchange Commission's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549 [or at www.sec.gov]. Information on the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330.

Also available on our web site, free of charge, are copies of our Code of Conduct and Ethics, and the charter for our audit committee of our Board of Directors. We intend to disclose any amendment to, or waiver from, a provision of our Code of Conduct and Ethics on our web site within five business days following the date of the amendment or waiver.

RISK FACTORS

The following important factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K or printed elsewhere by management from time to time.

Our quarterly operating results may vary.

Our financial results may fluctuate from quarter to quarter. In future quarters, our operating results may not meet public market analysts' and investors' expectations. If that happens, the price of our common stock may fall. Many factors can cause these fluctuations, including:

- the number, size, timing and scope of client engagements;
- customer concentration;
- long and unpredictable sales cycles;
- contract terms of client engagements;
- degrees of completion of client engagements;
- client engagement delays or cancellations;
- competition for and utilization of employees;
- how well we estimate the resources and effort we need to complete client engagements;
- the integration of acquired businesses;
- pricing changes in the industry;
- economic conditions specific to business and information technology consulting; and
- general economic conditions.

A high percentage of our operating expenses, particularly personnel and rent, are fixed in advance of any particular quarter. As a result, if we experience unanticipated changes in client engagements or in employee utilization rates, we could experience large variations in quarterly operating results and losses in any particular quarter. Due to these factors, we believe you should not compare our quarter-to-quarter operating results to predict future performance.

If we are unable to maintain our reputation and expand our name recognition, we may have difficulty attracting new business and retaining current clients and employees.

We believe that establishing and maintaining a good reputation and name recognition are critical for attracting and retaining clients and employees. We also believe that the importance of reputation and name recognition is increasing and will continue to increase due to the number of providers of business consulting and IT services. If our reputation is damaged or if potential clients are not familiar with us or with the solutions we provide, we may be unable to attract new, or retain existing, clients and employees. Promotion and enhancement of our name will depend largely on our success in continuing to provide effective solutions. If clients do not perceive our solutions to be effective or of high quality, our brand name and reputation will suffer. In addition, if solutions we provide have defects, critical business functions of our clients may fail, and we could suffer adverse publicity as well as economic liability.

We depend heavily on a limited number of clients.

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of clients for which we perform large projects. In 2004, our ten largest clients accounted for approximately 28% of our revenues in the aggregate. In addition, revenues from a large client may constitute a significant portion of our total revenues in a particular quarter. The loss of any principal client for any reason, including as a result of the acquisition of that client by another entity, our failure to meet that client's expectations, or that client's decision to reduce spending on technology-related projects, could have a material adverse effect on our business, financial condition and results of operations.

We have risks associated with potential acquisitions or investments.

Since we were founded, we have significantly expanded through acquisitions. In the future, we plan to pursue additional acquisitions as opportunities arise. We may not be able to integrate successfully businesses which we may

acquire in the future without substantial expense, delays or other operational or financial problems. We may not be able to identify, acquire or profitably manage additional businesses. Also, acquisitions may involve a number of risks, including:

- diversion of management's attention;
- failure to retain key personnel;
- failure to retain existing clients;
- unanticipated events or circumstances;
- unknown claims or liabilities; and
- amortization of certain acquired intangible assets.

We cannot assure you that client satisfaction or performance problems at a single acquired firm will not have a material adverse impact on our reputation as a whole. Further, we cannot assure you that our recent or future acquired businesses will generate anticipated revenues or earnings.

Difficulties in integrating businesses we may acquire in the future may demand time and attention from our senior management.

Integrating businesses we may acquire in the future may involve unanticipated delays, costs and/or other operational and financial problems. In integrating acquired businesses, we may not achieve expected economies of scale or profitability or realize sufficient revenues to justify our investment. If we encounter unexpected problems at one of the acquired businesses as we try to integrate it into our business, our management may be required to expend time and attention to address the problems, which would divert their time and attention from other aspects of our business.

Our markets are highly competitive.

We may not be able to compete effectively with current or future competitors. The business consulting and IT services market is highly competitive. We expect competition to further intensify as these markets continue to evolve. Some of our competitors have longer operating histories, larger client bases, longer relationships with their clients, greater brand or name recognition and significantly greater financial, technical and marketing resources than we do. As a result, our competitors may be in a stronger position to respond more quickly to new or emerging technologies and changes in client requirements and to devote greater resources than we can to the development, promotion and sale of their services. Competitors could lower their prices, potentially forcing us to lower our prices and suffer reduced operating margins. We face competition from international accounting firms; international, national and regional strategic consulting and systems implementation firms; and the IT services divisions of application software firms.

In addition, there are relatively low barriers to entry into the business consulting and IT services market. We do not own any patented technology that would stop competitors from entering this market and providing services similar to ours. As a result, the emergence of new competitors may pose a threat to our business. Existing or future competitors may develop and offer services that are superior to, or have greater market acceptance, than ours, which could significantly decrease our revenues and the value of your investment.

We may not be able to hire, train, motivate, retain and manage professional staff.

To succeed, we must hire, train, motivate, retain and manage highly skilled employees. Competition for skilled employees who can perform the services we offer is intense. We might not be able to hire enough of them or to train, motivate, retain and manage the employees we hire. This could hinder our ability to complete existing client engagements and bid for new client engagements. Hiring, training, motivating, retaining and managing employees with the skills we need is time consuming and expensive.

We could lose money on our contracts.

As part of our strategy, we enter into capped or fixed-price contracts, in addition to contracts based on payment for time and materials. Because of the complexity of many of our client engagements, accurately estimating the cost, scope and duration of a particular engagement can be a difficult task. We maintain an office of risk management that evaluates and attempts to mitigate delivery risk associated with complex projects. In connection with their review, the office of risk management analyzes the critical estimates associated with these projects. If we fail to make these estimates accurately, we could be forced to devote additional resources to these engagements for which we will not receive additional compensation. To the extent that an expenditure of additional resources is required on an engagement, this

could reduce the profitability of, or result in a loss on, the engagement. In the past, we have, on occasion, engaged in negotiations with clients regarding changes to the cost, scope or duration of specific engagements. To the extent we do not sufficiently communicate to our clients, or our clients fail to adequately appreciate, the nature and extent of any of these types of changes to an engagement, our reputation may be harmed and we may suffer losses on an engagement.

Lack of detailed written contracts could impair our ability to collect fees, protect our intellectual property and protect ourselves from liability to others.

We try to protect ourselves by entering into detailed written contracts with our clients covering the terms and contingencies of the client engagement. In some cases, however, consistent with what we believe to be industry practice, work is performed for clients on the basis of a limited statement of work or verbal agreements before a detailed written contract can be finalized. To the extent that we fail to have detailed written contracts in place, our ability to collect fees, protect our intellectual property and protect ourselves from liability to others may be impaired.

Our corporate governance provisions may deter a financially attractive takeover attempt.

Provisions of our charter and by-laws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which stockholders would receive a premium for their shares. These provisions include the following:

- stockholders must comply with advance notice requirements before raising a matter at a meeting of stockholders or nominating a director for election;
- our board of directors is staggered into three classes and the members may be removed only for cause upon the affirmative vote of holders of at least two-thirds of the shares entitled to vote;
- we would not be required to hold a special meeting to consider a takeover proposal unless holders of more than a majority of the shares entitled to vote on the matter were to submit a written demand or demands for us to do so; and
- our board of directors may, without obtaining stockholder approval, classify and issue up to 1,250,000 shares of preferred stock with powers, preferences, designations and rights that may make it more difficult for a third party to acquire us.

In addition, our board of directors has adopted a shareholder rights plan. Subject to certain exceptions, in the event that a person or group in the future becomes the beneficial owner of 15% or more of our common stock or commences, or publicly announces an intention to commence, a tender or exchange offer which would result in its ownership of 15% or more of our outstanding common stock (or in the case of Liberty Wanger Asset Management, L.P. (now known as Columbia Wanger Asset Management, L.P.) and its affiliates, 20%) then the rights issued to our shareholders in connection with this plan will allow our shareholders to purchase shares of our common stock at 50% of its then current market value. In addition, if we are acquired in a merger, or 50% or more of our assets are sold in one or more related transactions, our shareholders would have the right to purchase the common stock of the acquiring company at half the then current market price of such common stock.

We may lose large clients or not be able to secure targeted follow-on work or client retention rates.

Our client engagements are generally short-term arrangements, and most clients can reduce or cancel their contracts for our services with 30 days notice and without penalty. As a result, if we lose a major client or large client engagement, our revenues will be adversely affected. We perform varying amounts of work for specific clients from year to year. A major client in one year may not use our services in another year. In addition, we may derive revenue from a major client that constitutes a large portion of total revenue for particular quarters. If we lose any major clients or any of our clients cancel programs or significantly reduce the scope of a large client engagement, our business, financial condition and results of operations could be materially and adversely affected. Also, if we fail to collect a large account receivable, we could be subjected to significant financial exposure. Consequently, you should not predict or anticipate our future revenue based upon the number of clients we currently have or the number and size of our existing client engagements.

We also derive an increasing portion of our revenues from annual memberships for our business advisory programs. Our growth prospects therefore depend on our ability to achieve and sustain high retention rates on programs and to successfully launch new programs. Failure to achieve high renewal rate levels or to successfully launch new programs and services could have a material adverse effect on our operating results.

If we are unable to protect our intellectual property rights or infringe on the intellectual property rights of third parties, our business may be harmed.

We rely upon a combination of nondisclosure and other contractual arrangements and trade secret, copyright and trademark laws to protect our proprietary rights and the proprietary rights of third parties from whom we license intellectual property. Although we enter into confidentiality agreements with our employees and limit distribution of proprietary information, there can be no assurance that the steps we have taken in this regard will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

Although we believe that our services do not infringe on the intellectual property rights of others and that we have all rights necessary to utilize the intellectual property employed in our business, we are subject to the risk of claims alleging infringement of third-party intellectual property rights. Any claims could require us to spend significant sums in litigation, pay damages, develop non-infringing intellectual property or acquire licenses to the intellectual property that is the subject of asserted infringement.

The market price of our common stock may fluctuate widely.

The market price of our common stock could fluctuate substantially due to:

- future announcements concerning us or our competitors;
- quarterly fluctuations in operating results;
- announcements of acquisitions or technological innovations; or
- changes in earnings estimates or recommendations by analysts.

In addition, the stock prices of many technology companies fluctuate widely for reasons which may be unrelated to operating results. Fluctuations in our common stock's market price may impact our ability to finance our operations and retain personnel.

Our initiatives that leverage The Hackett Group's best practices knowledge may not be successful.

The BPI tools that we developed using Hackett best practice knowledge continue to be introduced to our existing client base and to client prospects. We still do not have enough experience with them to ensure that clients and prospects will perceive any additional benefit associated with the BPI tools versus other traditional implementation methodologies. As such, BPI may not enable us to differentiate ourselves in the marketplace, and we may not achieve any benefits from this new methodology.

Planned enhancements to The Hackett Group's advisory product offerings which will include business transformation programs represent a departure from its traditional benchmarking offerings. We may not be able to adequately support these new offerings. Clients or prospects may view The Hackett Group as a new and unproven entrant into this space. As such, clients and client prospects may choose to purchase these types of products and services from companies with a longer track record of providing these types of offerings.

The anticipated benefits from the Joint Marketing and Alliance Agreement with Accenture LLP may not be achieved.

The initial term of our Joint Marketing and Alliance Agreement expires on October 7th of 2005. It may be renewed upon mutual agreement of the parties. We are still developing our relationship with Accenture. Accenture client partners may choose not to involve Answerthink or The Hackett Group in their client pursuits. This would have an adverse affect on our ability to achieve the participation entitlements contained in the agreement. The client engagements won jointly may be of a complex nature and very large in scale. We may not be able to staff all of the positions that we would have a right to staff on a timely basis, and Accenture may not be satisfied with the quality or performance of the resources that we staff. This may lead to the termination of the agreement, which either party can seek upon ninety days notice.

ITEM 2. PROPERTIES

Our principal executive offices currently are located at 1001 Brickell Bay Drive, Suite 3000, Miami, Florida 33131. The lease on these premises covers 10,780 square feet and expires June 30, 2005. We also have offices in Atlanta, Boston, Chicago, Frankfurt, London, New York, Philadelphia, Princeton, San Jose and Hyderabad, India. We believe that we will be able to obtain suitable space as needed. We own no real estate and do not intend to invest in real estate or real estate-related assets.

ITEM 3. LEGAL PROCEEDINGS

Between November 2002 and January 2003, six class actions seeking unspecified damages were filed against Answerthink and certain of its current and former officers and directors alleging violations of the Securities and Exchange Act of 1934. The complaints alleged misstatements and omissions concerning, among other things, related party transactions during the alleged class period of February 8, 2000 to April 25, 2002. On January 7, 2003 the federal district court entered an order closing and consolidating these cases and any subsequently filed related cases into Druskin, et al. v. Answerthink, Inc., et al., Case No. 02-23304-CIV-GOLD. A consolidated amended complaint was filed on May 9, 2003. The Company filed a motion to dismiss the consolidated amended complaint on July 15, 2003. The court granted the Company's motion to dismiss the consolidated and amended complaint on January 5, 2004 and allowed the plaintiffs leave to amend the consolidated amended complaint. The plaintiffs did not file an amended complaint within the time allowed by the court. On February 11, 2004, the court entered a final judgment dismissing the case against all parties with prejudice and closed the case. The time for appeal has expired. This matter is concluded.

We are involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such other matters will not have a material adverse effect on our financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2004.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been traded on the Nasdaq National Market since our initial public offering on May 28, 1998 under the Nasdaq symbol "ANSR." The following table sets forth for the fiscal periods indicated the high and low sales prices of the common stock, as reported on the Nasdaq National Market.

	High	Low
2004		
Fourth Quarter	$5.49	$3.51
Third Quarter	$6.35	$3.87
Second Quarter	$8.45	$4.22
First Quarter	$8.19	$5.50
2003		
Fourth Quarter	$6.35	$3.21
Third Quarter	$4.03	$2.19
Second Quarter	$2.59	$1.75
First Quarter	$2.97	$1.95

The closing sale price for the common stock on March 4, 2005 was $4.00.

As of March 4, 2005, there were approximately 358 holders of record of our common stock and 43,451,221 shares of common stock outstanding.

Company Dividend Policy

We do not expect to pay any cash dividends on our common stock in the foreseeable future. Our present policy is to retain earnings, if any, for use in the operation of our business.

Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price paid per Share	Total Number of Shares Purchased as Part of the Repurchase Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Repurchase Program
October 2, 2004 to October 29, 2004	433,950	$3.96	433,950	$7,425,645
October 30, 2004 to November 26, 2004	82,200	$4.48	82,200	$7,057,098
November 27, 2004 to December 31, 2004	52,000	$4.52	52,000	$6,822,058
Total	568,150	$4.09	568,150	

The Company has an ongoing authorization, as amended, from the Board of Directors to repurchase shares of the Company's common stock in the open market or in negotiated transactions. The Company's authorization is for up to $25 million, of which approximately $6.8 million is currently still available. All repurchases were made in the open market, subject to market conditions and trading restrictions. There is no expiration date on the current authorization and during the period covered by the table, no determination was made by the Company to suspend or cancel purchases under the program.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data sets forth selected financial information for Answerthink as of and for each of the years in the five-year period ended December 31, 2004, and has been derived from our audited financial statements. The selected consolidated financial data should be read together with our consolidated financial statements and related notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended				
	December 31, 2004	January 2, 2004	January 3, 2003	December 28, 2001	December 29, 2000
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenues:					
Revenues before reimbursements	$129,339	$117,945	$156,357	$220,966	$260,892
Reimbursements	14,208	14,442	20,490	29,377	35,811
Total revenues	143,547	132,387	176,847	250,343	296,703
Costs and expenses:					
Project personnel and expenses:					
Project personnel and expenses before reimbursable expenses	75,774	73,061	104,981	132,843	147,040
Reimbursable expenses	14,208	14,442	20,490	29,377	35,811
Total project personnel and expenses	89,982	87,503	125,471	162,220	182,851
Selling, general and administrative expenses	48,491	43,951	53,416	77,087	92,321
Impairment of goodwill	—	—	20,000	—	—
Restructuring costs	3,749	4,875	10,886	5,619	3,268
Stock compensation expense	2,321	1,236	—	4,855	853
Total costs and operating expenses	144,543	137,565	209,773	249,781	279,293
Income (loss) from operations	(996)	(5,178)	(32,926)	562	17,410
Other income (expense):					
Litigation settlement	—	—	—	—	1,850
Non-cash investment losses	—	—	—	—	(2,350)
Interest income (expense), net	802	706	570	843	589
Income (loss) before income taxes, income (loss) from discontinued operations, and cumulative effect of change in accounting principle	(194)	(4,472)	(32,356)	1,405	17,499
Income taxes	324	350	(3,508)	1,807	8,571
Income (loss) from continuing operations	(518)	(4,822)	(28,848)	(402)	8,928
Income (loss) from discontinued operations, net of income taxes	370	—	(8,911)	(8,117)	(1,027)
Income (loss) before cumulative effect of change in accounting principle	(148)	(4,822)	(37,759)	(8,519)	7,901
Cumulative effect of change in accounting principle	—	—	(31,200)	—	—
Net income (loss)	$ (148)	$ (4,822)	$ (68,959)	$ (8,519)	$ 7,901
Basic net income (loss) per common share:					
Income (loss) from continuing operations	$ (0.01)	$ (0.11)	$ (0.62)	$ (0.01)	$ 0.22
Income (loss) from discontinued operations, net of income taxes	$ 0.01	$ —	$ (0.19)	$ (0.18)	$ (0.02)
Cumulative effect of change in accounting principle	$ —	$ —	$ (0.68)	$ —	$ —
Net income (loss) per common share	$ (0.00)	$ (0.11)	$ (1.49)	$ (0.19)	$ 0.20
Weighted average common shares outstanding	44,188	45,140	46,348	43,999	40,262
Diluted net income (loss) per common share:					
Income (loss) from continuing operations	$ (0.01)	$ (0.11)	$ (0.62)	$ (0.01)	$ 0.20
Income (loss) from discontinued operations, net of income taxes	$ 0.01	$ —	$ (0.19)	$ (0.18)	$ (0.02)
Cumulative effect of change in accounting principle	$ —	$ —	$ (0.68)	$ —	$ —
Net income (loss) per common share	$ (0.00)	$ (0.11)	$ (1.49)	$ (0.19)	$ 0.18
Weighted average common shares and common share equivalents	44,188	45,140	46,348	43,999	45,137

	December 31, 2004	January 2, 2004	January 3, 2003	December 28, 2001	December 29, 2000
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 38,890	$ 54,441	$ 35,369	$ 35,679	$ 35,862
Restricted cash	$ 3,000	$ 3,000	$ 2,909	$ —	$ —
Marketable investments	$ 9,902	$ 10,000	$ 28,050	$ 24,209	$ 15,800
Working capital	$ 49,860	$ 58,826	$ 72,851	$ 81,313	$ 74,787
Total assets	$128,733	$135,223	$145,361	$211,919	$228,676
Shareholders' equity	$ 99,854	$105,235	$113,047	$177,701	$172,054

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Answerthink, Inc. is a strategic business advisory and technology consulting firm that provides services designed to enable companies to achieve world-class business performance. By leveraging the comprehensive database of The Hackett Group, the world's leading repository of enterprise best practice metrics and business process knowledge, our business and technology solutions help clients improve performance and maximize returns on technology investments. Our capabilities include benchmarking, business advisory, business transformation, business applications, business intelligence, and offshore application development and support. Answerthink was formed on April 23, 1997.

Critical Accounting Policies

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial position in conformity with generally accepted accounting principles. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe the following discussion addresses our most critical accounting policies. These policies require management to exercise judgements that are often difficult, subjective and complex due to the necessity of estimating the effect of matters that are inherently uncertain.

Revenue Recognition

Our revenues are principally derived from fees for services generated on a project-by-project basis. Revenues for services rendered are recognized on a time and materials basis or on a fixed-fee or capped-fee basis. Revenues for time and materials contracts are recognized based on the number of hours worked by our consultants at an agreed upon rate per hour and are recognized in the period in which services are performed. Revenues related to fixed-fee or capped-fee contracts are recognized on the proportional performance method of accounting based on the ratio of labor hours incurred to estimated total labor hours. This percentage is multiplied by the contracted dollar amount of the project to determine the amount of revenue to recognize in an accounting period. The contracted dollar amount used in this calculation excludes the amount the client pays us for reimbursable expenses. There are situations where the number of hours to complete projects may exceed our original estimate. These increases can be as a result of an increase in project scope, unforeseen events that arise, or the inability of the client or the delivery team to fulfill their responsibilities. On an on-going basis, our project delivery, office of risk management and finance personnel review hours incurred and estimated total labor hours to complete projects and any revisions in these estimates are reflected in the period in which they become known.

Unbilled revenues represent revenues for services performed that have not been invoiced. If we do not accurately estimate the scope of the work to be performed, or we do not manage our projects properly within the planned periods of time or we do not meet our clients' expectations under the contracts, then future consulting margins may be negatively affected or losses on existing contracts may need to be recognized. Any such resulting reductions in margins or contract losses could be material to our results of operations. Revenues before reimbursements exclude reimbursable expenses charged to clients. Reimbursements, which include travel and out-of-pocket expenses, are included in revenues, and an equivalent amount of reimbursable expenses is included in project personnel and expenses.

The agreements entered into in connection with a project, whether time and materials based or fixed-fee or capped-fee based, typically allow our clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required to pay for all time, materials and expenses

incurred by us through the effective date of the termination. In addition, from time to time we enter into agreements with our clients that limit our right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit us from performing a defined range of our services that we might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Accounts Receivable and Allowances for Doubtful Accounts

. We maintain allowances for doubtful accounts for estimated losses resulting from our clients not making required payments. Periodically, we review accounts receivable to assess our estimates of collectibility. Management critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of our clients were to deteriorate, resulting in their inability to make payments, additional allowances may be required.

Goodwill

We assess goodwill for impairment when events or circumstances indicate that the carrying value may not be recoverable, or, at a minimum, on an annual basis. We have made determinations as to what our reporting units are and what amounts of goodwill and intangible assets should be allocated to those reporting units.

In assessing the recoverability of long-lived identifiable assets and goodwill, we must make assumptions regarding estimated future cash flows, discount rates and other factors to determine if impairment tests are met. These estimates contain management's best estimates, using appropriate and customary assumptions and projections at the time. If these estimates or their related assumptions change in the future, we may be required to record additional impairment charges.

Restructuring Reserves

Restructuring reserves reflect judgements and estimates of our ultimate costs of severance, closure and consolidation of facilities and settlement of contractual obligations under our operating leases, including sublease rental rates, absorption period to sublease space and other related costs. We reassess the reserve requirements to complete each individual plan under our restructuring programs at the end of each reporting period. If these estimates change in the future or actual results are different than our estimates, we may be required to record additional charges in the future.

Income Taxes

We record income taxes using the liability method. Under this method, we record deferred taxes based on temporary taxable and deductible differences between the tax bases of our assets and liabilities and our financial reporting bases. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Contingent Liabilities

We have certain contingent liabilities that arise in the ordinary course of our business activities. We accrue contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. Reserves for contingent liabilities are reflected in our consolidated financial statements based on management's assessment, along with legal counsel, of the expected outcome of the contingencies. If the final outcome of our contingencies differs adversely from that currently expected, it would result in a charge to earnings when determined.

The foregoing list is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for us to judge the application. There are also areas in which our judgment in selecting any available alternative would not produce a materially different result. Please see our consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K, which contain accounting policies and other disclosures required by accounting principles generally accepted in the United States.

Results of Operations

Our fiscal year generally consists of a 52-week period and periodically consists of a 53-week period because the fiscal year ends on the Friday closest to December 31. Fiscal years 2004, 2003 and 2002 ended on December 31, 2004, January 2, 2004 and January 3, 2003, respectively. Our fiscal year 2002 was a 53-week period. References to a year included in this section refer to a fiscal year rather than a calendar year.

The following table sets forth, for the periods indicated, our results of operations and the percentage relationship to net revenues of such results:

	Year Ended					
	December 31, 2004		January 2, 2004		January 3, 2003	
	(in thousands, except percentage data)					
Revenues:						
Revenues before reimbursements	$129,339	90.1%	$117,945	89.1%	$156,357	88.4%
Reimbursements	14,208	9.9%	14,442	10.9%	20,490	11.6%
Total revenues	143,547	100.0%	132,387	100.0%	176,847	100.0%
Costs and expenses:						
Project personnel and expenses:						
Project personnel and expenses before reimbursable expenses	75,774	52.8%	73,061	55.2%	104,981	59.4%
Reimbursable expenses	14,208	9.9%	14,442	10.9%	20,490	11.6%
Total project personnel and expenses	89,982	62.7%	87,503	66.1%	125,471	71.0%
Selling, general and administrative expenses	48,491	33.8%	43,951	33.2%	53,416	30.2%
Impairment of goodwill	—	—	—	—	20,000	11.3%
Restructuring costs	3,749	2.6%	4,875	3.7%	10,886	6.2%
Stock compensation expense	2,321	1.6%	1,236	0.9%	—	—
Total costs and operating expenses	144,543	100.7%	137,565	103.9%	209,773	118.7%
Loss from operations	(996)	(0.7%)	(5,178)	(3.9%)	(32,926)	(18.7%)
Other income (expense):						
Interest income (expense), net	802	0.6%	706	0.5%	570	0.4%
Loss before income taxes, income (loss) from discontinued operations and cumulative effect of change in accounting principle	(194)	(0.1%)	(4,472)	(3.4%)	(32,356)	(18.3%)
Income taxes	324	0.3%	350	0.2%	(3,508)	(2.0%)
Loss from continuing operations	(518)	(0.4%)	(4,822)	(3.6%)	(28,848)	(16.3%)
Income (loss) from discontinued operations, net of income taxes	370	0.3%	—	—	(8,911)	(5.1%)
Loss before cumulative effect of change in accounting principle	(148)	(0.1%)	(4,822)	(3.6%)	(37,759)	(21.4%)
Cumulative effect of change in accounting principle	—	—	—	—	(31,200)	(17.6%)
Net loss	$ (148)	(0.1%)	$ (4,822)	(3.6%)	$ (68,959)	(39.0%)

Comparison of 2004 to 2003

Overview. We reported a net loss of $148 thousand in 2004 compared to a net loss of $4.8 million in 2003. Our $148 thousand loss during 2004 included restructuring costs of $3.7 million and non-cash stock compensation expense of $2.3 million. Our $4.8 million loss during 2003 included restructuring costs of $4.9 million and non-cash stock compensation expense of $1.2 million. The restructuring costs related to increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities. The compensation expense was primarily related to the issuance of restricted stock units to employees at a senior director level or above pursuant to a voluntary stock option exchange program which ended on July 14, 2003.

Revenues. Revenues increased 8.4% to $143.5 million in 2004 from $132.4 million in 2003. The increase in revenues was primarily attributable to increased revenue from benchmarking and business advisory sales and related follow-on consulting projects, and the acquisitions of EZCommerce, a dual-shore ERP implementation company, and Beacon Analytics, Inc., a business performance management consulting company, focusing on the implementation of Hyperion software. These impacts were partially offset by a decline in IT implementation revenues due to the disruption of client IT integration projects in 2004 as a result of the need to freeze control

environments through the end of fiscal reporting periods in order to support Sarbanes-Oxley compliance. Reimbursements as a percentage of revenues were 10% and 11% during fiscal years 2004 and 2003, respectively. In fiscal year 2004, one customer had revenues greater than 5% of total revenues, accounting for 7% of total revenues. In fiscal year 2003, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 20% of total revenues. With respect to our largest customer in 2004, our contract can be cancelled for convenience by the customer upon 30 days' notice. Our project with this customer expires on September 2005. We do not anticipate any credit and/or collection issues with this customer. As is customary with most of our significant relationships, we may be able to continue with new and follow-on projects as this initiative progresses into subsequent phases. However, there is no assurance that we will be able to renew this contract. The cancellation or significant reduction in the use of services from our key customer could have a material adverse effect on our results of operations.

Project Personnel and Expenses. Project personnel costs and expenses primarily consist of salaries, benefits and incentive compensation for consultants and reimbursable expenses associated with projects. Project personnel costs and expenses increased 2.8% to $90.0 million in 2004 from $87.5 million in 2003. This slight increase was primarily attributable to an increase in the number of consultants in order to balance workforce capacity with market demand for services, partially offset by lower average cost per consultant. Consultant headcount was 550 as of December 31, 2004 compared to 483 as of January 2, 2004. Project personnel and expenses as a percentage of revenues decreased to 63% during 2004 from 66% in 2003, primarily as the result of lower average cost per consultant attributable to the addition of lower cost offshore resources as part of the acquisition of EZ Commerce.

Selling, General and Administrative. Selling, general and administrative expenses increased 10.3% to $48.5 million in 2004 from $44.0 million in 2003. The overall increases in selling, general and administrative expenses were primarily due to additional sales personnel and recruiting expenses to accommodate the growth in our benchmarking and business advisory services, partially offset by lower legal fees. Selling, general and administrative expenses as a percentage of revenues increased to 34% in 2004 from 33% in 2003. The increase is primarily attributable to the increase in selling and recruiting expenses for our benchmarking and business advisory services, partially offset by the impact of fixed expenses on higher levels of revenue in 2004 as compared to 2003.

Restructuring Costs and Discontinued Operations. Restructuring costs were $3.7 million and $4.9 million in 2004 and 2003, respectively. Restructuring costs in 2004 and 2003 relate to increases in previously established reserves for the closure and consolidation of facilities. Existing reserves were increased to account for higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease facilities based on current market conditions. Also in 2004, the restructuring accrual was reduced by $370 thousand relating to the final settlement of a lease obligation for our discontinued interactive marketing business. This amount was recorded as income from discontinued operations in the consolidated statement of operations for the year ended December 31, 2004.

Stock Compensation Expense. Stock compensation expense of $2.3 million and $1.2 million in 2004 and 2003, respectively, primarily related to our outstanding restricted stock units which were granted in July 2003 in connection with a voluntary stock exchange program. Restricted stock unit expense is based on the vesting provisions of the restricted stock units and the fair market value of the stock on the grant date. We expect to incur approximately $600 thousand of stock compensation expense per quarter over the remaining vesting period of the restricted stock units. Most of the restricted stock units fully vest in the third quarter of 2007. In addition, as of December 31, 2004 we had 182,858 stock options accounted under variable plan accounting pursuant to FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans.* During 2004 and 2003, variable plan accounting resulted in $62 thousand and $103 thousand of stock compensation expense, respectively.

Income Taxes. In 2004 and 2003, we recorded $324 thousand and $350 thousand, respectively, of income tax expense for certain state and foreign taxes, which represented 167.6% and 7.8% of our pre-tax loss, respectively. We did not recognize an income tax benefit for federal and state taxes due to the establishment of a valuation allowance for the tax benefit generated on losses during 2004 and 2003. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

In 2002, we discontinued our interactive marketing business which was acquired with THINK New Ideas. In connection therewith, we claimed a worthless stock deduction for our investment in THINK New Ideas in our 2002

tax return as a result of the discontinuance of THINK New Ideas. We voluntarily requested that the Internal Revenue Service ("IRS") review this position on an expedited basis. On August 5, 2004, we reached an agreement with the IRS representing the final step in the review process. Pursuant to the agreement, the IRS agreed that we are entitled to a worthless stock deduction of $77.3 million on our 2002 tax return. Including this deduction, we have approximately $74 million of U.S. federal net operating loss carryforwards as of December 31, 2004.

Comparison of 2003 to 2002

Overview. We reported a net loss of $4.8 million in 2003 compared to a net loss of $69.0 million in 2002. Our $4.8 million loss during 2003 included restructuring costs of $4.9 million and non-cash stock compensation expense of $1.2 million. The restructuring costs related to increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities. The compensation expense was primarily related to the issuance of restricted stock units to employees at a senior director level or above pursuant to a voluntary stock option exchange program which ended on July 14, 2003. Our $69.0 million net loss during 2002 included a $31.2 million cumulative effect of change in accounting principle as a result of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets,* a non-cash goodwill impairment charge of $20.0 million, restructuring costs of $10.9 million and a loss from discontinued operations of $8.9 million related to our interactive marketing business.

Revenues. Revenues decreased 25.1% to $132.4 million in 2003 from $176.8 million in 2002. The decrease in revenues was primarily attributable to lower revenues from a few of our larger customers due to the completion of some of their larger projects, as well as lower demand for information technology services as clients continued to reduce or defer expenditures for these services in 2003. Reimbursements as a percentage of revenues were 11% and 12% during fiscal years 2003 and 2002, respectively. In fiscal year 2003, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 20% of total revenues. In fiscal year 2002, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for 36% of total revenues.

Project Personnel and Expenses. Project personnel costs and expenses consist primarily of salaries, benefits and incentive compensation for consultants. Project personnel costs and expenses decreased 30.3% to $87.5 million in 2003 from $125.5 million in 2002. The decrease in project personnel and expenses was primarily due to the reduction in the number of consultants in order to balance workforce capacity with market demand for services. Consultant headcount was 483 as of January 2, 2004 compared to 620 as of January 3, 2003. Project personnel and expenses as a percentage of revenues decreased to 66.1% in 2002 from 71.0% in 2002. This decrease was primarily the result of higher utilization of consultants during 2003 compared to 2002, partially offset by slightly higher average cost per consultant attributable to a greater percentage of senior resources during 2003 compared to 2002.

Selling, General and Administrative. Selling, general and administrative expenses decreased 17.7% to $44.0 million in 2003 from $53.4 million in 2002. The overall decrease in selling, general and administrative expenses was primarily due to our continued cost control initiatives and reduced discretionary spending. We reduced functional support headcount and as a result incurred $755 thousand of severance costs in 2003 compared to $202 thousand in 2002. Additionally, we incurred lower recruiting, selling, marketing and bad debt expenses and reduced property and facility expenses as a result of a decrease in the number of offices from 12 at the end of 2002 to 9 at the end of 2003. These reductions in expenses were partially offset by an increase in selling, general and administrative expenses for our benchmarking and business advisory services related to an increased sales force and other administrative personnel. Selling, general and administrative expenses as a percentage of revenues increased to 33% in 2003 from 30% in 2002. This is primarily attributable to increased selling, general and administrative expenses in our benchmarking and business advisory services and the impact of fixed expenses on a lower level of revenues in 2003 compared to 2002.

Impairment of Goodwill and Cumulative Effect of Change in Accounting Principle. We adopted Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets,* during the first quarter of 2002. The new accounting rule eliminated the amortization of goodwill and changed the method of determining whether there is a goodwill impairment from an undiscounted cash flow method to a fair value method. As a result of the adoption of this standard, we incurred a non-cash transitional impairment charge of $31.2 million in the first quarter of 2002 due to the cumulative effect of a change in accounting principle. The new statement also requires that goodwill be tested for impairment on an annual basis and between annual tests in certain circumstances. We

performed an impairment test primarily as a result of the decline in our stock price and that of our peer group during the third quarter of 2002 and recorded a non-cash impairment charge of $20.0 million.

Restructuring Costs. Restructuring costs were $4.9 million and $10.9 million in 2003 and 2002, respectively. Restructuring costs in 2003 relate to an increase in previously established reserves recorded in the fourth quarters of 2002 and 2001 for the closure and consolidation of facilities. Existing reserves were increased to account for potentially higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease facilities. The 2002 costs consisted of $1.5 million for reduction in consultants and functional support personnel and $9.4 million for closure and consolidation of facilities and related exit costs, including a $5.0 million write-off of leasehold improvements and other assets. The 2002 restructuring plan involved the termination of approximately 100 employees. These actions were taken as a result of the continued decline in demand for technology services throughout 2002 and 2003. We took steps to reduce our costs to better align our overall cost structure and organization with anticipated demand for our services.

Stock Compensation Expense. Stock compensation expense in 2003 primarily related to the issuance of restricted stock units under a voluntary stock option exchange program, which ended on July 14, 2003. This program involved voluntary stock option exchanges for employees at a senior director level or above who had been with the Company since July 4, 2002. We recorded non-cash compensation expense of $1.1 million for the year ended January 2, 2004 based on the vesting provisions of the restricted stock units and the fair market value of the stock on the grant date.

Income Taxes. In 2003, we recorded $350 thousand of income tax expense for state and foreign taxes, which represented 7.8% of our pre-tax loss. We did not recognize an income tax benefit for federal and state taxes due to the establishment of a valuation allowance for the tax benefit generated on losses during 2003. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We recorded an income tax benefit of $3.5 million in 2002, which represented 10.8% of our 2002 loss before discontinued operations and cumulative effect of change in accounting principle. The low effective tax rate for 2002 was primarily due to the $20.0 million charge for the impairment of goodwill which was not deductible for tax purposes and to the establishment of a valuation allowance on our net deferred tax assets that existed at the end of the year.

Loss from Discontinued Operations. Results for 2002 included a net loss of $8.9 million from the discontinued operations of our interactive marketing business. The operating results of the interactive marketing business have been reported as discontinued operations and results for prior periods have been restated. The 2002 loss from discontinued operations includes restructuring costs of $3.4 million for reduction in consultants and for closure and consolidation of facilities and related exit costs. For the year ended January 3, 2003, total revenues for discontinued operations were $7.2 million.

Liquidity and Capital Resources

We have funded our operations primarily with cash flow generated from operations and the proceeds from our initial public offering. At December 31, 2004, we had $38.9 million of cash and cash equivalents compared to $54.4 million at January 2, 2004. We had $3.0 million at December 31, 2004 and January 2, 2004, on deposit with a financial institution as collateral for letters of credit and have classified this deposit as restricted cash on the accompanying consolidated balance sheets. We also had marketable investments of $9.9 million and $10 million at December 31, 2004 and January 2, 2004, respectively.

There were no material capital commitments at December 31, 2004. The following summarizes our lease commitments under non-cancelable operating leases for premises at December 31, 2004 (in thousands):

Less than 1 year	$ 5,240
1–3 years	10,050
4–5 years	9,096
After 5 years	14,558
	38,944
Less: sublease income	8,581
Total minimum lease payments, less sublease income	$30,363

Net cash provided by operating activities was $2.4 million in 2004 compared to $9.9 million for 2003. During 2004, net cash provided by operating activities was primarily attributable to $8.6 million of non-cash expenses offset by a $3.2 million increase in accounts receivable and unbilled revenue and a decrease of $3.0 million in accrued expenses and other liabilities. Non-cash expenses included depreciation and amortization, non-cash compensation expense and provision for doubtful accounts. During 2003, net cash provided by operating activities was primarily attributed to $6.0 million of non-cash expenses, a $10.1 million decrease in prepaid expenses and other assets primarily related to an $8.5 million tax refund received in the second quarter of 2003, and a $1.3 million decrease in accounts receivable and unbilled revenue. These effects were partially offset by our net loss of $4.8 million, a $2.1 million decrease in accounts payable and a $600 thousand decrease in accrued expenses and other liabilities.

Net cash used in investing activities was $10.4 million in 2004 compared to net cash provided by investing activities of $13.4 million in 2003. The uses of cash for investing activities in 2004 were primarily attributable to $7.2 million used in the acquisition of a business and $3.2 million for purchases of property and equipment. Net cash provided by investing activities in 2003 was attributable to proceeds of $76.5 million from sales of marketable investments, partially offset by purchases of $58.5 million of marketable investments, $1.2 million for purchases of property and equipment and $3.3 million used in the acquisition of a business.

Net cash used in financing activities was $7.6 million in 2004 compared to $4.2 million during 2003. During 2004 cash used in financing activities consisted of $10.5 million for the repurchase of our common stock, partially offset by proceeds of $2.9 million from the sale of stock through our Employee Stock Purchase Plan, and from the exercises of our common stock options. Cash used in financing activities during 2003 consisted of $5.5 million for repurchases of our common stock, offset by $1.3 million of proceeds from the sale of stock through our Employee Stock Purchase Plan, and from exercises of stock options.

On July 30, 2002, we announced that our Board of Directors approved the repurchase of up to $5.0 million of our common stock. During the second quarter of 2003, and the second, third and fourth quarters of 2004, our Board of Directors approved the repurchase of an additional $5.0 million of our common stock for each of these four quarters, thereby increasing the total program size to $25 million. Under the repurchase plans, we may buy back shares of our outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of December 31, 2004, we had repurchased 5,526,855 shares of our common stock at an average price of $3.29 per share. In June 2003, we repurchased 465,120 shares from the Company's President, who is also a director, at $2.15 per share. We hold repurchased shares of our common stock as treasury stock.

In May 2004, the Company purchased the U.S. and India operations of EZCommerce Global Solutions, Inc., a business specializing in the dual-shore implementation of primarily SAP and, to a lesser extent, Oracle software. The purchase price for this acquisition was $9.0 million in cash, which included $3.0 million of deferred payments payable in equal installments on the first and second anniversary of the purchase. In addition, approximately $3.0 million of contingent consideration will be payable over the next two years if certain earnings goals are achieved. In July 2003, we purchased the assets of Beacon Analytics, Inc., a business performance management consulting company focusing on the implementation of Hyperion software. The purchase price for this acquisition was $4.0 million in cash and approximately $2.5 million of contingent consideration due over the next three years if certain earnings goals are achieved. In 2004, we paid $1.1 million of earned contingent consideration.

We currently believe that available funds and cash flows generated by operations, if any, will be sufficient to fund our working capital and capital expenditures requirements for at least the next twelve months. We may decide to raise additional funds in order to fund expansion, to develop new or enhanced products and services, to respond to competitive pressures or to acquire complementary businesses or technologies. There is no assurance, however, that additional financing will be available when needed or desired.

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board issued SFAS 123 (revised 2004), *Share-Based Payment, ("SFAS 123R")*. SFAS 123R addresses the accounting for share-based payments to employees, including grants of employee stock options. Under the new standard, companies will no longer be able to account for share-based compensation transactions using the intrinsic method in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees*. Instead, companies will be required to account for such transactions using a fair-value method and recognize the expense in the consolidated statement of income. SFAS 123R will be effective for periods beginning after June 15, 2005 and allows, but does not require, companies to restate the full fiscal year of 2005

to reflect the impact of expensing share-based payments under SFAS 123R. We have not yet determined which fair-value method and transitional provision we will follow, or if the adoption of SFAS 123R will have a significant impact on our results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At December 31, 2004, our exposure to market risk related primarily to changes in interest rates on our investment portfolio. Our marketable investments consist primarily of short-term variable interest rate securities. We invest only with high credit quality issuers and we do not use derivative financial instruments in our investment portfolio. We do not believe that a significant increase or decrease in interest rates would have a material impact on the fair value of our investment portfolio.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ANSWERTHINK, INC.

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Report of Independent Registered Certified Public Accounting Firm

To the Board of Directors and Shareholders
of Answerthink, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of shareholders' equity and comprehensive income (loss) and of cash flows present fairly, in all material respects, the financial position of Answerthink, Inc. and its subsidiaries at December 31, 2004 and January 2, 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Miami, Florida
March 14, 2005

ANSWERTHINK, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 31, 2004	January 2, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,890	$ 54,441
Accounts receivable and unbilled revenue, net of allowance of $2,109 and $1,757 in 2004 and 2003, respectively	28,883	24,877
Prepaid expenses and other assets	3,459	4,260
Total current assets	71,232	83,578
Marketable investments	9,902	10,000
Restricted cash	3,000	3,000
Property and equipment, net	7,568	8,714
Other assets	3,245	3,211
Goodwill, net	33,786	26,720
Total assets	$ 128,733	$ 135,223
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,462	$ 3,793
Accrued expenses and other liabilities	17,910	20,959
Total current liabilities	21,372	24,752
Accrued expenses and other liabilities, non-current	7,507	5,236
Total liabilities	28,879	29,988
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $.001 par value, 1,250,000 shares authorized, none issued and outstanding	—	—
Common stock, $.001 par value, authorized 125,000,000 shares; issued: 48,969,181 shares at December 31, 2004; 48,290,640 shares at January 2, 2004	49	48
Additional paid-in capital	277,356	274,481
Unearned compensation	(6,011)	(8,367)
Treasury stock, at cost, 5,526,855 shares at December 31, 2004 and 3,550,279 shares at January 2, 2004	(18,178)	(7,686)
Accumulated deficit	(153,389)	(153,241)
Accumulated other comprehensive income	27	—
Total shareholders' equity	99,854	105,235
Total liabilities and shareholders' equity	$ 128,733	$ 135,223

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Year Ended		
	December 31, 2004	January 2, 2004	January 3, 2003
Revenues:			
Revenues before reimbursements	$129,339	$117,945	$156,357
Reimbursements	14,208	14,442	20,490
Total revenues	143,547	132,387	176,847
Costs and expenses:			
Project personnel and expenses:			
Project personnel and expenses before reimbursable expenses	75,774	73,061	104,981
Reimbursable expenses	14,208	14,442	20,490
Total project personnel and expenses	89,982	87,503	125,471
Selling, general and administrative expenses	48,491	43,951	53,416
Impairment of goodwill	—	—	20,000
Restructuring costs	3,749	4,875	10,886
Stock compensation expense	2,321	1,236	—
Total costs and operating expenses	144,543	137,565	209,773
Loss from operations	(996)	(5,178)	(32,926)
Other income (expense):			
Interest income	866	706	766
Interest expense	(64)	—	(196)
Loss before income taxes, income (loss) from discontinued operations and cumulative effect of change in accounting principle	(194)	(4,472)	(32,356)
Income taxes	324	350	(3,508)
Loss from continuing operations	(518)	(4,822)	(28,848)
Income (loss) from discontinued operations, net of income taxes	370	—	(8,911)
Loss before cumulative effect of change in accounting principle	(148)	(4,822)	(37,759)
Cumulative effect of change in accounting principle	—	—	(31,200)
Net loss	$ (148)	$ (4,822)	$ (68,959)
Basic net loss per common share:			
Loss from continuing operations	$ (0.01)	$ (0.11)	$ (0.62)
Income (loss) from discontinued operations, net of income taxes	$ 0.01	$ —	$ (0.19)
Cumulative effect of change in accounting principle	$ —	$ —	$ (0.68)
Net loss per common share	$ (0.00)	$ (0.11)	$ (1.49)
Weighted average common shares outstanding	44,188	45,140	46,348
Diluted net loss per common share:			
Loss from continuing operations	$ (0.01)	$ (0.11)	$ (0.62)
Income (loss) from discontinued operations, net of income taxes	$ 0.01	$ —	$ (0.19)
Cumulative effect of change in accounting principle	$ —	$ —	$ (0.68)
Net loss per common share	$ (0.00)	$ (0.11)	$ (1.49)
Weighted average common and common equivalent shares outstanding	44,188	45,140	46,348

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

(in thousands)

	Common Stock		Additional Paid-in	Treasury Stock		Unearned	Accumulated	Accumulated Other Comprehensive	Total Shareholders'	Comprehensive Income
	Shares	Amount	Capital	Shares	Amount	Compensation	Deficit	Income	Equity	(Loss)
Balance at December 28, 2001	45,880	$46	$257,115	—	$ —	$ —	$ (79,460)	$ —	$177,701	
Issuance of common stock	1,848	2	6,511	—	—	—	—	—	6,513	
Treasury stock purchased	—	—	—	(1,146)	(2,208)	—	—	—	(2,208)	
Net loss	—	—	—	—	—	—	(68,959)	—	(68,959)	$(68,959)
Total Comprehensive Loss	—	—	—	—	—	—	—	—	—	$(68,959)
Balance at January 3, 2003	47,728	$48	$263,626	(1,146)	$ (2,208)	$ —	$(148,419)	$ —	$113,047	
Issuance of common stock	563	—	1,252	—	—	—	—	—	1,252	
Treasury stock purchased	—	—	—	(2,404)	(5,478)	—	—	—	(5,478)	
Issuance of restricted stock units, net of cancellations	—	—	9,487	—	—	(9,487)	—	—	—	
Amortization of restricted stock units	—	—	—	—	—	1,120	—	—	1,120	
Stock compensation expense	—	—	13	—	—	—	—	—	13	
Variable stock options	—	—	103	—	—	—	—	—	103	
Net loss	—	—	—	—	—	—	(4,822)	—	(4,822)	$ (4,822)
Total Comprehensive Loss	—	—	—	—	—	—	—	—	—	$ (4,822)
Balance at January 2, 2004	48,291	$48	$274,481	(3,550)	$ (7,686)	$(8,367)	$(153,241)	$ —	$105,235	
Issuance of common stock	678	1	2,910	—	—	—	—	—	2,911	
Treasury stock purchased	—	—	—	(1,977)	(10,492)	—	—	—	(10,492)	
Issuance of restricted stock units, net of cancellations	—	—	(97)	—	—	97	—	—	—	
Amortization of restricted stock units	—	—	—	—	—	2,259	—	—	2,259	
Variable stock options	—	—	62	—	—	—	—	—	62	
Net loss	—	—	—	—	—	—	(148)	—	(148)	$ (148)
Unrealized holding losses on available for sale marketable investments	—	—	—	—	—	—	—	(98)	(98)	(98)
Foreign currency translations	—	—	—	—	—	—	—	125	125	125
Total Comprehensive Loss	—	—	—	—	—	—	—	—	—	$ (121)
Balance at December 31, 2004	48,969	$49	$277,356	(5,527)	$(18,178)	$(6,011)	$(153,389)	$ 27	$ 99,854	

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended		
	December 31, 2004	January 2, 2004	January 3, 2003
Cash flows from operating activities:			
Net loss	$ (148)	$ (4,822)	$(68,959)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	—	—	31,200
Impairment of goodwill	—	—	20,000
Write-off of leasehold improvements and other assets	—	—	5,217
Depreciation and amortization	5,177	4,954	5,327
Non-cash compensation expense	2,321	1,236	—
Provision for doubtful accounts	1,060	(235)	779
Deferred income taxes	—	—	4,961
Changes in assets and liabilities, net of effects from acquisitions:			
Decrease (increase) in accounts receivable and unbilled revenue	(3,210)	1,309	18,930
Decrease (increase) in prepaid expenses and other assets	920	10,075	(5,419)
Decrease in accounts payable	(707)	(2,066)	(230)
Decrease in accrued expenses and other liabilities	(2,974)	(586)	(4,776)
Net cash provided by operating activities	2,439	9,865	7,030
Cash flows from investing activities:			
Purchases of property and equipment	(3,199)	(1,225)	(4,044)
Increase in restricted cash	—	(91)	(2,909)
Purchases of marketable investments	(39,750)	(58,458)	(43,191)
Proceeds from sales, calls and maturities of marketable investments	39,750	76,508	39,350
Cash used in acquisition of businesses, net of cash acquired	(7,210)	(3,301)	(851)
Net cash provided by (used in) investing activities	(10,409)	13,433	(11,645)
Cash flows from financing activities:			
Proceeds from issuance of common stock	2,911	1,252	6,513
Repurchases of common stock	(10,492)	(5,478)	(2,208)
Net cash provided by (used in) financing activities	(7,581)	(4,226)	4,305
Net increase (decrease) in cash and cash equivalents	(15,551)	19,072	(310)
Cash and cash equivalents at beginning of year	54,441	35,369	35,679
Cash and cash equivalents at end of year	$ 38,890	$ 54,441	$ 35,369
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ —	$ —	$ 72
Cash paid for income taxes	$ 193	$ 110	$ 133

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of Business and Significant Accounting Policies

Nature of Business

Answerthink, Inc. (the "Company" or "Answerthink") is a strategic business advisory and technology consulting firm. Answerthink's capabilities include benchmarking, business advisory, business transformation, business applications, business intelligence, and offshore application development and support.

Principles of Consolidation

The consolidated financial statements and information herein include the accounts of Answerthink and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year

The Company's fiscal year generally consists of a 52-week period and periodically consists of a 53-week period because the fiscal year ends on the Friday closest to December 31. Fiscal years 2004, 2003, and 2002 ended on December 31, 2004, January 2, 2004 and January 3, 2003, respectively. Fiscal year 2002 was a 53-week period. References to a year included in this section refer to a fiscal year rather than a calendar year.

Cash and Cash Equivalents

The Company considers all short-term investments with maturities of three months or less when purchased to be cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the F.D.I.C. insurance limits. The Company has not experienced any loss to date on these investments.

Marketable investments

Marketable investments are available-for-sale securities which are recorded at fair market value. Unrealized gains and losses on these investments are reported in comprehensive income or loss and accumulated as a separate component of stockholders' equity, net of any related tax effect. Declines in value that are judged to be other than temporary result in a reduction of the carrying amount of the investment to fair value and the recognition of an impairment charge in other income (expense). Realized gains and losses from sales of available-for-sale securities were not material for any period presented. For the purpose of determining realized gains and losses, the cost of securities sold is based upon specific identification.

Accounts Receivables and Allowances for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the our clients not making required payments. Management makes estimates of the uncollectibility of the accounts receivables. Management critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts.

Property and Equipment, Net

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the assets ranging from three to five years. Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements are capitalized. The carrying amount of assets sold or retired and related accumulated depreciation are removed from the accounts in the year of disposal and any resulting gains or losses are included in the statement of operations.

1. Nature of Business and Significant Accounting Policies (continued)

The Company capitalizes the costs of internal-use software in accordance with Statement of Position No. 98-1 ("SOP 98-1), *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.* SOP 98-1 provides guidance on applying generally accepted accounting principles in addressing whether and under what conditions the costs of internal-use software should be capitalized. The Company capitalizes certain costs, which generally include hardware, software, and payroll related costs for employees who are directly associated with and who devote time to the development of internal-use computer software.

Goodwill and Other Intangible Assets

Effective December 29, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*. Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are reviewed at least annually for impairment. Other intangible assets will continue to be amortized over their estimated useful lives. SFAS No. 142 requires that goodwill be tested for impairment at the reporting unit level at adoption and at least annually thereafter, utilizing a "fair value" methodology versus an undiscounted cash flow method required under previous accounting rules. The Company evaluates the fair values of its reporting units utilizing various valuation techniques including discounted cash flow analysis. Based on the new method for recording impairment, the Company recognized a transitional impairment loss of $31.2 million as the cumulative effect of a change in accounting principle in the first quarter of 2002.

The new statement also requires that goodwill be tested for impairment on an annual basis and between annual tests in certain circumstances. The Company performed an impairment test primarily as a result of the decline in stock prices for the Company and its peer group during the quarter ended September 27, 2002 and recorded a non-cash impairment charge of $20.0 million. In our fiscal 2004 and 2003 annual analysis conducted in the fourth quarters of fiscal 2004 and 2003, respectively, we concluded that we did not have any additional impairment of goodwill.

Revenue Recognition

The Company principally derives revenues from fees for services generated on a project-by-project basis. Revenues for services rendered are recognized on a time and materials basis or on a fixed-fee or capped-fee basis. Revenues for time and materials contracts are recognized based on the number of hours worked by the Company's consultants at an agreed upon rate per hour and are recognized in the period in which services are performed. Revenues related to fixed-fee or capped-fee contracts are recognized on the proportional performance method of accounting based on the ratio of labor hours incurred to estimated total labor hours. This percentage is multiplied by the contracted dollar amount of the project to determine the amount of revenue to recognize in an accounting period. The contracted dollar amount used in this calculation excludes the amount the client pays for reimbursable expenses. There are situations where the number of hours to complete projects may exceed the Company's original estimate. These increases can be as a result of an increase in project scope, unforeseen events that arise, or the inability of the client or the delivery team to fulfill their responsibilities. On an on-going basis, the Company's project delivery, office of risk management and finance personnel review hours incurred and estimated total labor hours to complete projects and any revisions in these estimates are reflected in the period in which they become known.

Unbilled revenues represent revenues for services performed that have not been invoiced. If the Company does not accurately estimate the scope of the work to be performed, or does not manage the projects properly within the planned periods of time or does not meet the clients' expectations under the contracts, then future consulting margins may be negatively affected or losses on existing contracts may need to be recognized. Any such resulting reductions in margins or contract losses could be material to the Company's results of operations. Revenues before reimbursements exclude reimbursable expenses charged to clients. Reimbursements, which include travel and out-of-pocket expenses, are included in revenues, and an equivalent amount of reimbursable expenses is included in project personnel and expenses.

1. Nature of Business and Significant Accounting Policies (continued)

The agreements entered into in connection with a project, whether time and materials based or fixed-fee or capped-fee based, typically allow the Company's clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required to pay for all time, materials and expenses incurred by the Company through the effective date of the termination. In addition, from time to time the Company enters into agreements with clients that limit the Company's right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit the Company from performing a defined range of services that it might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Reimbursable Expenses

During the first quarter of 2002, the Company adopted Emerging Issues Task Force ("EITF") Issue No. 01-14, *Income Statement Characterization of Reimbursements Received for "Out of Pocket" Expenses Incurred.* In accordance with the provisions of EITF Issue No. 01-14, reimbursements received from customers for out-of-pocket expenses incurred by employees are classified as revenue in the statement of operations. Adoption of the provisions had no impact on the reported net loss or net loss per share.

Stock Compensation

The Company applies Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations in accounting for its stock option plans. The Company measures compensation expense related to the grant of stock options and stock-based awards to employees (including independent directors) in accordance with the provisions of APB No. 25. In accordance with APB Opinion No. 25, compensation expense, if any, is generally based on the difference between the exercise price of an option, or the amount paid for an award, and the market price or fair value of the underlying common stock at the date of the award or at the measurement date for variable awards. Stock-based compensation arrangements involving non-employees are accounted for under Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*, under which such arrangements are accounted for based on the fair value of the option or award.

Under SFAS No. 123, compensation cost for the Company's stock-based compensation plans would be determined based on the fair value at the grant dates for awards under those plans. The assumptions underlying the fair value calculations of the stock option grants are presented in Note 11. Had the Company adopted SFAS No. 123 in accounting for its stock option plans, the Company's consolidated net loss and net loss per share for the years ended December 31, 2004, January 2, 2004, January 3, 2003 would have been adjusted to the pro forma amounts indicated as follows (in thousands, expect per share data):

	Year Ended		
	December 31, 2004	January 2, 2004	January 3, 2003
Net loss, as reported	$ (148)	$ (4,822)	$(68,959)
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects	2,321	1,236	—
Deduct: Total stock-based employee pro forma compensation expense determined under fair value based method for all awards, net of related tax effects	(5,354)	(6,702)	(27,802)
Pro forma net loss	$(3,181)	$(10,288)	$(96,761)
Basic net loss per common share			
As reported	$ (0.00)	$ (0.11)	$ (1.49)
Pro forma	$ (0.07)	$ (0.23)	$ (2.09)
Diluted net loss per common share			
As reported	$ (0.00)	$ (0.11)	$ (1.49)
Pro forma	$ (0.07)	$ (0.23)	$ (2.09)

1. Nature of Business and Significant Accounting Policies (continued)

Included in the pro forma net loss for the year ended January 3, 2003 is $10.6 million of expense related to the reversal of pro forma accumulated deferred tax benefits established in previous years to provide a pro forma valuation allowance on all deferred tax assets.

Income Taxes

The Company records income taxes using the liability method. Under this method, the Company records deferred taxes based on temporary taxable and deductible differences between the tax bases of the Company's assets and liabilities and their financial reporting bases. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. With regard to restricted stock or restricted stock units issued to employees, the calculation includes only the vested portion of such stock.

Net income (loss) per share assuming dilution is computed by dividing the net income (loss) by the weighted average number of common shares outstanding, increased by the assumed conversion of other potentially dilutive securities during the period.

Potentially dilutive shares were excluded from the diluted loss per share calculation for the years ended December 31, 2004, January 2, 2004 and January 3, 2003 because their effects would have been anti-dilutive to the loss incurred by the Company. Therefore, the amounts reported for basic and diluted net loss per share were the same for those years. Potentially dilutive shares which were not included in the diluted loss per share calculation for the years ending December 31, 2004, January 2, 2004 and January 3, 2003 were 3,601,100 shares, 1,806,963 shares and 333,644 shares, respectively, of unvested restricted stock issued to employees and 667,728 shares, 289,647 shares and 310,478 shares, respectively, of common stock issuable upon the exercise of stock options and warrants following the treasury stock method.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, marketable investments, accounts receivable and unbilled revenue, accounts payable, and accrued expenses and other liabilities. At December 31, 2004, and January 2, 2004, the fair value of these instruments approximated their carrying value.

Concentration of Credit Risk

The Company provides services primarily to Global 2000 companies and other sophisticated buyers of business consulting and IT services. The Company performs ongoing credit evaluations of its major customers and maintains reserves for potential credit losses. In fiscal year 2004, one customer had revenues greater than 5% of total revenues, accounting for approximately 7% of total revenues. In fiscal year 2003, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 20% of total revenues. In fiscal year 2002, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 36% of total revenues.

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Nature of Business and Significant Accounting Policies (continued)

Other Comprehensive Income (Loss)

Other comprehensive income consists of unrealized gains and losses on available-for-sale securities, and cumulative foreign currency translation adjustments.

Translation of Non-U.S. Currency Amounts

The net assets and operations of entities outside of the United States are translated into U.S. dollars. Assets and liabilities are translated at year-end exchange rates and income and expense items are translated at average exchange rates prevailing during the year. Translation adjustments are included in accumulated other comprehensive income (loss). Gains and losses arising from intercompany foreign currency transactions that are of a long-term-investment nature are reported in the same manner as translation adjustments.

Segment Reporting

The Company engages in business activities in one operating segment, which provides business and technology consulting services.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued SFAS 123 (revised 2004), *Share-Based Payment, ("SFAS 123R").* SFAS 123R addresses the accounting for share-based payments to employees, including grants of employee stock options. Under the new standard, companies will no longer be able to account for share-based compensation transactions using the intrinsic method in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees.* Instead, companies will be required to account for such transactions using a fair-value method and recognize the expense in the consolidated statement of income. SFAS 123R will be effective for periods beginning after June 15, 2005 and allows, but does not require, companies to restate the full fiscal year of 2005 to reflect the impact of expensing share-based payments under SFAS 123R. The Company has not yet determined which fair-value method and transitional provision it will follow, or if the adoption of SFAS 123R will have a significant impact on its results of operations.

Reclassifications

Certain prior year amounts in the consolidated financial statements have been reclassified to conform current year presentation, including reflecting the gross purchases and sales of investment grade variable rate securities as investing activities rather than as a component of cash and equivalents. This reclassification did not affect previously reported cash flows from operations.

2. Acquisitions and Investing Activities

During the three year period ended December 31, 2004, the Company acquired four businesses providing information technology services (collectively, the "Acquired Entities") in separate transactions. One was completed in 2004, one was completed in 2003, and two were completed in 2002. Aggregate consideration for the Acquired Entities was $11.4 million. This amount has been allocated, on an entity-by-entity basis, to the assets acquired and liabilities assumed based on their respective fair values on the dates of acquisition.

The components of the purchase price allocation for the Acquired Entities, contingent consideration earned for previous acquisitions, and fees and expenses incurred are as follows (in thousands):

	2004	2003	2002
Fair value of net assets (excluding cash) acquired	$ 1,121	$1,264	$851
Goodwill	7,066	—	—
Intangible assets	1,943	2,287	—
Deferred payment	(2,920)	—	—
Accrued earn-out	—	(250)	—
Cash used in acquisitions of businesses, net of cash acquired	$ 7,210	$3,301	$851

2. Acquisitions and Investing Activities (continued)

These acquisitions have been accounted for using the purchase method of accounting. Accordingly, the results of the acquisitions are included in the Company's consolidated results of operations from the respective dates of acquisition. For each acquisition, the excess of the purchase price including any contingent consideration over the estimated fair value of the net identifiable assets acquired has been recorded as goodwill and/or intangible assets. The pro forma impact of the acquisitions completed in 2004, 2003 and 2002 was not significant to the results of the Company's consolidated operations for the years ended December 31, 2004, January 2, 2004 and January 3, 2003.

In May 2004, the Company purchased the US and India operations of EZCommerce Global Solutions, Inc., a business specializing in the dual-shore implementation of primarily SAP and, to a lesser extent, Oracle software. The purchase price for this acquisition was $9.0 million in cash, which included $3.0 million of deferred payments payable in equal installments on the first and second anniversary of the purchase. In addition, approximately $3.0 million of contingent consideration will be payable over the next two years if certain earnings goals are achieved. The excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets acquired has been recorded as $1.4 million of intangible assets and $6.5 million of goodwill. The intangible assets are being amortized over periods ranging from 8 months to 4 years.

In July 2003, the Company purchased the assets of Beacon Analytics, Inc., a business performance management consulting company focusing on the implementation of Hyperion software. The purchase price for this acquisition was $4.0 million in cash and approximately $2.5 million of contingent cash consideration due over the next three years if certain earnings goals are achieved. The excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets which totaled $2.0 million has been recorded as intangible assets and are being amortized over periods ranging from 6 months to 3 years. During 2004, the Company paid $1.1 million for earned contingent consideration related to the purchase of Beacon. Of this amount, $566 thousand was recorded as intangible assets and $528 thousand as goodwill.

The Company includes its acquired intangible assets with definitive lives in other assets in the accompanying consolidated balance sheets. As of December 31, 2004 and January 2, 2004, intangible assets totaled approximately $2.3 million and $2.4 million, respectively, net of accumulated amortization of $3.1 million and $1.1 million, respectively. Acquired intangible assets with definite lives are amortized over periods ranging from 6 months to 4 years. Amortization expense for such intangible assets was $2.0 million, $893 thousand and $208 thousand for the fiscal years ended December 31, 2004, January 2, 2004 and January 3, 2003, respectively. As of December 31, 2004, the Company estimates remaining amortization expense to be approximately $1.6 million, $645 thousand and $90 thousand in fiscal years 2005, 2006 and 2007, respectively.

3. Accounts Receivable and Unbilled Revenue, Net

Accounts receivable and unbilled revenues, net consists of the following (in thousands):

	December 31, 2004	January 2, 2004
Accounts receivable	$24,932	$18,632
Unbilled revenue	6,060	8,002
Allowance for doubtful accounts	(2,109)	(1,757)
	$28,883	$24,877

4. Marketable investments

At December 31, 2004 and January 2, 2004, all of the Company's marketable securities were U.S. Government Agencies and were classified as available for sale. Marketable investments are carried on the balance sheet at their fair value.

The following tables summarize the Company's marketable investments (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
2004				
U.S. Government Agencies	$10,000	$ —	$(98)	$ 9,902
2003				
U.S. Government Agencies	$10,000	$ —	$ —	$10,000

Contractual maturities of marketable investments at December 31, 2004 are as follows (in thousands):

	Amortized Cost	Market Value
Less than one year	$ —	$ —
Due in 1–2 years	10,000	9,902
Due in 3–5 years	—	—
Due after 5 years	—	—
	$10,000	$9,902

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations. Gross realized gains and losses on the sale of securities were not material to the Company's consolidated results of operations for the years ended December 31, 2004, January 2, 2004 and January 3, 2003.

5. Property and Equipment

Property and equipment consists of the following (in thousands):

	December 31, 2004	January 2, 2004
Equipment	$ 8,997	$ 12,736
Furniture and fixtures	149	385
Software	5,478	6,892
Leasehold improvements	3,310	5,123
	17,934	25,136
Less accumulated depreciation	(10,366)	(16,422)
	$ 7,568	$ 8,714

During fiscal years 2004 and 2002, write-offs of $1.2 million and $5.0 million for leasehold improvements and other assets were recorded as part of the restructuring costs.

Depreciation expense for the years ended December 31, 2004, January 2, 2004 and January 3, 2003 was $3.2 million, $4.1 million and $5.1 million, respectively. Of these amounts, $1.0 million was included in the loss from discontinued operations in the consolidated statements of operations for the year ended January 3, 2003.

6. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following (in thousands):

	December 31, 2004	January 2, 2004
Accrued compensation and benefits	$ 4,418	$ 5,364
Accrued restructuring related expenses	2,021	4,835
Deferred revenue	4,680	4,850
Other accrued expenses	5,355	5,910
Acquisition related deferred payment	1,436	—
Current accrued expenses and other liabilities	17,910	20,959
Accrued restructuring related expenses — non-current	6,023	5,236
Acquisition related deferred payment — non-current	1,484	—
Non-current accrued expenses and other liabilities	7,507	5,236
Total accrued expenses and other liabilities	$25,417	$26,195

7. Letters of Credit

The Company has outstanding letters of credit of $2.6 million to secure our obligations on various operating leases. The Company has deposited $3.0 million at December 31, 2004 and January 2, 2004, with a financial institution as collateral for these letters of credit and has classified this deposit as restricted cash on the accompanying consolidated balance sheets.

8. Lease Commitments

The Company has operating lease agreements for its premises that expire on various dates through 2015. Rent expense for the years ended December 31, 2004, January 2, 2004 and January 3, 2003 was $2.0 million, $2.2 million and $4.9 million, respectively.

Future minimum lease commitments under non-cancelable operating leases for premises having a remaining term in excess of one year at December 31, 2004 are as follows (in thousands):

2005	$ 5,240
2006	5,246
2007	4,804
2008	4,573
2009	4,523
Thereafter	14,558
	38,944
Less: sublease income	8,581
Total minimum lease payments, less sublease income	$30,363

9. Income Taxes

The components of the tax expense (benefit) for income taxes are as follows (in thousands):

	Year Ended		
	December 31, 2004	January 2, 2004	January 3, 2003
Current tax expense (benefit)			
Federal	$ —	$ —	$(8,469)
State	231	262	—
Foreign	93	88	—
	324	350	(8,469)
Deferred tax expense			
Federal	—	—	4,697
State	—	—	—
Foreign	—	—	264
	—	—	4,961
Income taxes	$324	$350	$(3,508)

A reconciliation of the federal statutory tax rate with the effective tax rate is as follows:

	Year Ended		
	December 31, 2004	January 2, 2004	January 3, 2003
U.S. statutory income tax (benefit) rate	(35.0)%	(35.0)%	(35.0)%
State income taxes, net of Federal income tax benefit	77.7	3.8	—
Loss on investment in subsidiary	2,573.4	(129.6)	(85.2)
Valuation allowance	(2,559.2)	166.4	87.2
Impairment of goodwill	—	—	21.6
Other, net	110.7	2.2	0.6
Effective rate	167.6%	7.8%	(10.8)%

The components of the net deferred income tax asset are as follows (in thousands):

	December 31, 2004	January 2, 2004
Deferred income tax assets:		
Purchased research and development	$ 817	$ 921
Allowance for doubtful accounts	833	615
Net operating loss and tax credits carryforward	30,581	36,121
Accrued expenses and other liabilities	6,373	5,906
	38,604	43,563
Valuation allowance	(35,360)	(40,818)
	3,244	2,745
Deferred income tax liabilities:		
Depreciation and amortization	(2,060)	(1,627)
Other items	(1,184)	(1,118)
	(3,244)	(2,745)
Net deferred income tax asset	$ —	$ —

9. Income Taxes (continued)

At December 31, 2004 and January 2, 2004, the Company had $74.0 million and $88.0 million, respectively, of U.S. federal net operating loss carryforwards available for tax purposes, most of which expire in 2022 if not utilized.

In 2002, the Company discontinued its interactive marketing business which was acquired with THINK New Ideas. The Company claimed a worthless stock deduction for its investment in THINK New Ideas in its 2002 tax return as a result of the discontinuance of THINK New Ideas. The Company voluntarily requested that the Internal Revenue Service ("IRS") review this position on an expedited basis. On August 5, 2004, the Company reached an agreement with the IRS representing the final step in the review process. Pursuant to the agreement, the Company and the IRS agreed that the Company was entitled to a worthless stock deduction of $77.3 million on the Company's 2002 tax return.

The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. At December 31, 2004 and January 2, 2004, the Company had established a valuation allowance of $35.4 million and $40.8 million, respectively, to reduce deferred income tax assets primarily related to net operating loss carryforwards.

10. Shareholders' Equity

Securities Purchase Agreement

In March 1999, THINK New Ideas entered into a securities purchase agreement (the "Securities Purchase Agreement") with Capital Ventures International and Marshall Capital Management, Inc. (the "Purchasers") whereby the Purchasers agreed to purchase shares of common stock and warrants to acquire shares of common stock. Pursuant to the Securities Purchase Agreement, on March 5, 1999, THINK New Ideas issued, for proceeds of $6 million, 609,799 shares of its common stock at $9.84 per share. In connection with this agreement, at any time prior to March 5, 2000 the Purchasers also had the right but not the obligation to purchase 371,353 additional shares of common stock at $13.46 per share, together with warrants for 1/5 share for each additional share purchased, exercisable at an exercise price of 150% of the market price on the date the related additional shares were purchased. Pursuant to the Securities Purchase Agreement, the additional shares were sold in March 2000 for $5.0 million and warrants to acquire 74,270 shares of common stock, exercisable for a five-year term, were issued at an exercise price of $36.94. All of these warrants were outstanding as of December 31, 2004.

Stock Plans

Effective July 1, 1998, the Company adopted an Employee Stock Purchase Plan to provide substantially all employees who have completed three months of service as of the beginning of an offering period an opportunity to purchase shares of its common stock through payroll deductions. Purchases on any one grant are limited to 10% of eligible compensation. Participant account balances are used to purchase shares of stock at the lesser of 85 percent of the fair market value of shares on the first trading day of the six-month offering period or on the last trading day of such offering period. The aggregate fair market value, determined as of the first trading date of the offering period, as to shares purchased by an employee may not exceed $25,000 annually. The Employee Stock Purchase Plan expires on July 1, 2008. A total of 4,275,000 shares of common stock are available for purchase under the plan with a limit of 400,000 shares of common stock to be issued per offering period. For plan years 2004, 2003 and 2002, 316,889 shares, 455,482 shares and 734,047 shares, respectively, were issued.

The Company has granted stock options to employees and directors of the Company at exercise prices equal to the market value of the stock at the date of grant. The options generally vest ratably over four years with a maximum term of 10 years. The number of shares available for future issuance at December 31, 2004 is 10,882,169 shares.

On June 11, 2003, the Company commenced two tender offer programs involving voluntary stock option exchanges for the Company's employees. The offering periods for the two stock option exchange programs ended on July 14, 2003.

10. Shareholders' Equity (continued)

One program was offered to employees at a director level or below. Under this exchange program, employees holding nonqualified or incentive stock options to purchase the Company's common stock with an exercise price of $4.50 or more were given the opportunity to exchange their existing options for new options to purchase shares of the Company's common stock equal to an amount depending on the exercise price of the surrendered options. Options for 521,991 shares were tendered on July 14, 2003 in the exchange program. On January 15, 2004, the Company granted 163,995 options to purchase shares of the Company's common stock in exchange for the options tendered. The new options were granted six months and one day after acceptance of the old options for exchange and cancellation. The exercise price of the new options was $6.34, which was the last reported sale price of the Company's common stock on the Nasdaq Stock Market's National Market on January 15, 2004. The new options vest over a two-year period from the date of grant.

The other program was offered to employees at a senior director level or above who had been with the Company since July 4, 2002. Under this exchange program, employees holding nonqualified options to purchase the Company's common stock with an exercise price of $2.80 or more were given the opportunity to exchange their existing options for restricted stock units which were granted on a one-to-one ratio and are subject to a new four-year vesting schedule. On July 14, 2003, the Company accepted for cancellation options to purchase 3,826,561 shares of the Company's common stock representing 95% of the 4,045,182 options that were eligible to be tendered in the exchange program. Pursuant to the terms of the exchange program, the Company issued 3,826,561 restricted stock units in exchange for the options surrendered. Eligible options that were not exchanged are required to be accounted for under variable plan accounting pursuant to FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*. As of December 31, 2004, 182,858 remaining eligible options were outstanding. The weighted average exercise price of these remaining eligible options is $2.07. Variable plan accounting resulted in approximately $62 thousand and $103 thousand of stock compensation expense for the years ended December 31, 2004 and January 2, 2004, respectively.

As of December 31, 2004 and January 2, 2004 the Company had 3,476,996 and 3,618,209 restricted stock units outstanding, respectively, of which 3,385,223 and 3,585,636 related to the exchange program. The Company recorded non-cash compensation expense of $2.3 million and $1.2 million, respectively in 2004 and 2003, based on the vesting provisions of the restricted stock units and the fair market value of the stock on the grant date. The Company expects to incur approximately $600 thousand of stock compensation expense per quarter over the remaining vesting period of the restricted stock units which fully vest in the third quarter of 2007.

Stock option activity under the Company's stock option plans is summarized as follows:

	Year Ended					
	December 31, 2004		January 2, 2004		January 3, 2003	
	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,013,625	$5.69	8,263,971	$6.78	6,812,444	$8.42
Granted	1,425,744	6.19	2,149,238	2.96	5,594,518	5.46
Exercised	(361,652)	4.26	(125,779)	5.29	(824,356)	3.47
Canceled	(818,265)	7.19	(7,273,805)	6.15	(3,318,635)	8.69
Outstanding at end of year	3,259,452	$5.68	3,013,625	$5.69	8,263,971	$6.78
Weighted average fair value of options granted during the period	$ 4.33		$ 2.08		$ 3.83	

10. Shareholders' Equity (continued)

The following assumptions were used by the Company to determine the fair value of stock options granted using the Black-Scholes options-pricing model:

	Year Ended		
	December 31, 2004	January 2, 2004	January 3, 2003
Expected volatility	75% to 100%	100%	100%
Average expected option life	4 years	4 years	4 years
Risk-free rate	3.5%	2.5%	3.0%
Dividend yield	0%	0%	0%

The following table summarizes information about the Company's stock options outstanding at December 31, 2004:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.45–$2.74	400,661	7.6	$ 2.19	158,829	$ 2.17
$2.75–$3.79	493,725	6.6	3.34	340,420	3.52
$3.80–$5.35	195,499	8.0	4.85	56,832	4.98
$5.36–$5.99	392,868	7.8	5.58	180,126	5.55
$6.00–$6.20	408,948	4.4	6.03	405,450	6.03
$6.21–$6.25	817,500	9.1	6.25	—	—
$6.26–$6.99	216,146	8.5	6.42	21,297	6.68
$7.00–$9.99	186,099	6.4	8.34	112,562	8.73
$10.00–$32.56	148,006	4.2	15.82	148,006	15.82
	3,259,452	7.3	$ 5.68	1,423,522	$ 6.14

Treasury Stock

On July 30, 2002, the Company announced that its Board of Directors approved the repurchase of up to $5.0 million of the Company's common stock. During the second quarter of 2003, and the second, third and fourth quarters of 2004, the Board of Directors approved the repurchase of an additional $5 million of the Company's common stock for each of the these four quarters, thereby increasing the total program size to $25 million. Under the repurchase plans, the Company may buy back shares of its outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of December 31, 2004 and January 2, 2004, the Company had repurchased 5,526,855 shares and 3,550,279 shares of its common stock at an average price of $3.29 and $2.16 per share, respectively. The amount of shares repurchased includes 465,120 shares purchased in 2003 from the Company's president, who is also a director, at $2.15 per share. The Company holds repurchased shares of its common stock as treasury stock and accounts for treasury stock under the cost method.

Shareholder Rights Plan

On February 13, 2004, the Board of Directors of the Company adopted a Shareholder Rights Plan. Under the plan, a dividend of one preferred share purchase right (a "Right") was declared for each share of common stock of the Company that was outstanding on February 26, 2004. Each right entitles the holder to purchase from the Company one one-thousandth of a share of Series A Junior Preferred Stock at a purchase price of $32.50, subject to adjustment.

10. Shareholders' Equity (continued)

The Rights will trade automatically with the common stock and will not be exercisable until a person or group has become an "acquiring person" by acquiring 15% or more of the Company's outstanding common stock, or a person or group commences or publicly announces a tender offer that will result in such a person or group owning 15% or more of the Company's outstanding common stock. However, Liberty Wanger Asset Management, L.P. (now known as Columbia Wanger Asset Management, L.P.), together with its affiliates and associates will be permitted to acquire up to 20% or more of the common stock without making the rights exercisable. Upon announcement that any person or group has become an acquiring person, each Right will entitle all rightholders (other than the acquiring person) to purchase, for the exercise price of $32.50, a number of shares of the Company's common stock having a market value equal to twice the exercise price. Rightholders would also be entitled to purchase common stock of the acquiring person having a value of twice the exercise price if, after a person had become an acquiring person, the Company were to enter into certain mergers or other transactions. If any person becomes an acquiring person, the Board of Directors may, at its option and subject to certain limitations, exchange one share of common stock for each right.

The rights have certain anti-takeover effects, in that they would cause substantial dilution to a person or group that attempts to acquire a significant interest in the Company on terms not approved by the Board of Directors. In the event that the Board of Directors determines a transaction to be in the best interests of the Company and its stockholders, the Board of Directors may redeem the Rights for $0.001 per share at any time prior to a person or group becoming an acquiring person. The Rights will expire on February 13, 2014.

Equity Related Commitments

Pursuant to an agreement with the Chief Executive Officer ("CEO") of the Hackett Group, Inc. ("Hackett"), one of our wholly owned subsidiaries, in the event of an initial public offering ("IPO") of common stock or sale of Hackett, the CEO will receive a 5% pre-sale/distributed equity ownership interest in Hackett. This ownership interest will be given in exchange for the surrender of Answerthink stock options held by the CEO. The equity value distributed will vest 50% at the IPO or sale and 50% on the first anniversary of such IPO or sale.

In addition, in the event of an IPO or sale of Hackett and subject to meeting certain performance criteria, certain employees of Hackett may elect to convert on a 1:1 to 3:1 basis, the in-the-money cash value of each of their Answerthink options or restricted stock units to an equivalent number of options or shares of Hackett common stock at the IPO price.

11. Benefit Plan

The Company maintains a 401(k) plan covering all eligible employees. Subject to certain dollar limits, eligible employees may contribute up to 15% of their pre-tax annual compensation to the plan. The Company may make discretionary contributions on an annual basis. During fiscal years 2004, 2003 and 2002, the Company made matching contributions of 25% of employee contributions up to 4% of their gross salaries. The Company's matching contributions were $289,000, $169,000 and $656,000 for the years ended December 31, 2004, January 2, 2004 and January 3, 2003, respectively.

12. Restructuring Costs

The Company recorded restructuring costs of $10.9 million and $5.6 million in fiscal years 2002 and 2001, respectively, for reductions in consultants and functional support personnel and for closure and consolidation of facilities and related exit costs. These actions were taken as a result of the continued decline in demand for technology services throughout 2001 and 2002. The Company took steps to reduce its costs to better align its overall cost structure and organization with anticipated demand for its services. In 2004 and 2003, the Company recorded restructuring costs of $3.7 and $4.9 million, respectively, to increase existing reserves to account for potentially higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease excess facilities. The 2004 and 2003 restructuring costs consisted of additions of $1.8 million and $3.1 million to the 2002 restructuring accrual and $1.9 million and $1.8 million to the 2001 restructuring accrual, respectively. Also in 2004, the 2002 restructuring accrual was reduced by $370 thousand relating to the final settlement of a lease obligation which was recorded as income from discontinued operations in the accompanying consolidated statement of operations for year ended December 31, 2004.

The following table sets forth the detail and activity in the restructuring expense accruals during the years ended December 31, 2004, January 2, 2004 and January 3, 2003 (in thousands):

2001 Restructuring Accrual

	Accrual Balance at December 29, 2000	Additions to Accrual from Continuing Operations	Additions to Accrual from Discontinued Operations	2001 Expenditures	2002 Expenditures	2003 Expenditures	2004 Expenditures	2004 Asset Write-offs	Accrual Balance at December 31, 2004
Severance and other employee costs	$ —	$3,694	$ 559	$(3,186)	$(1,067)	$ —	$ —	$ —	$ —
Closure and consolidation of facilities and related exit costs	—	5,553	2,311	(248)	(1,965)	(933)	(839)	(1,205)	2,674
Total restructuring accrual	$ —	$9,247	$2,870	$(3,434)	$(3,032)	$(933)	$(839)	$(1,205)	$2,674

2002 Restructuring Accrual

	Accrual Balance at December 28, 2001	Additions to Accrual from Continuing Operations	Additions to Accrual from Discontinued Operations	2002 Asset Write-offs	2002 Expenditures	2003 Expenditures	2004 Expenditures	Accrual Balance at December 31, 2004
Severance and other employee costs	$ —	$ 1,528	$ 616	$ —	$ (855)	$(1,289)	$ —	$ —
Closure and consolidation of facilities and related exit costs	$ —	$13,984	$2,747	$(5,217)	$ (584)	$(2,198)	$(3,362)	$5,370
Total restructuring accrual	$ —	$15,512	$3,363	$(5,217)	$(1,439)	$(3,487)	$(3,362)	$5,370

13. Discontinued Operations

As a result of a decline in the demand for interactive marketing services, during 2002, the Company discontinued the interactive marketing business which was acquired in the merger with THINK New Ideas in 1999. In accordance with Financial Accounting Standards Board Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the results of the interactive marketing business have been reported as discontinued operations in the consolidated statements of operations and results for prior periods have been restated.

The following table sets forth revenues, pre-tax income (loss), income tax benefit and income (loss) from discontinued operations for the years ended December 31, 2004, January 2, 2004 and January 3, 2003 (in thousands):

	December 31, 2004	January 2, 2004	January 3, 2003
Revenues	$ —	$ —	$ 7,235
Pre-tax income (loss) from discontinued operations	$370	$ —	$(8,911)
Income tax benefit	$ —	$ —	$ —
Income (loss) from discontinued operations	$370	$ —	$(8,911)

During 2004, the Company reduced the restructuring accrual by $370 thousand relating to the final settlement of a lease obligation resulting in income from discontinued operations.

Included in the loss from discontinued operations for fiscal year 2002 were restructuring costs of $3.4 million, for reduction in consultants and for closure and consolidation of facilities and related exit costs.

14. Litigation

Between November 2002 and January 2003, six class actions seeking unspecified damages were filed against Answerthink and certain of its current and former officers and directors alleging violations of the Securities and Exchange Act of 1934. The complaints alleged misstatements and omissions concerning, among other things, related party transactions during the alleged class period of February 8, 2000 to April 25, 2002. On January 7, 2003 the federal district court entered an order closing and consolidating these cases and any subsequently filed related cases into Druskin, et al. v. Answerthink, Inc., et al., Case No. 02-23304-CIV-GOLD. A consolidated amended complaint was filed on May 9, 2003. The Company filed a motion to dismiss the consolidated amended complaint on July 15, 2003. The court granted the Company's motion to dismiss the consolidated and amended complaint on January 5, 2004 and allowed the plaintiffs leave to amend the consolidated amended complaint. The plaintiffs did not file an amended complaint within the time allowed by the court. On February 11, 2004, the court entered a final judgment dismissing the case against all parties with prejudice and closed the case. The time for appeal has expired. This matter is concluded.

The Company is involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such other matters will not have a material adverse effect on the Company's financial position or results of operations.

15. Related Party Transactions

During 2002, the Company and HCL Technologies Limited, an Indian information technology services and product engineering firm, formed HCL-Answerthink, Inc. to provide offshore custom application development and support services. The Company has a non-controlling equity interest of 50% in this joint venture. For the year ended December 31, 2004 and January 2, 2004, the Company's net equity income from the joint venture was $32,000 and $30,000, respectively. During 2004, 2003 and 2002, the Company sold services of $22,000, $232,000 and $233,000, respectively, to the joint venture. The Company also incurred costs of $27,000, $194,000 and $230,000 for consulting services provided by the joint venture to Answerthink in 2004, 2003 and 2002, respectively. In addition, the Company reduced general and administrative expenses by $14,000 and $856,000 for administrative services billed to the joint venture during 2003 and 2002, respectively. At December 31, 2004 and January 2, 2004, the Company had receivables of $1,000 and $258,000, respectively, due from the joint venture. At January 2, 2004 the Company had payables due to the joint venture of $193,000.

16. Quarterly Financial Information (unaudited)

The following table presents unaudited supplemental quarterly financial information for the years ended December 31, 2004 and January 2, 2004 (in thousands, except per share data):

	Quarter Ended			
	April 2, 2004	July 2, 2004	October 1, 2004	December 31, 2004
Total revenues	$35,089	$37,649	$37,131	$33,678
Income (loss) from operations	820	(1,871)	806	(751)
Income (loss) before income taxes and income from discontinued operations	1,010	(1,675)	950	(479)
Income (loss) from continuing operations	967	(1,579)	824	(730)
Income from discontinued operations	—	370	—	—
Net income (loss)	$ 967	$ (1,209)	$ 824	$ (730)
Basic and diluted income (loss) per common share				
Income (loss) from continuing operations	$ 0.02	$ (0.04)	$ 0.02	$ (0.02)
Income from discontinued operations	$ —	$ 0.01	$ —	$ —
Net income (loss)	$ 0.02	$ (0.03)	$ 0.02	$ (0.02)

	Quarter Ended			
	April 4, 2003	July 4, 2003	October 3, 2003	January 2, 2004
Total revenues	$36,785	$31,497	$32,918	$31,187
Income (loss) from operations	(1,246)	(5,962)	1,055	975
Income (loss) before income taxes	(1,022)	(5,824)	1,210	1,164
Net income (loss)	$ (1,022)	$ (5,974)	$ 1,135	$ 1,039
Basic net income (loss) per common share	$ (0.02)	$ (0.13)	$ 0.03	$ 0.02
Diluted net income (loss) per common share	$ (0.02)	$ (0.13)	$ 0.02	$ 0.02

Quarterly basic and diluted net income or loss per common share were computed independently for each quarter and do not necessarily total to the year to date basic and diluted net income (loss) per common share.

ANSWERTHINK, INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

YEARS ENDED DECEMBER 31, 2004, JANUARY 2, 2004 AND JANUARY 3, 2003

(in thousands)

Allowance for Doubtful Accounts	Balance at Beginning of Year	Charge to Expense	Write-offs	Balance at Ending of Year
Year Ended December 31, 2004	$1,757	$1,060	$ (708)	$2,109
Year Ended January 2, 2004	$3,526	$(235)	$(1,534)	$1,757
Year Ended January 3, 2003	$6,810	$ 779	$(4,063)	$3,526

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROL AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Report on Internal Control Over Financial Reporting

SEC rules require us to include in our Annual Report on Form 10-K, beginning with this Annual Report on Form 10-K, (1) a report of our management on internal control over financial reporting as of December 31, 2004 and (2) a report of our independent certified registered public accounting firm, on such assessment by our management of internal control over financial reporting. We have omitted these two reports from this Annual Report on Form 10-K as originally filed in reliance on the SEC's Order Under Section 36 of the Securities Exchange Act of 1934 Granting an Exemption from Specified Provisions of Exchange Act Rules 13a-1 and 15d-1, as set forth in SEC Release No. 34-50754 (the "Order"). In accordance with the Order, we will file the foregoing two reports in an amendment to this Annual Report on Form 10-K within the period, and subject to the other conditions, prescribed in the Order.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2005 proxy statement for the 2005 Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2005 proxy statement for the 2005 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2005 proxy statement for the 2005 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2005 proxy statement for the 2005 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information appearing under the caption "Fees Paid to Independent Accountants" in the 2005 Proxy Statement is hereby incorporated by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this Form:

1. Financial Statements

The Consolidated Financial Statements filed as part of this report are listed and indexed on page 25. Schedules other than those listed in the index have been omitted because they are not applicable or the required information has been included elsewhere in this report.

2. Financial Statement Schedules.

Schedule II—Valuation and Qualifying Accounts and Reserves are included in this report. Schedules other than those listed in the index have been omitted because they are inapplicable or the information required to be set forth therein is contained, or incorporated by reference, in the Consolidated Financial Statements of Answerthink or notes thereto.

3. Exhibits: See Index to Exhibits on page 51.

The Exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on the 16th day of March, 2005.

ANSWERTHINK, INC.

By: /s/ Ted A. Fernandez
Ted A. Fernandez
Chief Executive Officer and Chairman

Pursuant to the requirements of the Securities Act of 1934, this Form 10-K has been signed by the following persons in the capacities and on the date indicated.

Signatures	Title	Date
/s/ Ted A. Fernandez Ted A. Fernandez	Chief Executive Officer and Chairman (Principal Executive Officer)	March 16, 2005
/s/ John F. Brennan John F. Brennan	Executive Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2005
/s/ Allan R. Frank Allan R. Frank	President and Director	March 16, 2005
/s/ David N. Dungan David N. Dungan	Chief Operating Officer and Director	March 16, 2005
/s/ Richard Hamlin Richard Hamlin	Director	March 16, 2005
/s/ Edwin A. Huston Edwin A. Huston	Director	March 16, 2005
/s/ Jeffrey E. Keisling Jeffrey E. Keisling	Director	March 16, 2005
/s/ Alan T. G. Wix Alan T. G. Wix	Director	March 16, 2005

INDEX TO EXHIBITS

Exhibit No.	Exhibit Description
3.1++++	Second Amended and Restated Articles of Incorporation of the Registrant, as amended
3.2++++	Amended and Restated Bylaws of the Registrant, as amended
9.1+	Shareholders Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, the Miller Group, Messrs. Fernandez, Frank, Knotts and Miller and certain other shareholders of the Registrant parties thereto
9.2+	Amendment No. 1 to Shareholders Agreement dated February 24, 1998
9.3+	Letter Agreement dated as of March 15, 1998 to amend Shareholders Agreement
9.4+	Form of Restricted Securities Agreement dated April 23, 1997 among the Initial Investors and each of Messrs. Fernandez, Frank, Knotts and Miller
10.1+	Purchase Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, Gator and Tara
10.2+	Series A Preferred Stock Purchase Agreement dated February 24, 1998 among the Registrant, GTCR V, GTCR Associates and Miller Capital
10.3+	Stock Purchase Agreement dated March 5, 1998 between the Registrant and FSC
10.4+	Second Amended and Restated Registration Rights Agreement dated as of May 5, 1998 among the Registrant, GTCR V, MG, GTCR Associates, Miller Capital, FSC, Messrs. Fernandez, Frank, Knotts and Miller and certain other shareholders of the Registrant named therein
10.5+	Second Amended and Restated Registration Rights Agreement dated as of May 5, 1998 among the Registrant and the eight former shareholders of RTI
10.6*+	Registrant's 1998 Stock Option and Incentive Plan
10.7*+++++	Amendment to Registrant's 1998 Stock Option and Incentive Plan
10.8*+	Form of Senior Management Agreement dated April 23, 1997 between the Registrant and each of Messrs. Fernandez, Frank and Knotts
10.9*++++	Senior Management Agreement dated July 11, 1997 between Registrant and Mr. Dungan
10.10*+++++	Form of Employment Agreement entered into between the Registrant and Mr. Dungan
10.11*+	Form of Employment Agreement entered into between the Registrant and each of Messers. Fernandez, Frank and Knotts
10.12+	Amendment No. 2 dated as of May 5, 1998 to Purchase Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, Gator and Tara
10.13+	Amendment No. 2 dated as of May 5, 1998 to Stock Purchase Agreement dated March 5, 1998 between the Registrant and FSC
10.14*+	Amendment to Certain Senior Management Agreements dated March 27, 1998 among the Company, the Board of Directors and each of Messrs. Fernandez, Frank, Knotts and Dungan
10.15*+	Second Amendment to Certain Senior Management Agreements dated May 26, 1998 among the Company, the Board of Directors and each of Messrs. Fernandez, Frank, Knotts and Dungan
10.16*++	AnswerThink Consulting Group, Inc. Employee Stock Purchase Plan
10.17*+++++	Amendment to Registrant's Employee Stock Purchase Plan dated February 16, 2001
10.18*+++	Employment Agreement dated March 23, 1999 between the Registrant and Mr. Brennan
10.19*+++	Restricted Stock Agreement dated July 31, 1997 between the Registrant and Mr. Brennan

10.20*+++	Amendment to Restricted Stock Agreement dated March 27, 1998 between the Registrant and Mr. Brennan
10.21*+++	Form of Senior Management Agreement dated July 31, 1997 between the Registrant and Mr. Brennan
10.22++++++	Securities Purchase Agreement by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc.
10.23++++++	Registration Rights Agreement dated as of March 3, 1999 by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc.
10.24+++++++	Joint Marketing and Alliance Agreement, dated October 7, 2003, by and among Answerthink, Inc., The Hackett Group, Inc. and Accenture, L.L.P.
11.1++++++++	Amendment to Executive Agreement between Answerthink, Inc. and Ted A. Fernandez
11.2++++++++	Amendment to Executive Agreement between Answerthink, Inc. and David N. Dungan
11.3++++++++	Amendment to Executive Agreement between Answerthink, Inc. and Allan R. Frank
11.4++++++++	Amendment to Executive Agreement between Answerthink, Inc. and John F. Brennan
21.1^	Subsidiaries of the Registrant
23.1^	Consent of PricewaterhouseCoopers LLP
31.1^	Certification by CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2^	Certification by CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32^	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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*	Management agreement or compensatory plan or arrangement
^	Exhibits filed herewith.
+	Incorporated herein by reference to the Company's Registration Statement on Form S-1 (333-48123).
++	Incorporated herein by reference to the Company's Registration Statement on Form S-8 (333-69951).
+++	Incorporated herein by reference to the Company's Form 10-K for the year ended January 1, 1999.
++++	Incorporated herein by reference to the Company's Form 10-K for the year ended December 29, 2000.
+++++	Incorporated herein by reference to the Company's Form 10-K for the year ended December 28, 2001.
++++++	Incorporated herein by reference to THINK New Ideas, Inc.'s Form 8-K dated March 12, 1999.
+++++++	Incorporated herein by reference to the Company's Form 8-K dated October 14, 2003.
++++++++	Incorporated herein by reference to the Company's Form 10-Q dated November 10, 2004

"Utilizing Hackett's comprehensive enterprise performance and best practice database, we provide empirically based, and therefore independent, and objective advice in a timeframe and at a price point which is impossible to match by our competitors without our Hackett assets."

Corporate Headquarters

Answerthink, Inc.
1001 Brickell Bay Drive
Suite 1000
Miami, FL 33131

Telephone: 305-375-8005
Facsimile: 305-379-8810
www.answerthink.com

Annual Meeting

Answerthink shareholders are invited to attend our annual meeting on Wednesday, May 11, 2005 at 11:00 am at:
JW Marriott Hotel Miami
1109 Brickell Avenue
Miami, FL 33131

Transfer Agent

EquiServe Trust Company, NA
Braintree, MA
877-282-1168

Independent Auditors

PricewaterhouseCoopers LLP
Miami, FL

Board of Directors

Ted A. Fernandez
Chairman & Chief Executive Officer
Answerthink, Inc.

David N. Dungan
Chief Operating Officer
Answerthink, Inc.

Allan R. Frank
President
Answerthink, Inc.

Richard N. Hamlin
Retired Partner
KPMG LLP

Edwin A. Huston
Retired Vice Chairman
Ryder System, Inc.

Jeffries E. Kelsling
Vice President, Information Services
Wyeth Pharmaceuticals

Alan T.G. Wix
Chairman of the Board
Hyo Marketing, Ltd.
Chairman of the Board
Farsight PLC

2004 Annual Report

1001 Brickell Bay Drive

Suite 3000

Miami, FL 33131

www.answerthink.com

EXHIBIT 17

Answerthink

Enabling World-Class Performance

2005 ANNUAL REPORT

The Hackett Group

World-Class Defined.

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Ted A. Fernandez
Chairman and Chief Executive Officer

Dear Shareholders,

Over the last several years, we have transitioned to an intellectual capital-based business model grounded in our proprietary benchmark performance metrics and implementation strategies obtained through 3,500+ benchmark studies.

Our strategy requires us to build our Hackett brand around a series of membership advisory offerings that expose our clients to our most valuable assets on a continuous basis — our best practice benchmark data and the deep operational insight of our associates. Our Membership Advisory Program 2005 sales were up over 49% year over year, driven by 86% growth in our Executive Advisory Program sales, which are now our primary advisory program product platform. The corresponding membership advisory client and membership count continued to grow strongly — we were at approximately 400 members and 200 clients across 12 advisory programs as we exited the year.

Organizationally, we have hired and dedicated more senior advisors to support our programs while the majority of our IT investment in 2006 will focus on Membership Advisory Program support and infrastructure. We believe all of these actions will accelerate our path to 1000 members and 500 clients across 12 programs.

As we closed out 2005, it became clear that the integration of our Business Transformation Practice into The Hackett Group last March strengthened our business model. It allowed us to significantly improve the intellectual capital and "know how" we brought to our membership-based offerings while repositioning our Transformation practice to successfully compete against top-tier strategy firms. At that time we introduced a series of fixed priced/fixed scope business transformation offerings that place the experience and knowledge of Hackett Business Advisors at client locations to speed adoption of best practices through enterprise change initiatives. Integrating business transformation into Hackett delivered the synergies expected, including higher revenue per professional and increased sales volume through our professional sales channel.

Our Best Practice Solutions Group continued to see improving performance as a result of strong Hyperion implementation demand and improved performance from our Oracle/Peoplesoft Practice. Growth in our business intelligence and business application practices is directly attributable to our ability to leverage Hackett intellectual capital within our Best Practice Implementation approach on most of our technology implementation engagements. We continue to see an increasing number of clients directly attribute our Best Practice Implementation tools and insight as the fundamental reason for utilizing our services.

We believe that our strategy to combine Hackett empirical data and best practice research coupled with strategic execution expertise provides us with an opportunity to aggressively grow our content revenues while strategically positioning our Best Practice Implementation offerings. At the heart of that strategy is our strong belief that our membership-based advisory programs allow us to develop a close, continuous relationship with our clients that positions us to independently and objectively assist them as their execution needs emerge.

Our strategy is simple. Clients who value our advisory programs will turn to our other offerings as needs arise. We believe we made great progress to that end throughout the year. We continue to enrich our offerings, grow the relevance of the Hackett brand, and expand our best practice intellectual capital each and every quarter.

As we look forward this year, we continue to expect increasing demand for the unique combination of offerings and value proposition firmly grounded upon our proprietary benchmarking intellectual capital. If a client is interested in establishing baseline performance, they can turn to our benchmarks. If they desire on-demand access to proven best practices, performance metrics and Hackett Advisors in their pursuit of an enterprise performance improvement, they can use our membership-based Advisory Programs. Finally, if a client seeks onsite strategic planning or best practice implementation assistance, we can support that as well. In every case, we offer companies unique data-driven guidance that has proven its ability to help reduce cost, improve working capital, and enhance strategic alignment, resulting in improved efficiency and effectiveness of business processes.

We continue to believe that our expanding Hackett brand and best practices intellectual capital coupled can be utilized to support a broader service offering. Our focus and goals remain unchanged; acquisitions must be accretive and most importantly have strong synergy with our intellectual capital and strategic advisory offering focus. The recently announced REL Consultancy acquisition is an excellent example of a company that brings intellectual capital, which is highly complementary to our existing offerings as well as a very talented group of associates with a strong history and culture.

In summary, we believe that our empirical-based intellectual capital and strategic advisory focus provides us with a unique set of value creation opportunities. Accordingly, we continue to be excited about our strategic positioning, our progress and our future opportunities for both our associates and our investors.

Let me close by recognizing our associates. They have demonstrated a passion for our emerging business model and remain committed to deliver world-class insights to our clients. They continue to make measurable contributions across all of our strategic initiatives. I want to thank them and recognize their outstanding effort, spirit and results.

Ted

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 30, 2005

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-24343

Answerthink, Inc.

(Exact name of registrant as specified in its charter)

FLORIDA *(State or other jurisdiction of incorporation or organization)*	**65-0750100** *(I.R.S. Employer Identification Number)*
1001 Brickell Bay Drive, Suite 3000 **Miami, Florida** *(Address of principal executive offices)*	**33131** *(Zip Code)*

(305) 375-8005
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No [X]

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer [X] Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No [X]

The aggregate market value of the common stock held by non-affiliates of the registrant was $141,151,839 on July 1, 2005 based on the last reported sale price of the registrant's common stock on the Nasdaq National Market.

The number of shares of the registrant's common stock outstanding on March 3, 2006 was 45,217,826.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of the Form 10-K incorporates by reference certain portions of the registrant's proxy statement for its 2006 Annual Meeting of Stockholders to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this report.

ANSWERTHINK, INC.
FORM 10-K
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and the information incorporated by reference in it include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and forecasted demographic and economic trends relating to our industry are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect," or "intend" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. We cannot promise you that our expectations in such forward-looking statements will turn out to be correct. Factors that impact such forward-looking statements include, among others, our ability to attract additional business, the timing of projects and the potential for contract cancellation by our customers, changes in expectations regarding the business and information technology advisory and consulting industries, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable due to the bankruptcy or financial difficulties of our customers, risks of competition, price and margin trends, and changes in general economic conditions and interest rates. An additional description of our risk factors is described in Part 1 – Item 1A. "Risk Factors". We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS

GENERAL

Answerthink, Inc. is a leading business and technology consulting firm that enables companies to achieve world-class business performance. By leveraging the comprehensive database of The Hackett Group, the world's leading repository of enterprise business process performance metrics and best practice intellectual capital, our business and technology solutions help clients improve performance and maximize returns on technology investments.

The Hackett Group, a strategic advisory firm and an Answerthink company, is a world leader in best practice research, benchmarking, business transformation and working capital management services that empirically define and enable world-class enterprise performance. Only The Hackett Group empirically defines world-class performance in sales, general and administrative (SG&A) and supply chain activities with analysis gained through 3,500 benchmark studies over 14 years at 2,000 of the world's leading companies.

Answerthink's combined capabilities include business advisory programs, benchmarking, business transformation, working capital management, business applications, and business intelligence, with corresponding offshore support.

In this Form 10-K, unless the context otherwise requires, "Answerthink," the "Company," "we," "us," and "our" refer to Answerthink, Inc. and its subsidiaries and predecessors.

INDUSTRY BACKGROUND

The economy showed improved growth in 2005 triggering interest rate increases to mitigate the risk of inflation. Business and technology consultancies in the U.S. had increases in business activity that followed the growth rate of the economy.

We believe organizations are required to continually evaluate how to optimize their performance in order to remain competitive. Their goal is to ensure that the underlying business processes are allowing them to strategically support their operations and achieve their financial targets. To do so, organizations will have to understand and decide how best to organize, enable, source and manage their critical business processes.

We believe companies will continue to place increased emphasis on risk management and tangible return on their business and technology investments. As the economy continues to grow, we believe large enterprises will continue to focus

their business consulting and IT spending on strategies and tools that help them generate more value from their business investments in the form of enhanced productivity and efficiency.

We expect companies to look for ways to further leverage their investments in Enterprise Resource Planning (ERP) systems to continue to deliver cost and performance improvements. We also believe that Business Intelligence (BI) systems and business performance management applications will play an increasingly significant role as companies seek to generate more valuable insight and analysis from their operational and financial data. We believe that these systems will produce real-time enterprises, capable of nearly instantaneous views of current performance and more accurate and efficient planning, forecasting and reporting.

OUR APPROACH

Answerthink provides business and technology consulting services designed to enable companies to achieve world-class business performance by combining intellectual capital from The Hackett Group, with its extensive database of business process best practices and performance measurement results, and our proprietary Best Practice Implementation (BPI) approach.

The Hackett Group is a strategic advisory firm that helps executives understand how well they are performing today compared to a peer group and to world-class levels. Hackett enables world-class performance by defining what is possible, providing objective performance comparisons to establish priorities, developing strategic alternatives to address performance improvements, creation of initiative roadmaps, best practice solutions designs and implementation services.

Hackett is differentiated through its use of empirical data, a large repository of proven best practices, implementation tools and global implementation insight that are used to provide advice and solutions.

Hackett provides both continuous and best practice implementation programs. Continuous services are referred to as Advisory Programs, which include: membership-based offerings providing a mix of best practice research, on-demand advisor access, peer learning opportunities and annual events. Best practice implementation offerings include benchmarking, business transformation and total working capital services.

Hackett business advisors have the skills, experience and access to proprietary data sets to advise, develop, design and implement solutions grounded in actual client performance measurement results. Hackett provides deep insight into how top-performing companies operate, and applies those best practices to generate performance gains for clients.

Our BPI approach leverages our inventory of Hackett-Certified™ practices, approaches observed through benchmark and other best practice implementation engagements to correlate with superior performance levels. We use Hackett intellectual capital in the form of best practice process flows and configuration guides to integrate Hackett's empirically proven best practices directly into business processes and workflow and functionality that is enabled by enterprise applications. The pre-populated collection of best practice process flows and technology configuration guides is referred to as the BPI Tool Kit and used throughout the term of a project to ensure that best practices are identified and implemented. This coordinated approach addresses people, process, information access and technology.

Because Answerthink solutions are based on Hackett-Certified™ practices, clients gain significant advantages. They can have confidence that their solutions are based on strategies from the world's leading companies. This clearly defined path to world-class performance delivers enhanced efficiency, improved effectiveness, increased flexibility, optimized return on investment and reduced implementation risk.

The BPI approach often begins with a clear understanding of current performance, which is gained through benchmarking key processes and comparing the results to world-class levels and industry standards captured in the Hackett database. We then help clients prioritize and select the appropriate best practices to implement through a coordinated performance improvement strategy. Without a coordinated strategy that addresses the four key business drivers of people, process, technology and information, we believe companies risk losing a significant portion of business case benefits. We have designed detailed best practice process flows based on Hackett's deep knowledge of world-class business performance which enable clients to streamline and automate key processes, and generate performance improvements quickly and efficiently at both the functional and enterprise level.

Similarly, we integrate Hackett-Certified™ Practices directly into technology solutions. We believe it is imperative that companies simplify and automate processes to meet best practice standards before new technology implementations and upgrades are completed. The automation of inefficient processes only serves to continue to drive up costs, cycle times and error rates. We have completed detailed fit-gap analyses, in most functional areas of major business application packages from Lawson, Oracle, Hyperion, PeopleSoft and SAP to determine their ability to support best practices. Application-specific tools, implementation guides and process flows allow us to optimize the configuration of ERP software, while limiting customization. Best practice implementations establish the foundation for improved performance.

We believe the combination of optimized processes, a best practices-based business application and business intelligence environment allows our clients to achieve and sustain significant business performance improvement.

COMPETITION

The strategic business advisory and technology consulting marketplace continues to be extremely competitive. The marketplace will remain competitive as the economy grows and companies begin to spend more on improving their business models and IT infrastructure. Our competitors include international, national and regional strategic consulting and technology implementation firms, the IT services divisions of application software firms, and business consulting firms providing subscriptions to peer networking and research-based services. Mergers, consolidation and bankruptcies throughout our industry have resulted in higher levels of competition. We believe that the principal competitive factors in the industries in which we compete include: skills and capabilities of people, innovative service and product offerings, perceived ability to add value, reputation and client references, price, scope of services, service delivery approach, technical and industry expertise, quality of services, ability to deliver results on a timely basis, availability of appropriate resources, and global reach and scale.

We believe our competitive position is strong. With Hackett intellectual capital and its direct link to our BPI approach, we believe we can assist clients better than our competitors. Our ability to apply best practices to client operations via proven techniques further strengthens our competitive standing.

Similarly, we believe that Hackett is the definitive source for best practice performance metrics and strategies. Hackett is the only organization that has conducted over 3,500 benchmark studies for over 2,000 clients, generating proprietary data sets spanning performance metrics and correlating best practices. The combination of Hackett data along with deep expertise and know how in evaluating, designing and implementing business transformation strategies for clients deliver a powerful and distinct value proposition for our clients.

Our culture of client collaboration leverages the power of our cross-functional and service line teams to increase revenue and strengthen relationships. We believe that this culture, along with our offering approach, gives us a competitive advantage.

STRATEGY

Moving forward, our focus will be on executing the following strategies:

• ***Continue to position and grow The Hackett Group as an IP-centric strategic advisory organization.*** The Hackett brand is widely recognized for benchmarking metrics and best practices strategies. Our objective is to continue to grow our Advisory Program memberships. We believe that our advisory programs and supporting intellectual capital deliver a distinct value proposition and that our clients will naturally turn to our other service offerings when the need arises. Therefore, as we grow our Advisory Program membership base, we expect the revenue growth for our benchmarking and best practice implementation offerings will grow. Our advisory programs target executives seeking guidance and proven strategies on operational and strategic issues. During 2005, we experienced strong growth in our membership-based advisory programs. We continue to develop advisory programs that offer a source of empirically based insight and on-demand advice for executives tasked with performance improvement in an unpredictable business environment. As advisory sales continue to grow, an increasing number of sales will involve multi-year commitments which will improve the predictability of our results.

• ***Continue to expand our Best Practices Implementation tools.*** BPI incorporates intellectual capital from The Hackett Group into our implementation tools and techniques. For clients, the end results are tangible cost and performance gains and the improved return on investment. Our clients attribute their decision to use us to our Best Practice Implementation (BPI) approach and tools. Our objective is to help clients make smarter business process and software configuration decisions as a result of our Best Practice Implementation methods and knowledge. The launch of version two of our BPI tools resulted in an expanded best practice repository along with key revisions in business process areas that have been impacted by emerging information technologies. We expect this version of our tools and methods to further differentiate our ability to serve our clients.

• ***Create incremental revenue and intellectual capital channels through strategic relationships that help us leverage and expand our Hackett intellectual capital base as well as grow our revenues.*** Our strategic relationships with Accenture and Lawson Software represent examples of this strategy at work. We continue to believe that there are other organizations that can help us grow revenues and our intellectual capital consistent with our strategy.

• ***Seek out strategic acquisitions.*** We will continue to pursue strategic acquisitions that strengthen our ability to compete and expand our intellectual property. We believe that our unique Hackett access and our BPI approach coupled with our strong balance sheet and infrastructure can be utilized to support a larger organization. Acquisitions must be accretive or have strong growth prospects, but most importantly, have strong synergy with our best practice intellectual capital focus. For example, our acquisition of REL Consultancy expands our knowledge and capabilities into working capital management and expanded our client base and exposure to additional markets abroad.

• ***Expand and leverage our dual shore capabilities.*** Developing an offshore resource capability to support all of our offerings has been a key strategy for our organization. Our facility in Hyderabad, India allows us to increase operational efficiencies while maintaining 24/5 operations. With this improved infrastructure in place, we are expecting our headcount and utilization of India resources to further expand in 2006.

OUR OFFERINGS

We offer a comprehensive range of services, including advisory programs, benchmarking, business transformation, working capital, business applications and business intelligence implementation. With strategic and functional knowledge in finance, human resources, information technology, procurement, supply chain management, corporate services, customer service and sales and marketing, our expertise extends across the enterprise. We have completed successful engagements in a variety of industries, including automotive, consumer goods, financial services, technology, life sciences, manufacturing, media and entertainment, retail, telecommunications, transportation and utilities.

The Hackett Group

- **Advisory Programs**

On-demand access to world-class performance metrics, peer-learning opportunities and best practice advice. The scope of Hackett's advisory programs is defined by business function (Executive Advisory) and by end-to-end process coverage (Process Advisory). Our advisory programs include a mix of the following deliverables:

Advisor Inquiry: Hackett's inquiry services is used by clients for quick access to fact-based advice on proven approaches and methods to increase the efficiency and effectiveness of selling, general and administrative activities.

Best Practice Research: Empirically based research and insight derived from over 3,500 individual Hackett benchmark studies. Our research provides detailed insights into the most significant, proven approaches in use at world-class organizations that yield superior business results.

Peer Interaction: Regular member-led webcasts, annual Best Practices Conference, annual Member Forums, membership surveys and client-submitted content provide ongoing peer learning and networking opportunities.

Hackett Knowledge Center: Online, searchable repository of Best Practices, Quick Wins, Conference Presentations and associated research available to Advisory Program Members and their support teams.

- **Benchmarking Services**

Since Hackett's inception in 1991, The Hackett Group has measured and evaluated the efficiency and effectiveness of enterprise functions at over 2,000 global organizations. This includes 96 percent of the Dow Jones Industrials, 77 percent of the Fortune 100, and 92 percent of the Dow Jones Global Titans Index. Ongoing studies are conducted in a wide range of areas, including SG&A, finance, human resources, information technology, procurement, and shared service centers. Hackett has identified nearly 1,300 best practices for approximately 100 processes in these key functional areas. Hackett uses proprietary performance measurement tools and data collection processes that enables companies to complete the performance measurement cycle and identify and quantify improvement opportunities in as little as four weeks. Benchmarks are used by our clients to objectively establish priorities, generate organizational consensus, align compensation to establish performance goals and develop the required business case for investment.

- **Business Transformation**

Our Business Transformation programs help clients develop a coordinated strategy for achieving performance improvements across the enterprise. Our experienced teams use Hackett performance measurement data to link performance gains to industry best practices. Our strategic capabilities include operational planning, process and organization design, change management and the effective application of technology. We combine best practices knowledge with business expertise and broad technology capabilities, which we believe enables our programs to optimize return on client investments in people, processes, technology and information.

- **Total Working Capital**

Through the acquisition of REL Consultancy Group, a global leader in generating cash improvement from working capital, we offer Hackett-REL Total Working Capital services which are designed to help companies improve cash flow from operations through improved working capital management, reduced costs and increased service quality.

Answerthink Best Practices Solutions

- **Business Applications**

Our Business Applications professionals help clients choose and deploy the software applications that best meet their needs and objectives. Our expertise is focused on the following application providers: Lawson, Oracle, PeopleSoft, SAP, and several leading time and attendance providers. The group offers comprehensive services from planning, architecture, and vendor evaluation and selection through implementation, customization, testing and integration. Comprehensive fit-gap analyses of all major packages against Hackett Best Practices are utilized by our Business Applications teams. BPI tools and templates help integrate best practices into business applications. The group also offers post-implementation support, change management, system documentation and end-user training, all of which are designed to enhance return on investment. We also provide offshore application development and support services. These services include post-implementation support for select business application platforms. Our Business Applications group also includes a division responsible for the sale and maintenance support of the SAP suite of enterprise resource planning applications.

- **Business Intelligence**

Based on our extensive best practices knowledge, our Business Intelligence group designs, develops and implements solutions for more effective enterprise performance management (EPM) and business intelligence (BI). Our BI experts know how to apply and implement custom or packaged analytical applications such as Hyperion and Cognos to increase process transparency, exception management, and create continuous improvement environments. Similarly, our BI services are designed to increase visibility into current performance, improve access to key financial and operational data, and enhance strategic decision making. The group offers strategy and management services, including operational diagnostics and planning and enterprise architecture.

CLIENTS

We focus on long-term client relationships with Global 2000 firms and other sophisticated strategic buyers of business and IT consulting services. During 2005, our ten most significant clients accounted for approximately 30% of revenues. No clients generated more than 10% of total revenues. We believe that we have achieved a high level of satisfaction across our client base. The responses to the surveys we send to clients continue to be extremely positive. During 2005, we received surveys from a significant number of our engagements with an average score of 4.5 on a 5.0 scale. The direct feedback and suggestions we receive on surveys are used to continuously improve our delivery execution, sales processes, methodologies and training.

BUSINESS DEVELOPMENT AND MARKETING AND MARKET SEGMENTATION

Our extensive client base and relationships with Global 2000 firms remain our most significant sources of new business. Our revenue generation strategy is formulated to ensure we are addressing multiple facets of business development. The categories below define our business development resources and market segmentation. Our primary goal in 2006 is to continue to increase awareness of our brand that we have created around Hackett and BPI. Our Hackett and BPI message will remain the central focus of our marketing and communications programs this year as we drive both an understanding of and demand for this approach. Similarly, we have aligned our sales force so it can market working capital and business transformation services along with our benchmarking and advisory programs. In 2006, the compensation programs reflect an emphasis on advisory programs while rewarding the linkage between sales of benchmarking, business transformation and working capital services provided by The Hackett Group and best practices solutions provided by our Business Applications and Business Intelligence groups.

BUSINESS DEVELOPMENT RESOURCES

Although virtually all of our advisors and consultants have the ability to and are expected to contribute to new revenue opportunities, our primary internal business development resources are comprised of the following:

- The Leadership Team
- The Sales Organization
- Business Development Associates
- The Delivery Organization

The Leadership Team is comprised of our senior leaders who have a combination of executive, functional, practice and anchor account responsibilities. In addition to their management responsibilities, this group of associates is responsible for growing business by fostering executive level relationships within accounts and leveraging their existing contacts in the marketplace.

The Sales Organization is comprised of associates who are 100% dedicated to generating sales. They are deployed geographically in key markets and are primarily focused on developing new relationships and who are aligned to our core practice areas within their target accounts. They also handle geographic-related opportunities as they arise.

Business Development Associates are comprised of trained groups of telemarketing specialists who are conversant with their respective solution areas. Lead generation is coordinated with our marketing and sales groups to ensure that our inbound and outbound efforts are synchronized with targeted marketing and sales programs.

The Delivery Organization is comprised of our billable associates who work at client locations. We encourage associates to pursue additional business development opportunities through their normal course of delivering existing projects and help us expand our business within existing accounts.

In addition to our business development team, we have a corporate marketing and communications organization responsible for overseeing our marketing programs, public relations and employee communications activities.

We have segmented our market focus into the following categories:

- Target Accounts
- Geographic Focus Accounts
- Strategic Alliance Accounts

Target Accounts are comprised of prospects and clients who are geographically situated where a sales representative resides. Criteria for inclusion as a target account includes the size of the company, industry affiliation, propensity to buy external consulting services and contacts within the account. The sales representative is primarily responsible for identifying business opportunities in the account, acting as the single point of coordination for the client, and performing the general duties of account manager.

Geographic Focus Accounts are accounts within a specified geographic location that are contained on the target account list. These accounts can include large prospects, dormant clients, existing medium-sized clients and mid-tier market accounts. This account set is handled primarily on an opportunistic basis, except for active clients where delivery teams are focused on driving additional revenue.

Strategic Alliance Accounts are accounts that allow us to partner with organizations with greater scale or different skill sets or with software developers so that all parties can jointly market their products and services to prospective clients. An example of this type of alliance is the agreement with Accenture that was signed in late 2003. This agreement gives Accenture the exclusive right to collaborate with us in offering its clients our best practice benchmarking programs and best practices solutions in designated functional areas, including finance, accounting, performance management, business intelligence and procurement. Under the agreement, we have the ability to expand into additional enterprise functional areas and geographic locations. The agreement gives us access to Accenture's global client base and sales distribution channel. By working with more clients, The Hackett Group is able to broaden the base of critical metrics and best practices, thereby creating even richer benchmark data to help companies achieve world-class performance. Our alliance allows us to staff a portion of the consulting positions for each engagement that is jointly closed with Accenture. We continue to seek alliances that broaden our distribution channel.

MANAGEMENT SYSTEMS

Our management control systems are comprised of various accounting, billing, financial reporting, human resources, marketing and resource allocations systems, many of which are integrated with our knowledge management system, Mind~Share. We believe that Mind~Share significantly enhances our ability to serve our clients efficiently by allowing our knowledge base to be shared by all associates worldwide on a real-time basis. Our well-developed, flexible, scalable infrastructure has allowed us to quickly integrate the new employees and systems of businesses we have acquired.

HUMAN RESOURCES

We believe that our culture fosters intellectual rigor and creativity, collaboration and innovation. We believe in building relationships with both our associates and clients. We believe the best solutions come from teams of diverse individuals addressing problems collectively and from multiple dimensions, including the business, technological and human dimensions. We believe that the most effective working environment is one where everyone is encouraged to contribute and is rewarded for that contribution.

Our core values are the strongest expression of our working style. They are what we stand for. These core values are:

- Continuous development of our associates, our unique content business model and knowledge base
- Diversity of backgrounds, skills and experiences
- Knowledge capture, contribution and utilization
- Collaboration with one another, with our partners and with our clients

Our human resources staff includes dedicated resources to recruit consultants with both business and technology expertise. Our recruiting team drives our hiring process by focusing on the highest demand solution areas of our business to ensure an adequate pipeline of resources. Our human resources staff also includes seasoned professionals that support our practices by, among other things, administering our benefit programs and facilitating the hiring process. We also have an employee referral program, which rewards existing employees who source new hires.

The benefits package that we provide includes comprehensive health and welfare insurance, work/life balance programs and a 401(k) program including a company match for associates below the level of senior director. Our associates are paid competitive salaries and incentive pay. Incentive pay for delivery resources is based on an individual's contribution to the projects on which he or she is staffed. Incentive pay for sales associates is based on achievement of sales quotas. Incentive pay for practice leaders and senior practice members is based upon practice margin, sales contributions, client management and practice management. Incentive pay for management is based on company or division performance depending on the level of management.

As of December 30, 2005, we had approximately 800 associates, approximately 80% of whom were billable professionals. None of our associates are subject to collective bargaining arrangements. We have entered into nondisclosure and non-solicitation agreements with virtually all of our personnel. We also engage consultants as independent contractors from time to time.

COMMUNITY INVOLVEMENT

One important way we put our values into action is through our commitment to the communities where we work. The mission of our Community Council, which operates in each of the cities where we have offices, is to strive to leave the markets, communities and clients we serve better than we found them. We do it by building a strong sense of community, collaboration and personal interaction among all of our associates, through both volunteer and service programs and social gatherings. Our associates are actively involved in many valuable and high-impact community programs, including United Way, Ronald McDonald House, Big Brothers & Sisters, Race for the Cure, Make-A-Wish Foundation, Habitat for Humanity, the National Adoption Center, the National Heart Association and the March of Dimes.

AVAILABLE INFORMATION

We make our public filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all exhibits and amendments to these reports, available free of charge at our web site http://www.answerthink.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Any material that we file with the Securities and Exchange Commission may be read and copied at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or at www.sec.gov. Information on the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330.

Also available on our web site, free of charge, are copies of our Code of Conduct and Ethics, and the charter for our audit committee of our Board of Directors. We intend to disclose any amendment to, or waiver from, a provision of our Code of Conduct and Ethics on our web site within five business days following the date of the amendment or waiver.

ITEM 1A. RISK FACTORS

The following important factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report on Form 10-K or printed elsewhere by management from time to time.

Our quarterly operating results may vary.

Our financial results may fluctuate from quarter to quarter. In future quarters, our operating results may not meet public market analysts' and investors' expectations. If that happens, the price of our common stock may fall. Many factors can cause these fluctuations, including:

- the number, size, timing and scope of client engagements;
- customer concentration;
- long and unpredictable sales cycles;
- contract terms of client engagements;
- degrees of completion of client engagements;
- client engagement delays or cancellations;
- competition for and utilization of employees;
- how well we estimate the resources and effort we need to complete client engagements;
- the integration of acquired businesses;
- pricing changes in the industry;
- economic conditions specific to business and information technology consulting; and
- general economic conditions

A high percentage of our operating expenses, particularly personnel and rent, are fixed in advance of any particular quarter. As a result, if we experience unanticipated changes in client engagements or in employee utilization rates, we could experience large variations in quarterly operating results and losses in any particular quarter. Due to these factors, we believe you should not compare our quarter-to-quarter operating results to predict future performance.

If we are unable to maintain our reputation and expand our name recognition, we may have difficulty attracting new business and retaining current clients and employees.

We believe that establishing and maintaining a good reputation and name recognition are critical for attracting and retaining clients and employees in our industry. We also believe that the importance of reputation and name recognition is increasing and will continue to increase due to the number of providers of business consulting and IT services. If our reputation is damaged or if potential clients are not familiar with us or with the solutions we provide, we may be unable to attract new, or retain existing, clients and employees. Promotion and enhancement of our name will depend largely on our success in continuing to provide effective solutions. If clients do not perceive our solutions to be effective or of high quality, our brand name and reputation will suffer. In addition, if solutions we provide have defects, critical business functions of our clients may fail, and we could suffer adverse publicity as well as economic liability.

We depend heavily on a limited number of clients.

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of clients for which we perform large projects. In 2005, our ten largest clients accounted for approximately 30% of our revenues in the aggregate. In addition, revenues from a large client may constitute a significant portion of our total revenues in a particular quarter. Our customer contracts generally can be cancelled for convenience by the customer upon 30 days' notice. The loss of any principal client for any reason, including as a result of the acquisition of that client by another entity, our failure to meet that client's expectations, the client's decision to reduce spending on technology-related projects,

or failure to collect amounts owed to us from our client could have a material adverse effect on our business, financial condition and results of operations.

We have risks associated with potential acquisitions or investments.

Since we were founded, we have significantly expanded through acquisitions. In the future, we plan to pursue additional acquisitions as opportunities arise. We may not be able to integrate successfully businesses which we may acquire in the future without substantial expense, delays or other operational or financial problems. We may not be able to identify, acquire or profitably manage additional businesses. Also, acquisitions may involve a number of risks, including:

- diversion of management's attention;
- failure to retain key personnel;
- failure to retain existing clients;
- unanticipated events or circumstances;
- unknown claims or liabilities;
- amortization of certain acquired intangible assets; and
- operating in new or unfamiliar geographies

Client dissatisfaction or performance problems at a single acquired firm could have a material adverse impact on our reputation as a whole. Further, we cannot assure you that our recent or future acquired businesses will generate anticipated revenues or earnings.

Difficulties in integrating businesses we have recently acquired or may acquire in the future may demand time and attention from our senior management.

Integrating businesses we have recently acquired or may acquire in the future may involve unanticipated delays, costs and/or other operational and financial problems. In integrating acquired businesses, we may not achieve expected economies of scale or profitability or realize sufficient revenues to justify our investment. If we encounter unexpected problems at one of the acquired businesses as we try to integrate it into our business, our management may be required to expend time and attention to address the problems, which would divert their time and attention from other aspects of our business.

Our markets are highly competitive.

We may not be able to compete effectively with current or future competitors. The business consulting and IT services market is highly competitive. We expect competition to further intensify as these markets continue to evolve. Some of our competitors have longer operating histories, larger client bases, longer relationships with their clients, greater brand or name recognition and significantly greater financial, technical and marketing resources than we do. As a result, our competitors may be in a stronger position to respond more quickly to new or emerging technologies and changes in client requirements and to devote greater resources than we can to the development, promotion and sale of their services. Competitors could lower their prices, potentially forcing us to lower our prices and suffer reduced operating margins. We face competition from international accounting firms; international, national and regional strategic consulting and systems implementation firms; and the IT services divisions of application software firms.

In addition, there are relatively low barriers to entry into the business consulting and IT services market. We do not own any patented technology that would stop competitors from entering this market and providing services similar to ours. As a result, the emergence of new competitors may pose a threat to our business. Existing or future competitors may develop and offer services that are superior to, or have greater market acceptance, than ours, which could significantly decrease our revenues and the value of your investment.

We may not be able to hire, train, motivate, retain and manage professional staff.

To succeed, we must hire, train, motivate, retain and manage highly skilled employees. Competition for skilled employees who can perform the services we offer is intense. We might not be able to hire enough of them or to train, motivate, retain and manage the employees we hire. This could hinder our ability to complete existing client engagements and bid for new client engagements. Hiring, training, motivating, retaining and managing employees with the skills we need is time consuming and expensive.

We could lose money on our contracts.

As part of our strategy, we enter into capped or fixed-price contracts, in addition to contracts based on payment for time and materials. Because of the complexity of many of our client engagements, accurately estimating the cost, scope and duration of a particular engagement can be a difficult task. We maintain an office of risk management that evaluates and attempts to mitigate delivery risk associated with complex projects. In connection with their review, the office of risk management analyzes the critical estimates associated with these projects. If we fail to make these estimates accurately, we could be forced to devote additional resources to these engagements for which we will not receive additional compensation. To the extent that an expenditure of additional resources is required on an engagement, this could reduce the profitability of, or result in a loss on, the engagement. In the past, we have, on occasion, engaged in negotiations with clients regarding changes to the cost, scope or duration of specific engagements. To the extent we do not sufficiently communicate to our clients, or our clients fail to adequately appreciate, the nature and extent of any of these types of changes to an engagement, our reputation may be harmed and we may suffer losses on an engagement.

Lack of detailed written contracts could impair our ability to recognize revenue for services performed, collect fees, protect our intellectual property and protect ourselves from liability to others.

We try to protect ourselves by entering into detailed written contracts with our clients covering the terms and contingencies of the client engagement. In some cases, however, consistent with what we believe to be industry practice, work is performed for clients on the basis of a limited statement of work or verbal agreements before a detailed written contract can be finalized. To the extent that we fail to have detailed written contracts in place, our ability to collect fees, protect our intellectual property and protect ourselves from liability to others may be impaired.

Our corporate governance provisions may deter a financially attractive takeover attempt.

Provisions of our charter and by-laws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which stockholders would receive a premium for their shares. These provisions include the following:

- stockholders must comply with advance notice requirements before raising a matter at a meeting of stockholders or nominating a director for election;
- our board of directors is staggered into three classes and the members may be removed only for cause upon the affirmative vote of holders of at least two-thirds of the shares entitled to vote;
- we would not be required to hold a special meeting to consider a takeover proposal unless holders of more than a majority of the shares entitled to vote on the matter were to submit a written demand or demands for us to do so; and
- our board of directors may, without obtaining stockholder approval, classify and issue up to 1,250,000 shares of preferred stock with powers, preferences, designations and rights that may make it more difficult for a third party to acquire us.

In addition, our board of directors has adopted a shareholder rights plan. Subject to certain exceptions, in the event that a person or group in the future becomes the beneficial owner of 15% or more of our common stock or commences, or publicly announces an intention to commence, a tender or exchange offer which would result in its ownership of 15% or more of our outstanding common stock (or in the case of Liberty Wanger Asset Management, L.P. (now known as Columbia Wanger Asset Management, L.P.) and its affiliates, 20%) then the rights issued to our shareholders in connection with this plan will allow our shareholders to purchase shares of our common stock at 50% of its then current market value. In addition, if we are acquired in a merger, or 50% or more of our assets are sold in one or more related transactions, our shareholders would have the right to purchase the common stock of the acquiring company at half the then current market price of such common stock.

We may lose large clients or not be able to secure targeted follow-on work or client retention rates.

Our client engagements are generally short-term arrangements, and most clients can reduce or cancel their contracts for our services with 30 days notice and without penalty. As a result, if we lose a major client or large client engagement, our revenues will be adversely affected. We perform varying amounts of work for specific clients from year to year. A major client in one year may not use our services in another year. In addition, we may derive revenue from a major client that constitutes a large portion of total revenue for particular quarters. If we lose any major clients or any of our clients cancel programs or significantly reduce the scope of a large client engagement, our business, financial condition and results of operations could be materially and adversely affected. Also, if we fail to collect a large account receivable, we could be subjected to significant financial exposure. Consequently, you should not predict or anticipate our future revenue based upon the number of clients we currently have or the number and size of our existing client engagements.

We also derive an increasing portion of our revenues from annual memberships for our business advisory programs. Our growth prospects therefore depend on our ability to achieve and sustain high retention rates on programs and to successfully launch new programs. Failure to achieve high renewal rate levels or to successfully launch new programs and services could have a material adverse effect on our operating results.

If we are unable to protect our intellectual property rights or infringe on the intellectual property rights of third parties, our business may be harmed.

We rely upon a combination of nondisclosure and other contractual arrangements and trade secret, copyright and trademark laws to protect our proprietary rights and the proprietary rights of third parties from whom we license intellectual property. Although we enter into confidentiality agreements with our employees and limit distribution of proprietary information, there can be no assurance that the steps we have taken in this regard will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

Although we believe that our services do not infringe on the intellectual property rights of others and that we have all rights necessary to utilize the intellectual property employed in our business, we are subject to the risk of claims alleging infringement of third-party intellectual property rights. Any claims could require us to spend significant sums in litigation, pay damages, develop non-infringing intellectual property or acquire licenses to the intellectual property that is the subject of asserted infringement.

The market price of our common stock may fluctuate widely.

The market price of our common stock could fluctuate substantially due to:

- future announcements concerning us or our competitors;
- quarterly fluctuations in operating results;
- announcements of acquisitions or technological innovations; or
- changes in earnings estimates or recommendations by analysts

In addition, the stock prices of many technology companies fluctuate widely for reasons which may be unrelated to operating results. Fluctuations in our common stock's market price may impact our ability to finance our operations and retain personnel.

Our initiatives that leverage The Hackett Group's best practices knowledge may not be successful.

Enhancements to The Hackett Group's advisory product offerings introduced in 2005 which include business transformation programs represent a departure from its traditional benchmarking offerings. We may not be able to adequately support these new offerings. Clients or prospects may view The Hackett Group as a new and unproven entrant into this space. As such, clients and client prospects may choose to purchase these types of products and services from companies with a longer track record of providing these types of offerings.

Our Joint Marketing and Alliance Agreement with Accenture has expired.

Our Joint Marketing and Alliance Agreement with Accenture expired on October 7, 2005. We are working with Accenture in efforts to extend and expand the terms of the relationship. We also continue to jointly pursue opportunities and work on engagements that were won prior and subsequent to the expiration of the Agreement. However, while we continue to pursue opportunities with Accenture, there is no contractual agreement in place at this time that governs the relationship, including how positions are allocated on engagements won as a result of a joint pursuit.

We earn revenues, incur costs and maintain cash balances in multiple currencies, and currency fluctuations could adversely affect our financial results.

We have increasing international operations, which earn revenues and incur costs in various foreign currencies, primarily the British pound and the euro. Doing business in these foreign currencies exposes us to foreign currency risks in numerous areas, including revenues, purchases, payroll and investments. Certain foreign currency exposures are naturally offset within an international business unit, because revenues and costs are denominated in the same foreign currency, and certain cash balances are held in U.S. dollar denominated accounts. However, due to the increasing size and importance of our international operations, fluctuations in foreign currency exchange rates could materially impact our results. Currently, we do not hold any derivative contracts that hedge our foreign currency risk, but we may adopt such strategies in the future.

Our cash position includes amounts denominated in foreign currencies. We manage our worldwide cash requirements considering available funds from our subsidiaries and the cost effectiveness with which these funds can be accessed. The repatriation of cash balances from certain of our subsidiaries outside the United States could have adverse tax consequences and be limited by foreign currency exchange controls. However, those balances are generally available without legal restrictions to fund ordinary business operations. We have transferred, and will continue to transfer, cash from those subsidiaries to the parent company, and to other international subsidiaries, when it is cost effective to do so. However, any fluctuations in foreign currency exchange rates could materially impact the availability and size of these funds for repatriation or transfer.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our principal executive offices currently are located at 1001 Brickell Bay Drive, Suite 3000, Miami, Florida 33131. The lease on these premises covers 10,780 square feet and expires June 30, 2010. We also have offices in Atlanta, Frankfurt, London, New York, Paris, Philadelphia and Hyderabad, India. As of December 30, 2005 we had operating leases that extended through July 2011. We believe that we will be able to obtain suitable new or replacement space as needed. We own no real estate and do not intend to invest in real estate or real estate-related assets.

ITEM 3. LEGAL PROCEEDINGS

We are involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such matters will not have a material adverse effect on our financial position, cash flows or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2005.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has been traded on the Nasdaq National Market since our initial public offering on May 28, 1998 under the Nasdaq symbol "ANSR". The following table sets forth for the fiscal periods indicated the high and low sales prices of the common stock, as reported on the Nasdaq National Market.

	High	Low
2005		
Fourth Quarter	$4.72	$3.49
Third Quarter	$4.62	$3.56
Second Quarter	$4.20	$3.10
First Quarter	$5.00	$3.70
2004		
Fourth Quarter	$5.49	$3.51
Third Quarter	$6.35	$3.87
Second Quarter	$8.45	$4.22
First Quarter	$8.19	$5.50

The closing sale price for the common stock on March 3, 2006 was $6.01.

As of March 3, 2006, there were approximately 300 holders of record of our common stock and 45,217,826 shares of common stock outstanding.

Company Dividend Policy

We do not expect to pay any cash dividends on our common stock in the foreseeable future. Our present policy is to retain earnings, if any, for use in the operation of our business.

Purchases of Equity Securities

We have an ongoing authorization, as amended, from the Board of Directors to repurchase shares of our common stock in the open market or in negotiated transactions. The authorization is for up to $30 million, of which approximately $7.9 million is currently still available. All repurchases are made in the open market, subject to market conditions and trading restrictions. There is no expiration date on the current authorization and no determination was made by the Company to suspend or cancel purchases under the program. We did not make any repurchases of our common stock during the three months ended December 30, 2005.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data sets forth selected financial information for Answerthink as of and for each of the years in the five-year period ended December 30, 2005, and has been derived from our audited financial statements. The selected consolidated financial data should be read together with our consolidated financial statements and related notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended				
	December 30, 2005	December 31, 2004	January 2, 2004	January 3, 2003	December 28, 2001
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenues:					
Revenues before reimbursements	$ 146,693	$ 129,339	$ 117,945	$ 156,357	$ 220,966
Reimbursements	16,625	14,208	14,442	20,490	29,377
Total revenues	163,318	143,547	132,387	176,847	250,343
Costs and expenses:					
Project personnel and expenses:					
Project personnel and expenses before reimbursable expenses	83,380	76,626	73,551	104,981	136,758
Reimbursable expenses	16,625	14,208	14,442	20,490	29,377
Total project personnel and expenses	100,005	90,834	87,993	125,471	166,135
Selling, general and administrative expenses	59,844	49,960	44,697	53,416	78,027
Impairment of goodwill	—	—	—	20,000	—
Restructuring costs	2,923	3,749	4,875	10,886	5,619
Total costs and operating expenses	162,772	144,543	137,565	209,773	249,781
Income (loss) from operations	546	(996)	(5,178)	(32,926)	562
Other income (expense):					
Interest income (expense), net	1,089	802	706	570	843
Income (loss) before income taxes, income (loss) from discontinued operations and cumulative effect of change in accounting principle	1,635	(194)	(4,472)	(32,356)	1,405
Income taxes	(6)	324	350	(3,508)	1,807
Income (loss) from continuing operations	1,641	(518)	(4,822)	(28,848)	(402)
Income (loss) from discontinued operations, net of income taxes	—	370	—	(8,911)	(8,117)
Income (loss) before cumulative effect of change in accounting principle	1,641	(148)	(4,822)	(37,759)	(8,519)
Cumulative effect of change in accounting principle	—	—	—	(31,200)	—
Net income (loss)	$ 1,641	$ (148)	$ (4,822)	$ (68,959)	$ (8,519)
Basic net income (loss) per common share:					
Income (loss) from continuing operations	$ 0.04	$ (0.01)	$ (0.11)	$ (0.62)	$ (0.01)
Income (loss) from discontinued operations, net of income taxes	$ —	$ 0.01	$ —	$ (0.19)	$ (0.18)
Cumulative effect of change in accounting principle	$ —	$ —	$ —	$ (0.68)	$ —
Net income (loss) per common share	$ 0.04	$ (0.00)	$ (0.11)	$ (1.49)	$ (0.19)
Weighted average common shares outstanding	43,575	44,188	45,140	46,348	43,999
Diluted net income (loss) per common share:					
Income (loss) from continuing operations	$ 0.04	$ (0.01)	$ (0.11)	$ (0.62)	$ (0.01)
Income (loss) from discontinued operations, net of income taxes	$ —	$ 0.01	$ —	$ (0.19)	$ (0.18)
Cumulative effect of change in accounting principle	$ —	$ —	$ —	$ (0.68)	$ —
Net income (loss) per common share	$ 0.04	$ (0.00)	$ (0.11)	$ (1.49)	$ (0.19)
Weighted average common shares and common share equivalents	45,302	44,188	45,140	46,348	43,999

	December 30, 2005	December 31, 2004	January 2, 2004	January 3, 2003	December 28, 2001
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 18,103	$ 38,890	$ 54,441	$ 35,369	$ 35,679
Restricted cash	$ 4,257	$ 3,000	$ 3,000	$ 2,909	$ —
Marketable investments	$ 9,902	$ 9,902	$ 10,000	$ 28,050	$ 24,209
Working capital	$ 29,136	$ 49,860	$ 58,826	$ 72,851	$ 81,313
Total assets	$ 151,881	$ 128,733	$ 135,223	$ 145,361	$ 211,919
Shareholders' equity	$ 100,882	$ 99,854	$ 105,235	$ 113,047	$ 177,701

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Answerthink, Inc. is a leading business and technology consulting firm that enables companies to achieve world-class business performance. By leveraging the comprehensive database of The Hackett Group, the world's leading repository of enterprise business process performance metrics and best practice intellectual capital, our business and technology solutions help clients improve performance and maximize returns on technology investments.

The Hackett Group, a strategic advisory firm and an Answerthink company, is a world leader in best practice research, benchmarking, business transformation and working capital management services that empirically define and enable world-class enterprise performance. Only The Hackett Group empirically defines world-class performance in sales, general and administrative (SG&A) and supply chain activities with analysis gained through 3,500 benchmark studies over 14 years at 2,000 of the world's leading companies.

Answerthink's combined capabilities include business advisory programs, benchmarking, business transformation, working capital management, business applications, and business intelligence, with corresponding offshore support. Answerthink was formed on April 23, 1997.

Critical Accounting Policies

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial position in conformity with generally accepted accounting principles. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe the following discussion addresses our most critical accounting policies. These policies require management to exercise judgments that are often difficult, subjective and complex due to the necessity of estimating the effect of matters that are inherently uncertain.

Revenue Recognition

Our revenues are principally derived from fees for services generated on a project-by-project basis. Revenues for services rendered are recognized on a time and materials basis or on a fixed-fee or capped-fee basis. Revenues for time and materials contracts are recognized based on the number of hours worked by our consultants at an agreed upon rate per hour and are recognized in the period in which services are performed. Revenues related to fixed-fee or capped-fee contracts are recognized on the proportional performance method of accounting based on the ratio of labor hours incurred to estimated total labor hours. This percentage is multiplied by the contracted dollar amount of the project to determine the amount of revenue to recognize in an accounting period. The contracted dollar amount used in this calculation excludes the amount the client pays us for reimbursable expenses. There are situations where the number of hours to complete projects may exceed our original estimate. These increases can be as a result of an increase in project scope, unforeseen events that arise, or the inability of the client or the delivery team to fulfill their responsibilities. On an on-going basis, our project delivery, office of risk management and finance personnel review hours incurred and estimated total labor hours to complete projects and any revisions in these estimates are reflected in the period in which they become known.

Unbilled revenues represent revenues for services performed that have not been invoiced. If we do not accurately estimate the scope of the work to be performed, or we do not manage our projects properly within the planned periods of time or we do not meet our clients' expectations under the contracts, then future consulting margins may be negatively affected or losses on existing contracts may need to be recognized. Any such resulting reductions in margins or contract losses could be material to our results of operations. Revenues before reimbursements exclude reimbursable expenses charged to clients. Reimbursements, which include travel and out-of-pocket expenses, are included in revenues, and an equivalent amount of reimbursable expenses is included in project personnel and expenses.

The agreements entered into in connection with a project, whether time and materials based or fixed-fee or capped-fee based, typically allow our clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required to pay for all time, materials and expenses incurred by us through the effective date of the termination. In addition, from time to time we enter into agreements with our clients that limit our right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit us from performing a defined range of our services that we might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Accounts Receivable and Allowances for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from our clients not making required payments. Periodically, we review accounts receivable to assess our estimates of collectibility. Management critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of our clients were to deteriorate, resulting in their inability to make payments, additional allowances may be required.

Goodwill and Long-Lived Identifiable Assets

We assess goodwill and long-lived identifiable assets for impairment when events or circumstances indicate that the carrying value may not be recoverable, or, at a minimum, on an annual basis. We have made determinations as to what our reporting units are and what amounts of goodwill and intangible assets should be allocated to those reporting units.

In assessing the recoverability of long-lived identifiable assets and goodwill, we must make assumptions regarding estimated future cash flows, discount rates and other factors to determine if impairment tests are met. These estimates contain management's best estimates, using appropriate and customary assumptions and projections at the time. If these estimates or their related assumptions change in the future, we may be required to record additional impairment charges.

Restructuring Reserves

Restructuring reserves reflect judgments and estimates of our ultimate costs of severance, closure and consolidation of facilities and settlement of contractual obligations under our operating leases, including sublease rental rates, absorption period to sublease space and other related costs. We reassess the reserve requirements to complete each individual plan under our restructuring programs at the end of each reporting period. If these estimates change in the future or actual results are different than our estimates, we may be required to record additional charges in the future.

Income Taxes

We record income taxes using the liability method. Under this method, we record deferred taxes based on temporary taxable and deductible differences between the tax bases of our assets and liabilities and our financial reporting bases. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Contingent Liabilities

We have certain contingent liabilities that arise in the ordinary course of our business activities. We accrue contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. Reserves for contingent liabilities are reflected in our consolidated financial statements based on management's assessment, along with legal counsel, of the expected outcome of the contingencies. If the final outcome of our contingencies differs adversely from that currently expected, it would result in a charge to earnings when determined.

The foregoing list is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for us to judge the application. There are also areas in which our judgment in selecting any available alternative would not produce a materially different result. Please see our consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K, which contain accounting policies and other disclosures required by accounting principles generally accepted in the United States.

Results of Operations

Our fiscal year generally consists of a 52-week period and periodically consists of a 53-week period because the fiscal year ends on the Friday closest to December 31. Fiscal years 2005, 2004 and 2003 ended on December 30, 2005, December 31, 2004 and January 2, 2004, respectively. References to a year included in this section refer to a fiscal year rather than a calendar year.

The following table sets forth, for the periods indicated, our results of operations and the percentage relationship to total revenues of such results:

	Year Ended					
	December 30, 2005		December 31, 2004		January 2, 2004	
	(in thousands, except percentage data)					
Revenues:						
Revenues before reimbursements	$ 146,693	89.8%	$ 129,339	90.1%	117,945	89.1%
Reimbursements	16,625	10.2%	14,208	9.9%	14,442	10.9%
Total revenues	163,318	100.0%	143,547	100.0%	132,387	100.0%
Costs and expenses:						
Project personnel and expenses:						
Project personnel and expenses before reimbursable expenses	83,380	51.0%	76,626	53.4%	73,551	55.6%
Reimbursable expenses	16,625	10.2%	14,208	9.9%	14,442	10.9%
Total project personnel and expenses	100,005	61.2%	90,834	63.3%	87,993	66.5%
Selling, general and administrative expenses	59,844	36.7%	49,960	34.8%	44,697	33.7%
Restructuring costs	2,923	1.8%	3,749	2.6%	4,875	3.7%
Total costs and operating expenses	162,772	99.7%	144,543	100.7%	137,565	103.9%
Income (loss) from operations	546	0.3%	(996)	(0.7%)	(5,178)	(3.9%)
Other income (expense):						
Interest income (expense), net	1,089	0.7%	802	0.6%	706	0.5%
Income (loss) before income taxes and income from discontinued operations	1,635	1.0%	(194)	(0.1%)	(4,472)	(3.4%)
Income taxes	(6)	0.0%	324	0.3%	350	0.2%
Income (loss) from continuing operations	1,641	1.0%	(518)	(0.4%)	(4,822)	(3.6%)
Income from discontinued operations, net of income taxes	—	—	370	0.3%	—	—
Net income (loss)	$ 1,641	1.0%	$ (148)	(0.1%)	$ (4,822)	(3.6%)

Comparison of 2005 to 2004

Overview. We reported net income of $1.6 million in 2005 compared to a net loss of $148 thousand in 2004. Our $1.6 million of net income during 2005 included restructuring costs of $2.9 million and non-cash stock compensation expense of $3.4 million. Non-cash compensation expense of approximately $800 thousand and $2.6 million is included in project personnel and expenses before reimbursable expenses and selling, general and administrative expenses, respectively, in our consolidated statement of operations. Our $148 thousand net loss during 2004 included restructuring costs of $3.7 million and non-cash stock compensation expense of $2.3 million. Non-cash compensation expense of approximately $800 thousand and $1.5 million is included in project personnel and expenses before reimbursable expenses and selling, general and administrative expenses, respectively, in our consolidated statement of operations. The restructuring costs in 2005 related to $1.1 million for the consolidation of additional facilities and related exit costs not included in previous restructuring charges and $1.8 million for increases in previously established reserves in 2002 and 2001 for the

closure and consolidation of facilities. The restructuring costs in 2004 related to increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities. The non-cash compensation expense in 2005 and 2004 was primarily related to the issuance of restricted stock units to employees at a senior director level or above.

Revenues. Revenues increased 14% to $163.3 million in 2005 from $143.5 million in 2004. The increase in revenues was primarily attributable to increased revenue from benchmarking and membership advisory program sales and related transformation advisory services and increased revenue from our Hyperion implementation practice. Additionally, the acquisition of REL Consultancy Group Limited ("REL"), a U.K. company that provides working capital management advisory services primarily in Europe and the U.S. on November 29, 2005 contributed $2.5 million to the increase in revenues for 2005. These impacts were partially offset by a decline in ERP and custom business intelligence revenues due to increased price competition from offshore suppliers. Reimbursements as a percentage of revenues were comparable at 10% during fiscal years 2005 and 2004. In fiscal year 2005, one customer had revenues equal to or greater than 5% of total revenues, accounting for 5% of total revenues. In fiscal year 2004, one customer had revenues greater than 5% of total revenues, accounting for 7% of total revenues. With respect to our largest customer in 2005, our contracts can be cancelled for convenience by the customer upon 30 days' notice. Our projects with this customer expire on various dates ranging from January 2006 to October 2006. We do not anticipate any credit and/or collection issues with this customer. As is customary with most of our significant relationships, we may be able to continue with new and follow-on projects as these initiatives progress into subsequent phases. However, there is no assurance that we will be able to renew these contracts. The cancellation or significant reduction in the use of services from this key customer could have a material adverse effect on our results of operations.

Project Personnel and Expenses. Project personnel costs and expenses primarily consist of salaries, benefits and incentive compensation for consultants and reimbursable expenses associated with projects. Project personnel costs and expenses before reimbursable expenses increased 9% to $83.4 million in 2005 from $76.6 million in 2004. This increase was primarily attributable to an increase in the average number of consultants in order to balance workforce capacity with market demand for services. Average consultant headcount excluding REL was 584 in 2005 and 557 in 2004. In addition, we had a slightly higher average cost per consultant in 2005 and the acquisition of REL added approximately 100 consultants during the month of December 2005.

Project personnel and expenses as a percentage of revenues, excluding the impact of REL in 2005, decreased to 60% in 2005 from 63% in 2004. The decrease was primarily the result of higher revenue per consultant during 2005 due to an increase in the average gross billing rate per hour to $190 in 2005 from $178 in 2004, which was partially offset by a slightly higher cost per consultant. The rate increase is a result of our continuing shift in mix to higher rate benchmarking and membership advisory programs and related transformation advisory services including the launch of the new fixed priced transformation advisory programs in March 2005 sold under the Hackett brand. Utilization was comparable at 69% for 2005 and 2004.

Selling, General and Administrative. Selling, general and administrative expenses increased 20% to $59.8 million in 2005 from $50.0 million in 2004. Selling, general and administrative expenses as a percentage of revenues were 37% in 2005 and 35% in 2004. The overall increases in selling, general and administrative expenses were primarily attributable to increased sales personnel and related commissions to accommodate the growth in our benchmarking, membership advisory programs, transformation advisory and Hyperion implementation services.

Restructuring Costs. Restructuring costs were $2.9 million and $3.7 million in 2005 and 2004, respectively. The $2.9 million of restructuring costs in 2005 related to $1.1 million for the consolidation of additional facilities and related exit costs not included in previously established reserves and $1.8 million for increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities of which $1.1 million specifically related to increase previously established reserves in order to reflect the negotiated buyout of our New York City lease obligation. As a result of the buyout, we were fully released from $20 million of future lease obligations and we assigned two subleases to the lessor, wrote-off a $1.4 million receivable from the lessor, and paid $3.1 million in cash to the lessor. The remaining $700 thousand related to increases in reserves to account for higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease facilities based on current market conditions. The $3.7 million of restructuring costs in 2004 related to increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities. Existing reserves were increased to account for higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease facilities based on current market conditions. Also in 2004, the restructuring accrual was reduced by $370 thousand relating to the final settlement of a lease obligation which was recorded as income from discontinued operations in the consolidated statement of operations in 2004.

Income Taxes. In 2005, we recorded an income tax benefit of $6 thousand which represented an effective tax rate of 0.4% of our pre-tax income. The 2005 tax benefit was comprised of a $229 thousand tax benefit related primarily to REL post acquisition losses in the U.S. partially offset by $223 thousand of income tax expense for certain state and foreign taxes related to non REL entities. In 2004, we recorded an income tax expense of $324 thousand which represented an effective tax rate of 167.6% of our pre-tax loss for certain state and foreign taxes. The estimated annual effective tax rates include an income tax benefit attributable to a decrease in the valuation allowance as a result of the expected utilization of tax net operating loss carryforwards in 2005 and 2004. The liability method of accounting for deferred income taxes requires that a change in the valuation allowance for deferred tax assets be included in income tax expense or benefit for the current year. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We have approximately $76 million of U.S. federal net operating loss carryforwards as of December 30, 2005.

Comparison of 2004 to 2003

Overview. We reported a net loss of $148 thousand in 2004 compared to a net loss of $4.8 million in 2003. Our $148 thousand loss during 2004 included restructuring costs of $3.7 million and non-cash stock compensation expense of $2.3 million. Non-cash compensation expense of approximately $800 thousand and $1.5 million is included in project personnel and expenses before reimbursable expenses and selling, general and administrative expenses, respectively, in our consolidated statement of operations. Our $4.8 million loss during 2003 included restructuring costs of $4.9 million and non-cash stock compensation expense of $1.2 million. Non-cash compensation expense of approximately $500 thousand and $700 thousand is included in project personnel and expenses before reimbursable expenses and selling, general and administrative expenses, respectively, in our consolidated statement of operations. The restructuring costs related to increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities. The compensation expense was primarily related to the issuance of restricted stock units to employees at a senior director level or above pursuant to a voluntary stock option exchange program which ended on July 14, 2003.

Revenues. Revenues increased 8.4% to $143.5 million in 2004 from $132.4 million in 2003. The increase in revenues was primarily attributable to increased revenue from benchmarking and business advisory sales and related follow-on consulting projects, and the acquisitions of EZCommerce, a dual-shore ERP implementation company, and Beacon Analytics, Inc., a business performance management consulting company, focusing on the implementation of Hyperion software. These impacts were partially offset by a decline in IT implementation revenues due to the disruption of client IT integration projects in 2004 as a result of the need to freeze control environments through the end of fiscal reporting periods in order to support Sarbanes-Oxley compliance. Reimbursements as a percentage of revenues were 10% and 11% during fiscal years 2004 and 2003, respectively. In fiscal year 2004, one customer had revenues greater than 5% of total revenues, accounting for 7% of total revenues. In fiscal year 2003, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 20% of total revenues. With respect to our largest customer in 2004, our contract can be cancelled for convenience by the customer upon 30 days' notice. As is customary with most of our significant relationships, we may be able to continue with new and follow-on projects as this initiative progresses into subsequent phases. However, there is no assurance that we will be able to renew this contract. The cancellation or significant reduction in the use of services from our key customer could have a material adverse effect on our results of operations.

Project Personnel and Expenses. Project personnel costs and expenses primarily consist of salaries, benefits and incentive compensation for consultants and reimbursable expenses associated with projects. Project personnel costs and expenses increased 3.2% to $90.8 million in 2004 from $88.0 million in 2003. This slight increase was primarily attributable to an increase in the number of consultants in order to balance workforce capacity with market demand for services, partially offset by lower average cost per consultant. Consultant headcount was 550 as of December 31, 2004 compared to 483 as of January 2, 2004. Project personnel and expenses as a percentage of revenues decreased to 63% during 2004 from 66% in 2003, primarily as the result of lower average cost per consultant attributable to the addition of lower cost offshore resources as part of the acquisition of EZCommerce.

Selling, General and Administrative. Selling, general and administrative expenses increased 11.8% to $50.0 million in 2004 from $44.7 million in 2003. The overall increases in selling, general and administrative expenses were primarily due to additional sales personnel and recruiting expenses to accommodate the growth in our benchmarking and business advisory

services, partially offset by lower legal fees. Selling, general and administrative expenses as a percentage of revenues increased to 35% in 2004 from 34% in 2003. The increase is primarily attributable to the increase in selling and recruiting expenses for our benchmarking and business advisory services, partially offset by the impact of fixed expenses on higher levels of revenue in 2004 as compared to 2003.

Restructuring Costs and Discontinued Operations. Restructuring costs were $3.7 million and $4.9 million in 2004 and 2003, respectively. Restructuring costs in 2004 and 2003 relate to increases in previously established reserves for the closure and consolidation of facilities. Existing reserves were increased to account for higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease facilities based on current market conditions. Also in 2004, the restructuring accrual was reduced by $370 thousand relating to the final settlement of a lease obligation for our discontinued interactive marketing business. This amount was recorded as income from discontinued operations in the consolidated statement of operations for the year ended December 31, 2004.

Income Taxes. In 2004 and 2003, we recorded $324 thousand and $350 thousand, respectively, of income tax expense for certain state and foreign taxes, which represented 167.6% and 7.8% of our pre-tax loss, respectively. We did not recognize an income tax benefit for federal and state taxes due to the establishment of a valuation allowance for the tax benefit generated on losses during 2004 and 2003. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

In 2002, we discontinued our interactive marketing business which was acquired with THINK New Ideas. In connection therewith, we claimed a worthless stock deduction for our investment in THINK New Ideas in our 2002 tax return as a result of the discontinuance of THINK New Ideas. We voluntarily requested that the Internal Revenue Service ("IRS") review this position on an expedited basis. On August 5, 2004, we reached an agreement with the IRS representing the final step in the review process. Pursuant to the agreement, the IRS agreed that we are entitled to a worthless stock deduction of $77.3 million on our 2002 tax return.

Liquidity and Capital Resources

We have funded our operations primarily with cash flow generated from operations and the proceeds from our initial public offering. At December 30, 2005, we had $18.1 million of cash and cash equivalents compared to $38.9 million at December 31, 2004. We had $600 thousand and $3.0 million, respectively, at December 30, 2005 and December 31, 2004, on deposit with a financial institution as collateral for letters of credit and have classified this deposit as restricted cash on the accompanying consolidated balance sheets. In addition, we had $3.7 million at December 30, 2005 on deposit with a financial institution as collateral for an Employee Benefit Trust loan acquired as part of the REL Consultancy Group and have classified this deposit as restricted cash on the accompanying consolidated balance sheet. This loan was repaid during March 2006. We also had marketable investments of $9.9 million at December 30, 2005 and December 31, 2004.

Net cash provided by operating activities was $5.7 million in 2005 compared to $2.4 million for 2004. During 2005, net cash provided by operating activities was primarily attributable to net income of $1.6 million, $9.1 million of non-cash expenses and increases in accounts payable of $1.0 million, and accrued expenses and other liabilities of $1.7 million, primarily attributable to the REL acquisition, partially offset by a $7.6 million increase in accounts receivable and unbilled revenue, primarily attributable to the REL acquisition. Non-cash expenses included depreciation and amortization, non-cash compensation expense and provision for doubtful accounts. During 2004, net cash provided by operating activities was primarily attributable to $8.6 million of non-cash expenses partially offset by a $3.2 million increase in accounts receivable and unbilled revenue and a decrease of $3.0 million in accrued expenses and other liabilities.

Net cash used in investing activities was $22.6 million in 2005 compared to $10.4 million in 2004. The uses of cash for investing activities in 2005 were primarily attributable to $23.3 million used in the acquisition of businesses, purchases of $27.9 million of marketable investments and $1.8 million for purchases of property and equipment, partially offset by $27.9 million of proceeds from sales, calls and maturities of marketable investments and $2.4 million of proceeds from a decrease in restricted cash. The uses of cash for investing activities in 2004 were primarily attributable to purchases of $39.8 million of marketable investments, $7.2 million used in the acquisition of a business and $3.2 million for purchases of property and equipment, partially offset by $39.8 million of proceeds from the sales, calls and maturities of marketable investments.

Net cash used in financing activities was $3.9 million in 2005 compared to $7.6 million during 2004. During 2005 cash used in financing activities was primarily attributable to $3.9 million for the repurchase of our common stock and $1.4 million for payment of employee withholding tax related to vesting of restricted stock units, partially offset by proceeds of $1.7 million from the sale of stock as a result of exercises of stock options and the sale of stock through our Employee Stock Purchase Plan. Cash used in financing activities during 2004 consisted $10.5 million for the repurchase of our common stock, partially offset by proceeds of $2.9 million from the sale of stock as a result of exercises of stock options and the sale of stock through our Employee Stock Purchase Plan.

On July 30, 2002, we announced that our Board of Directors approved the repurchase of up to $5.0 million of our common stock. In 2003, 2004 and the second quarter of 2005, our Board of Directors approved the repurchase of an additional $25.0 million of our common stock, thereby increasing the total program size to $30 million. Under the repurchase plan, we may buy back shares of our outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of December 30, 2005, we had repurchased 6,534,155 shares of our common stock at an average price of $3.39 per share. We hold repurchased shares of our common stock as treasury stock.

In November 2005, the Company acquired REL for a purchase price of $21.3 million in cash upon closing and deferred consideration of approximately $7.1 million to be paid at various dates though May 15, 2006, provided that the Company does not identify any warranty or indemnity claims. During the first quarter of 2006, approximately $1.7 million of deferred consideration was paid. These amounts do not include additional consideration in a sum not to exceed $9 million due upon the achievement of certain revenue targets related to the performance of REL during the 12-month period ending December 31, 2005 and the adjustment to the consideration paid to the shareholders based on the final value of net tangible assets acquired at closing which was not determinable as of December 30, 2005. In May 2004, the Company purchased the U.S. and India operations of EZCommerce Global Solutions, Inc., a business specializing in the dual-shore implementation of primarily SAP and, to a lesser extent, Oracle software. The purchase price for this acquisition was $9.0 million in cash, which included $3.0 million of deferred payments payable in equal installments on the first and second anniversary of the purchase. The first installment of the deferred payments was paid in 2005. In July 2003, we purchased the assets of Beacon Analytics, Inc., a business performance management consulting company focusing on the implementation of Hyperion software. The purchase price for this acquisition was $4.0 million in cash and approximately $2.5 million of contingent consideration due over the next three years if certain earnings goals are achieved. In both 2005 and 2004, we paid $1.1 million of earned contingent consideration, which totaled $2.2 million in the aggregate.

We currently believe that available funds and cash flows generated by operations, if any, will be sufficient to fund our working capital and capital expenditures requirements for at least the next twelve months. We may decide to raise additional funds in order to fund expansion, to develop new or enhanced products and services, to respond to competitive pressures or to acquire complementary businesses or technologies. There is no assurance, however, that additional financing on acceptable terms will be available when needed or desired.

Obligations and Commitments

There were no material capital commitments at December 30, 2005. The following summarizes our lease commitments under non-cancelable operating leases for premises at December 30, 2005 (in thousands):

Less than 1 year	$ 4,770
1-3 years	6,722
4-5 years	5,803
After 5 years	1,320
Total minimum lease payments	$ 18,615

Off-Balance Sheet Arrangements

We have no off balance sheet arrangements at December 30, 2005.

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board issued SFAS 123 (revised 2004), *Share-Based Payment, ("SFAS 123R")*. SFAS 123R addresses the accounting for share-based payments to employees, including grants of employee stock options. Under the new standard, companies will no longer be able to account for share-based compensation transactions using the intrinsic method in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees*. Instead, companies will be required to account for such transactions using a fair-value method and recognize the expense in the consolidated statement of operations. SFAS 123R will be effective for fiscal years beginning after June 15, 2005 and allows, but does not require, companies to restate the full fiscal year of 2005 to reflect the impact of expensing share-based payments under SFAS 123R. The Company will adopt SFAS 123R effective December 31, 2005 using the Modified Prospective Application ("MPA") method. The MPA method will require the Company to record expense for unvested stock options that were awarded prior to December 31, 2005 through the remaining vesting period. The expense for unvested stock options at December 31, 2005 will be based on the grant-date fair value of those awards as calculated for pro forma disclosure under SFAS No. 123. We expect to record additional compensation expense of approximately $500 thousand and $200 thousand, pre-tax, in fiscal years 2006 and 2007, respectively, related to previously issued unvested stock options. We are currently evaluating the impact that the other provisions of SFAS No. 123R will have on its consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At December 30, 2005, our exposure to market risk related primarily to changes in interest rates on our investment portfolio. Our marketable investments consist primarily of short-term fixed interest rate securities. We invest only with high credit quality issuers and we do not use derivative financial instruments in our investment portfolio. We do not believe that a significant increase or decrease in interest rates would have a material impact on the fair value of our investment portfolio.

Exchange Rate Sensitivity

We face exposure to adverse movements in foreign currency exchange rates, as a significant portion of our revenues, expenses, assets and liabilities are denominated in currencies other than the U.S. Dollar, primarily the British pound and the euro. These exposures may change over time as business practices evolve. Currently, we do not hold any derivatives contracts that hedge our foreign currency risk, but we may adopt such strategies in the future.

For a discussion of the risks we face as a result of foreign currency fluctuations, please see "Item 1A. Risk Factors" in Part I.

Report of Independent Registered Certified Public Accounting Firm

To the Board of Directors and Shareholders
of Answerthink, Inc.

In our opinion, the accompanying consolidated balance sheet as of December 31, 2004 and the related consolidated statements of operations, of shareholders' equity and comprehensive income and of cash flows for each of the two years in the period ended December 31, 2004 present fairly, in all material respects, the financial position of Answerthink, Inc. and its subsidiaries at December 31, 2004, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the years ended December 31, 2004 and January 2, 2004 listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Miami, Florida
March 14, 2005

ANSWERTHINK, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 30, 2005	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,103	$ 38,890
Marketable investments	9,902	—
Restricted cash	3,657	—
Accounts receivable and unbilled revenue, net of allowance of $1,766 and $2,109 in 2005 and 2004, respectively	41,928	28,883
Prepaid expenses and other assets	3,273	3,459
Total current assets	76,863	71,232
Marketable investments	—	9,902
Restricted cash	600	3,000
Property and equipment, net	6,304	7,568
Other assets	6,422	3,245
Goodwill, net	61,692	33,786
Total assets	$ 151,881	$ 128,733
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,319	$ 3,462
Accrued expenses and other liabilities	37,751	17,910
Loan payable	3,657	—
Total current liabilities	47,727	21,372
Accrued expenses and other liabilities, non-current	3,272	7,507
Total liabilities	50,999	28,879
Commitments and contingencies	—	—
Shareholders' equity:		
Preferred stock, $.001 par value, 1,250,000 shares authorized, none issued and outstanding	—	—
Common stock, $.001 par value, authorized 125,000,000 shares; issued: 51,020,343 shares at December 30, 2005; 48,969,181 shares at December 31, 2004	51	49
Additional paid-in capital	282,749	277,356
Unearned compensation	(8,003)	(6,011)
Treasury stock, at cost, 6,534,155 shares at December 30, 2005 and 5,526,855 shares at December 31, 2004	(22,119)	(18,178)
Accumulated deficit	(151,748)	(153,389)
Accumulated other comprehensive income (loss)	(48)	27
Total shareholders' equity	100,882	99,854
Total liabilities and shareholders' equity	$ 151,881	$ 128,733

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Year Ended		
	December 30, 2005	**December 31, 2004**	**January 2, 2004**
Revenues:			
Revenues before reimbursements	$ 146,693	$ 129,339	$ 117,945
Reimbursements	16,625	14,208	14,442
Total revenues	163,318	143,547	132,387
Costs and expenses:			
Project personnel and expenses:			
Project personnel and expenses before reimbursable expenses (includes $749, $852, and $490 of stock compensation expense in 2005, 2004 and 2003, respectively)	83,380	76,626	73,551
Reimbursable expenses	16,625	14,208	14,442
Total project personnel and expenses	100,005	90,834	87,993
Selling, general and administrative expenses (includes $2,643, $1,469, and $746 of stock compensation expense in 2005, 2004 and 2003, respectively)	59,844	49,960	44,697
Restructuring costs	2,923	3,749	4,875
Total costs and operating expenses	162,772	144,543	137,565
Income (loss) from operations	546	(996)	(5,178)
Other income (expense):			
Interest income	1,168	866	706
Interest expense	(79)	(64)	—
Income (loss) before income taxes and income from discontinued operations	1,635	(194)	(4,472)
Income taxes	(6)	324	350
Income (loss) from continuing operations	1,641	(518)	(4,822)
Income from discontinued operations, net of income taxes	—	370	—
Net income (loss)	$ 1,641	$ (148)	$ (4,822)
Basic net income (loss) per common share:			
Income (loss) from continuing operations	$ 0.04	$ (0.01)	$ (0.11)
Income from discontinued operations, net of income taxes	$ —	$ 0.01	$ —
Net income (loss) per common share	$ 0.04	$ (0.00)	$ (0.11)
Weighted average common shares outstanding	43,575	44,188	45,140
Diluted net income (loss) per common share:			
Income (loss) from continuing operations	$ 0.04	$ (0.01)	$ (0.11)
Income from discontinued operations, net of income taxes	$ —	$ 0.01	$ —
Net income (loss) per common share	$ 0.04	$ (0.00)	$ (0.11)
Weighted average common and common equivalent shares outstanding	45,302	44,188	45,140

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

(in thousands)

	Common Stock		Additional Paid-in	Treasury Stock		Unearned	Accumulated	Accumulated Other Comprehensive	Total Shareholders'	Comprehensive Income
	Shares	Amount	Capital	Shares	Amount	Compensation	Deficit	Income (Loss)	Equity	(Loss)
Balance at January 3, 2003	47,728	$ 48	$ 263,626	(1,146)	$ (2,208)	$ —	$ (148,419)	$ —	$ 113,047	
Issuance of common stock	563	—	1,252	—	—	—	—	—	1,252	
Treasury stock purchased	—	—	—	(2,404)	(5,478)	—	—	—	(5,478)	
Issuance of restricted stock units, net of cancellations	—	—	9,487	—	—	(9,487)	—	—	—	
Amortization of restricted stock units	—	—	—	—	—	1,120	—	—	1,120	
Stock compensation expense	—	—	13	—	—	—	—	—	13	
Variable stock options	—	—	103	—	—	—	—	—	103	
Net loss	—	—	—	—	—	—	(4,822)	—	(4,822)	$ (4,822)
Total Comprehensive Loss	—	—	—	—	—	—	—	—	—	$ (4,822)
Balance at January 2, 2004	48,291	$ 48	$ 274,481	(3,550)	$ (7,686)	$ (8,367)	$ (153,241)	$ —	$ 105,235	
Issuance of common stock	678	1	2,910	—	—	—	—	—	2,911	
Treasury stock purchased	—	—	—	(1,977)	(10,492)	—	—	—	(10,492)	
Issuance of restricted stock units, net of cancellations	—	—	(97)	—	—	97	—	—	—	
Amortization of restricted stock units	—	—	—	—	—	2,259	—	—	2,259	
Variable stock options	—	—	62	—	—	—	—	—	62	
Net loss	—	—	—	—	—	—	(148)	—	(148)	$ (148)
Unrealized holding losses on available for sale marketable investments	—	—	—	—	—	—	—	(98)	(98)	(98)
Foreign currency translation	—	—	—	—	—	—	—	125	125	125
Total Comprehensive Loss	—	—	—	—	—	—	—	—	—	$ (121)
Balance at December 31, 2004	48,969	$ 49	$ 277,356	(5,527)	$(18,178)	$ (6,011)	$ (153,389)	$ 27	$ 99,854	
Issuance of common stock	2,051	2	269	—	—	—	—	—	271	
Treasury stock purchased	—	—	—	(1,007)	(3,941)	—	—	—	(3,941)	
Issuance of restricted stock units, net of cancellations	—	—	5,135	—	—	(5,135)	—	—	—	
Amortization of restricted stock units	—	—	—	—	—	3,143	—	—	3,143	
Variable stock options	—	—	(11)	—	—	—	—	—	(11)	
Net income	—	—	—	—	—	—	1,641	—	1,641	$ 1,641
Foreign currency translation	—	—	—	—	—	—	—	(75)	(75)	(75)
Total Comprehensive Income	—	—	—	—	—	—	—	—	—	$ 1,566
Balance at December 30, 2005	51,020	$ 51	$ 282,749	(6,534)	$(22,119)	$ (8,003)	$ (151,748)	$ (48)	$ 100,882	

The accompanying notes are an integral part of the consolidated financial statements.

ANSWERTHINK, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
Cash flows from operating activities:			
Net income (loss)	$ 1,641	$ (148)	$ (4,822)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	4,870	5,177	4,954
Non-cash compensation expense	3,392	2,321	1,236
Provision for doubtful accounts	797	1,060	(235)
Changes in assets and liabilities, net of effects from acquisitions:			
Decrease (increase) in accounts receivable and unbilled revenue	(7,572)	(3,210)	1,309
Decrease (increase) in prepaid expenses and other assets	(88)	920	10,075
Increase (decrease) in accounts payable	986	(707)	(2,066)
Increase (decrease) in accrued expenses and other liabilities	1,680	(2,974)	(586)
Net cash provided by operating activities	5,706	2,439	9,865
Cash flows from investing activities:			
Purchases of property and equipment	(1,762)	(3,199)	(1,225)
Decrease (increase) in restricted cash	2,400	—	(91)
Purchases of marketable investments	(27,900)	(39,750)	(58,458)
Proceeds from sales, calls and maturities of marketable investments	27,900	39,750	76,508
Cash used in acquisition of businesses, net of cash acquired	(23,256)	(7,210)	(3,301)
Net cash provided by (used in) investing activities	(22,618)	(10,409)	13,433
Cash flows from financing activities:			
Proceeds from issuance of common stock	1,704	2,911	1,252
Payment of employee withholding tax related to restricted stock units	(1,432)	—	—
Repurchases of common stock	(3,941)	(10,492)	(5,478)
Proceeds from borrowings	162	—	—
Repayments of loan payable	(368)	—	—
Net cash used in financing activities	(3,875)	(7,581)	(4,226)
Net increase (decrease) in cash and cash equivalents	(20,787)	(15,551)	19,072
Cash and cash equivalents at beginning of year	38,890	54,441	35,369
Cash and cash equivalents at end of year	$ 18,103	$ 38,890	$ 54,441
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 16	$ —	$ —
Cash paid for income taxes	$ 401	$ 193	$ 110

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of Business and Significant Accounting Policies

Nature of Business

Answerthink, Inc. (the "Company" or "Answerthink") is a leading business and technology consulting firm that enables companies to achieve world-class business performance. Answerthink's combined capabilities include business advisory programs, benchmarking, business transformation, working capital management, business applications, and business intelligence, with corresponding offshore support.

Principles of Consolidation

The consolidated financial statements and information herein include the accounts of Answerthink and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year

The Company's fiscal year generally consists of a 52-week period and periodically consists of a 53-week period because the fiscal year ends on the Friday closest to December 31. Fiscal years 2005, 2004, and 2003 ended on December 30, 2005, December 31, 2004 and January 2, 2004, respectively. References to a year included in this section refer to a fiscal year rather than a calendar year.

Cash and Cash Equivalents

The Company considers all short-term investments with maturities of three months or less when purchased to be cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the F.D.I.C. insurance limits. The Company has not experienced any loss to date on these investments.

Marketable Investments

Marketable investments are available-for-sale securities which are recorded at fair market value. Unrealized gains and losses on these investments are reported in comprehensive income or loss and accumulated as a separate component of shareholders' equity, net of any related tax effect. Declines in value that are judged to be other than temporary result in a reduction of the carrying amount of the investment to fair value and the recognition of an impairment charge in other income (expense). Realized gains and losses from sales of available-for-sale securities were not material for any period presented. For the purpose of determining realized gains and losses, the cost of securities sold is based upon specific identification.

Accounts Receivable and Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from our clients not making required payments. Management makes estimates of the collectibility of the accounts receivables. Management critically reviews accounts receivable and analyzes historical bad debts, past-due accounts, client credit-worthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts.

Property and Equipment, Net

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the assets ranging from three to five years. Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements are capitalized. The carrying amount of assets sold or retired and related accumulated depreciation are removed from the accounts in the year of disposal and any resulting gains or losses are included in the statement of operations.

1. Nature of Business and Significant Accounting Policies (continued)

The Company capitalizes the costs of internal-use software in accordance with Statement of Position No. 98-1 ("SOP 98-1), *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. SOP 98-1 provides guidance on applying generally accepted accounting principles in addressing whether and under what conditions the costs of internal-use software should be capitalized. The Company capitalizes certain costs, which generally include hardware, software, and payroll related costs for employees who are directly associated with and who devote time to the development of internal-use computer software.

Goodwill and Other Intangible Assets

All of the Company's goodwill and intangible assets has been accounted for under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*. Goodwill represents the cost of acquired businesses in excess of the estimated fair value assigned to the net assets acquired. Other intangible assets arise from business combinations and consist of customer relationships, restricted covenants related to employment agreements, customer backlog and trademarks that are amortized, on a straight-line basis, over periods of up to five years. The Company follows the impairment provisions and disclosure requirements of SFAS No. 142. Goodwill and other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In addition, goodwill is tested for impairment at the reporting unit level at least annually utilizing a "fair value" methodology versus an undiscounted cash flow method required under previous accounting rules. The Company evaluates the fair values of its reporting units utilizing various techniques including discounted cash flow analysis. The reporting units consist of The Hackett Group, Business Applications and Business Intelligence. In assessing the recoverability of goodwill and intangible assets, the Company makes assumptions regarding estimated future cash flows, discount rates and other factors to determine if impairment tests are met. These estimates contain management's best estimates, using appropriate and customary assumptions and projections at the time. The Company performed its annual impairment test of goodwill in the fourth quarters of fiscal 2005, 2004 and 2003, respectively, and determined that goodwill was not impaired.

Long-Lived Assets (excluding Goodwill)

We follow the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long-Lived Assets" which requires that long-lived assets be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss is recognized if the sum of the long-term undiscounted cash flows is less than the carrying amount of the long-lived assets being evaluated.

Revenue Recognition

The Company principally derives revenues from fees for services generated on a project-by-project basis. Revenues for services rendered are recognized on a time and materials basis or on a fixed-fee or capped-fee basis. Revenues for time and materials contracts are recognized based on the number of hours worked by the Company's consultants at an agreed upon rate per hour and are recognized in the period in which services are performed. Revenues related to fixed-fee or capped-fee contracts are recognized on the proportional performance method of accounting based on the ratio of labor hours incurred to estimated total labor hours. This percentage is multiplied by the contracted dollar amount of the project to determine the amount of revenue to recognize in an accounting period. The contracted amount used in this calculation excludes the amount the client pays for reimbursable expenses. There are situations where the number of hours to complete projects may exceed the Company's original estimate. These increases can be as a result of an increase in project scope, unforeseen events that arise, or the inability of the client or the delivery team to fulfill their responsibilities. On an on-going basis, the Company's project delivery, office of risk management and finance personnel review hours incurred and estimated total labor hours to complete projects and any revisions in these estimates are reflected in the period in which they become known.

1. Nature of Business and Significant Accounting Policies (continued)

Unbilled revenues represent revenues for services performed that have not been invoiced. If the Company does not accurately estimate the scope of the work to be performed, or does not manage the projects properly within the planned periods of time or does not meet the clients' expectations under the contracts, then future consulting margins may be negatively affected or losses on existing contracts may need to be recognized. Any such resulting reductions in margins or contract losses could be material to the Company's results of operations. Revenues before reimbursements exclude reimbursable expenses charged to clients. Reimbursements, which include travel and out-of-pocket expenses, are included in revenues, and an equivalent amount of reimbursable expenses is included in project personnel and expenses.

The agreements entered into in connection with a project, whether time and materials based or fixed-fee or capped-fee based, typically allow the Company's clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required to pay for all time, materials and expenses incurred by the Company through the effective date of the termination. In addition, from time to time the Company enters into agreements with clients that limit the Company's right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit the Company from performing a defined range of services that it might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Stock Compensation

The Company applies Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations in accounting for its stock option plans. The Company measures compensation expense related to the grant of stock options and stock-based awards to employees (including independent directors) in accordance with the provisions of APB No. 25. In accordance with APB Opinion No. 25, compensation expense, if any, is generally based on the difference between the exercise price of an option, or the amount paid for an award, and the market price or fair value of the underlying common stock at the date of the award or at the measurement date for variable awards. Stock-based compensation arrangements involving non-employees are accounted for under SFAS No. 123, *Accounting for Stock-Based Compensation*, under which such arrangements are accounted for based on the fair value of the option or award.

Under SFAS No. 123, compensation cost for the Company's stock-based compensation plans would be determined based on the fair value at the grant dates for awards under those plans. The assumptions underlying the fair value calculations of the stock option grants are presented in Note 11. Had the Company adopted SFAS No. 123 in accounting for its stock option plans, the Company's consolidated net income (loss) and net income (loss) per share for the years ended December 30, 2005, December 31, 2004 and January 2, 2004 would have been adjusted to the pro forma amounts indicated as follows (in thousands, except per share data):

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
Net income (loss), as reported	$ 1,641	$ (148)	$ (4,822)
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	3,392	2,321	1,236
Deduct: Total stock-based employee pro forma compensation expense determined under fair value based method for all awards, net of related tax effects	(5,195)	(5,354)	(6,702)
Pro forma net loss	$ (162)	$ (3,181)	$ (10,288)
Basic net income (loss) per common share			
As reported	$ 0.04	$ (0.00)	$ (0.11)
Pro forma	$ (0.00)	$ (0.07)	$ (0.23)
Diluted net income (loss) per common share			
As reported	$ 0.04	$ (0.00)	$ (0.11)
Pro forma	$ (0.00)	$ (0.07)	$ (0.23)

1. Nature of Business and Significant Accounting Policies (continued)

Income Taxes

The Company records income taxes using the liability method. Under this method, the Company records deferred taxes based on temporary taxable and deductible differences between the tax bases of the Company's assets and liabilities and their financial reporting bases. The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. With regard to restricted stock units issued to employees, the calculation includes only the vested portion of such stock.

Net income (loss) per share assuming dilution is computed by dividing the net income (loss) by the weighted average number of common shares outstanding, increased by the assumed conversion of other potentially dilutive securities during the period. For the year ended December 30, 2005, potentially dilutive securities included 1,506,707 of unvested restricted stock units issued to employees and 220,832 of common stock issuable upon the exercise of stock options following the treasury stock method.

Potentially dilutive shares were excluded from the diluted loss per share calculation for the years ended December 31, 2004 and January 2, 2004 because their effects would have been anti-dilutive to the loss incurred by the Company. Therefore, the amounts reported for basic and diluted net loss per share were the same for those years. Potentially dilutive shares which were not included in the diluted loss per share calculation for the years ending December 31, 2004 and January 2, 2004 were 2,368,180 shares and 777,265 shares, respectively, of shares underlying unvested restricted stock units issued to employees and 667,728 shares and 289,647 shares, respectively, of common stock issuable upon the exercise of stock options and warrants following the treasury stock units method.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, marketable investments, accounts receivable and unbilled revenue, accounts payable, and accrued expenses and other liabilities. At December 30, 2005 and December 31, 2004, the fair value of these instruments approximated their carrying value.

Concentration of Credit Risk

The Company provides services primarily to Global 2000 companies and other sophisticated buyers of business consulting and IT services. The Company performs ongoing credit evaluations of its major customers and maintains reserves for potential credit losses. In fiscal years 2005 and 2004, one customer had revenues greater than 5% of total revenues, accounting for approximately 5% and 7% of total revenues, respectively. In fiscal year 2003, three customers had revenues greater than 5% of total revenues, which, in the aggregate, accounted for approximately 20% of total revenues.

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Nature of Business and Significant Accounting Policies (continued)

Other Comprehensive Income (Loss)

Other comprehensive income (loss) consists of unrealized gains and losses on available-for-sale securities, and cumulative foreign currency translation adjustments.

Translation of Non-U.S. Currency Amounts

The net assets and operations of entities outside of the United States are translated into U.S. dollars. Assets and liabilities are translated at year-end exchange rates and income and expense items are translated at average exchange rates prevailing during the year. Translation adjustments are included in accumulated other comprehensive income (loss). Gains and losses arising from intercompany foreign currency transactions that are of a long-term-investment nature are reported in the same manner as translation adjustments.

Segment Reporting

The Company engages in business activities in one operating segment, which provides business and technology consulting services.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued SFAS 123 (revised 2004), *Share-Based Payment, ("SFAS 123R")*. SFAS 123R addresses the accounting for share-based payments to employees, including grants of employee stock options. Under the new standard, companies will no longer be able to account for share-based compensation transactions using the intrinsic method in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees*. Instead, companies will be required to account for such transactions using a fair-value method and recognize the expense in the consolidated statement of operations. SFAS 123R will be effective for fiscal years beginning after June 15, 2005 and allows, but does not require, companies to restate the full fiscal year of 2005 to reflect the impact of expensing share-based payments under SFAS 123R. The Company will adopt SFAS 123R effective December 31, 2005 using the Modified Prospective Application ("MPA") method. The MPA method will require the Company to record expense for unvested stock options that were awarded prior to December 31, 2005 through the remaining vesting period. The expense for unvested stock options at December 31, 2005 will be based on the grant-date fair value of those awards as calculated for pro forma disclosure under SFAS No. 123. The requirements of SFAS 123R are effective for the Company beginning in the first quarter of fiscal year 2006. The Company expects to record additional compensation expense of approximately $500 thousand and $200 thousand, pre-tax, in fiscal years 2006 and 2007, respectively, related to previously issued unvested stock options. The Company is currently evaluating the impact that the other provisions of SFAS No. 123R will have on its consolidated financial statements.

Reclassifications

Certain prior year amounts in the consolidated financial statements have been reclassified to conform current year presentation.

2. Acquisitions and Investing Activities

During the three year period ended December 30, 2005, the Company acquired four businesses providing information technology services (collectively, the "Acquired Entities") in separate transactions. Two were completed in 2005, one was completed in 2004, and one was completed in 2003. Aggregate consideration for the Acquired Entities was $33.8 million. This amount has been allocated, on an entity-by-entity basis, to the assets acquired and liabilities assumed based on their respective fair values on the dates of acquisition.

2. Acquisitions and Investing Activities (continued)

The components of the purchase price allocation for the Acquired Entities, contingent consideration earned for previous acquisitions, and fees and expenses incurred are as follows (in thousands):

	2005	2004	2003
Fair value of net assets (excluding cash) acquired	$ (4,146)	$ 1,121	$ 1,264
Goodwill	27,690	7,066	—
Intangible assets	5,332	1,943	2,287
Deferred payment accrued	(7,120)	(2,920)	—
Deferred payment paid	1,500	—	—
Accrued earn-out	—	—	(250)
Cash used in acquisitions of businesses, net of cash acquired	$ 23,256	$ 7,210	$ 3,301

These acquisitions have been accounted for using the purchase method of accounting. Accordingly, the results of the acquisitions are included in the Company's consolidated results of operations from the respective dates of acquisition. For each acquisition, the excess of the purchase price including any contingent consideration over the estimated fair value of the net identifiable assets acquired has been recorded as goodwill and/or intangible assets. For each of the acquisitions made, goodwill is deductible for tax purposes except in the case of goodwill for the REL acquisition, which amounted to $25.8 million.

In November 2005, the Company purchased REL Consultancy Group Limited ("REL"), a privately-held U.K. company that provides working capital management advisory services primarily in Europe and the U.S. Under the terms of the Share Purchase Agreement, the stockholders of REL received aggregate cash of $21.3 million upon closing. Deferred consideration of approximately $7.1 million, which was recorded as part of the acquisition cost, will be paid at various dates through May 15, 2006, provided that the Company does not identify any warranty or indemnity claims. During the first quarter of 2006, approximately $1.7 million of deferred consideration was paid. These amounts do not include additional consideration in a sum not to exceed $9 million due upon the achievement of certain revenue targets related to the performance of REL during the 12-month period ending December 31, 2005 and the adjustment to the consideration paid to the shareholders based on the final value of net tangible assets acquired at closing, which was not determinable as of December 30, 2005. Any payments related to the contingent consideration will be recorded as an adjustment to goodwill. The excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets acquired has been recorded as $5.3 million of intangible assets and $25.8 million of goodwill. The intangible assets are being amortized over periods ranging from 6 months to 5 years.

In connection with the acquisition, the Company recorded liabilities of $2.6 million for termination obligations, in accordance with EITF 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination". The Company has recognized these obligations as a liability assumed as of the acquisition date. These termination obligations consisted of $1.4 million of employee separation costs and $1.2 million related to the closure of redundant REL real estate facilities. The Company expects to complete the severance payments by fiscal year 2006. Lease termination activities for all but $208 thousand are expected to be completed by fiscal year 2006.

The following unaudited pro forma information is provided for the REL acquisition assuming it occurred as of January 1, 2005 and as of January 3, 2004, respectively, (in millions, except per share amounts):

	2005	2004
Revenues	$ 200,075	$ 178,922
Net loss	$ (2,731)	$ (1,488)
Basic and diluted net loss per share	$ (0.06)	$ (0.03)

2. Acquisitions and Investing Activities (continued)

The unaudited pro forma financial information presented above does not reflect any operating efficiencies and cost savings that the Company may achieve with respect to the entities nor any expenses associated with achieving those benefits. The unaudited pro forma information presented above is based on currently available information and upon certain assumptions that the Company believes are reasonable and is for illustrative purposes only. It is not necessarily indicative of the future results of operations of the Company or the results of operations of the Company had the acquisition occurred on January 1, 2005 or January 3, 2004.

Other Acquisitions

In January 2005, the Company purchased the operations of Active Interest, Inc., a company that specializes in the implementation of Hyperion Brio data warehouse software. The purchase price for this acquisition was $607 thousand in aggregate cash. The excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets acquired has been recorded as $42 thousand of intangible assets and $565 thousand of goodwill.

In May 2004, the Company purchased the U.S. and India operations of EZCommerce Global Solutions, Inc., a business specializing in the dual-shore implementation of primarily SAP and, to a lesser extent, Oracle software. The purchase price for this acquisition was $9.0 million in cash, which included $3.0 million of deferred payments payable in equal installments on the first and second anniversary of the purchase. The first installment of the deferred payments was paid in 2005. The excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets acquired has been recorded as $1.4 million of intangible assets and $6.7 million of goodwill. The intangible assets are being amortized over periods ranging from 8 months to 4 years.

In July 2003, the Company purchased the assets of Beacon Analytics, Inc. ("Beacon"), a business performance management consulting company focusing on the implementation of Hyperion software. The purchase price for this acquisition was $4.0 million in cash and approximately $2.5 million of contingent cash consideration due over the next three years if certain earnings goals are achieved. The excess of the purchase price of the acquisition over the estimated fair value of the net identifiable assets which totaled $2.0 million has been recorded as intangible assets and are being amortized over periods ranging from 6 months to 3 years. During 2004, the Company paid $1.1 million for earned contingent consideration related to the purchase of Beacon. Of this amount, $566 thousand was recorded as intangible assets and $528 thousand as goodwill. During 2005, the Company paid $1.1 million for earned contingent consideration related to the purchase of Beacon which was recorded as goodwill.

The pro forma impact of the acquisition of Active Interest, Inc. in 2005 and the acquisitions completed in 2004 and 2003 were not significant to the results of the Company's consolidated operations for the years ended December 30, 2005, December 31, 2004 and January 2, 2004.

The Company includes its acquired intangible assets with definitive lives in other assets in the accompanying consolidated balance sheets. As of December 30, 2005 and December 31, 2004, intangible assets totaled approximately $5.9 million and $2.3 million, respectively, net of accumulated amortization of $4.9 million and $3.1 million, respectively. Acquired intangible assets with definite lives are amortized over periods ranging from 6 months to 5 years. Amortization expense for such intangible assets was $1.8 million, $2.0 million and $893 thousand for the fiscal years ended December 30, 2005, December 31, 2004 and January 2, 2004, respectively.

2. Acquisitions and Investing Activities (continued)

The estimated future amortization expense of intangible assets as of December 30, 2005 is as follows (in thousands):

Fiscal Year	Amount
2006	$ 2,550
2007	1,249
2008	709
2009	700
2010	642
	$ 5,850

3. Accounts Receivable and Unbilled Revenue, Net

Accounts receivable and unbilled revenues, net consists of the following (in thousands):

	December 30, 2005	December 31, 2004
Accounts receivable	$ 35,870	$ 24,932
Unbilled revenue	7,824	6,060
Allowance for doubtful accounts	(1,766)	(2,109)
	$ 41,928	$ 28,883

4. Marketable Investments

At December 30, 2005 and December 31, 2004, all of the Company's marketable securities were U.S. Government Agencies and were classified as available for sale. Marketable investments are carried on the balance sheet at their fair value.

The following tables summarize the Company's marketable investments (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
2005				
U.S. Government Agencies	$ 10,000	$ —	$ (98)	$ 9,902
2004				
U.S. Government Agencies	$ 10,000	$ —	$ (98)	$ 9,902

Contractual maturities of marketable investments at December 30, 2005 are as follows (in thousands):

	Amortized Cost	Market Value
Less than one year	$ 10,000	$ 9,902
Due in 1-2 years	—	—
Due in 3-5 years	—	—
Due after 5 years	—	—
	$ 10,000	$ 9,902

4. Marketable Investments (continued)

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations. Gross realized gains and losses on the sale of securities were not material to the Company's consolidated results of operations for the years ended December 30, 2005, December 31, 2004 and January 2, 2004.

5. Property and Equipment, net

Property and equipment, net consists of the following (in thousands):

	December 30, 2005	December 31, 2004
Equipment	$ 9,459	$ 8,997
Software	6,237	5,478
Leasehold improvements	3,426	3,310
Furniture and fixtures	377	149
Automobile	35	—
	19,534	17,934
Less accumulated depreciation	(13,230)	(10,366)
	$ 6,304	$ 7,568

During fiscal year 2004 write-offs of $1.2 million for leasehold improvements and other assets were recorded as part of the restructuring costs.

Depreciation expense for the years ended December 30, 2005, December 31, 2004 and January 2, 2004 was $3.1 million, $3.2 million and $4.1 million, respectively.

6. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following (in thousands):

	December 30, 2005	December 31, 2004
Accrued compensation and benefits	$ 5,194	$ 3,447
Accrued bonuses	4,778	971
Accrued restructuring related expenses	1,844	2,021
Deferred revenue	7,715	4,680
Other accrued expenses	9,604	5,355
Acquisition related deferred payments	8,616	1,436
Current accrued expenses and other liabilities	37,751	17,910
Accrued restructuring related expenses- non-current	2,990	6,023
Acquisition related deferred payment- non-current	—	1,484
Other accrued expenses – non-current	282	—
Non-current accrued expenses and other liabilities	3,272	7,507
Total accrued expenses and other liabilities	$ 41,023	$ 25,417

6. Accrued Expenses and Other Liabilities (continued)

Bank Overdrafts

At December 30, 2005 the Company had $1.6 million in bank overdrafts outstanding, classified as current other accrued expenses in the accompanying balance sheet. The Company's bank overdraft facility is secured by its assets, and carries floating interest of 1.5% over National Westminster Bank's base rate, which was 4.5% at December 30, 2005. Interest expense for the year ended December 30, 2005 was approximately $16,000.

7. Loan Payable

At December 30, 2005, the Company had a loan with a financial institution of $3.7 million, classified as loan payable in the accompanying balance sheet. The loan is secured by $3.7 million of cash, classified as current restricted cash in the accompanying balance sheet. This bank loan carries interest on the balance, net of restricted cash, of 2% over National Westminster Bank's base rate, which was 4.5% at December 30, 2005. The loan was repaid during March 2006.

8. Letters of Credit

The Company had outstanding letters of credit of $600 thousand and $2.6 million to secure the Company's obligations on various operating leases as of December 30, 2005 and December 31, 2004, respectively. The Company has deposited $600 thousand and $3.0 million at December 30, 2005 and December 31, 2004, respectively, with a financial institution as collateral for these letters of credit and has classified this deposit as restricted cash on the accompanying consolidated balance sheets.

9. Lease Commitments

The Company has operating lease agreements for its premises that expire on various dates through 2011. Rent expense for the years ended December 30, 2005, December 31, 2004 and January 2, 2004 was $2.0 million, $2.0 million and $2.2 million, respectively.

Future minimum lease commitments and sublease receipts under non-cancelable operating leases for premises having a remaining term in excess of one year at December 30, 2005 are as follows (in thousands):

	Rental Payments	Sublease Receipts
2006	$ 4,770	$ 1,549
2007	3,557	1,370
2008	3,165	1,262
2009	3,120	1,275
2010	2,683	1,219
Thereafter	1,320	721
Total	$ 18,615	$ 7,396

10. Income Taxes

The components of income tax expense (benefit) are as follows (in thousands):

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
Current tax expense (benefit)			
Federal	$ (204)	$ —	$ —
State	110	231	262
Foreign	88	93	88
	(6)	324	350
Deferred tax expense			
Federal	—	—	—
State	—	—	—
Foreign	—	—	—
	—	—	—
Income taxes	$ (6)	$ 324	$ 350

A reconciliation of the federal statutory tax rate with the effective tax rate is as follows:

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
U.S. statutory income tax (benefit) rate	35.0 %	(35.0) %	(35.0) %
State income taxes, net of Federal income tax benefit	4.4	77.7	3.8
Loss on investment in subsidiary	—	2,573.4	(129.6)
Valuation allowance	(67.6)	(2,559.2)	166.4
Other, net	27.8	110.7	2.2
Effective rate	(0.4) %	167.6 %	7.8 %

The components of the net deferred income tax asset are as follows (in thousands):

	December 30, 2005	December 31, 2004
Deferred income tax assets:		
Purchased research and development	$ 711	$ 817
Allowance for doubtful accounts	693	833
Net operating loss and tax credits carryforward	34,053	30,581
Accrued expenses and other liabilities	5,812	6,373
	41,269	38,604
Valuation allowance	(36,622)	(35,360)
	4,647	3,244
Deferred income tax liabilities:		
Depreciation and amortization	(3,729)	(2,060)
Other items	(918)	(1,184)
	(4,647)	(3,244)
Net deferred income tax asset	$ —	$ —

10. Income Taxes (continued)

At December 30, 2005 and December 31, 2004, the Company had $76.0 million and $74.0 million, respectively, of U.S. federal net operating loss carryforwards available for tax purposes, most of which expire in 2022 if not utilized. Additionally, in connection with the REL acquisition in 2005, the Company acquired approximately $8.5 million in foreign net operating loss carryforwards, including $6 million in REL UK net operating losses. Most of the foreign net operating losses may be carried forward indefinitely.

In connection with the acquisition of REL, the Company recorded net deferred tax assets amounting to approximately $1 million, which have been fully reserved by a valuation allowance as of the acquisition date. Upon a change to any portion of the valuation allowance in the future, the Company will adjust goodwill associated with the acquisition.

In 2002, the Company discontinued its interactive marketing business which was acquired with THINK New Ideas. The Company claimed a worthless stock deduction for its investment in THINK New Ideas in its 2002 tax return as a result of the discontinuance of THINK New Ideas. The Company voluntarily requested that the Internal Revenue Service ("IRS") review this position on an expedited basis. On August 5, 2004, the Company reached an agreement with the IRS representing the final step in the review process. Pursuant to the agreement, the Company and the IRS agreed that the Company was entitled to a worthless stock deduction of $77.3 million on the Company's 2002 tax return.

The liability method of accounting for deferred income taxes requires a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. At December 30, 2005 and December 31, 2004, the Company had established a valuation allowance of $36.6 million and $35.4 million, respectively, to reduce deferred income tax assets primarily related to net operating loss carryforwards.

11. Shareholders' Equity

Stock Plans

Effective July 1, 1998, the Company adopted an Employee Stock Purchase Plan to provide substantially all employees who have completed three months of service as of the beginning of an offering period an opportunity to purchase shares of its common stock through payroll deductions. Purchases on any one grant are limited to 10% of eligible compensation. Participant account balances are used to purchase shares of stock at the lesser of 85 % of the fair market value of shares on the first trading day of the six-month offering period or on the last trading day of such offering period. The aggregate fair market value, determined as of the first trading date of the offering period, as to shares purchased by an employee may not exceed $25,000 annually. The Employee Stock Purchase Plan expires on July 1, 2008. A total of 4,275,000 shares of common stock are available for purchase under the plan with a limit of 400,000 shares of common stock to be issued per offering period. For plan years 2005, 2004 and 2003, 460,735 shares, 316,889 shares and 455,482 shares, respectively, were issued.

During the fourth quarter of fiscal 2005, the Board of Directors approved a change to the common stock purchase discount and approved the elimination of the related look back period. As a result, effective beginning in fiscal 2006, shares of our common stock may be purchased by employees at six months intervals at 95% of the fair market value on the last trading day of each six month period.

The Company has granted stock options to employees and directors of the Company at exercise prices equal to the market value of the stock at the date of grant. The options generally vest ratably over four years with a maximum term of 10 years. The number of shares available for future issuance at December 30, 2005 is 10,365,632 shares.

On June 11, 2003, the Company commenced two tender offer programs involving voluntary stock option exchanges for the Company's employees. The offering periods for the two stock option exchange programs ended on July 14, 2003.

11. Shareholders' Equity (continued)

One program was offered to employees at a director level or below. Under this exchange program, employees holding nonqualified or incentive stock options to purchase the Company's common stock with an exercise price of $4.50 or more were given the opportunity to exchange their existing options for new options to purchase shares of the Company's common stock equal to an amount depending on the exercise price of the surrendered options. Options for 521,991 shares were tendered on July 14, 2003 in the exchange program. On January 15, 2004, the Company granted 163,995 options to purchase shares of the Company's common stock in exchange for the options tendered. The new options were granted six months and one day after acceptance of the old options for exchange and cancellation. The exercise price of the new options was $6.34, which was the last reported sale price of the Company's common stock on the Nasdaq Stock Market's National Market on January 15, 2004. The new options vest over a two-year period from the date of grant.

The other program was offered to employees at a senior director level or above who had been with the Company since July 4, 2002. Under this exchange program, employees holding nonqualified options to purchase the Company's common stock with an exercise price of $2.80 or more were given the opportunity to exchange their existing options for restricted stock units which were granted on a one-to-one ratio and are subject to a new four-year vesting schedule. On July 14, 2003, the Company accepted for cancellation options to purchase 3,826,561 shares of the Company's common stock representing 95% of the 4,045,182 options that were eligible to be tendered in the exchange program. Pursuant to the terms of the exchange program, the Company issued 3,826,561 restricted stock units in exchange for the options surrendered. Eligible options that were not exchanged are required to be accounted for under variable plan accounting pursuant to FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*. As of December 30, 2005 the Company had 169,295 outstanding stock options which are accounted for under variable plan accounting. The weighted average exercise price of these remaining eligible options is $3.96. Variable plan accounting resulted in a reduction of stock compensation expense of approximately $11 thousand and $62 thousand of stock compensation expense for the years ended December 30, 2005 and December 31, 2004, respectively.

Stock option activity under the Company's stock option plans is summarized as follows:

	Year Ended					
	December 30, 2005		December 31, 2004		January 2, 2004	
	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,259,452	$ 5.68	3,013,625	$ 5.69	8,263,971	$ 6.78
Granted	45,000	3.96	1,425,744	6.19	2,149,238	2.96
Exercised	(107,649)	2.82	(361,652)	4.26	(125,779)	5.29
Canceled	(751,482)	6.17	(818,265)	7.19	(7,273,805)	6.15
Outstanding at end of year	2,445,321	$ 5.63	3,259,452	$ 5.68	3,013,625	$ 5.69
Exercisable at end of year	1,488,362		1,423,522		1,623,177	
Weighted average fair value of options granted during the period	$ 2.30		$ 4.33		$ 2.08	

The following assumptions were used by the Company to determine the fair value of stock options granted using the Black-Scholes options-pricing model:

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
Expected volatility	75%	75% to 100%	100%
Average expected option life	4 years	4 years	4 years
Risk-free rate	3.9%	3.5%	2.5%
Dividend yield	0%	0%	0%

11. Shareholders' Equity (continued)

The following table summarizes information about the Company's stock options outstanding at December 30, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.45 - $2.74	268,446	6.1	$ 2.20	172,407	$ 2.19
$2.75 - $3.79	403,975	5.8	3.31	316,096	3.42
$3.80 - $5.35	185,169	8.0	4.69	71,844	4.96
$5.36 - $5.99	232,015	6.4	5.58	170,111	5.56
$6.00 - $6.20	319,082	3.6	6.04	319,082	6.04
$6.21 - $6.25	658,750	8.0	6.25	173,125	6.25
$6.26 - $6.99	156,306	7.6	6.41	70,369	6.41
$7.00 - $9.99	121,361	5.0	8.40	95,111	8.64
$10.00 - $32.56	100,217	3.8	16.03	100,217	16.03
	2,445,321	6.3	$ 5.63	1,488,362	$ 5.81

As of December 30, 2005 and December 31, 2004, the Company had 2,828,633 and 3,476,996 restricted stock units outstanding, respectively. The Company recorded non-cash compensation expense of $3.1 and $2.3 million, respectively, in 2005 and 2004, based on the vesting provisions of the restricted stock units and the fair market value of the stock on the grant date. In addition, during 2005 the Company recorded $260 thousand of stock compensation expense as a result of stock awards granted to certain executives whereby the number of shares ultimately received, if any, is dependent on the Company's performance against specified performance targets. During fiscal 2005 the company issued 1,482,783 common shares related to the vesting of restricted stock units. The Company expects to incur approximately $850 thousand of stock compensation expense per quarter over the remaining vesting period of the restricted stock units through the second quarter of 2007 and approximately $323 thousand per quarter from the third quarter of 2007 through the third quarter of 2009.

Common Stock

The delivery of 403,751 shares of our common stock classified as issued as of December 30, 2005 in the accompanying balance sheet was deferred by employees entitled to receive these shares in connection with the vesting of restricted stock units. The shares will be delivered to the employees at the expiration of the deferral period elected by the employees or upon their termination of employment.

Treasury Stock

On July 30, 2002, the Company announced that its Board of Directors approved the repurchase of up to $5.0 million of the Company's common stock. In 2003, 2004 and the second quarter of 2005, the Board of Directors approved the repurchase of an additional $25 million of the Company's common stock, thereby increasing the total program size to $30 million. Under the repurchase plans, the Company may buy back shares of its outstanding stock from time to time either on the open market or through privately negotiated transactions, subject to market conditions and trading restrictions. As of December 30, 2005 and December 31, 2004, the Company had repurchased 6,534,155 shares and 5,526,855 shares of its common stock at an average price of $3.39 and $3.29 per share, respectively. The Company holds repurchased shares of its common stock as treasury stock and accounts for treasury stock under the cost method.

11. Shareholders' Equity (continued)

Shareholder Rights Plan

On February 13, 2004, the Board of Directors of the Company adopted a Shareholder Rights Plan. Under the plan, a dividend of one preferred share purchase right (a "Right") was declared for each share of common stock of the Company that was outstanding on February 26, 2004. Each Right entitles the holder to purchase from the Company one one-thousandth of a share of Series A Junior Preferred Stock at a purchase price of $32.50, subject to adjustment.

The Rights will trade automatically with the common stock and will not be exercisable until a person or group has become an "acquiring person" by acquiring 15% or more of the Company's outstanding common stock, or a person or group commences or publicly announces a tender offer that will result in such a person or group owning 15% or more of the Company's outstanding common stock. However, Liberty Wanger Asset Management, L.P. (now known as Columbia Wanger Asset Management, L.P.), together with its affiliates and associates will be permitted to acquire up to 20% of the common stock without making the rights exercisable. Upon announcement that any person or group has become an acquiring person, each Right will entitle all rightholders (other than the acquiring person) to purchase, for the exercise price of $32.50, a number of shares of the Company's common stock having a market value equal to twice the exercise price. Rightholders would also be entitled to purchase common stock of the acquiring person having a value of twice the exercise price if, after a person had become an acquiring person, the Company were to enter into certain mergers or other transactions. If any person becomes an acquiring person, the Board of Directors may, at its option and subject to certain limitations, exchange one share of common stock for each Right.

The Rights have certain anti-takeover effects, in that they would cause substantial dilution to a person or group that attempts to acquire a significant interest in the Company on terms not approved by the Board of Directors. In the event that the Board of Directors determines a transaction to be in the best interests of the Company and its stockholders, the Board of Directors may redeem the Rights for $0.001 per share at any time prior to a person or group becoming an acquiring person. The Rights will expire on February 13, 2014.

Equity Related Commitments

In the event of an IPO or sale of The Hackett Group, Inc. ("Hackett") and subject to meeting certain performance criteria, certain employees of Hackett may elect to convert on a 1:1 to 3:1 basis, the in-the-money cash value of each of their Answerthink options or restricted stock units to an equivalent number of options or shares of Hackett common stock at the IPO price.

12. Benefit Plan

The Company maintains a 401(k) plan covering all eligible employees. Subject to certain dollar limits, eligible employees may contribute up to 15% of their pre-tax annual compensation to the plan. The Company may make discretionary contributions on an annual basis. During fiscal years 2005, 2004 and 2003, the Company made matching contributions of 25% of employee contributions up to 4% of their gross salaries. The Company's matching contributions were $315,000, $289,000 and $169,000 for the years ended December 30, 2005, December 31, 2004 and January 2, 2004, respectively.

13. Restructuring Costs

The Company recorded restructuring costs of $10.9 million and $5.6 million in fiscal years 2002 and 2001, respectively, for reductions in consultants and functional support personnel and for closure and consolidation of facilities and related exit costs. These actions were taken as a result of the continued decline in demand for technology services throughout 2001 and 2002. The Company took steps to reduce its costs to better align its overall cost structure and organization with anticipated demand for its services.

13. Restructuring Costs (continued)

In 2004 and 2003, the Company recorded restructuring costs of $3.7 million and $4.9 million, respectively, to increase existing reserves to account for potentially higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected time estimates to sublease excess facilities. The 2004 and 2003 restructuring costs consisted of additions of $1.8 million and $3.1 million to the 2002 restructuring accrual and $1.9 million and $1.8 million to the 2001 restructuring accrual, respectively. Also in 2004, the 2002 restructuring accrual was reduced by $370 thousand relating to the final settlement of a lease obligation which was recorded as income from discontinued operations in the accompanying consolidated statement of operations for year ended December 31, 2004.

In 2005, the Company recorded restructuring costs of $2.9 million which related to $1.1 million for the consolidation of additional facilities and related exit costs not included in previously established reserves and $1.8 million for increases in previously established reserves in 2002 and 2001 for the closure and consolidation of facilities, of which $1.1 million is specifically related to the increase of previously established reserves in order to reflect the negotiated buyout of our New York City lease obligation. As a result of the buyout, the Company was fully released from $20 million of future lease obligations, assigned two subleases to the lessor, wrote-off $1.4 million receivable from the lessor, and paid $3.1 million in cash to the lessor. The remaining $700 thousand related to increases in the reserves to account for higher estimated losses on the sublease of facilities as a result of lower than expected sublease rates and longer than expected times estimates to sublease facilities based on current market conditions. The 2005 restructuring costs of $1.8 million related to previously established reserves consisted of additions of $1.2 million and $600 thousand to the 2002 and 2001 restructuring accruals, respectively.

The following table sets forth the detail and activity in the restructuring expense accruals during the years ended December 30, 2005, December 31, 2004 and January 2, 2004 (in thousands):

2001 Restructuring Accrual

	Severance and other employee costs	Closure and consolidation of facilities and related exit costs	Total
Accrual balance at December 29, 2000	$ —	$ —	$ —
Additions to accrual from continuing operations	3,694	6,141	9,835
Additions to accrual from discontinued operations	559	2,311	2,870
2004 asset write-offs	—	(1,205)	(1,205)
Expenditures:			
2001	(3,186)	(248)	(3,434)
2002	(1,067)	(1,965)	(3,032)
2003	—	(933)	(933)
2004	—	(839)	(839)
2005	—	(645)	(645)
Accrual balance at December 30, 2005	$ —	$ 2,617	$ 2,617

2002 Restructuring Accrual

	Severance and other employee costs	Closure and consolidation of facilities and related exit costs	Total
Accrual balance at December 28, 2001	$ —	$ —	$ —
Additions to accrual from continuing operations	1,528	15,217	16,745
Additions to accrual from discontinued operations	616	2,747	3,363
2002 asset write-offs	—	(5,217)	(5,217)
2005 write-off of lessor receivables	—	(1,374)	(1,374)
Expenditures:			
2002	(855)	(584)	(1,439)
2003	(1,289)	(2,198)	(3,487)
2004	—	(3,362)	(3,362)
2005	—	(4,078)	(4,078)
Accrual balance at December 30, 2005	$ —	$ 1,151	$ 1,151

13. Restructuring Costs (continued)

2005 Restructuring Accrual

	Severance and other employee costs	Closure and consolidation of facilities and related exit costs	Total
Accrual balance at December 31, 2004	$ —	$ —	$ —
Additions to accrual from continuing operations	407	694	1,101
Expenditures:			
2005	(35)	—	(35)
Accrual balance at December 30, 2005	$ 372	$ 694	$ 1,066

14. Discontinued Operations

As a result of a decline in the demand for interactive marketing services, during 2002, the Company discontinued the interactive marketing business which was acquired in the merger with THINK New Ideas in 1999. In accordance with Financial Accounting Standards Board Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the results of the interactive marketing business have been reported as discontinued operations in the consolidated statements of operations and results for prior periods have been restated.

The following table sets forth revenues, pre-tax income (loss), income tax benefit and income (loss) from discontinued operations for the years ended December 30, 2005, December 31, 2004 and January 2, 2004 (in thousands):

	December 30, 2005	December 31, 2004	January 2, 2004
Revenues	$ —	$ —	$ —
Pre-tax income from discontinued operations	$ —	$ 370	$ —
Income taxes	$ —	$ —	$ —
Income from discontinued operations	$ —	$ 370	$ —

During 2004, the Company reduced the restructuring accrual by $370 thousand relating to the final settlement of a lease obligation resulting in income from discontinued operations.

15. Litigation

The Company is involved in legal proceedings, claims, and litigation arising in the ordinary course of business not specifically discussed herein. In the opinion of management, the final disposition of such matters will not have a material adverse effect on the Company's financial position, cash flows or results of operations.

16. Geographic and Service Group Information

Revenues are attributed to geographic areas as follows (in thousands):

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
Total Revenues			
Domestic	$ 152,421	$ 133,916	$ 128,085
Foreign	10,897	9,631	4,302
Total	$ 163,318	$ 143,547	$ 132,387

16. Geographic and Service Group Information (continued)

Long-lived assets are attributed to geographic areas as follows (in thousands):

	December 30, 2005	December 31, 2004	January 2, 2004
Long-Lived Assets			
Domestic	$ 43,112	$ 44,374	$ 38,551
Foreign	31,306	225	94
Total	$ 74,418	$ 44,599	$ 38,645

In 2005, foreign assets included $30.9 million of goodwill and intangible assets related to REL, a UK based company.

The Company's revenue is derived from the following service groups (in thousands):

	Year Ended		
	December 30, 2005	December 31, 2004	January 2, 2004
The Hackett Group			
Benchmarking and Membership Advisory Programs	$ 27,802	$ 22,093	$ 12,667
Business Transformation	42,309	30,861	22,159
Best Practices Solutions			
Business Applications	54,888	58,601	64,205
Business Intelligence	38,319	31,992	33,356
Total Revenues	$ 163,318	$ 143,547	$ 132,387

17. Related Party Transactions

During 2002, the Company and HCL Technologies Limited, an Indian information technology services and product engineering firm, formed HCL-Answerthink, Inc. to provide offshore custom application development and support services. The Company has a non-controlling equity interest of 50% in this joint venture. For the year ended December 30, 2005, December 31, 2004 and January 2, 2004, the Company's net equity income (loss) from the joint venture was ($36,000), $32,000 and $30,000, respectively. During 2004 and 2003, the Company sold services of $22,000 and $232,000 respectively, to the joint venture. The Company also incurred costs of $27,000 and $194,000 for consulting services provided by the joint venture to Answerthink in 2004 and 2003, respectively. In addition, the Company reduced general and administrative expenses by $11,000 and $14,000 for administrative services billed to the joint venture during 2005 and 2003, respectively. At December 30, 2005 and December 31, 2004, the Company had receivables of $11,000, and $1,000 respectively, due from the joint venture. At December 30, 2005, the Company had payables due to the joint venture of $47,000.

18. Quarterly Financial Information (unaudited)

The following table presents unaudited supplemental quarterly financial information for the years ended December 30, 2005 and December 31, 2004 (in thousands, except per share data):

	Quarter Ended			
	April 1, 2005	July 1, 2005	September 30, 2005	December 30, 2005
Total revenues	$ 36,872	$ 41,700	$ 40,005	$ 44,741
Income (loss) from operations	(1,783)	1,024	1,947	(642)
Income (loss) before income taxes	(1,544)	1,329	2,281	(431)
Net income (loss)	$ (1,430)	$ 1,234	$ 2,107	$ (270)
Basic and diluted net income (loss) per common share	$ (0.03)	$ 0.03	$ 0.05	$ (0.01)

	Quarter Ended			
	April 2, 2004	July 2, 2004	October 1, 2004	December 31, 2004
Total revenues	$ 35,089	$ 37,649	$ 37,131	$ 33,678
Income (loss) from operations	820	(1,871)	806	(751)
Income (loss) before income taxes and income from discontinued operations	1,010	(1,675)	950	(479)
Income (loss) from continuing operations	967	(1,579)	824	(730)
Income from discontinued operations	—	370	—	—
Net income (loss)	$ 967	$ (1,209)	$ 824	$ (730)
Basic and diluted income (loss) per common share				
Income (loss) from continuing operations	$ 0.02	$ (0.04)	$ 0.02	$ (0.02)
Income from discontinued operations	$ —	$ 0.01	$ —	$ —
Net income (loss)	$ 0.02	$ (0.03)	$ 0.02	$ (0.02)

Quarterly basic and diluted net income or loss per common share were computed independently for each quarter and do not necessarily total to the year to date basic and diluted net income (loss) per common share.

ANSWERTHINK, INC.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

YEARS ENDED DECEMBER 30, 2005, DECEMBER 31, 2004 AND JANUARY 2, 2004

(in thousands)

Allowance for Doubtful Accounts	Balance at Beginning of Year	Charge to Expense	Write-offs	Balance at Ending of Year
Year Ended December 30, 2005	$ 2,109	$ 797	$ (1,140)	$ 1,766
Year Ended December 31, 2004	$ 1,757	$ 1,060	$ (708)	$ 2,109
Year Ended January 2, 2004	$ 3,526	$ (235)	$ (1,534)	$ 1,757

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

On August 26, 2005, Answerthink, Inc. dismissed its then current independent registered certified public accounting firm, PricewaterhouseCoopers LLP ("PwC"). On August 31, 2005, the Company engaged BDO Seidman, LLP ("BDO") as the Company's independent registered certified public accounting firm to audit the Company's financial statements for its fiscal year ending December 30, 2005. The dismissal of PwC and the engagement of BDO were approved by the Audit Committee of the Board of Directors of the Company.

The reports of PwC on the consolidated financial statements of the Company for the fiscal years ended December 31, 2004 and January 2, 2004 did not contain any adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principle. During the fiscal years ended December 31, 2004 and January 2, 2004 and through August 26, 2005, there were no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to PwC's satisfaction, would have caused PwC to make reference thereto in connection with its reports on the financial statements of the Company for such years; and for the same periods there were no reportable events as described in Item 304 (a)(1)(v) of Regulation S-K.

Prior to the Company's engagement of BDO, the Company did not consult with BDO regarding: (i) the application of accounting principles to a specified transaction, either completed or proposed, (ii) the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report was provided to the Company nor oral advice was provided that BDO concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (iii) any other matters or reportable events described in Item 304(a)(2)(ii) of Regulation S-K.

ITEM 9A. CONTROL AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission, excluding the internal control over financial reporting of REL Consultancy Group Limited, which was acquired on November 29, 2005, and whose financial statements reflect total assets and total revenues constituting 29.1% and 1.5%, respectively, of related consolidated financial statement amounts as of and for the year ended December 30, 2005. Based on our evaluation under the framework in "Internal Control – Integrated Framework," our management concluded that our internal control over financial reporting was effective as of the end of the period covered by this annual report.

Our management's assessment of the effectiveness of our internal control over financial reporting as of the end of the period covered by this annual report, has been audited by BDO Seidman, LLP, an independent registered certified public accounting firm, as stated in their report which is included herein.

Report of Independent Registered Certified Public Accounting Firm on Internal Control over Financial Reporting

Board of Directors and Shareholders
Answerthink, Inc.
Miami, Florida

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Answerthink, Inc. maintained effective internal control over financial reporting as of December 30, 2005, based on criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Answerthink, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of REL Consultancy Group Limited ("REL"), which is included in the 2005 consolidated financial statements of Answerthink, Inc. and constituted approximately 29.1% of consolidated total assets and 1.5% of consolidated total revenues as of and for the year December 30, 2005. Management did not assess the effectiveness of internal control over financial reporting at REL because the Company acquired this entity during 2005. Refer to Note 2 to the consolidated financial statements for further discussion of this acquisition and its impact on the Company's consolidated financial statements. Our audit of internal control over financial reporting of Answerthink, Inc. also did not include an evaluation of the internal control over financial reporting of REL.

In our opinion, management's assessment that Answerthink, Inc. maintained effective internal control over financial reporting as of December 30, 2005, is fairly stated, in all material respects, based on the criteria established in "Internal Control – Integrated Framework" issued by COSO. Also in our opinion, Answerthink, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 30, 2005, based on the criteria established in "Internal Controls – Integrated Framework" issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Answerthink, Inc. as of December 30, 2005, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss) and cash flows for the year ended December 30, 2005 and our report dated March 14, 2006 expressed an unqualified opinion.

/s/BDO Seidman, LLP
Miami, Florida
March 14, 2006

Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2006 proxy statement for the 2006 Annual Meeting of Shareholders.

ITEM 11. EXECUTIVE COMPENSATION

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2006 proxy statement for the 2006 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2006 proxy statement for the 2006 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information responsive to this Item is incorporated herein by reference to the Company's definitive 2006 proxy statement for the 2006 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information appearing under the caption "Fees Paid to Independent Accountants" in the 2006 Proxy Statement is hereby incorporated by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this Form:

1. Financial Statements

The Consolidated Financial Statements filed as part of this report are listed and indexed on page 26. Schedules other than those listed in the index have been omitted because they are not applicable or the required information has been included elsewhere in this report.

2. Financial Statement Schedules

Schedule II -- Valuation and Qualifying Accounts and Reserves are included in this report. Schedules other than those listed in the index have been omitted because they are inapplicable or the information required to be set forth therein is contained, or incorporated by reference, in the Consolidated Financial Statements of Answerthink or notes thereto.

3. Exhibits: See Index to Exhibits on page 57

The Exhibits listed in the accompanying Index to Exhibits are filed or incorporated by reference as part of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on the 16th day of March, 2006.

ANSWERTHINK, INC.

By: /s/Ted A. Fernandez
Ted A. Fernandez
Chief Executive Officer and Chairman

Pursuant to the requirements of the Securities Act of 1934, this Form 10-K has been signed by the following persons in the capacities and on the date indicated.

Signatures	Title	Date
/s/ Ted A. Fernandez Ted A. Fernandez	Chief Executive Officer and Chairman (Principal Executive Officer)	March 16, 2006
/s/ Grant M. Fitzwilliam Grant M. Fitzwilliam	Executive Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2006
/s/ Allan R. Frank Allan R. Frank	President and Director	March 16, 2006
/s/ David N. Dungan David N. Dungan	Chief Operating Officer and Director	March 16, 2006
/s/ Richard Hamlin Richard Hamlin	Director	March 16, 2006
/s/ John R. Harris John R. Harris	Director	March 16, 2006
/s/ Edwin A. Huston Edwin A. Huston	Director	March 16, 2006
/s/ Alan T. G. Wix Alan T. G. Wix	Director	March 16, 2006

INDEX TO EXHIBITS

Exhibit No.	Exhibit Description
3.1++++	Second Amended and Restated Articles of Incorporation of the Registrant, as amended
3.2++++	Amended and Restated Bylaws of the Registrant, as amended
9.1+	Shareholders Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, the Miller Group, Messrs. Fernandez, Frank, Knotts and Miller and certain other shareholders of the Registrant parties thereto
9.2+	Amendment No. 1 to Shareholders Agreement dated February 24, 1998
9.3+	Letter Agreement dated as of March 15, 1998 to amend Shareholders Agreement
9.4+	Form of Restricted Securities Agreement dated April 23, 1997 among the Initial Investors and each of Messrs. Fernandez, Frank, Knotts and Miller
10.1+	Purchase Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, Gator and Tara
10.2+	Series A Preferred Stock Purchase Agreement dated February 24, 1998 among the Registrant, GTCR V, GTCR Associates and Miller Capital
10.3+	Stock Purchase Agreement dated March 5, 1998 between the Registrant and FSC
10.4+	Second Amended and Restated Registration Rights Agreement dated as of May 5, 1998 among the Registrant, GTCR V, MG, GTCR Associates, Miller Capital, FSC, Messrs. Fernandez, Frank, Knotts and Miller and certain other shareholders of the Registrant named therein
10.5+	Second Amended and Restated Registration Rights Agreement dated as of May 5, 1998 among the Registrant and the eight former shareholders of RTI
10.6*+	Registrant's 1998 Stock Option and Incentive Plan
10.7*+++++	Amendment to Registrant's 1998 Stock Option and Incentive Plan
10.8*+	Form of Senior Management Agreement dated April 23, 1997 between the Registrant and each of Messrs. Fernandez, Frank and Knotts
10.9*++++	Senior Management Agreement dated July 11, 1997 between Registrant and Mr. Dungan
10.10*+++++	Form of Employment Agreement entered into between the Registrant and Mr. Dungan
10.11*+	Form of Employment Agreement entered into between the Registrant and each of Messrs. Fernandez, Frank and Knotts
10.12+	Amendment No. 2 dated as of May 5, 1998 to Purchase Agreement dated April 23, 1997 among the Registrant, GTCR V, MG, Gator and Tara
10.13+	Amendment No. 2 dated as of May 5, 1998 to Stock Purchase Agreement dated March 5, 1998 between the Registrant and FSC
10.14*+	Amendment to Certain Senior Management Agreements dated March 27, 1998 among the Company, the Board of Directors and each of Messrs. Fernandez, Frank, Knotts and Dungan
10.15*+	Second Amendment to Certain Senior Management Agreements dated May 26, 1998 among the Company, the Board of Directors and each of Messrs. Fernandez, Frank, Knotts and Dungan
10.16*++	AnswerThink Consulting Group, Inc. Employee Stock Purchase Plan
10.17*+++++	Amendment to Registrant's Employee Stock Purchase Plan dated February 16, 2001
10.18*+++	Employment Agreement dated March 23, 1999 between the Registrant and Mr. Brennan
10.19*+++	Restricted Stock Agreement dated July 31, 1997 between the Registrant and Mr. Brennan
10.20*+++	Amendment to Restricted Stock Agreement dated March 27, 1998 between the Registrant and Mr. Brennan
10.21*+++	Form of Senior Management Agreement dated July 31, 1997 between the Registrant and Mr. Brennan
10.22++++++	Securities Purchase Agreement by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc.
10.23+++++	Registration Rights Agreement dated as of March 3, 1999 by and among THINK New Ideas, Inc., Capital Ventures International and Marshall Capital Management, Inc.
10.24++++++	Joint Marketing and Alliance Agreement, dated October 7, 2003, by and among Answerthink, Inc., The Hackett Group, Inc. and Accenture, L.L.P.
10.25+++++++	Amendment to Executive Agreement between Answerthink, Inc. and Ted A. Fernandez
10.26+++++++	Amendment to Executive Agreement between Answerthink, Inc. and David N. Dungan
10.27+++++++	Amendment to Executive Agreement between Answerthink, Inc. and Allan R. Frank
10.28+++++++	Amendment to Executive Agreement between Answerthink, Inc. and John F. Brennan
10.29++++++++	Lawson Software & The Hackett Group Advisory Alliance Agreement dated May 9, 2005

10.30*+++++++++	Amendment dated June 10th, 2005 to Executive Agreement between Answerthink, Inc. and Ted A. Fernandez
10.31*++++++++++	Employment Agreement dated November 9, 2005 between the Registrant and Grant M. Fitzwilliam
10.32^	Amendment Number 2 to the Answerthink, Inc. Employee Stock Purchase Plan (as amended on February 16, 2001).
10.33++++++++++	Share Purchase Agreement dated November 29, 2005 between The Hackett Group Limited, Answerthink, Inc. and the Sellers of REL Consultancy Group Limited
21.1^	Subsidiaries of the Registrant
23.1^	Consent of BDO Seidman, LLP
23.2^	Consent of PricewaterhouseCoopers LLP
31.1^	Certification by CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2^	Certification by CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32^	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*	Management agreement or compensatory plan or arrangement
^	Exhibits filed herewith.
+	Incorporated herein by reference to the Company's Registration Statement on Form S-1 (333-48123).
++	Incorporated herein by reference to the Company's Registration Statement on Form S-8 (333-69951).
+++	Incorporated herein by reference to the Company's Form 10-K for the year ended January 1, 1999.
++++	Incorporated herein by reference to the Company's Form 10-K for the year ended December 29, 2000.
+++++	Incorporated herein by reference to the Company's Form 10-K for the year ended December 28, 2001.
++++++	Incorporated herein by reference to THINK New Ideas, Inc.'s Form 8-K dated March 12, 1999.
+++++++	Incorporated herein by reference to the Company's Form 8-K dated October 14, 2003.
++++++++	Incorporated herein by reference to the Company's Form 10-Q dated November 10, 2004.
+++++++++	Incorporated herein by reference to the Company's Form 8-K dated May 13, 2005.
++++++++++	Incorporated herein by reference to the Company's Form 8-K dated June 16, 2005.
+++++++++++	Incorporated herein by reference to the Company's Form 10-Q dated November 9, 2005.
++++++++++++	Incorporated herein by reference to the Company's Form 8-K dated December 1, 2005.

Answerthink

Enabling World-Class Performance

Corporate Headquarters

Answerthink, Inc.
1001 Brickell Bay Drive
Suite 3000
Miami, FL 33131

Telephone: 305-375-8005
Facsimile: 305-379-8810
www.answerthink.com

Annual Meeting

Answerthink shareholders are invited to attend our annual meeting on Wednesday, May 10, 2006 at 11:00 am at:
JW Marriott Hotel Miami
1109 Brickell Avenue
Miami, FL 33131

Transfer Agent

Computershare Trust Company, N.A.
Providence, RI
781-575-2879

Independent Auditors

BDO Seidman, LLP
Miami, FL

Board of Directors

Ted A. Fernandez
Chairman & Chief Executive Officer
Answerthink, Inc.

David N. Dungan
Vice Chairman & Chief Operating Officer
Answerthink, Inc.

Richard N. Hamlin
Retired Partner
KPMG LLP

John R. Harris
President and Chief Executive Officer
eTelecare Global Solutions

Edwin A. Huston
Retired Vice Chairman
Ryder System, Inc.

Alan T.G. Wix
Chairman
Fiva Marketing, Ltd

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2005 Annual Report

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View by industry
- Agribusiness
- Airlines
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Corporate Information

Fact Sheet
Executive Biographies
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Accenture, Answerthink, and The Hackett Group Announce Strategic Alliance

Related Assets

October 14, 2003

Will Offer Benchmarking Solutions in Finance, Accounting, Performance Management, and Business Intelligence

NEW YORK and MIAMI, Oct. 14, 2003 – Accenture, Answerthink, and The Hackett Group, an Answerthink company, today announced a strategic alliance to jointly market and deliver benchmarking solutions aimed at introducing clients to the best practices of the world's top companies.

The agreement gives Accenture the exclusive right to collaborate with Answerthink and The Hackett Group in offering its clients business process and best practice benchmarking services provided by Answerthink and The Hackett Group in designated functional areas, including finance, accounting, performance management, and business intelligence. The services benefit companies by allowing them to adopt best practices from The Hackett Group's renowned benchmark database, which comprises over 2,200 global participants.

A key goal of the agreement is to enable Accenture and Answerthink to better define the characteristics of high-performance businesses. The agreement gives Answerthink access to Accenture's global client base and sales distribution channel. By working with more clients, Hackett will able to broaden the base of critical metrics and best practices, thereby creating even richer benchmark data to help companies achieve world-class performance.

"Both of our organizations have recognized the power of offering proven insight to clients on how they can achieve high performance under a common vision and execution strategy," said Michael R. Sutcliff, Global Managing Partner for Accenture's Finance & Performance Management Service Line. "We are pleased to work with Answerthink and The Hackett Group to offer their unparalleled insights and proven best practices and to jointly deliver comprehensive, scalable, well-managed solutions to our customers."

The agreement gives Answerthink an opportunity to staff a portion of each engagement jointly pursued with Accenture. For all independent Accenture engagements utilizing Hackett benchmarks, Answerthink will similarly be given an opportunity to staff a percentage of the positions.

The alliance designates Answerthink as an Accenture preferred provider for all subcontractor positions in the designated functional areas and geographies, while Answerthink has agreed generally not to make Hackett benchmarks or intellectual capital available to direct Accenture competitors with respect to engagements they pursue in the designated functional areas.

The Hackett Group, a business advisory firm, is the world leader in best practices research and process benchmarking, offering strategic insight, actionable advice, and analysis backed by research at nearly 2,200 client organizations, including 97% of the Dow Jones Industrials and 90% of the Global Titans Index.

"This is a tremendous milestone for us. Accenture has recognized the value that Hackett and Answerthink's best practice focus can offer its clients, and how we can help drive to high performance," said Ted Fernandez, Answerthink Chairman and CEO. "This alliance enhances our ability to grow. We have already expanded our Hackett business throughout the year, but this alliance should open many new doors. Additionally, the ability for Answerthink to work closely with Accenture as an implementation partner is also exceptionally promising, enabling us to support even the largest implementation projects on a truly global scale."

About Accenture
Accenture is a global management consulting, technology services and outsourcing company. Committed to delivering innovation, Accenture collaborates with its clients to help them become high-performance businesses and governments. With deep industry and business process expertise, broad global resources and a proven track record, Accenture can mobilize the right people, skills, and technologies to help clients improve their performance. With more than 83,000 people in 47 countries, the company generated net revenues of US$11.8 billion for the fiscal year ended Aug. 31, 2003. Its home page is www.accenture.com.

About Answerthink
Answerthink, Inc. (www.answerthink.com) is a leading business and technology consulting firm that enables companies to achieve world-class business performance. By leveraging the comprehensive database of The Hackett Group, the world's leading repository of enterprise best practice metrics and business process knowledge, Answerthink's business and technology

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By Industry
Industry Analyst Relation Contacts
View All

Social Networks & Sharing

solutions help clients significantly improve performance and maximize returns on technology investments. Answerthink's capabilities include benchmarking, business transformation, business applications, technology integration, and offshore application maintenance and support. Founded in 1997, Answerthink has offices in 9 cities throughout the United States and in Europe.

About The Hackett Group

The Hackett Group (www.thehackettgroup.com), an Answerthink company, is a business advisory firm providing empirically based advice and best-practices research to executives seeking to drive world-class performance in areas such as finance, IT, human resources, and procurement. Hackett's functional and process-specific benchmarks and its confidential, on-demand, membership-based advisory services are backed by an ongoing database of best practices in processes, technology, and organization in use at over 2,200 clients around the globe. This unparalleled information repository allows Hackett business advisors to provide data, advice, and strategic insight with a level of integrity and authority available nowhere else. As of this writing, Hackett clients comprise 97 percent of the Dow Jones Industrials, 81 percent of the Fortune 100 and 90 percent of the Dow Jones Global Titans Index.

Certain statements in this press release are "forward looking statements' within the meaning of the Private Securities Litigation Reform Act of 1995 and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward looking statements. Factors that impact such forward looking statements include the successful development and execution of the Accenture alliance and joint-marketing relationship, the ability of the Company to attract additional business, changes in expectations regarding the information technology industry, the ability of the Company to attract skilled employees, possible changes in collections of accounts receivable, risks of competition, price and margin trends, changes in general economic conditions and interest rates as well as other risks detailed in the Company's reports filed with the Securities and Exchange Commission.

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Dec 2, 2002, 4:17pm EST

Answerthink names president to expand Hackett Group

Miami consultant firm Answerthink (Nasdaq: ANSR) said it has hired a president for its financial and information technology consulting subsidiary, the Hackett Group.

As the new leader of Answerthink's Hackett organization, the company said Bruce Barlag will launch a series of new research and advisory services offerings. As part of this effort, the company said Barlag has already begun to expand the Hackett sales force.

Most recently, Barlag was president and chief executive officer of Next Economy Partners, a research and advisory firm he founded to augment venture capital firms' ability to assist emerging-technology companies with marketing, revenue generation and strategic alliance development. Before that, he was executive vice president of Gartner's interactive services organization and a member of the executive management team. Prior to his promotion to EVP, Barlag was Gartner's global chief marketing officer.

"We've got significant expansion plans for Hackett in 2003, and Bruce has a fantastic track record for helping companies build commercial value through new growth strategies," said Answerthink Chairman and Chief Executive Officer Ted A. Fernandez. "Bruce's significant sales and marketing expertise, as well as his management experience with firms such as Gartner and successful start-ups, will complement the skills of our existing leadership to drive Hackett to new levels of success."

Answerthink spokesman Gary Baker said the title of president is new for Hackett. The company was led and is still being led in part by Rick Roth, who Baker said remains as managing director of both Answerthink and Hackett.

Answerthink shares closed down 25 cents to $2.49. The 52-week low was $1.43 on Sept. 30. The 52-week high was $8.34 on Jan. 8.

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What's this?

EXHIBIT 20

January 23, 2008 04:10 PM Eastern Daylight Time

Answerthink Rebrands as The Hackett Group

CEO Ted Fernandez to Ring NASDAQ Opening Bell

NASDAQ Ticker Symbol to Change to HCKT on January 31st

MIAMI & LONDON–(BUSINESS WIRE)–Answerthink, Inc. (NASDAQ:ANSR) today announced that it is rebranding as The Hackett Group. To celebrate the event, Chairman and CEO Ted A. Fernandez will ring the NASDAQ Stock Market opening bell at 9:30 am on Thursday, January 31, the same date that the ticker symbol will change to HCKT.

"We're proud to celebrate this major step in the transformation of our business that we started five years ago," said Mr. Fernandez. "From its inception more than 10 years ago, Answerthink has emphasized the importance of The Hackett Group's global brand and its unique best practices intellectual property. As we exited the year, Hackett revenues approached 70% of our total revenues with about one-third of those revenues coming outside of the U.S. Given our strong global growth and the growing global recognition of our Hackett Group brand, we believe this is the right time to make this transition."

"We're proud to celebrate this major step in the transformation of our business that we started five years ago"

The Company has moved the Oracle and Hyperion technology consulting groups under the Hackett Technology Solutions name. The Answerthink brand will continue to be used to support the SAP practice efforts.

The Hackett Group's participation in the NASDAQ market opening will take place at 9:30 am EST on Thursday, January 31 at the NASDAQ MarketSite, 4 Times Square (43rd St. & Broadway), in New York City.

The opening bell is available from 9:20 a.m. to 9:35 a.m. on Galaxy 26 - uplink IA6 C band / transponder 24, downlink frequency 4180 horizontal. The feed can also be found on Waterfront fiber 1623. If you have any questions, please contact Robert Madden (646) 441-5045.

An audio transmission of the opening bell is also available from 9:20 a.m. to 9:35 a.m. on uplink IA6 C band / transponder 24, downlink frequency 4180 horizontal. The feed can be found on Waterfront fiber 1623 as well.

A live webcast of the NASDAQ Opening Bell will be available at: http://www.nasdaq.com/reference/marketsite_about.stm. Note that this Webcam usually shows the NASDAQ Tower, but switches at about 9:20 am Eastern each day to show the NASDAQ opening bell ceremony, which begins at 9:30 am.

To obtain a hi-resolution photograph of the Market Open, please go to

http://www.nasdaq.com/reference/marketsite_events.stm and click on the market open of your choice.

About The Hackett Group

The Hackett Group, a global strategic advisory firm, is a leader in best practice advisory, benchmarking, and transformation consulting services, including shared services, offshoring and outsourcing advice. Utilizing best practices and implementation insights from more than 4,000 benchmarking engagements, executives use Hackett's empirically based approach to quickly define and prioritize initiatives to enable world-class performance. Through its REL brand, Hackett offers working capital solutions focused on delivering significant cash flow improvements. Through its Hackett Technology Solutions group, Hackett offers business application consulting services that helps maximize returns on IT investments. Hackett has worked with 2,700 major corporations and government agencies, including 97% of the Dow Jones Industrials, 73% of the Fortune 100, 73% of the DAX 30 and 45% of the FTSE 100.

Founded in 1991, The Hackett Group was acquired by Answerthink, which was renamed The Hackett Group in 2008. The Hackett Group has global offices in the United States, Europe and India and is publicly traded on the NASDAQ as HCKT.

More information on The Hackett Group is available: by phone at (770) 225-7300; by e-mail at info@thehackettgroup.com; or on the Web at www.thehackettgroup.com.

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and involve known and unknown risks, uncertainties and other factors that may cause Hackett's actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. Factors that impact such forward-looking statements include, among others, our ability to effectively integrate acquisitions into our operations, our ability to attract additional business, our ability to effectively market and sell our product offerings and other services, the timing of projects and the potential for contract cancellations by our customers, changes in expectations regarding the information technology industry, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable, risks of competition, price and margin trends, foreign currency fluctuations, changes in general economic conditions and interest rates as well as other risks detailed in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2006 filed with the Securities and Exchange Commission. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Contacts

The Hackett Group, New York
Gary Baker, Communications Director, 610-234-5900
gbaker@thehackettgroup.com

BusinessWire

EXHIBIT 21

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ARTICLE

Answerthink Rebrands as The Hackett Group

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Wed Jan 23, 2008 4:10pm EST

CEO Ted Fernandez to Ring NASDAQ Opening Bell

NASDAQ Ticker Symbol to Change to HCKT on January 31st

MIAMI & LONDON--(Business Wire)--Answerthink, Inc. (NASDAQ:ANSR) today announced that i rebranding as The Hackett Group. To celebrate the event, Chairman and CEO Ted A. Fernandez will ring the NASDAQ Stock Market opening bell at 9:30 am on Thursday, January 31, the same date that the ticker symbol will change to HCKT.

"We're proud to celebrate this major step in the transformation of our business that we started five years ago," said Mr. Fernandez. "From its inception more than 10 years ago, Answerthink has emphasized the importance of The Hackett Group's global brand and its unique best practices intellectual property. As we exited the year, Hackett revenues approached 70% of our total revenues with about one-third of those revenues coming outside of the U.S. Given our strong global growth and the growing global recognition of our Hackett Group brand, we believe this is the right time to make this transition."

The Company has moved the Oracle and Hyperion technology consulting groups under the Hackett Technology Solutions name. The Answerthink brand will continue to be used to support the SAP practice efforts.

The Hackett Group's participation in the NASDAQ market opening will take place at 9:30 am EST on Thursday, January 31 at the NASDAQ MarketSite, 4 Times Square (43rd St. & Broadway), in New York City.

The opening bell is available from 9:20 a.m. to 9:35 a.m. on Galaxy 26 - uplink IA6 C band / transponder 24, downlink frequency 4180 horizontal. The feed can also be found on Waterfront fiber 1623. If you have any questions, please contact Robert Madden (646) 441-5045.

An audio transmission of the opening bell is also available from 9:20 a.m. to 9:35 a.m. on uplink IA6 C band / transponder 24, downlink frequency 4180 horizontal. The feed can be found on Waterfront fiber 1623 as well.

A live webcast of the NASDAQ Opening Bell will be available at: http://www.nasdaq.com/reference/marketsite_about.stm. Note that this Webcam usually shows the NASDAQ Tower, but switches at about 9:20 am Eastern each day to show the NASDAQ opening bell ceremony, which begins at 9:30 am.

To obtain a hi-resolution photograph of the Market Open, please go to http://www.nasdaq.com/reference/marketsite_events.stm and click on the market open of your choice.

About The Hackett Group

The Hackett Group, a global strategic advisory firm, is a leader in best practice advisory, benchmarking, and transformation consulting services, including shared services, offshoring and outsourcing advice. Utilizing best practices and implementation insights from more than 4,000 benchmarking engagements, executives use Hackett's empirically based approach to quickly define and prioritize initiatives to enable world-class performance. Through its REL brand,

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Hackett offers working capital solutions focused on delivering significant cash flow improvements. Through its Hackett Technology Solutions group, Hackett offers business application consulting services that help maximize returns on IT investments. Hackett has worked with 2,700 major corporations and government agencies, including 97% of the Dow Jones Industrials, 73% of the Fortune 100, 73% of the DAX 30 and 45% of the FTSE 100.

Founded in 1991, The Hackett Group was acquired by Answerthink, which was renamed The Hackett Group in 2008. The Hackett Group has global offices in the United States, Europe and India and is publicly traded on the NASDAQ as HCKT.

More information on The Hackett Group is available by phone at (770) 225-7300; by e-mail at info@thehackettgroup.com; or on the Web at www.thehackettgroup.com.

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and involve known and unknown risks, uncertainties and other factors that may cause Hackett's actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. Factors that impact such forward-looking statements include, among others, our ability to effectively integrate acquisitions into our operations, our ability to attract additional business, our ability to effectively market and sell our product offerings and other services, the timing of projects and the potential for contract cancellations by our customers, changes in expectations regarding the information technology industry, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable, risks of competition, price and margin trends, foreign currency fluctuations, changes in general economic conditions and interest rates as well as other risks detailed in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2006 filed with the Securities and Exchange Commission. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The Hackett Group, New York
Gary Baker, Communications Director, 610-234-5900
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Ticker	Volume	Price	Price Delta
DJIA	15,050.52	55.29	0.37%
S&P 500	1,619.26	6.74	0.42%
NASDAQ	3,413.36	12.93	0.38%

Ticker	Volume	Price	Price Delta
STOXX 50	2,661.71	-4.81	-0.18%
FTSE 100	6,304.63	5.18	0.08%
DAX	8,095.39	-47.88	-0.59%

Ticker	Volume	Price	Price Delta
NIKKEI	12,445.38	-843.94	-6.35%
TOPIX	1,044.17	-52.37	-4.78%
HANG SENG	20,887.04	-467.62	-2.19%

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Answerthink Shareholders Approve Name Change To "The Hackett

Group, Inc."

MIAMI--(BUSINESS WIRE)--December 21, 2007 Answerthink, Inc. (NASDAQ:ANSR) announced today that at its Special Meeting of Shareholders held earlier in the day, its shareholders approved an amendment to its Articles of Incorporation officially changing the name of the Company to "The Hackett Group, Inc."

"We believe that by placing more of our businesses under The Hackett Group umbrella we can take full advantage of the global market permission associated with the brand," said Ted A. Fernandez, Chairman and Chief Executive Officer.

The name change will take effect on January 1, 2008. The Company's common stock will begin trading under the symbol "HCKT" on the NASDAQ Global Market on January 31, 2008. Company executives are scheduled to participate in the Opening Bell Ceremony at the NASDAQ Stock Market on that date.

About Answerthink

Answerthink, Inc. (www.answerthink.com) is a leading business and technology consulting firm that enables companies to achieve world-class business performance. By leveraging the comprehensive database of The Hackett Group, Answerthink's business and technology solutions help clients significantly improve performance and maximize returns on technology investments. Answerthink's capabilities include benchmarking, business transformation, business applications, business intelligence, and offshore application development and support. Founded in 1997, Answerthink has offices throughout the United States and in Europe and India.

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and involve known and unknown risks, uncertainties and other factors that may cause Answerthink's actual results, performance or achievments to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. Factors that impact such forward-looking statements include, among others, the ultimate amount of our unrealized investment loss, the ability of Bank of America to liquidate the Fund, the ultimate per share value of the Fund, the timing and amount of the proceeds distributed to us from the Fund, the availability of other cash and cash equivalents to meet our liquidity and operating needs our ability to generate sufficient cash flow to meet cash balance estimates, the ability of the products, services, or practices mentioned in this release to deliver the desired effect, our ability to effectively integrate acquisitions into our operations, our ability to attract additional business, our ability to effectively market and sell our product offerings and other services, the timing of projects and the potential for contract cancellations by our customers, changes in expectations regarding the information technology industry, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable, risks of competition, price and margin trends, foreign currency fluctuations, changes in general economic conditions and interest rates as well as other risks detailed in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2006 filed with the Securities and Exchange Commission. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

CONTACT: Answerthink, Inc., Miami Robert A. Ramirez, CFO, 305-375-8005 rramirez@answerthink.com

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EXHIBIT 23

Research Is the Answer For Answerthink

By Rob Wright

May 07, 2003 10:46 AM ET

For Ted Fernandez, chairman and CEO of Answerthink, the word of the day is "benchmarks." But Fernandez's company is a solution provider, not a database software maker or server manufacturer. So why is the Miami-based integrator so big on benchmarks? It's because Answerthink has been leveraging its research subsidiary, The Hackett Group, to develop best practices and operational-performance benchmarks that are helping it better serve current clients and win new customers as well. "It's been the single biggest strategic push for our company in the last year," he says.

The Hackett Group studies such corporate functions as finance, human resources, IT, sales and administration. The research is compiled and placed in a mammoth database of benchmark metrics for enterprise performance that includes every Dow Jones Industrial company and 90 percent of Fortune 100 companies. Answerthink used The Hackett Group's research to build its new Business Process Intelligence (BPI) service, which is designed to improve ROI for enterprise software. For example, the service helps clients choose the right business apps.

"There's a theme of operational efficiency in the industry today," Fernandez says. "I think there's a tremendous opportunity for companies to be much more efficient and get more out of their spending and investments."

Despite the emphasis on research and BPI, Answerthink's sharp software integration skills and IT savvy haven't dulled. The solution provider has a fervent presence in business applications, and its SAP (NYSE:SAP) business is particularly strong. But Answerthink, which scuttled its interactive marketing business late last year, has clearly undergone a transition.

"We have a world-renowned depository of data on how companies execute," he says. "The economy has forced people to find out what they are truly good at, and this research and diagnostic tool, for us, is our core value proposition."

Answerthink was No. 145 on the VARBusiness 500 ranking of solution providers.

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EXHIBIT 24

YAHOO! FINANCE

The Hackett Group to present at the Second Annual Marcum LLP MicroCap Conference

PRNewswire

MIAMI, May 29, 2013 /PRNewswire/ — The Hackett Group, Inc. (HCKT), a global strategic advisory and business transformation consulting firm, announced today that Ted A. Fernandez, Chairman and CEO, will present at the Second Annual Marcum LLP MicroCap Conference on Thursday, May 30, 2013 in New York City at the Grand Hyatt Hotel.

The Company's presentation is scheduled to begin at 11:30 am EDT and will be available via a live webcast. To access the webcast, go to http://wsw.com/webcast/marcum/hckt/.

For more information and registration, please visit the conference website: http://www.marcumllp.com/microcap

About The Hackett Group

The Hackett Group, Inc. (HCKT), a global strategic business advisory and business transformation consulting firm, is a leader in best practice advisory, benchmarking, and transformation consulting services including strategy and operations, working capital management, shared services and globalization advice. Utilizing best practices and implementation insights from more than 8,500 benchmarking engagements, executives use The Hackett Group's empirically-based approach to quickly define and implement initiatives to enable world-class performance. Through its REL group, The Hackett Group offers working capital solutions focused on delivering significant cash flow improvements. Through its Archstone Consulting group, The Hackett Group offers Strategy & Operations consulting services in the Consumer and Industrial Products, Pharmaceutical, Manufacturing and Financial Services industry sectors. Through its Hackett ERP Solutions group, The Hackett Group offers business application consulting services that help maximize returns on IT investments. The Hackett Group has completed benchmark studies with over 3,500 major corporations and government agencies, including 97% of the Dow Jones Industrials, 84% of the Fortune 100, 87% of the DAX 30 and 48% of the FTSE 100.

More information on The Hackett Group is available: by phone at (770) 225-7300; by e-mail at info@thehackettgroup.com.

About Marcum LLP

Marcum LLP is one of the largest independent public accounting and advisory services firms in the nation. Ranked among the top 15, Marcum LLP offers the resources of 1,000 professionals, including over 125 partners, in more than 20 offices throughout New York, New Jersey, Massachusetts, Connecticut, Pennsylvania, California, Florida, Grand Cayman and China. Headquartered in New York City, the Firm's presence runs deep with full-service offices strategically located in major business markets. Marcum is a member of the Marcum Group, an organization providing a comprehensive range of professional services spanning accounting and advisory, technology solutions, wealth management, and executive and professional recruiting. The Marcum Group companies include Marcum LLP; Marcum Technology LLC; Marcum Search LLC; Marcum Financial Services LLC; Marcum Bernstein & Pinchuk LLP; MarcumBuchanan Associates LLC; and Marcum Cronus Partners LLC.

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and involve known and unknown risks, uncertainties and other factors that may cause The Hackett Group's actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. Factors that impact such forward-looking statements include, among others, the ability of our products, services, or offerings mentioned in this release to deliver the desired effect, our ability to effectively integrate acquisitions into our operations, our ability to retain existing business, our ability to attract additional

business, our ability to effectively market and sell our product offerings and other services, the timing of projects and the potential for contract cancellations by our customers, changes in expectations regarding the business consulting and information technology industries, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable due to the bankruptcy or financial difficulties of our customers, risks of competition, price and margin trends, foreign currency fluctuations, changes in general economic conditions and interest rates as well as other risks detailed in our Company's Annual Report on Form 10-K for the most recent fiscal year filed with the Securities and Exchange Commission. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Contact:

Robert A. Ramirez, CFO, 305-375-8005 or rramirez@thehackettgroup.com

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press release
June 7, 2013, 9:30 a.m. EDT

The Hackett Group's 2013 Best Practices Conference Focuses on "Borderless Business: Integrating the Enterprise"

Highlights included Presentations by Leading Global Companies

Business Wire
A Berkshire Hathaway Company

The Hackett Group

MIAMI & LONDON, Jun 07, 2013 (BUSINESS WIRE) -- --Plus Insights from The Hackett Group's New World-Class Performance Research

As economies around the world become more integrated, understanding the optimal way to operate globally has become a driving force. How companies are addressing the opportunities and challenges of today's global economy was the focus of The Hackett Group's 2013 North American Best Practices Conference, "Borderless Business: Integrating the Enterprise for Sustainable Success," held in Miami May 20-22, 2013.

The Hackett Group HCKT -0.61% , a global strategic business advisory and operations improvement consulting firm, is a leader in best practice advisory, business benchmarking, and transformation consulting services including strategy and operations, working capital management, and globalization advice.

This year's best practices conference brought together speakers from 17 of the world's most successful companies, including CEOs, CFOs, CIOs, and leaders in procurement, human resources, and global business services from: Becton, Dickinson and Company; Citigroup; Coca Cola Refreshments USA; Cytec Industries; FedEx; Fidelity Investments; General Electric; General Mills; Hertz; Kimberly-Clark; Kronos; Lennox International; Meritor; MetLife; Office Depot; SAP AG; and TE Connectivity. In addition nine companies served as sponsors for The Hackett Group conference: Cadency, a product of Trintech; Coupa Software; Genpact Limited; HP; Invest Lithuania; Kronos; Open Scan; SAP; and Zycus.

The invitation-only event, which was attended by over 200 senior-level executives from the world's most respected brands, also featured The Hackett Group latest insights on the strategies and tactics being deployed by the highest performing global companies.

At the conference, The Hackett Group also offered an update and live demonstration of The Hackett Group's Performance Exchange(TM), a new automated measurement dashboard designed to accelerate companies' journeys to world-class performance. The Hackett Group Performance Exchange is a breakthrough performance intelligence solution that automatically extracts data from ERP systems and benchmarks results to produce actionable insights - faster and at a fraction of the cost and effort involved in any benchmarking alternative or building a custom solution.

"Today's business world is all about transcending borders, and the accelerating flow of ideas, resources, capital, and goods," explained The Hackett Group Chairman & Chief Executive Officer Ted Fernandez."The increasingly competitive global marketplace has reduced the interval between seeing an opportunity - or threat - and making the operational changes necessary to respond to it effectively. As a result, information and operational expectations have necessitated one global view of your customers, your supply chain, your operations, your financials and your talent.

"At The Hackett Group's 2013 North American Best Practices Conference, we offered an opportunity to learn how the world's most successful companies are adapting to the opportunities and challenges of operating globally," said Mr. Fernandez.

About The Hackett Group

The Hackett Group HCKT -0.61% , a global strategic business advisory and operations improvement consulting firm, is a leader in best practice advisory, business benchmarking, and transformation consulting services including strategy and operations, working capital

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Utilizing best practices and implementation insights from more than 7,500 benchmarking studies, executives use The Hackett Group's empirically-based approach to quickly define and implement initiatives that enable world-class performance. Through its REL group, The Hackett Group offers working capital solutions focused on delivering significant cash flow improvements. Through its Archstone Consulting group, The Hackett Group offers Strategy & Operations consulting services in the Consumer and Industrial Products, Pharmaceutical, Manufacturing, and Financial Services industry sectors. Through its Hackett Technology Solutions group, The Hackett Group offers business application consulting services that help maximize returns on IT investments. The Hackett Group has completed benchmark studies with over 2,800 major corporations and government agencies, including 97% of the Dow Jones Industrials, 86% of the Fortune 100, 90% of the DAX 30 and 48% of the FTSE 100.

More information on The Hackett Group is available: by phone at (770) 225-7300; by e-mail at info@thehackettgroup.com.

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SOURCE: The Hackett Group

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ADD TO PORTFOLIO HCKT

Hackett Group Inc.

US : U.S.: Nasdaq

$ 4.90

-0.03 -0.61%

Volume: 1,000

June 13, 2013 11:54a

P/E Ratio

9.59

Dividend Yield

N/A

Market Cap

$156.73 million

Rev. per Employee

N/A

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$ 4.90

-0.03 -0.61%

Volume: 1,000

June 13, 2013 11:54a

P/E Ratio

9.59

Dividend Yield

N/A

Market Cap

$156.73 million

Rev. per Employee

N/A

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News about Hackett Group Inc., including commentary and archival articles published in The New York Times.

Company Information

The Hackett Group, Inc. (Hackett) is a global advisory firm. The Company's services include advisory, benchmarking, and transformation consulting services, including shared services, off shoring and outsourcing advice. The Company operates in the business and technology consulting services segment. The Company operates primarily in the areas of North America and European countries. Through its Archstone Consulting group, Hackett offers strategy and operations consulting services in the consumer and industrial products, pharmaceutical, manufacturing and financial services industry sectors. Through its REL group, Hackett offers working capital solutions focused on delivering cash flow improvements. Through its enterprise resource planning solutions group (ERP Solutions), Hackett offers business application consulting services that help maximize returns on information technology (IT) investments.

Hackett Group Inc.
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June 7, 2013 - Business Wire

Working Capital Performance Deteriorates in 2012 As Opportunity at Largest U.S. Companies Now Tops $1 Trillion
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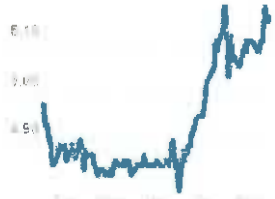

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Stock Snapshot

Today's open	$5.18
Friday's close	$5.15
52-week range	
52-week high	$5.92
52-week low	$3.20
Market capitalization	162.9M
Avg. volume (10-day)	64.4K
Shares outstanding	31.6M
Dividend (yield)	$0.10 (1.94%)
Ex-dividend date	12/18/2012

Key Fundamentals

P/E ratio	10.6x
Earnings per share	$0.49
Revenue	$231.4M
Profit margin	6.57%
Return on equity	17.23%

Fundamentals are for the trailing 12 months
View financials »

Quarterly Earnings

Actual earnings per share

Q1 12	0.03
Q2 12	0.12
Q3 12	0.08
Q4 12	0.21
Q1 13	0.06

Analyst estimates Range Consensus

Estimated earnings next 2 quarters

Q2 13	0.11
Q3 13	0.11

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Executive Officers

Executive	Title
Ted A. Fernandez	Chmn. since 1997
David N. Dungan	Vice Chmn. since 2006
Roberto A. Ramirez	CFO since 2007

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HUSTON EDWIN A 05/30/2013

Exercise or conversion of derivative security exempted pursuant to Rule 16b-3

Shares bought: **10,000**
Share price: **$2.14**
Trans. value: **$21,400**

HUSTON EDWIN A 05/30/2013

Open market or private sale of non-derivative or derivative security

Shares sold: **10,000**
Share price: **$5.08**
Trans. value: **$50,800**

WIX ALAN T G 04/08/2013

Exercise or conversion of derivative security exempted pursuant to Rule 16b-3

Shares bought: **7,500**
Share price: **$2.14**
Trans. value: **$16,050**

Company Events

On May 7, 2013, HCKT announced quarterly earnings of $0.10 per share for 2013Q1, beating the consensus estimate of $0.10.

Filings

Quarterly Financials May 8, 2013	10-Q
Quarterly Financials November 7, 2012	10-Q
Annual Financials March 13, 2013	10-K

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6. The Haggler: An Oasis in a Desert of Customer Service
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The Hackett Group Announces First Quarter 2013 Results

Published: May 7, 2013

- Q1 2013 revenue of $54.3 million, up slightly from prior year
- Pro forma EPS of $0.10, at mid point of guidance and up 25% from prior year
- Board authorizes additional $5.0 million for stock repurchase program

MIAMI--(BUSINESS WIRE)--May. 7, 2013-- The Hackett Group, Inc. (NASDAQ: HCKT), a global strategic advisory and business transformation consulting firm, today announced its financial results for the first quarter, which ended March 29, 2013.

First quarter 2013 revenue was $54.3 million. Pro forma diluted earnings per share were $0.10 for the first quarter of 2013, as compared to $0.08 for the same period in 2012. Pro forma information is provided to enhance the understanding of the Company's financial performance and is reconciled to the Company's GAAP information in the accompanying tables.

GAAP diluted earnings per share were $0.06 for the first quarter of 2013, as compared to $0.09 in the first quarter of 2012. GAAP earnings per share for the first quarter of 2012 benefitted by $1.3 million, or $0.03 per share, resulting from the release of tax valuation allowances.

At the end of the first quarter of 2013, the Company's cash balances were $12.0 million. During the first quarter, the Company paid down $4.5 million of its credit facility, leaving a $20.5 million balance at quarter end.

Subsequent to the end of the first quarter of 2013, cash was utilized to repurchase approximately 113 thousand shares of the Company's common stock at an average price of $4.79, for a total cost of $544 thousand. At its recent meeting, the Board of Directors approved to increase the stock repurchase program authorization by an additional $5.0 million.

"Even though new year initiatives did not ramp up as quickly as we planned, we reported solid operating results," stated Ted A. Fernandez, Chairman and CEO of The Hackett Group, Inc. "Given the solid US momentum that we are experiencing, we believe we can continue to improve our financial performance even if European headwinds continue."

Based on the current economic outlook, the Company estimates total revenue for the second quarter of 2013 to be in the range of $54.0 million to $56.0 million, and estimates pro forma diluted earnings per share to be in the range of $0.10 to $0.12.

Other Highlights

IT Key Issues Study - A new IT Key Issues study from The Hackett Group found that IT organizations can expect to see small increases in operating budgets for 2013, even as cutbacks continue across other parts of business services, including finance, HR, and procurement. The study found that the IT budget increases are in part being driven by increased demand and expectations, as IT organizations are being asked to respond to the new "borderless" business environment by building out a flexible, virtual, data-enabled model for service delivery.

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Procurement Key Issues Study - A new Procurement Key Issues study from The Hackett Group found that procurement leaders face new pressures in 2013 as companies focus on profitable growth and balance local agility with global scale in their value chains. While company revenue continues to grow, procurement leaders along with other business functions continue to be asked to do more with less. Procurement leaders are now focusing on a much broader list of procurement strategy priorities designed to improve their alignment with business objectives.

Manufacturing Costs Research - New research from The Hackett Group found that US manufacturers are targeting an aggressive 1.5 percent reduction in cost of goods sold (COGS) for 2013 in an effort to drive margin growth. The study found that with GDP growth stabilizing in major regions of the world, manufacturers are expecting reduced sales forecast uncertainty, enabling them to plan supply requirements and manufacturing capacity with far greater confidence.

2013 Best Practices Conference Preview - The Hackett Group announced plans to hold its 2013 U.S. Best Practices Conference in Miami on May 21-22. The event will feature senior executives from nearly a dozen of the world's largest and most successful companies - including Citigroup, General Electric, General Mills, Kimberly-Clark, MetLife, Office Depot, and TE Connectivity - discussing their efforts to improve efficiency and effectiveness in finance, IT, HR, procurement, and other business services.

On Tuesday, May 7, 2013, senior management will discuss first quarter results in a conference call at 5:00 P.M. ET.

The number for the conference call is (800) 779-3138, [Passcode: First Quarter, Leader: Ted A. Fernandez]. For International callers, please dial (517) 308-9381.

Please dial in at least 5-10 minutes prior to start time. If you are unable to participate on the conference call, a rebroadcast will be available beginning at 8:00 P.M. ET on Tuesday, May 7, 2013 and will run through 5:00 P.M. ET on Tuesday, May 21, 2013. To access the rebroadcast, please dial (866) 441-1052. For International callers, please dial (203) 369-1059.

In addition, The Hackett Group will also be webcasting this conference call live through the StreetEvents.com service. To participate, simply visit http://www.thehackettgroup.com approximately 10 minutes prior to the start of the call and click on the conference call link provided. An online replay of the call will be available after 8:00 P.M. ET on Tuesday, May 7, 2013 and will run through 5:00 P.M. ET on Tuesday, May 21, 2013. To access the replay, visit http://www.thehackettgroup.com or http://www.streetevents.com.

For additional information on The Hackett Group, please visit our website at www.thehackettgroup.com.

About The Hackett Group

The Hackett Group, Inc. (NASDAQ: HCKT), a global strategic business advisory and business transformation consulting firm, is a leader in best practice advisory, benchmarking, and transformation consulting services including strategy and operations, working capital management, shared services and globalization advice. Utilizing best practices and implementation insights from more than 8,500 benchmarking engagements, executives use The Hackett Group's empirically-based approach to quickly define and implement initiatives to enable world-class performance. Through its REL group, The Hackett Group offers working capital solutions focused on delivering significant cash flow improvements. Through its Archstone Consulting group, The Hackett Group offers Strategy & Operations consulting services in the Consumer and Industrial Products, Pharmaceutical, Manufacturing and Financial Services industry sectors. Through its Hackett ERP Solutions group, The Hackett Group offers business application consulting services that help maximize returns on IT investments. The Hackett Group has completed benchmark studies with over 3,500 major corporations and government

agencies, including 97% of the Dow Jones Industrials, 84% of the Fortune 100, 87% of the DAX 30 and 48% of the FTSE 100.

More information on The Hackett Group is available: by phone at (770) 225-7300; by e-mail at info@thehackettgroup.com.

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and involve known and unknown risks, uncertainties and other factors that may cause The Hackett Group's actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. Factors that impact such forward-looking statements include, among others, the ability of our products, services, or offerings mentioned in this release to deliver the desired effect, our ability to effectively integrate acquisitions into our operations, our ability to retain existing business, our ability to attract additional business, our ability to effectively market and sell our product offerings and other services, the timing of projects and the potential for contract cancellations by our customers, changes in expectations regarding the business consulting and information technology industries, our ability to attract and retain skilled employees, possible changes in collections of accounts receivable due to the bankruptcy or financial difficulties of our customers, risks of competition, price and margin trends, foreign currency fluctuations, changes in general economic conditions and interest rates as well as other risks detailed in our Company's Annual Report on Form 10-K for the most recent fiscal year filed with the Securities and Exchange Commission. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The Hackett Group, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Quarter Ended	
	March 29, 2013	**March 30, 2012**
Revenue:		
Revenue before reimbursements	$48,871	$49,044
Reimbursements	5,478	5,039
Total revenue	54,349	54,083
Costs and expenses:		
Cost of service:		
Personnel costs before reimbursable expenses (includes $823 and $758 of stock compensation expense in the quarters ended March 29, 2013 and March 30, 2012, respectively)	32,042	30,560
Reimbursable expenses	5,478	5,039
Total cost of service	37,520	35,599
Selling, general and administrative costs (includes $699 and $507 of stock compensation expense in the quarters ended March 29, 2013 and March 30, 2012, respectively)	13,300	14,507
Total costs and operating expenses	50,820	50,106
Income from operations	3,529	3,977
Other income (expense):		
Interest income	1	9
Interest expense	(142)	(27)

Income from continuing operations before income taxes	3,388	3,959
Income tax expense	1,359	108
Income from continuing operations	2,029	3,851
Loss from discontinued operations	(71)	(318)
Net income	$ 1,958	$ 3,533
Basic net income per common share:		
Income per common share from continuing operations	$ 0.07	$ 0.10
Loss per common share from discontinued operations	(0.00)	(0.01)
Net income per common share	$ 0.06	$ 0.09
Diluted net income per common share:		
Income per common share from continuing operations	$ 0.06	$ 0.10
Loss per common share from discontinued operations	(0.00)	(0.01)
Net income per common share	$ 0.06	$ 0.09
Weighted average common shares outstanding		
Basic	30,292	38,524
Diluted	31,473	39,938
Pro forma data (1):		
Income from continuing operations before income taxes	$ 3,388	$ 3,959
Stock compensation expense	1,522	1,265
Amortization of intangible assets	150	137
Pro forma income before income taxes	5,060	5,361
Pro forma income tax expense	2,024	2,144
Pro forma net income	$ 3,036	$ 3,217
Pro forma basic net income per common share	$ 0.10	$ 0.08
Weighted average common shares outstanding	30,292	38,524
Pro forma diluted net income per common share	$ 0.10	$ 0.08
Weighted average common and common equivalent shares outstanding	31,473	39,938

(1)The Company provides pro forma earnings results (which exclude the amortization of intangible assets and stock compensation expense, and results from discontinued operations and include a normalized tax rate) as a complement to results provided in accordance with Generally Accepted Accounting Principles (GAAP). These non-GAAP results are provided to enhance the overall users' understanding of the Company's current financial performance and its prospects for the future. The Company believes the non-GAAP results provide useful information to both management and investors by excluding certain expenses that it believes are not indicative of its core operating results. The non-GAAP measures are included to provide investors and management with an alternative method for assessing operating results in a manner that is focused on the performance of ongoing operations and to provide a more consistent basis for comparison between quarters. Further, these non-GAAP results are one of the primary indicators management uses for planning and forecasting in future periods. In addition, since the Company has historically reported non-GAAP results to the investment community, it believes the continued inclusion of non-GAAP results provides consistency in its financial reporting. The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with GAAP.

The Hackett Group, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	March 29, 2013	December 28, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,337	$ 16,906
Accounts receivable and unbilled revenue, net	33,798	36,869
Deferred tax asset, net	4,221	4,741
Prepaid expenses and other current assets	2,646	2,335
Total current assets	52,002	60,851
Restricted cash	684	683
Property and equipment, net	13,008	12,859
Other assets	1,409	1,598
Goodwill, net	75,104	76,220
Non-current deferred tax asset, net	779	1,710
Total assets	$ 142,986	$ 153,921
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,816	$ 7,711
Accrued expenses and other liabilities	21,414	26,484
Current portion of long-term debt	-	2,895
Total current liabilities	26,230	37,090
Long-term debt	20,526	22,105
Total liabilities	46,756	59,195
Shareholders' equity	96,230	94,726
Total liabilities and shareholders' equity	$ 142,986	$ 153,921

The Hackett Group, Inc.
SUPPLEMENTAL FINANCIAL DATA
(unaudited)

	Quarter Ended		
	March 29, 2013	March 30, 2012	December 28, 2012
Revenue Breakdown by Group:			
(in thousands)			
The Hackett Group (2)	$ 43,612	$ 47,124	$ 45,130
ERP Solutions (3)	10,737	6,959	9,912
Total revenue	$ 54,349	$ 54,083	$ 55,042
Revenue Concentration:			
(% of total revenue)			

Top customer	4%	5%	3%
Top 5 customers	14%	16%	13%
Top 10 customers	23%	27%	22%

Key Metrics and Other Financial Data:

Total Company:			
Consultant headcount	719	691	724
Total headcount	906	891	921
Days sales outstanding (DSO)	56	56	59
Cash (used in) provided by operating activities (*in thousands*)	$ (547)	$ (3,833)	$ 9,219
Depreciation (*in thousands*)	$ 499	$ 614	$ 483
Amortization (*in thousands*)	$ 150	$ 137	$ 136
The Hackett Group *(in thousands)*:			
The Hackett Group annualized revenue per professional (2)	$ 329	$ 374	$ 342
ERP Solutions:			
ERP Solutions consultant utilization rate (3)	75%	69%	68%
ERP Solutions gross billing rate per hour (3)	$ 137	$ 119	$ 135
Share Repurchase Plan (4):			
Shares purchased in the quarter (*in thousands*)	-	-	-
Cost of shares repurchased in the quarter (*in thousands*)	$ -	$ -	$ -
Average price per share of shares purchased in the quarter	$ -	$ -	$ -
Remaining authorization (*in thousands*)	$ 556	$ 556	$ 556

(2) The Hackett Group encompasses the Benchmarking, Business Transformation and Executive Advisory groups, and EPM Technologies.

(3) ERP Solutions encompasses Best Practice Implementation of ERP Software, which is currently SAP.

(4) The Share Repurchase Plan information does not include 11.0 million shares purchased pursuant to the Dutch Tender Offer at $5.00 per share for a total of $55.0 million, excluding fees, during Q1 2012.

Source: The Hackett Group, Inc.

The Hackett Group, Inc.
Robert A. Ramirez, CFO, 305-375-8005
rramirez@thehackettgroup.com

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The Hackett Group

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The Hackett Group (NASDAQ: HCKT), a global strategic business advisory and operations improvement consulting firm, is a leader in best practice advisory, business benchmarking, and transformation consulting services including strategy and operations, working capital management, and globalization advice.

Using best practices and implementation insights from more than 5,000 benchmarking engagements, executives use The Hackett Group's empirically-based approach to quickly define and implement initiatives to enable world-class performance.

Through its REL division, the company has helped release billions in cash through sustainable working capital improvements across a company's operations. Through its Archstone Consulting division, the company offers strategy and operations consulting services in the consumer packaged goods, life sciences and manufacturing industries. Through its Answerthink division, the company offers business application consulting services that help maximize returns on IT investments.

The company helps clients reduce their costs while improving their business operations and enabling growth. It has worked with more than 2,700 major corporations and government agencies, including 97% of the Dow Jones Industrials, 73% of the Fortune 100, 73% of the DAX 30 and 50% of the FTSE 100.

Founded in 1991, The Hackett Group merged with Answerthink in 1997. Headquartered in Miami, the company has global offices in the United States, Europe and Asia/Pacific.

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Company Updates

The Hackett Group RESEARCH ALERT - Working Capital Performance Deteriorates in 2012 as Opportunity at Largest U.S. Companies Now Tops $1 Trillion http://lnkd.in/3e3rCH
Research Alerts & Press Releases
thehackettgroup.com
The ability of companies to generate cash from operations deteriorated in 2012, as the opportunity for working capital improvement at 1000 of the largest U.S. public companies rose dramatically, topping $1 trillion for the...
10 hours ago

The Hackett Group Workforce Management, "HR Data Enters the Equation," http://lnkd.in/PugFDS
workforce.com
workforce.com
10 hours ago

The Hackett Group MyProcurementCenter "Procurement Focuses on Innovation in 2013," #procurement http://lnkd.in/9H2D6b
mypurchasingcenter.com
mypurchasingcenter.com
5 days ago

The Hackett Group http://lnkd.in/DADZ6d

Still Not Working
cfo.com
Working capital performance among large U.S. public companies has improved only marginally over the last two years, according to REL Consulting's annual survey.

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Type
Public Company

Company Size
501-1000 employees

Website
http://www.thehackettgroup.com

Industry
Management Consulting

Founded
1991

Headquarters
1001 Brickell Bay Drive, 30th Floor
Miami, Florida 33131
UNITED STATES

5 days ago

The Hackett Group http://lnkd.in/uQA6TB
A World-Class T&E Program: Key Components, Choices and Potential...
spendmatters.com
Spend Matters welcomes a guest post from Howard Gutman, of The Hackett Group. Many road warriors will only use the brands they prefer (i.e., United, Hertz and Starwood) to maximize their loyalty ac...

8 days ago

The Hackett Group http://lnkd.in/fpmyB8

Tech Investments Falling Short of Full Potential
cioinsight.com
Many organizations are facing difficulties in maximizing the potential of their tech investments, often due to a lack of skilled employees.

8 days ago

The Hackett Group http://ow.ly/lxDkV

The Hackett Group to present at the Second Annual Marcum LLP ...
finance.yahoo.com
MIAMI, May 29, 2013 /PRNewswire/ -- The Hackett Group, Inc. (NASDAQ: HCKT), a global strategic advisory and business transformation consulting firm, announced today that Ted A. Fernandez, Chairman and ...

12 days ago

The Hackett Group http://lnkd.in/Fe_EU6
Buyers expected to achieve more despite budget cuts and fewer staff
supplymanagement.com
☛ Want the latest procurement and supply chain news delivered straight to your inbox? Sign up for the Supply Management Daily According to Procurement Key Issues Research, published last week by The Hackett Group, while cost...

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The Hackett Group http://lnkd.in/993pzX

How to Buy Procurement Research & Advisory Services
spendmatters.com
Procurement organizations, especially CPOs, are barraged daily by membership/subscription-based services that offer them research, advisory (i.e., non-project based consultation), peer networking, ...

13 days ago

The Hackett Group Global Banking & Finance Review (UK), "Working Capital Management - In PE, cash is king, but unfortunately only in the short term" http://lnkd.in/BQXg9F
globalbankingandfinance.com
globalbankingandfinance.com

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EXHIBIT 30

hackett consulting

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The answer to a lean marketing budget

Featured Clients

SCIENCES PORATION | PURINA PET GEAR | ROTO-ROOTER | Southern | Studliest Man Contest | WAG PRI

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Don't know where to start with Social Media? Here is an overview to get you up to speed.

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We are a **Digital Marketing** firm grounded in traditional marketing principles.

- **BRAND STRATEGY**: Equity development, competitive point of difference reinforcement, communication strategy, and execution management.
- **SOCIAL MEDIA MARKETING**: Social media strategy aligned with brand strategy, social media integration plan, implementation, and management.
- **DIGITAL AWARENESS BUILDING**: Pay Per Click advertising, Search Engine Optimization, and Mobile advertising.
- **WEB DEVELOPMENT**: Content management systems, mobile web compatible layouts, and app development.

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Social Media Marketing is our competitive point of difference. It's where our traditional marketing foundation intersects with our online expertise.

- **Brand Strategy** - Our social media solutions start with marketing objectives, strategic targets, and competitive strengths.
- **Measurement** - The digital aspect of social media allows us to track success in real-time, and facilitates consumer learning.
- **Refinement** - Grounded in the on-going measurement, we continually refine our execution and broadly reapply consumer learning.

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We take marketing strategy seriously. Prior to founding Hackett Consulting® in 2008, [redacted] worked in CPG marketing for nine years, taking advantage of the many learning opportunities Procter & Gamble had to offer. As we began working with smaller companies we applied that learning to the emerging marketing vehicles. Five years later, we have developed a robust approach to building awareness in the most efficient manner possible.

Websites are the foundation of Digital Marketing. We launched [redacted] to place the appropriate focus in this area and keep up with the latest digital technologies. We have a talented team of designers and developers that can meet the most complex digital needs.

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Testimonials

WAGMAN HAIR

Hackett Consulting brought cutting edge marketing to our business, designed to give us a competitive advantage in our category. Not only have they worked to refine our brand equity and strategic position, they have been the focus of bringing this revamped strategy to life. In this new world, where spending money has to be tied to a strong sense of the expected ROI, Hackett Consulting implemented a cost-effective measurement tool that clearly demonstrates what does and does have impact. One year into the project, we have more customers with less marketing investment and have built a stronger connection with consumers through social media. Ultimately, we measure success by sales that lead to profits, and we have steadily been moving in the right direction.

Richard Sheerr
President, The Wagman Primus Group, LP

Client Portal

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- Create an account

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EXHIBIT 31

May 21-22, 2013

2013 Best Practices Conference

Miami, Florida
InterContinental Hotel

- Home
- Agenda
- Speakers
- Sponsors
- Hotel & Travel
- FAQS
- Registration

Best Practices Event of the Year

The conference brings together senior executives and business leaders from leading organizations. Hear varied perspectives from some of the best thought leaders and industry experts in the marketplace.

Tim Aylor

Managing Director Finance,

- 1
- 2
- 3
- 4
- 5

Top Reasons to Attend

+ Immediate return on investment
+ Leverage the experience of your peers
+ Access the full breadth of research and expertise
+ Excellent value with immediate return on investment
+ Unplug and get inspired

Who Should Attend

- COOs, CFOs, CIOs, CHROs, CPOs
- Controllers
- VPs and Directors of Finance, HR, IT, Procurement
- VPs and Directors of Shared Services

Video Highlights

Watch video showcasing highlights from past Best Practices Conferences.

Watch Now

What You Can Expect to Learn

Our unique program, built on case studies of top-performing companies, examines how world-class organisations reduce costs and create added value. The conference showcases the experiences of senior business executives in finance, human resource, information technology, procurement, supply chain and global business services as well as insight from The Hackett Group's more than 7,500 benchmarking engagements and our work with more than 2,800 leading businesses.

Topics Include

- Business agility
- Cost optimization
- Enterprise analytics
- Enterprise growth
- Forecasting

- Global business services
- HR transformation
- IT return on investment
- Megatrends for globalization
- Procurement transformation

- Sourcing outsourcing
- Supply chain management
- Talent management
- Workforce development and planning
- Working capital

Sponsors

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Questions

Call:: +1 704 366 5191
E-mail: Lynn Morrow, Event Manager at The Hackett Group

EXHIBIT 32

www.thehackettgroup.com/bestpractices2013

AGENDA

Monday, May 20

12:00 PM - 5:00 PM — **Chief Procurement Officer Advisory Summit** | Escorial Room | Members only

2:00 PM - 6:00 PM — **Workshop** | **Global Business Services: Moving to Stage 2 Operational Maturity** | Biscayne Ballroom | Sponsored by Invest Lithuania

While much of the initial effort in the creation of global business services (GBS) organizations has been about cost cutting, organizations must look beyond that to new forms of value creation. This move toward world-class performance levels requires a well-coordinated and balanced approach between both efficiency and effectiveness. This workshop will present The Hackett Group's GBS Evolution Framework and provide a road map for a successful journey to Stage 2 Operational Maturity. The interactive format will provide an excellent setting for attendees to not only learn about The Hackett Group's latest research, but also learn from other market leaders.

Facilitated by:
Honorio Padrón III, Principal, Global Practice Leader, Global Business Services
Michel Janssen, Principal, Chief Research Officer
Vin Kumar, Associate Principal, GBS Global Operations Leader
Penny Weller, Ph.d C.M.A., Senior Director, North American Advisory Practice Leader, Global Business Services

2:00 PM - 6:00 PM — **Workshop** | **Enterprise Performance Management: Taking Decision Support to the Next Level** | Michelangelo

Many organizations continue to struggle to develop a truly enterprise-wide performance management capability. Relying on disparate data sources and largely historical reporting on Excel-based templates, today's decision support processes lack the application of best practices regarding organizational capabilities and integrated business intelligence systems. As a result, executives must use less-than-optimal information to make critical business decisions. This workshop will describe what differentiates world-class enterprise performance management (EPM) in all aspects of planning and analytics capabilities. Participants will have the opportunity to exchange and discuss various challenges within today's decision support environment and will come away with a methodology for transforming their EPM organizations.

Presented by:
Sanjay Sehgal, Principal, Global Practice Leader, Enterprise Performance Management
Sherri Liao, North American Practice Leader, Enterprise Performance Management Advisory Program

7:00 PM - 10:00 PM — **"Get Connected" Welcome Reception** | Pool Deck

Tuesday, May 21

7:00 AM - 8:00 AM — **Registration & Continental Breakfast** | Mezzanine

8:00 AM - 8:15 AM — **Welcome** | **Ted Fernandez, Chairman & CEO, The Hackett Group** | Versailles Ballroom

8:15 AM - 9:00 AM — **Keynote** | **Shane Fitzsimons, Chief Financial Officer Global Growth & Operations, General Electric Company** | Versailles Ballroom

Globalization: A Driving Force and Source for Growth

Shane Fitzsimons will provide an overview of GE and how the company is succeeding in the growth markets by moving more resources closer to the customer, while using shared services as a driver to leverage scale and reduce complexity. The GE finance organization is 18 months into this journey, and Shane will share insights and key lessons learned.

9:00 AM - 10:00 AM — **Plenary** | **Borderless Business** | **The Hackett Group** | Versailles Ballroom

Leading companies no longer accept that business is limited by traditional borders. As geographic and functional boundaries continue to crumble, business leaders have new opportunities to roll out flexible, virtual, data-enabled service delivery across their organizations. This session will examine how to integrate the enterprise for sustainable success by sourcing talent, capital, technology and goods and will share what distinguishes world-class performance, and key actions your organization should take.

Presented by:
Chris Brennan, Principal-in-Charge, Benchmarking & Business Transformation Services
Sean Kracklauer, Principal-in-Charge, Advisory Services & Research

10:00 AM - 10:30 AM — **Networking Break**

Tuesday, May 21 (Continued)

10:30 AM - 11:15 AM

Plenary | Michael Martiny, Vice President Global Business Solutions & CIO, General Mills, Inc. | Versailles Ballroom
Accelerating a Global Business Evolution: General Mills' GBS Journey
General Mills began its journey to a global operating model more than 15 years ago by first expanding into new markets, then standardizing and centralizing services. The capabilities have grown from a global business services organization chartered in 2005, which included finance, human resources and other corporate services. Today's global team now integrates information technology as well as the global continuous-improvement program into a global service delivery and business process transformation model, scalable through internal and external service teams. Michael Martiny will describe the capabilities provided and explain how those services are delivered, including an optimized client relationship model. He will also discuss the benefits and trade-offs of having a non-IT person in the CIO role.

11:15 AM - 12:00 PM

Plenary | Larry Ott, Senior Vice President, Human Resources & Communications, Meritor, Inc. | Versailles Ballroom
Talent Management: Measuring Your Efforts and Results
Meritor's leadership team recognized the need to develop talent management processes that would help differentiate itself in the marketplace. Larry Ott will share Meritor's very robust talent management processes, including support tools and technology and how the company monitors and measures success in this area. He will also discuss metrics in talent management as well as results to date, lessons learned, and next steps.

12:00 PM - 1:15 PM

Lunch & Networking | Mezzanine

1:15 PM - 2:00 PM

Breakout Sessions
Session 1: **William McCallion, Vice President Finance, Enterprise Financial Systems, MetLife** | Trianon Ballroom
Master Data Management: Enabling Strategic Business Success
As companies change and grow, it becomes essential to manage data across information silos that result from legacy systems, mergers and acquisitions. Otherwise, data consistency, integrity, quality and accuracy will suffer. After acquiring and then selling a business, MetLife changed the company's footprint. As a result, it looked for a solution to build consistency within master data assets. William McCallion will explain how MetLife improved access to trusted information to better support the CEO's strategy for success – including the consolidation process, information flows and enablement tools.

Session 2: **John DeStefano, Chief Procurement Officer, Fidelity Investments** | Biscayne Ballroom
Procurement: Removing Boundaries Across Functions and Around the Globe
When Fidelity Investments removed boundaries between its procurement function and business unit customers, organizational performance was dramatically improved. John Destefano will discuss how changing procurement's focus from pure cost-cutting toward business unit alignment enabled this change. He will discuss success factors and lessons learned from functional transformations in areas such as procurement, call centers and back office operations.

Session 3: **Robyn Tyler, Vice President Global Talent Management, Office Depot, Inc.** | Sandringham
Human Resources: Succession Planning Through a "Regime Change"
After undergoing dramatic organizational change, Office Depot realized it was facing a three-year talent deficit. Robyn Tyler will share the organization's talent management journey – from benchmarking performance to optimization of the organization. She will discuss all aspects of the transformation, including strategic analysis, discussions with senior leadership, performance management, differentiated rewards, career progression, talent acquisition and on-boarding.

2:00 PM - 2:15 PM

Networking Break | Mezzanine

2:15 PM - 3:00 PM

Breakout Sessions
Session 1: **Tim Aylor, Managing Director, Finance, Citigroup** | Trianon Ballroom
Financial Planning and Analysis: Citigroup's Three-Year Finance Transformation Journey
By transforming its finance organization, Citigroup has enabled greater collaboration and robust "what if" analysis to better equip the business to answer key strategic decisions and provide greater accountability. Tim Aylor will highlight how Citigroup's financial planning and analysis team is implementing a new, strategic, forward-looking process that has enabled the company's leadership team to refine and focus its strategy, establish multi-year growth goals, and more effectively prioritize investment decisions with the right supporting reporting and analytics.

Session 2: **Peter M. Jackson, Vice President, Finance, Business Development, Planning & Analysis, and Randy Dacus, Director, Customer Financial Services, Lennox International Inc.** | Biscayne Ballroom
Working Capital Management: Driving More Predictable Cash Flow
Lennox initiated a working capital improvement program to drive improved cash flow from accounts receivable – for reinvestment purposes, to pay down debt, and to put the business in a better position to grow and increase shareholder value while improving the customer experience for its 20,000+ dealer base. As a result, the company focused first on collections and then on credit practices. Peter Jackson and Randy Dacus will show that by standardizing, simplifying and automating key collections and credit processes, they were able to achieve significant improvements in accounts receivable performance and predictability.

Tuesday, May 21 (Continued)

2:15 PM - 3:00 PM

Session 3: Regina Charles, Vice President of Human Resources, Cytec Industries Inc. | Sandringham
Human Capital Strategy: Delivering More Value to the Business
Acquisitions and divestitures have been key drivers of Cytec's expansion. As a result, the human resources organization needed to develop the scale and skills required to support a dynamic, growing business. Regina Charles will discuss Cytec's human capital strategy, including its service delivery model, shared services organization and robust analytics program. She will also outline the advantages to the organization, critical success factors and lessons learned.

3:00 PM - 3:15 PM

Networking Break | Mezzanine

3:15 PM - 4:00 PM

Plenary | Karen Leggio, Vice President & Chief Supply Chain Officer, TE Connectivity | Versailles Ballroom
Procurement Transformation: Charting the Course for Improvement
TE Connectivity is a $13 billion world leader in connectivity, designing and manufacturing products at the heart of electronic connections for the world's leading industries, including automotive, energy and industrial, broadband communications, consumer devices, healthcare, and aerospace and defense. Karen Leggio will outline critical steps in TE's journey to develop a transformation roadmap for its procurement organization focused on people, process and infrastructure – and the order in which they needed to be done – as well as a common scorecard for tracking performance, proactive talent management and procurement excellence. She will also provide results to date, lessons learned and next steps, including fully integrating the supply chain.

4:00 PM - 4:45 PM

Plenary | Steven Voskuil, Vice President Finance, Kimberly-Clark International | Versailles Ballroom
Business Transformation: Unleashing the Power in Finance
To help accelerate profitable growth, Kimberly-Clark International reached for greatness in global finance by developing and empowering CFOs worldwide. Steven Voskuil will share how the company transformed its finance organization by inspiring world-class talent, driving measureable results and providing new capabilities. He will also discuss Genpact's integral role in KCI's transformation journey to help them assess, standardize and optimize finance operations with proven business impact. He will highlight KCI's "freedom in framework" approach for leveraging global scale while encouraging local innovation, as well as best practices, lessons learned and critical success factors.

4:45 PM - 5:00 PM

Day One Wrap-Up | Versailles Ballroom

5:15 PM - 6:00 PM

Special Session | Bernhard Fischer, Vice President, Solution Management, Shared Services, SAP AG | Sandringham
Global Shared Services: SAP's 360-Degree Perspective on Unlocking the Full Value of Technology
Bernhard Fischer will share the evolution of SAP's shared services into a multifuctional global business services organization. In this case study, you will learn the secrets to unlocking the full benefits of technology to move beyond transaction efficiency to delivering value-adding business performance. He will highlight proven best practices, lessons learned from SAP's real-world experience and the benefits derived from the global roll-out.

6:30 PM - 10:30 PM

Yacht cruise, dinner and networking aboard the Lady Windridge | Baytront Park Dock | Sponsored by Genpact

Wednesday, May 22

7:30 AM - 9:00 AM

Registration & Continental Breakfast | Mezzanine

8:00 AM - 8:45 AM

David Taylor, Executive Vice President, Trintech, and Mona Weidner, Director, Global Process Owner, Record-to-Report, Coca Cola Refreshments USA, Inc. | Sandringham | Sponsored by Cadency
Gaining Complete Confidence in Your Numbers: Reinventing the Record-to-Report Process
Financial reporting and filing has experienced profound change. Unrelenting regulatory pressure, shortened deadlines, digital mandates and accounting complexity make the record-to-report (R2R) process extremely expensive, cumbersome and fraught with risk. Inefficiencies and rework abound, causing visibility issues and reducing confidence in the filings reported to stakeholders. David Taylor and Mona Weidner will discuss the current state of the record-to-report process, the expense impact of R2R on the bottom line, critical R2R efficiency gains across the financial close, and compliance and disclosure management efforts. Weidner will also reveal how Coca-Cola achieved measurable R2R process savings.

8:45 AM - 9:00 AM

Networking Break | Mezzanine

9:00 AM - 10:00 AM

Breakout Sessions
Session 1: **Richard Cardillo, Principal, Global Finance Practice Leader, and Jeffrey Rosengard, Principal, Global Finance Advisory Practice Leader, The Hackett Group** | Versailles Ballroom
Finance Excellence: Moving Toward Borderless Business Services
As traditional boundaries continue to erode, finance leaders have an opportunity to provide value to their enterprises across business units, across countries and around the globe using a flexible, virtual, data-enabled service delivery model. This business imperative calls for special attention to process design, information architecture, technology platforms and talent strategies. Richard Cardillo and Jeff Rosengard will share how world-class finance organizations optimize their global operations and how you can leverage their insights to improve your organization's business performance.

Wednesday, May 22 (Continued)

9:00 AM - 10:00 AM

Session 2: **Christopher Sawchuk, Principal, Global Procurement Advisory Practice Leader, The Hackett Group** | Trianon Ballroom

Procurement Excellence: Moving Toward Borderless Business Services

Procurement executives are working to expand the quantity and quality of their organization's spend influence via sourcing, category management and, increasingly, supplier relationship management. These business imperatives will require greater cross-functional collaboration among business units, functional partners, global business services groups and third parties. Christopher Sawchuk will share how world-class procurement organizations optimize their global operations and how you can leverage their insights to improve your organization's business performance.

Session 3: **Harry C. Osle, Principal, Global Human Resources Practice Leader, The Hackett Group** | Biscayne Ballroom

HR Excellence: Moving Toward Borderless Business Services

As traditional boundaries continue to erode, peers often don't work in the next chair, but instead thousands of miles away. HR leaders have an opportunity to help the workforce operate more effectively in a global environment. That means aligning talent management strategies with business needs while improving key competencies: leadership development, strategic workforce planning and human capital insights. Harry Osle will discuss how world-class HR organizations optimize their global operations and how you can leverage their insights to improve your organization's business performance.

Session 4: **John Reeves, Global Information Technology Executive Advisory Practice Leader, The Hackett Group** | Sandringham

IT Excellence: Moving Toward Borderless Business Services

The IT function holds a strategic role as it scales its own operations and systems to support a global business but also has enough influence to fundamentally improve how the organization collaborates, makes decisions and executes its operations. This business imperative calls for IT organizations to reduce complexity, improve analytics capabilities and solidify their value-added contribution to the organization. John Reeves will discuss how world-class IT organizations optimize their global operations and how you can leverage their insights to improve your organization's business performance.

10:00 AM - 10:15 AM

Networking Break | Mezzanine

10:15 AM - 11:00 AM

Breakout Sessions

Session 1: **Christopher Shanahan, Vice President Global Procurement, Becton, Dickinson and Company** | Trianon Ballroom

End-user Engagement: The Stakeholder Return on Procurement

Becton, Dickinson's procurement organization made the case for transforming its service delivery model to improve efficiency and effectiveness. Chris Shanahan will discuss how the procurement organization transformed from a global, functionally aligned service delivery model to a global business services model that adds more value to the service portfolio. He will describe how the organization balanced its investment in procurement systems with end-user engagement to create one process under a single management structure. In addition, Shanahan will highlight results to date, the company's vision for the future and important lessons learned.

Session 2: **Todd Blevins, Vice President, Finance Shared Services, Hertz** | Biscayne Ballroom

Business Services: Enabling End-to-End Service Delivery

To be successful, businesses must take a holistic view of their global operations, including end-to-end processes, enterprise standards, technology platform, organizational structure, talent requirements and sourcing strategy. Todd Blevins will discuss major functional transformation streams – processes, technology, locations and services – centered on a global delivery platform. He will also highlight results to date and lessons learned.

Session 3: **Gregg Gordon, Author of *Lean Labor* & Senior Director, Kronos Incorporated** | Sandringham

Big Data: A Practical Perspective on Workforce Analytics

Gregg Gordon will discuss how companies have successfully brought structure to formless data, making meaningful workforce analysis possible. He will provide practical examples and explain the principles of "big data" – plus, how to use the information to advise executives on how to reduce labor costs without negatively affecting wages, and more.

Session 4: **Anthony Snowball, Principal, Global Benchmarking Practice Leader, The Hackett Group** | Escorial

Lessons from World Class: Continuous Improvement Requires Continuous Measurement

Despite an increasingly complex global business environment and growing regulatory requirements worldwide, business functions are under continual pressure to reduce costs and accomplish more with less. The Hackett Group's research on world-class performance shows that the highest-performing finance organizations are able do just that – operating their function with 53 percent higher productivity and 47 percent fewer full-time equivalents. The measurement capabilities that world-class organizations use to drive continuous improvement deliver insight about all facets of their operations: how they manage work, where they perform work, the integrity of their data, their ability to execute processes accurately and efficiently, and the impact of the technology that supports it, among other things. Find out how these organizations are using emerging technologies to drive world-class performance. This session will showcase an enhanced performance intelligence solution that automatically aggregates data from your ERP system to optimize business processes and deliver cost and cash benefits – faster and at a fraction of the cost of alternative solutions. Participants will see a live demonstration of The Hackett Group's Performance Exchange™

Wednesday, May 22 (Continued)

11:00 AM - 11:15 AM	**Networking Break** | Mezzanine
11:15 AM - 12:00 PM	**Plenary** | **Claude Russ, Staff Vice President, Strategic Finance, FedEx Corporation** | Versailles Ballroom **Business Analytics: Collaborating Across the Business for Better Results** To improve the timeliness and accuracy of budgeting, forecasting and reporting, FedEx implemented new technologies, tools and processes that are allowing its finance team to devote more time to higher-value activities that have a strategic impact on the business. Claude Russ will discuss how the finance organization partners with the business to enable smart decisions by modeling options for resource allocation, growth investments and risk management. He will present the results to date as well as his vision for the future.
12:00 PM - 12:30 PM	**Wrap-Up & Closing Remarks** | **David Dungan, Vice-Chairman & COO, The Hackett Group** | Versailles Ballroom
12:30 PM	**Boxed Lunch & Departure** | Mezzanine

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EXHIBIT 33

The Hackett Group

May 21-22, 2013

2013 Best Practices Conference

Miami, Florida
InterContinental Hotel

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HP is a world leader in business process outsourcing (BPO), with 45,000 professionals serving more than 300 enterprise and government clients and nearly 700 small / medium businesses in 26 countries. We provide strategy, solutions, services, and products designed to solve complex business issues and achieve better business results. Our comprehensive portfolio includes a variety of industry-tailored business services, including finance & accounting, business analytics, customer engagement and HR / Payroll services. Supplemented by applications and IT experience and in-depth, industry-specific knowledge our BPO services provide business-focused solutions tailored to your strategic goals.

For more information, visit www.hp.com

Invest Lithuania

Invest Lithuania is a government agency that provides free advice and introductions to the ground experts to global companies interested in doing business in Lithuania. The agency serves as a point of contact for foreign companies and guides international businesses through every step of the process of setting up operations in Lithuania. Invest Lithuania also provides information on Lithuania's highly skilled yet cost-competitive labour force, tax incentives and financing options. The agency has worked with numerous well-known global companies that have taken advantage of many incentives to expand their businesses by placing some aspects of their operations in Lithuania.

For more information, visit www.investlithuania.com

Invest Lithuania

Kronos

Kronos helps organizations manage their most valuable strategic asset – their workforce. How? By giving them the tools they need to help them control labor costs. Minimize compliance risk. And improve workforce productivity. Our easy-to-own workforce management solutions make complete automation and high-quality information a reality. Kronos time and attendance, scheduling, absence management, HR and payroll, hiring, and labor analytics solutions give our customers the edge they need to compete in the global marketplace. With thousands of installations in organizations of all sizes – including over half the Fortune 1000® – we're proving workforce management doesn't have to be so hard.

For more information, visit www.kronos.com

KRONOS

Open Scan

Open Scan is revolutionizing clients' enterprise accounts receivable process by providing them with the capability to accept and manage payments and remittances, in almost any format from distributed and centralized locations. The end result is an immediate and measurable impact on credit effectiveness, collections efficiency and treasury performance. Open Scan now also offers an accounts payable automation tool to compliment the receivables solution. In addition to our innovative software that can be "taught" in a matter of seconds rather than cumbersome "learning" centric models, Open Scan brings to its clients best practice subject matter expertise in receivables and payables processing. The Open Scan solution also offers the most attractive total cost of ownership solution available and a low impact / high yield implementation for IT.

For more information, visit www.openscan.com

OPEN SCAN

Zycus

At Zycus we are 100% dedicated to positioning procurement at the heart of business performance. For more than a decade we have been the world's most trusted leader in Spend Analysis. With our spirit of innovation and a passion to help procurement create even greater business advantages, we have evolved our portfolio to a full suite of Procurement Performance Solutions - Spend Analysis, eSourcing, Contract Management, Supplier Management, and Financial Savings Management . We see each customer as a partner in innovation and no client is too small to deserve our attention. With more than 200 solution deployments among Global 1000 clients, we search the world continually for procurement practices proven to drive competitive business performance. We incorporate these practices into easy-to-use solutions that give procurement teams the power to get moving quickly and to continue innovating and pushing business and procurement performance to new heights.

For more information, visit www.zycus.com

ZYCUS

SAP

SAP helps companies of all sizes and industries run better. From back office to boardroom, warehouse to storefront, desktop to mobile device, SAP empowers people and organizations to work together more efficiently and use business insight more effectively to stay ahead of the competition. Headquartered in Walldorf, Germany, SAP is the market leader in enterprise application software. Founded in 1972, SAP (which stands for "Systems, Applications, and Products in Data Processing") has a rich history of innovation and growth as a true industry leader. SAP applications and services enable more than 183,000 customers worldwide to operate profitably, adapt continuously, and grow sustainably. With revenue (IFRS) of €12.5 billion for the year 2010, SAP has more than 55,000 employees and sales and development locations in more than 50 countries worldwide. SAP is listed on several exchanges, including the Frankfurt stock exchange and NYSE, under the symbol "SAP."

For more information, visit www.sap.com

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EXHIBIT 34

The Hackett Group

May 21-22, 2013

2013 Best Practices Conference

Miami, Florida
InterContinental Hotel

Conference Speakers

Tim Aylor

Managing Director Finance

Citigroup

Tim Aylor is the global process owner for all of Citi's planning processes, including the CCAR (Comprehensive Capital Analysis Review) modeling efforts, or the "bank stress test." Prior to assuming his current role, Tim was the head of financial planning and analysis for Citigroup's global operations and technology organization. Previously he spent 16 years at General Electric in a variety of roles and businesses with GE Lighting and GE Capital, concluding as the CFO for GE Transportations' joint venture

with Harris Corporation. He joined Intersil Corporation as the CFO of its wireless division in 2002 and joined Citigroup in 2006 as the director of financial planning for Citi's retailer services business.

Todd Blevins

Vice President, Finance Shared Services

The Hertz Corporation

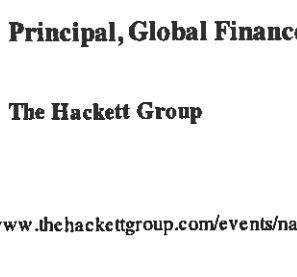
Todd Blevins is the vice president for The Hertz Corporation's global finance shared services organization. Driven by a mission to be the most cost-efficient, highest-quality and customer-focused organization within The Hertz Corporation, Todd leads a global organization that supplies finance and accounting services to multiple Hertz business units and franchisees. Process areas include order-to-cash, purchase- to-pay, account-to-report and multiple other back-office support processes. The global services are managed through service centers based in Oklahoma City and Dublin. Prior to joining Hertz, Todd was vice president of business services for Cadbury plc.

Chris Brennan

Principal-in-Charge, Benchmarking & Business Transformation Services

The Hackett Group

Mr. Brennan has more than 20 years of experience assisting executives at Fortune 1000 companies, focusing on large-scale transformational improvements within the finance, human resource and supply chain functions. His expertise covers a wide range of industries and business sectors, including retail, manufacturing, transportation, media and entertainment, consumer packaged goods, food and beverage and financial services. Key clients include: FedEx, Ryder, Procter & Gamble, Pepsico, Target Stores, JC Penney, Tyson Foods, Yum Brands, 7-Eleven Stores, America Online, Fannie Mae, Fidelity Investments, MeadWestvaco, Stanley Corporation, Wyeth Pharmaceuticals, Rio Tinto, Terex, ExxonMobil, Xerox, General Mills and General Electric. Prior to joining The Hackett Group, Mr. Brennan was a partner at KPMG Consulting.



Richard Cardillo

Principal, Global Finance Practice Leader

The Hackett Group

Mr. Cardillo is a principal for The Hackett Group's business transformation services practice and serves as the leader for the finance practice. He has over 25 years of industry and consulting experience, with the majority of his work concentrated on delivering finance function improvement projects. Cardillo has a deep understanding of multidimensional, enterprisewide business performance improvement initiatives. His experience covers a wide range of finance transformation, having directed projects in the areas of finance analytics, shared services, process improvement, organizational design, ERP deployment and controls improvement.

Regina Charles

Vice President of Human Resources

Cytec Industries Inc.

Regina Charles, who joined Cytec in 2008, is a member of Cytec's executive leadership team. In her role as head of human resources, Regina works with Cytec leadership and the global human resources community to accelerate Cytec's growth, achieve strategic business objectives, implement organizational effectiveness tools and processes and address employee service needs. Regina previously had senior human resources responsibilities at E.I. Du Pont de Nemours and Company and was chief human resources officer for DuPont Electronic and Communication Technologies Platform. She had previously gained experience within DuPont as director of global people managing processes and as director of global human resources, DuPont Nylon. Regina also has 13 years' experience of human resources leadership at the Xerox Corporation in the areas of compensation, benefits, EEO & diversity, total quality and shared services.

CYTEC

Randy Dacus

Director, Customer Financial Services

Lennox International Inc.

Randy Dacus has over 20 years of experience leading customer financial services and credit and collection functions at Fortune 500 firms. Currently, Randy is leading the customer financial services function at Lennox International, a publicly traded heating, air conditioning and refrigeration company. Prior to joining Lennox, he worked at HD Supply (a spin-off of Home Depot), CompuCom Systems, Coca-Cola Enterprises and RadioShack, where he successfully installed innovative credit and collection practices resulting in significant departmental efficiencies and working capital improvements. He is regarded as a subject matter expert on process reinvention, credit and collection automation, ERP implementations, credit scoring models and portfolio risk management. Randy is a Certified Credit Executive, International Certified Credit Executive and a Six Sigma Green Belt.

John DeStefano

Chief Procurement Officer

Fidelity Investments

John DeStefano is responsible for supporting Fidelity's business units and functions in sourcing, contracting, purchasing, and paying for approximately $3.8 billion in external spend with approximately 9,000 suppliers. During his 25 years with Fidelity, John has held a number of senior service and operations roles that involved building and managing service operations for end customers in both Fidelity's retail and institutional distribution channels. He has served Fidelity in several U.S. regions, playing leadership roles in areas including financial operations, institutional client services, human resources and payroll, offshore India operations, and institutional call centers.

David Dungan

Vice-Chairman & Chief Operating Officer

The Hackett Group

Mr. Dungan has more than 30 years of experience in working with senior executives and assisting them in creating world-class organizations. With KPMG he held various executive positions, including partner-in-charge of the Midwest/Ohio Valley Strategic Services Consulting Practice as well as the national partner-in-charge of the World-Class Finance Practice of KPMG's Strategic Consulting Practice. Dungan has been quoted in numerous publications and has been interviewed by Linda O'Bryon on PBS's Nightly Business Report television program.

Ted Fernandez

Chairman & Chief Executive Officer

The Hackett Group

Publicly held since May 28, 1998 (NASDAQ: HCKT), the company, under Mr. Fernandez's leadership, has expanded its world-leading benchmarking capabilities to provide comprehensive business transformation services that leverage its unique insight and metrics from world- class performance. During his 18 years at KPMG, Mr. Fernandez served as the national managing partner of KPMG's Business Transformation and Information Technology Consulting Division and served as a member of the firm's Management Committee. Working with many multinational clients, Mr. Fernandez has developed extensive experience in business transformation, change management, international operations, acquisition due diligence and post-merger integration.

Bernhard Fischer

Vice President, Solution Management, Shared Services

SAP AG

Bernhard Fischer is leading SAP's portfolio strategy and solution management, supporting several thousand

SAP clients in operating shared services for the finance, HR and IT functions. Prior to this role, he worked on SAP's partner engagement scheme with leading business process outsourcing providers. Mr. Fischer has 25 years of experience in the IT industry including set up and management of offshore service centers.

Shane Fitzsimons

Chief Financial Officer, Global Growth & Operations

General Electric Company

Prior to assuming the role of CFO, Global Growth & Operations, in 2011, Fitzsimmons served as vice president corporate financial planning and analysis. Fitzsimons, originally from Ireland, studied chartered accountancy. After working for seven years in public accounting both in Ireland and in the Netherlands, he joined GE Plastics in the Netherlands in 1994. He held numerous financial roles in GE Plastics including manager of European Reporting and finance manager for European Commercial. Prior to moving to Aircraft Engines in 2000, first as group financial planning and analysis manager and then CFO for Engine Services, he spent a year in corporate financial planning and analysis as a business analyst. Fitzsimons has been on the Bridgeport Hospital Board of Directors, co-chair of Team Connecticut for the Special Olympics and president of the GE Volunteers Foundation.

Gregg Gordon

Author of *Lean Labor* & Senior Director

Kronos Incorporated

Gregg Gordon, a mechanical engineer by training, has led a successful career, spanning 20 years, focused on enhancing operational efficiencies for manufacturers. At present, Gordon leads awareness-building efforts for the manufacturing market at Kronos Incorporated, a global provider of workforce management software solutions. Gordon has effectively led strategic workforce management initiatives both in the U.S. and in international markets working with multinational IndustryWeek 500 organizations. Passionate about workforce management and the role of labor in achieving operational efficiencies, Gordon also led the development of Overall Labor Effectiveness (OLE™), a key performance indicator that measures the utilization, performance and quality of the workforce and its impact on productivity.

KRONOS

Peter M. Jackson

Vice President, Finance, Business Development, Planning & Analysis

Lennox International Inc.

Peter Jackson previously served as vice president, finance - residential and shared services. During his

tenure in that role, he led the development of a financial shared services organization, which included credit and collections, accounts payable, accounting and compliance. The team introduced process discipline driven by key performance indicators to improve both the cost profile and the customer experience. Previously, Jackson served at SPX Corporation as director of compliance, division CFO, and segment controller. Prior to SPX, he held various financial leadership positions at GE and Gerber Scientific. He is an M.B.A., a certified public accountant and a graduate of GE's Experienced Financial Leadership program.

Michel Janssen

Principal, Chief Research Officer

The Hackett Group

Mr. Janssen is responsible for developing The Hackett Group's core intellectual property, including its thought leadership. He works with the C-suite corporate members of the company's Executive Advisory Council to understand the strategic impact of new and emerging trends on the business functions. He also heads its team of researchers and analysts in the US, Europe and India in the design and implementation of research studies, analysis of results, and production of resulting findings. Prior to joining The Hackett Group, he was president of supplier solutions for Everest Group, a consultancy specializing in strategic, management and transactional advice to buyers and suppliers of outsourcing services, and co-founder of the Everest Research Institute. In addition, Mr. Janssen provided strategic oversight for the Everest Group's Outsourcing Centre, the world's largest outsourcing community and vehicle for identifying early industry trends. Previously, he was a senior director in Gartner Group's strategic sourcing practice and held numerous management positions with EDS.

Sean Kracklauer

Principal-in-Charge, Advisory Services & Research

The Hackett Group

Over the past 19 years, Mr. Kracklauer has held executive financial and management consulting positions, advising Global 1000 businesses. His areas of expertise include business process improvement and technology enablement as well as organizational and service delivery model design. In addition, he has worked extensively in finance strategy, business performance management, planning and budgeting, financial reporting compliance, and functional design for business intelligence systems.

Vin Kumar

Associate Principal, Global Business Services Global Operations Leader

The Hackett Group

Mr. Kumar has 20 years of experience in the design, transformation and globalization of business services organizations. During this period he has worked with and advised companies in developing strategy, organizational design, risk and compliance assessment, outsourcing, building and operating global centers, and mergers and acquisitions integration. Prior to joining The Hackett Group, he led the global shared services and outsourcing organization for a leading engineering and design firm.

Karen Leggio

Vice President & Chief Supply Chain Officer

TE Connectivity Ltd.

Karen Leggio, vice president and chief supply chain officer for TE Connectivity, previously served as vice president of the global supply chain organization at Ingersoll Rand, where her team had responsibility for driving supply chain quality, delivery, price, service and innovation results across Ingersoll Rand's five global business sectors. Additionally, she served as leader of Ingersoll Rand's business operating system enterprise focus area for world-class operations, and she led the supply chain integration between Ingersoll Rand and Trane Corporation. Prior to joining Ingersoll Rand, Karen spent 23 years at General Motors in a variety of key supply chain assignments. Karen was recognized in 2005 by Automotive News as one of the top 100 women in the automotive industry.

Sherri Liao

North American Practice Leader, Enterprise Performance Management Advisory Program

The Hackett Group

Throughout her consulting career, Ms. Liao has played key roles in the delivery of enterprise performance management (EPM) and finance transformation projects aimed at driving operational improvements through process design, organization design and enterprise system implementations. Areas of expertise include EPM landscape assessments on planning and forecasting, financial close, and management reporting; design and implementation of EPM-enabling technologies; service delivery model strategy and design to facilitate EPM competencies; and integrated business planning strategy and design. Ms. Liao has worked with clients in many industries including consumer packaged goods, manufacturing, retail, high-tech, financial services and life sciences. Before she joined The Hackett Group, she worked in Andersen's business consulting practice.

Michael Martiny

Vice President Global Business Solutions & Chief Information Officer

General Mills, Inc.

Mike leads the global shared services, employee services, continuous improvement, information technology and business systems organizations for General Mills. Mike began his career at Kraft USA in engineering and manufacturing management before joining The Pillsbury Company in 1992. He was promoted to vice president in 1995, leading international operations. Subsequent roles included global engineering and Pillsbury's SAP implementation. He led supply chain strategic initiatives and global sourcing development within General Mills before his promotion to chief information officer in 2008 and to vice president, global business solutions, in 2012.

William McCallion

Vice President, Finance, Enterprise Financial Systems

MetLife

Bill McCallion manages and coordinates the presentation of MetLife's financial results and business strategies to the analyst and investor community. Previously, McCallion was vice president and head of

finance for MetLife's investments organization, where he was responsible for managing financial analysis and reporting, as well as for the income and expense plan and projection process. He joined MetLife in July 2006 after spending ten years in PricewaterhouseCoopers' insurance audit practice, where he worked with multinational and U.S. clients in the life and property/casualty insurance industries.

MetLife

Harry C. Osle

Principal, Global Human Resources Practice Leader

The Hackett Group

Mr. Osle has more than 15 years of experience in human resources and transformation consulting with specialization in HR strategy, world-class service delivery, HR benchmarking, HR management systems and use of automated solutions to streamline business processes. He is highly proficient in strategic framing, leveraging HR best practices, application implementation, workflow automation, project management, needs analysis, process control, benefits and placement technology and total quality management. Osle has strong leadership skills and technical expertise that help clients realize strategic corporate goals and reduce costs.

Larry Ott

Senior Vice President, Human Resources & Communications

Meritor, Inc.

Larry Ott is responsible for leadership and management of the human resources and communications functions for Meritor's more than 9,000 employees. Ott, who joined Meritor in August 2010, provides strategic focus in employee leadership and development initiatives, compensation, benefits and rewards systems, labor relations, and human resources systems, policies and practices. Before joining the company, Ott most recently served as senior vice president of global human resources for Ally Financial Inc. Prior to joining Ally, Ott had more than 22 years of business experience at General Motors, where he held various management positions with increasing levels of responsibility in the human resources and labor relations functions, the vast majority of which were directly in support of GM's global manufacturing operations.

MERITOR

Honorio Padrón III

Principal, Global Practice Leader, Global Business Services

The Hackett Group

Mr. Padrón's career spans 30 years in business technology management, enterprise business transformation,

shared services, outsourcing and customer experience engineering. He is an expert in all facets of service delivery strategy, design and implementation. Padrón has held senior executive positions in government and at a number of Fortune 500 corporations, including CEO of Exelon's Business Services Company (BSC), CIO of Exelon Corporation, CIO of CompUSA, CIO of PepsiCo Restaurant Group, and Head of Global Reengineering for Burger King Corporation. *CIO Magazine* selected Mr. Padrón as one of its Top 100 CIOs, and he was named by RetailTech as one of its Top 10 CIOs. Additionally, he is the recipient of a *Computerworld* Smithsonian Award for CRM innovation and a Contract Design Award from the Outsourcing Institute.

John Reeves

Global Information Technology Executive Advisory Practice Leader

The Hackett Group

John Reeves has over 15 years of technology leadership experience including chief technical officer and vice president roles. Immediately prior to joining The Hackett Group, he was vice president of enterprise architecture and application development for global IT at Clear Channel Communications. He previously served as chief technology officer for the American Airlines account at Hewlett-Packard, working with executive management for both companies to improve innovation, solution development and thought leadership through modern technology strategy.

Jeffrey Rosengard

Principal, Global Finance Advisory Practice Leader

The Hackett Group

Mr. Rosengard has over 25 years of experience in working with CFOs to assist them in creating world-class finance organizations. He is a published authority on finance and treasury and a frequent lecturer at industry and professional conferences. A Certified Public Accountant, Mr. Rosengard has worked with senior executives at such companies as AT&T, Avon Products, Bausch & Lomb, Ford Motor Company and TRW to help them transform their finance organizations.

Claude Russ

Staff Vice President, Strategic Finance

FedEx Corporation

Claude Russ directs the development of FedEx's long-range and annual financial objectives, designs and directs the strategic planning and forecasting processes, and advises executive management and the board of directors on significant developments and strategic matters. Responsibilities also include scenario and business-case development in support of key initiatives, collaboration and coordination with operating

company management on critical financial planning processes, and developing and deploying best-in-class processes and tools across the enterprise. Claude has over 11 years' experience at FedEx in multiple operating companies and functions, and he previously held managing director positions at FedEx Express, including responsibilities over global financial planning and accounting.

Christopher Sawchuk

Principal, Global Procurement Advisory Practice Leader

The Hackett Group

Mr. Sawchuk has more than 13 years of experience in supply management, working directly with Fortune 500 and midsized firms around the globe. He has worked in a variety of industries to improve all aspects of procurement, including process redesign, technology enablement, operations strategy planning, organizational change and strategic sourcing. Sawchuk is a regular contributor to business publications, a frequent presenter at industry events and co-author of *ePurchasingPlus*. He has been recognized by *Supply & Demand Chain Executive* magazine as one of its "Pros to Know." Sawchuk's background includes engineering and operation roles with both United Technologies and IBM.

Sanjay Sehgal

Principal & Global Practice Leader, Enterprise Performance Management

The Hackett Group

Mr. Sehgal has spent the last 15 years working with a number of Fortune 500 companies to improve the efficiency and effectiveness of their financial operations, specifically in the areas of budgeting and forecasting, financial close and consolidation and business reporting. His experience spans process, technology and organizational improvements, with particular industry expertise in manufacturing, consumer products and real estate. Mr. Sehgal was a principal in Archstone Consulting's CFO advisory services practice (acquired by The Hackett Group in 2009), where his responsibilities included sales and delivery of large, complex finance transformation projects to Global Fortune 500 clients. Mr. Sehgal was also a senior manager in Andersen's CFO practice, where his responsibilities included selling and delivering large-scale finance transformations and enterprise performance management projects.

Christopher Shanahan

Vice President Global Procurement - Corporate Shared Services

Becton, Dickinson and Company

Chris Shanahan is vice president global procurement for Becton, Dickinson, a leading manufacturer of medical devices, instrument systems and reagents. He joined BD in 2000 to establish the European arm of the newly formed company procurement function. In 2005, he moved to the U.S. to lead global procurement worldwide. He also directs facility operations for the corporate offices and manages BD's spend of $4 billion. As BD's source-to-pay global process leader, he and his team develop the overarching process that governs the chain of transactions from sourcing to payment on a worldwide basis. To drive sustainable change, Chris is focused on the integration of the procurement function with the business units. His team and leaders from the business units are overcoming traditional barriers to connect talent, tools and processes.

Anthony Snowball

Principal, Global Benchmarking Practice Leader

The Hackett Group

Mr. Snowball leads The Hackett Group's Global Benchmarking Practice. He is accountable for The Hackett Group's comprehensive measurement portfolio as well as supervising benchmark execution worldwide. In addition, Mr. Snowball also oversees The Hackett Group's strategic alliance network to establish partnerships and managing partner objectives to align with the company's corporate and market strategy. Prior to joining The Hackett Group, Anthony led projects focused on benchmarking and process optimization engagements as an employee with Andersen's business consulting practice.

David Taylor

Executive Vice President

Trintech Inc.

David Taylor is Trintech's executive vice president responsible for strategic planning, corporate business development, quality, process improvement and product strategy. He is an Associate Chartered Management Accountant (ACMA) and an international associate of the American Institute of Certified Public Accountants (AICPA). David is a member of the Dallas chapter of Financial Executives International (FEI) and is currently serving on the research advisory panel with the Chartered Institute of Management Accountants and FEI's committee on finance and IT.

Robyn Tyler

Vice President, Global Talent Management

Office Depot, Inc.

Robyn Tyler has been a practitioner in the organizational development and talent management space for over 10 years. In her role as vice president at Office Depot, Robyn has improved the company's approach to human capital management. She was instrumental in implementing a new talent management system that

processes the use of new techniques for identifying and managing future workforce needs. As part of this initiative, she built a talent war room, where optimum matches are made between future organizational requirements and next-generation, high-potential leaders. In support of these initiatives, she developed and fielded a leadership development platform aimed specifically at growing the next-generation leaders and a talent acquisition strategy that focuses on attracting the talent needed for the future.

Office DEPOT

Steven Voskuil

Vice President Finance

Kimberly-Clark International

Steve leads finance and strategy for Kimberly-Clark International (KCI), the division of Kimberly-Clark (K-C) focused on markets outside of North America. Steve has responsibility for driving profitable growth, leading strategic planning, driving cash and capital efficiency, managing enterprise risks and building global leadership capability. Steve also serves as the executive sponsor for talent development for the company's global finance organization. Prior to being part of KCI's leadership team, Steve served as vice president and treasurer for Kimberly-Clark Corporation. Since joining the company in 1992, Steve has continued to assume roles of increasing responsibility in business analysis, strategic analysis and treasury for K-C's businesses worldwide. Steve also led a customer development team for one of K-C's largest global customers.

Kimberly-Clark

Mona Weidner

Director, Global Process Owner, Record-to-Report

Coca Cola Refreshments USA, Inc.

Mona Weidner directs the general ledger and transaction tax operations at finance shared services for Coca-Cola Refreshments (CCR), The Coca-Cola Company's North American bottling entity. Mona has spent 12 years of her 29-year career within the Coca-Cola system at the Tampa-based shared services organization, which was founded in 2001. Mona's responsibilities include driving performance optimization through continuous process improvements with goals of operational excellence. Prior to assuming her role in shared services, she held various field and controllership positions with independent Coca-Cola bottlers.

Penny Weller, Ph.d, C.M.A.

Senior Director, North American Advisory Practice Leader, Global Business Services

The Hackett Group

A Six Sigma Black Belt and certified master trainer, Dr. Weller has a wealth of experience in shared services, accounting and finance. In her current capacity, she responds to client inquiries, researches topical shared services issues and coordinates conference and client networking events. Before joining The Hackett

Group, Dr. Weller was a senior executive in shared services at Pfizer Inc. (formerly Pharmacia and Upjohn) for more than 30 years. There, her management responsibilities included general ledger, inter- company, accounts receivable, property, consolidations, reporting, accounts payable, travel and expense, cost and inventory. In addition to her shared services expertise - including accounting and finance integrity and controls - Dr. Weller has managed multiple large-scale merger and system transitions, as well as initiatives in process improvement, activity-based management and balanced scorecard design and implementation.

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