SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

CURRENT REPORT PURSUANT TO SECTIONS 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT: SEPTEMBER 9, 1999

COMMISSION FILE NUMBER 0-28840

IMRGLOBAL CORP.

(Exact name of Registrant as Specified in Charter)

FLORIDA	59-2911475
(State or Other Jurisdiction of Incorporation of Organization)	(IRS Employer Identification No.)

100 SOUTH MISSOURI AVENUE
CLEARWATER, FLORIDA 33756

(Address of Principal
Executive Offices and Zip Code)

(727) 467-8000

(Registrant's Telephone Number,
Including Area Code)

N/A

(Former Name or Former Address,
if Changed Since Last Report)

Item 5. Other Events.

IMRglobal Corp. is making certain filings with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended. In order to avoid differing disclosure in our filings pursuant to the 1933 Act and the Securities Exchange Act of 1934, as amended, especially as we have 1933 Act documents on file with the SEC that incorporate by reference disclosure from our 1934 Act filings, we are filing the information attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

IMRGLOBAL CORP

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Date: September 9, 1999 /s/ Satish K. Sanan

Satish K. Sanan
Chief Executive Officer

Date: September 9, 1999 /s/ Robert M. Molsick

Robert M. Molsick
Chief Financial Officer

RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW BEFORE MAKING AN INVESTMENT DECISION. THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE NOT THE ONLY ONES FACING US. ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO US OR THAT WE CURRENTLY DEEM IMMATERIAL MAY ALSO IMPAIR OUR OPERATIONS.

IF ANY OF THE FOLLOWING RISKS ACTUALLY OCCUR, OUR BUSINESS, FINANCIAL CONDITION OR RESULTS OF OPERATIONS COULD BE MATERIALLY ADVERSELY AFFECTED. IN SUCH CASE, THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE, AND YOU MAY LOSE ALL OR PART OF YOUR INVESTMENT.

WE MAY NOT EFFECTIVELY MANAGE OUR GROWTH

The continued rapid growth of our business is an important part of our strategy. Our growth places, and will continue to place, significant demands on our management and other resources, especially on members of senior management who have to manage more people, and face a larger number of, and increasingly complex, issues as our company grows. If we do not manage our growth effectively, the quality of the services we offer, our ability to attract and retain key personnel and our business and our financial condition would be materially adversely affected. We expect that the number of our employees, particularly skilled technical, marketing and management employees will continue to increase. We must continue to develop and improve our operational, financial, communications and other internal systems, both in the United States and offshore.

In addition, we must coordinate our business and staffing needs because any unexpected shortfall in revenue without a corresponding and timely reduction in staffing and other expenses, or a staffing increase that is unaccompanied by a corresponding increase in revenue, could also have a material adverse effect on our results of operations and our financial condition.

OUR BUSINESS COULD BE ADVERSELY AFFECTED IF WE ARE UNABLE TO INTEGRATE BUSINESSES WE ACQUIRE

We have expanded, and plan to continue to expand, our operations through the acquisition of additional companies that complement our business. We may not be able to continue to identify and acquire companies that have the potential to increase our overall value at prices that are attractive to us, or at all. During 1999, we completed several acquisitions, including the following:

- Atechsys, S.A. and ECWerks, Inc. in January 1999
- Fusion Systems Japan Co., Ltd. in March 1999
- Professional Partners Inc. and Lakewood Software Technology Center, Inc. in April 1999
- Orion Consulting, Inc. in June 1999

We may not be able to achieve the anticipated benefits from these and future acquisitions unless the operations of the acquired business are successfully combined with our business in a timely manner. The integration of acquisitions requires substantial attention from management. The diversion of the attention of management, and any difficulties encountered in the transition process, could have an adverse impact on this integration and, as a result, on our business results. In addition, the process of integrating various businesses could cause the interruption of, or a loss of momentum in, the activities of some or all of these businesses, which could also have an adverse effect on our business results.

WE FACE SIGNIFICANT COMPETITION IN MARKETS THAT ARE NEW, INTENSELY COMPETITIVE AND RAPIDLY CHANGING

The markets for the services we provide are highly competitive. We believe that we currently compete principally with information technology (known

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as "IT") consulting firms, Internet and E-business professional service providers, software integration firms, application software vendors and internal IT departments. Many companies that provide such services have significantly greater financial, technical and marketing resources, generate greater revenues and have greater name recognition than we do. In addition, there are relatively few

barriers to entry into our markets. We have faced, and expect to continue to face, additional competition from new entrants into our markets. We believe that the principal competitive factors in our markets include:

- quality of service, price and speed of delivery
- ability to integrate strategy, technology and creative design services
- vertical industry knowledge
- Internet expertise and talent
- project management capability

We believe that our ability to compete also depends in part on competitive factors outside our control, including:

- the ability of our competitors to hire, retain and motivate their personnel
- the development by others of software that is competitive with our products and services
- our competitors' responsiveness to client needs

WE MAY NOT BE ABLE TO GENERATE SUFFICIENT NEW BUSINESS TO REPLACE OUR SIGNIFICANT, BUT DIMINISHING, REVENUE FROM YEAR 2000 CONVERSION PROJECTS

We realized 38.6% of our total revenue from Year 2000 conversion service in 1997, 37.1% in 1998 and 21.3% in the six months ended June 30, 1999. We believe that demand for Year 2000 conversion services has started to diminish and will continue to diminish as many Year 2000 compliance solutions are implemented and tested. A core element of our growth strategy is to obtain additional IT projects from the clients to whom we have provided Year 2000 compliance solutions. If we are not successful in obtaining additional business from these clients for other services or if the additional business is less profitable, our profitability may decline substantially.

THE SIGNIFICANCE OF OUR NON-UNITED STATES OPERATIONS IS INCREASING AND IF WE CANNOT MONITOR OUR INTERNATIONAL BUSINESS EXPOSURE, INCLUDING OUR FOREIGN CURRENCY TRANSACTIONS, OUR RESULTS OF OPERATIONS AND OUR FINANCIAL CONDITION MAY SUFFER

Revenue from clients outside the United States was 30.1% of our total revenues in 1997, 33.8% in 1998 and 38.8% for the six months ended June 30, 1999. We expect that international revenue will account for an increasingly significant percentage of our revenue. Our international operations and business activities are subject to the following risks:

- difficulty in managing international operations
- tariffs, duties, governmental royalties and other trade barriers
- potential foreign tax consequences, including taxes payable on the repatriation of earnings
- compliance with, and unexpected changes in, a growing variety of foreign laws and regulations
- unexpected changes in the local and regional political climate and the possible reactions to those changes by the international community, including economic sanctions

Our international operations greatly depend upon business and technology transfer laws and related restrictions and upon continued development of technology infrastructure.

We presently incur a significant amount of our costs in local currency in India and expect to establish additional offshore centers in other countries. In contrast, we presently generate most of our revenue in United States dollars. Accordingly, we are subject to risks that, as a result of currency fluctuations, the translation of foreign currencies into United States dollars for accounting purposes will adversely affect our result of operations. Historically, we have not hedged any material portion of our foreign exchange transactions.

THE LOSS OF ANY LARGE CLIENTS WOULD HAVE AN ADVERSE EFFECT ON OUR REVENUE AND

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OUR BUSINESS

We derive and believe that we will continue to derive a significant portion of our revenue from a limited number of large corporate clients. In the six months ended June 30, 1999, our five largest clients accounted for approximately 21.1% of our revenue. During that period, Michelin North America, Inc. accounted for approximately 5.9% of our revenue and John Hancock Mutual Life Insurance Company accounted for approximately 5.8% of our revenue. The volume of work performed for specific clients is likely to vary from year to year. A major client in one year may not provide the same level of revenue in any subsequent year. Because many of our contractual engagements involve projects that are critical to our clients' businesses, our failure to meet a client's expectations could result in a cancellation or nonrenewal of the contract and could damage our reputation and adversely affect our ability to attract new business. Furthermore, we generally are not the exclusive outside source of IT products and services to our clients. Accordingly, a client's dissatisfaction with our performance could lead the client to purchase these services from a competitor, thereby reducing our revenue and profitability.

IF WE CANNOT RECRUIT AND RETAIN TECHNICAL PERSONNEL, OUR BUSINESS WILL SUFFER

The future success of our growth strategy, our ability to manage and complete our existing projects and our ability to bid for or obtain new projects all depend, to a significant extent, on our ability to attract, train, motivate and retain highly skilled software development professionals, particularly project managers, software engineers and other senior technical personnel. If we are not successful in this regard, our business will suffer.

We believe that there is a shortage of, and significant competition for, software development professionals with the advanced technological skills necessary to perform the services offered by us. Our ability to maintain and renew existing engagements and obtain new business depends, in large part, on our ability to hire, train and retain technical personnel with the IT skills to keep pace with the continuing changes in information processing technology, evolving industry standards and changing client preferences.

As of July 31, 1999, approximately 500 of our United States employees were working for us in the non-immigrant work permitted visa (H-1B) classification. There is a limit on the number of new H-1B petitions that the United States Immigration and Naturalization Services may approve in any government fiscal year. In years in which this limit is reached, we may not be able to obtain the H-1B visas necessary to bring critical foreign employees to the United States. Compliance with existing United States immigration laws, or changes in such laws, make it more difficult to hire foreign nationals or limit our ability to retain H-1B employees in the United States, and could require us to incur unexpected labor costs.

THE LOSS OF SATELLITE COMMUNICATIONS WITH OUR OFFSITE SOFTWARE DEVELOPMENT CENTERS COULD HARM OUR BUSINESS

Any loss of our ability to transmit voice and data through satellite communications, at commercially reasonable prices, could have a material adverse effect on our financial condition because a significant element of our business strategy is to continue to leverage our offsite software development centers in Bangalore and Mumbai, India. We believe that the use of a strategically located network of offshore software development centers provides us with potential cost advantages as well as the ability to provide 24-hour service to our clients. To achieve this goal, we must maintain active satellite communications among our offices, the offices of our clients in the United States and elsewhere and our offshore software development facilities.

WE ARE EXPOSED TO GREATER BUSINESS RISKS RELATING TO THE ECONOMIC, LEGAL AND SOCIAL ENVIRONMENT OF OUR OPERATIONS IN OTHER COUNTRIES, ESPECIALLY INDIA AND NORTHERN IRELAND, THAN WE ARE FOR OUR OPERATIONS IN THE UNITED STATES

We may be adversely affected by future changes in inflation, interest rates, taxation, social stability or other political, economic or diplomatic developments in or affecting countries in which we establish software development facilities. For example, in the past, India has experienced significant inflation, low growth in gross domestic product and shortages of foreign exchange. Furthermore, both India and Northern Ireland have experienced civil unrest and terrorism and, from time to time, have been involved in regional conflicts.

We have enjoyed certain benefits granted by the governments of India and Northern Ireland. The elimination of any of these benefits could have a material adverse effect on our financial results. The Indian government has exercised and continues to exercise significant influence over many aspects of the Indian economy, and its actions concerning the economy could adversely affect private sector entities, including us. During the past five years,

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India's government has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy, including the software development industry. Benefits which have directly affected us include, among others, tax holidays, liberalized import and export duties and preferential rules concerning foreign investment and repatriation. Notwithstanding these benefits, however, India's central and state governments remain significantly involved in the Indian economy as regulators.

The government of Northern Ireland has committed to provide monetary grants to us to encourage employment in our software development center in Belfast, if we meet specified requirements, including investments in facilities and the employment and training of a minimum number of personnel.

THE SUCCESS OF THE E-BUSINESS CONSULTING SERVICES BUSINESS DEPENDS ON INCREASED ADOPTION BY BUSINESSES AND CONSUMERS OF THE INTERNET AS A MEANS FOR COMMERCE

The future success of our E-business consulting services depends heavily on the acceptance and use of the Internet as a means for commerce. The widespread acceptance and adoption of the Internet for conducting business is likely only in the event that the Internet provides businesses with greater efficiencies and improvements. If commerce on the Internet does not grow, or grows more slowly than expected, our growth would decline and our business would be seriously harmed. Businesses and consumers may reject the Internet as a viable commercial medium for a number of reasons, including:

- potentially inadequate network infrastructure
- delays in the development of Internet enabling technologies and performance improvements
- delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity
- delays in the development of security and authentication
- insufficient technology necessary to ensure secure transmission of confidential information
- changes in, or insufficient availability of, telecommunications services to support the Internet
- failure of companies to meet their clients' expectations in delivering goods and services over the Internet

OUR BUSINESS IS DEPENDENT ON OUR ABILITY TO KEEP PACE WITH THE LATEST TECHNOLOGICAL CHANGES

Our market and the technologies used by our clients are characterized by rapid technological changes. Failure to respond successfully to technological developments, or failure to respond in a timely or cost-effective way, will seriously harm our business and operating results. We expect to derive a substantial portion of our revenue from creating E-business systems that are based upon today's leading technologies and that are capable of adapting to future technologies. As a result, our success will depend, in part, on our ability to offer services that keep pace with continuing changes in technology, evolving industry standards and changing client preferences. In addition, we must hire, train and retain technologically knowledgeable professionals so that they can fulfill the increasingly sophisticated needs of our clients. We cannot assure you that we will be successful in addressing these developments on a timely basis or that even if we address them, we will be successful in the marketplace.

INCREASING GOVERNMENT REGULATION COULD AFFECT OUR BUSINESS

We are subject not only to regulations applicable to businesses generally, but also to laws and regulations directly applicable to electronic commerce. Although there are currently few such laws and regulations, both state, federal and foreign governments may adopt a number of these laws and regulations. Any such legislation or regulation could dampen the growth of the Internet and decrease its acceptance as a communications and commercial medium. If such a decline occurs, companies may decide in the future not to use our services to create electronic business channels. This decrease in the demand for our services would seriously harm our business and operating results. New laws and regulations may affect the following:

- user privacy
- the pricing and taxation of goods and services offered over the Internet
- the content of websites
- consumer protection

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- the characteristics and quality of products and services offered over the Internet

For example, the Telecommunications Act of 1996 prohibits the transmission of certain types of information and content over the Internet. The scope of the Act's prohibition is currently unsettled. In addition, although courts recently held that substantial portions of the Communications Decency Act are unconstitutional, federal or state governments may enact, and courts may uphold, similar legislation in the future. Future legislation could expose companies involved in Internet commerce to liability.

WE MAY HAVE LIABILITY TO CLIENTS FOR DAMAGES TO THEIR COMPUTER SYSTEMS BECAUSE OUR CONTRACTS LIMITING THE LIABILITY MAY NOT BE ENFORCEABLE OR BECAUSE WE MAY NOT BE COVERED BY INSURANCE

Many of our contractual engagements involve projects that are critical to our clients' operations and provide benefits that may be difficult to quantify. Any failure in a client's system could result in a claim for substantial damages against us, regardless of our responsibility for such failure. We attempt to limit contractually our liability for damages arising from negligent acts, errors, mistakes, or omissions in rendering our IT products and services, but the limitations of liability set forth in our service contracts may not be enforceable in all instances or may not otherwise protect us from liability for damages. In addition, we maintain general liability insurance coverage, including coverage for errors or omissions, but this coverage may not continue to be available on reasonable terms or may not be available in sufficient amounts to cover one or more large claims, or the insurer may disclaim coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage or changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could materially adversely affect our results of operations and financial condition.

WE RISK HAVING COST OVERRUNS IN FIXED-PRICE, FIXED-TIME FRAME CONTRACTS WHICH MAY REDUCE OUR PROFITABILITY

As a core element of our business philosophy, our strategy is to offer many of our IT services on fixed-price, fixed-time frame contracts, rather than contracts in which payment to us is determined solely on a time and materials basis. Although we use our total software quality management software engineering process and our past project experience to reduce the risks associated with estimating, planning and performing fixed-price, fixed-time frame projects, we bear the risk of cost over-runs and inflation in connection with these projects. Our failure to estimate accurately the resources and time required for a project, future rates of inflation and currency translations, or our failure to complete our contractual obligations within the time frame committed could reduce our profitability.

OUR OPERATING RESULTS ARE SUBJECT TO FLUCTUATIONS AND WE HAVE SIGNIFICANT FIXED OPERATING COSTS

Our revenue and earnings have fluctuated in the past and may continue to fluctuate from quarter to quarter based on such factors as:

- the number, timing and scope of projects that we are undertaking
- the contractual terms and degrees of completion of such projects
- any delays incurred in connection with projects
- the accuracy of estimates of resources required to complete ongoing projects
- general economic conditions

Wage costs in India are presently increasing at a faster rate than in the United States. As of June 30, 1999, 33.5% of our employees reside in India. Historically, our wage costs in India have been significantly lower than our wage costs in the United States for comparably skilled employees. However, in light of the current wage increases in India, we cannot assure you that this will remain the same.

A high percentage of our operating expenses, particularly personnel and rent, are fixed in advance of any particular quarter. As a result, unanticipated variations in the number, or progress toward completion, of our projects or in employee utilization rates may cause significant variations in operating results in any particular quarter and could result in losses for such quarter.

Factors that could require us to pay underutilized employees are as follows:

- an unanticipated termination of a major project

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- a client's decision not to pursue a new project
- a client's decision not to proceed to succeeding stages of a current project
- the completion during a quarter of several major clients' projects

We may be unable to protect our intellectual property rights and we may be liable for infringing the intellectual property rights of others.

In order to protect our proprietary rights in our various intellectual properties, we rely on a combination of copyright and trade secret laws, nondisclosure and other contractual arrangements, and technical measures. The United States, India, the U.K., France, Canada, Japan and Australia are members of the Berne Convention, an international treaty. As a member of the Berne Convention, these governments have agreed to extend copyright protection under their domestic laws to foreign works, including works created or produced in the United States. We believe that laws, rules, regulations and treaties in effect in these seven countries are adequate to protect us from misappropriation or unauthorized use of our copyrights. However, we cannot assure you that these laws will not change in ways that may prevent or restrict the transfer of software components, libraries and toolsets among these seven countries. We cannot assure you that the steps we have taken to protect our proprietary rights will be adequate to prevent misappropriation of our proprietary rights or any of our other intellectual property. We also cannot assure you that we will be able to detect unauthorized use and take appropriate steps to enforce our rights. We presently hold no patents or registered copyrights.

Although we believe that our intellectual property rights do not infringe on the intellectual property rights of others, we cannot assure you that such claims will not be asserted against us in the future, that assertion of such claims will not result in litigation or that we would prevail in such litigation or be able to obtain a license for the use of any infringed intellectual property from a third party on commercially reasonable terms. Additionally, we anticipate that in the future we will license certain technologies to our clients. We cannot assure you that we will be able to successfully license these technologies, protect them from infringement or misuse, or prevent infringement claims against us in connection with our licensing efforts. We expect that the risk of infringement claims against us will increase if more of our competitors are able to successfully obtain patents for software products and processes. Any such claims, regardless of their outcome, could result in substantial cost to us and divert management's

attention from our operations. Any infringement claim or litigation against us could, therefore, have a material adverse effect on our financial results.

OUR STOCK PRICE IS SUBJECT TO VOLATILITY

Our common stock was first publicly traded on November 8, 1996 and has traded from a low of $5.00 per share to a high of $42.17 per share. The market price of our common stock is likely to continue to fluctuate substantially due to a variety of factors, including:

- quarterly fluctuations in results of operations
- competitors' announcements of their operating results
- adverse circumstances affecting the introduction or market acceptance of new products and services
- announcements of new products and services by competitors
- changes in the IT environment
- changes in earnings estimates by analysts
- changes in accounting principles
- sales of common stock by existing holders
- announcement and market acceptance of acquisitions
- loss of key personnel
- worldwide economic and political conditions

The market price for our common stock may also be affected by our ability to meet analysts' expectations. Any failure to meet analysts' expectations, even if minor, could adversely affect the market price of our common stock.

OUR CHIEF EXECUTIVE OFFICER'S STOCK OWNERSHIP PROVIDES SUBSTANTIAL CONTROL OVER OUR COMPANY

Satish K. Sanan, our Chairman of the Board and Chief Executive Officer, owns approximately 28% of our outstanding shares of common stock. As a result, Mr. Sanan retains the voting power to exercise significant control over the election of directors and other matters requiring a vote of shareholders. Such a concentration of ownership may delay or prevent a change in control and may impede or preclude transactions in which shareholders might otherwise receive a premium for their shares over the then current market prices.

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IF WE LOSE OUR KEY PERSONNEL, OUR BUSINESS MAY SUFFER

Our continued success depends in large part upon the continued availability of key management personnel, particularly the services of Mr. Sanan. The loss of the services of Mr. Sanan would have a material adverse effect on us. We do not currently maintain nor do we intend to acquire key man insurance on the life of Mr. Sanan.

OUR CHARTER DOCUMENTS AND FLORIDA LAW COULD DISCOURAGE ACQUISITION PROPOSALS AND DELAY OR PREVENT A CHANGE OF CONTROL

We have a number of protective provisions in place designed to provide our board of directors with time to consider whether a hostile takeover offer is in our shareholders' best interests. These provisions, however, could discourage potential acquisition proposals and could delay or prevent a change of control of our corporation. These provisions could also diminish the opportunities for our shareholders to participate in tender offers, including tender offers at a price above the then current market price for our common stock. These provisions may also inhibit fluctuations in our stock price that could result from takeover attempts.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data for the years 1994 through 1998 and for the six months ended June 30, 1998 and 1999, should be read along with the audited and unaudited financial statements contained in this prospectus. Such financial information other than for fiscal years 1994 and 1995 was taken from these financial statements. The financial statements for 1996 through 1998 were audited. The financial statements for the six months ended June 30, 1998 and 1999 are unaudited and we believe that they fairly present our financial position and results of operations and cash flows for those periods. The information below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The comparability of the financial information is affected by acquisitions accounted for under the purchase method of accounting. The companies acquired during 1997, 1998 and the first six months of 1999 contributed the following amounts to our revenue:

Year ended December 31, 1997	16%
Year ended December 31, 1998	9%
Six months ended June 30, 1999	5%

Operations from these entities are included in our financial statements from the date of acquisition. In addition, we incurred nonrecurring charges in connection with certain acquisitions which include:

- $8.2 million of acquired in-process research and development costs during the year ended December 31, 1998.
- acquisition costs in connection with pooling-of-interests transactions of $6.6 million during the six months ended June 30, 1999. These costs include business brokerage, accounting, legal and other costs.
- a cost of $1.8 million for the acceleration of stock appreciation rights upon a pooling-of-interests transaction during the first six months of 1999.

In addition, you should note that pro forma net income and proforma diluted earnings per share give effect to our conversion in 1996 and Orion Consulting Inc.'s conversion in 1999 from an S corporation to a C corporation for United States federal and state income tax purposes. S corporations are not subject to income taxes but instead are deemed to distribute all of their income to their shareholders. C corporations are subject to income taxes at corporate income tax rates. The pro forma data presents net income and diluted earnings per share as if we had been subject to income taxes at corporate rates for all periods presented.

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	Year ended December 31,					Six Months Ended June 30,	
	1994	1995	1996	1997	1998	1998	1999
	(In thousands, except per share data)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED STATEMENT OF INCOME DATA:							
Revenue..................................	$25,339	$40,757	$55,596	$115,310	$208,211	$92,244	$129,920
Gross profit.............................	9,897	16,244	23,306	47,958	97,751	42,014	61,651
Income from operations...................	2,587	7,436	9,312	13,695	31,082	7,114	19,442
Net income...............................	2,613	6,195	6,400	9,014	19,760	3.015	12,716
Pro forma net income.....................	1,736	4,071	4,854	10,090	20,351	3,606	12,476
Diluted earnings per share...............	0.09	0.16	0.19	0.21	0.44	0.07	0.28
Pro forma diluted earnings per share......	0.06	0.11	0.14	0.24	0.45	0.08	0.28
Cash dividends...........................	1,366	2,109	4,016	2,426	163	--	--
Cash dividends per share.................	0.05	0.06	0.12	0.06	0.00	--	--
Weighted average common stock and common stock equivalents outstanding...	27,860	38,314	33,854	41,950	45,056	44,983	45,303
CONSOLIDATED BALANCE SHEET DATA (AT PERIOD END):							
Cash, cash equivalents and marketable securities	$ 2,015	$ 3,008	$31,300	$91,777	$115,748		$85,352
Working capital..........................	1,695	5,810	35,100	95,502	122,758		96,421
Total assets.............................	11,155	15,945	61,444	153,464	249,965		261,967
Long-term debt, net of current portion....	2,153	1,184	685	2,596	1,791		1,598
Shareholders' equity.....................	3,349	7,327	46,227	114,292	176,990		195,239
Shares outstanding at period end.........	27,860	27,860	29,194	33,133	37,155		38,447

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our business has grown significantly during the past two years both through acquisitions and through internal growth. Before we discuss our results of operations in detail, we set forth relevant information about recent developments and the significant acquisitions we have made, clarify income tax matters and explain conventions we use throughout this section.

CURRENT DEVELOPMENTS

We have experienced sequential revenue and earnings per share growth for the each of the 11 quarters since our initial public offering. We do not expect this trend to continue for the three months ended September 30, 1999. For the three months ended September 30, 1999, we expect revenue to be in the range of $62 million to $67 million. As a consequence of lower revenue without a corresponding reduction in costs, we anticipate earnings per share for the three months ended September 30, 1999 to be in the range of $0.12 to $0.16 compared to $0.18 for the same period last year.

The primary reasons for the anticipated decrease in revenue growth are as follows:

- slower than anticipated conversion of proof of concept and advisory engagements to full back-end projects for our IT consulting and component based development services and our component based solutions;

- a longer sales cycle, mostly driven by the current market conditions;

- our attempt to aggressively grow our core business and, at the same time, position the company to sell and support vertical industry based solutions; and

- Delays in the start up of several large engagements.

ACQUISITIONS

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- LYON CONSULTANTS, S.A. - On May 15, 1998, we acquired 100% of the outstanding stock of Lyon, a privately held software engineering company headquartered in Paris, France. Lyon specializes in rapid software application development, utilizing reusable business and technical software components, and in information technology consulting. Lyon's shareholders received $16.7 million in cash and 531,353 shares of our common stock in exchange for their Lyon stock. In addition, we were obligated to make a contingent payment of approximately $4.2 million in May 1999 based on our stock price on May 15, 1999. We are negotiating this contingent payment with the former shareholders of Lyon and expect to make a payment in May 2000 if our stock price is less than $34.05 per share. We have accounted for the Lyon acquisition as a purchase, and as a result, the operating results of Lyon are reflected in the consolidated financial statements from the date of acquisition.

- RHO TRANSFORMATIONAL TECHNOLOGIES PTY. LIMITED - On June 30, 1998, we acquired 100% of the outstanding stock of RHO, a privately held software services and engineering company headquartered in Sydney, Australia. RHO specializes in software application conversion and maintenance services using proprietary tools. RHO's shareholders received 285,000 shares of our common stock in exchange for their RHO common stock. We have accounted for the RHO acquisition as a pooling of interests combination. We have restated our financial statements for the year ended December 31, 1998 to give effect to the business combination but prior years have not been restated because the changes were immaterial. As a result of this acquisition, we have incurred costs of approximately $145,000 and have charged these costs to acquisition costs in our income statements.

- VISUAL SYSTEMS DEVELOPMENT CORPORATION - On October 2, 1998, we acquired 100% of the outstanding stock of Visual, an information technology company based in Toronto, Canada. Visual specializes in client/server and Internet application development. Visual's shareholders received $5.5 million in cash and 400,000 shares of our common stock in exchange for their Visual stock. Additional payments of up to $3.5 million in the form of our common stock are payable if Visual achieves certain financial and business objectives specified in the purchase agreement. We have accounted for the Visual acquisition as a purchase.

- ATECHSYS S.A. - On January 8, 1999, we acquired 100% of the outstanding stock of Atechsys, a privately held information technology company based in Paris, France. Atechsys specializes in business and technology consulting services to the capital markets industry. Atechsys' shareholders received 718,859 shares of our common stock in exchange for their Atechsys common stock. We have accounted for the Atechsys acquisition as a pooling of interests combination. We have restated prior year financial statements to give effect to the business combination. As a result of this acquisition, we have incurred costs of approximately $1.7 million and have charged these costs to acquisition costs in our income statements.

- ECWERKS, INC. - On January 15, 1999, we acquired 100% of the outstanding stock of ECWerks, a privately held electronic commerce business and technology consulting company based in Tampa, Florida. ECWerks' shareholders received 163,054 shares of our common stock in exchange for their ECWerks common stock. In addition, we are required to make a contingent payment of up to $28.0 million in cash or shares of our common stock if certain financial goals specified in the purchase agreement are achieved during 1999. We have accounted for the ECWerks acquisition as a purchase.

- FUSION SYSTEMS JAPAN CO., LTD. - On March 26, 1999, we acquired 100% of the outstanding stock of Fusion, a privately held business and technology consulting company based in Tokyo, Japan. Fusion specializes in capital markets consulting and technology solutions and provides technology consulting services from its offices in Tokyo and Boston. Fusion's shareholders received 3,735,536 shares of our common stock in exchange for their Fusion common stock. We have accounted for the Fusion acquisition as a pooling of interests combination. We have restated current year and prior year financial statements to give effect to the business combination. As a result

of this acquisition, we have incurred costs of approximately $2.1 million and have charged these costs to acquisition costs in our income statements.

- PROFESSIONAL PARTNERS, INC. AND LAKEWOOD SOFTWARE TECHNOLOGY CENTER, INC. - On April 28, 1999, we purchased 100% of the outstanding stock of Professional Partners and Lakewood Software, which we refer to as PLP, a privately held provider of information technology services to the property and casualty insurance industry. PLP's shareholders received $12.0 million in cash in exchange for their PLP common stock. We have accounted for the PLP acquisition as a purchase and as a result, the operating results of PLP are reflected in the consolidated financial statements from the date of acquisition.

- ORION CONSULTING, INC. - On June 15, 1999, we acquired 100% of

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the outstanding stock of Orion. Orion was a privately held management-consulting firm, headquartered in Cleveland, Ohio, that primarily served the healthcare industry. Orion's shareholders received 3,028,414 shares of our common stock in exchange for their Orion common stock. We have accounted for the Orion acquisition as a pooling of interests combination. As a result of this acquisition, we have incurred costs of approximately $2.8 million and have charged these costs to acquisition costs in our income statements.

INCOME TAX MATTERS

SUBCHAPTER S ELECTIONS FOR CERTAIN UNITED STATES OPERATIONS - Prior to November 1996, our stockholders had elected to be taxed as an S Corporation under the provisions of the Internal Revenue Code. As a result, taxable income was generally reported by the shareholders on their individual income tax returns. In connection with our initial public offering, the S Corporation election was terminated in November, 1996. In addition, Orion, which we acquired earlier this year, was taxed as an S Corporation since its inception. In connection with the acquisition, Orion's S Corporation election was terminated on June 15, 1999. Subsequent to the terminations of the S Corporation elections, we and Orion, now our wholly-owned subsidiary, became subject to United States federal and state income taxes.

We have adjusted the provision for income taxes in our financial statements as if we had been a taxable entity subject to federal and state income taxes at the marginal rates applicable to such periods to accurately reflect our pro forma net income. However, the pro forma adjustment to income tax expense in our financial statements for the year ended December 31, 1996 and the six month ended June 30, 1999 excludes one-time income tax expense resulting from the termination of our S Corporation status.

INDIA OPERATIONS - Our subsidiary, IMRglobal-India, is eligible for certain favorable tax provisions provided under the Indian Income-Tax Act, including the following:

- an exemption from corporate income taxes for a period of five consecutive years in the first eight years of operation

- an exemption from income taxes on the profits derived from exporting computer software or transmitting software from India. The export exemption remains available after expiration of the tax holiday described above

The effective tax rate for our India operations has been less than 5% for 1996, 1997, 1998 and 1999 as a result of these exemptions. Recent legislation in India indicates that these tax exemptions will continue in the near future. However, we cannot assure you that the Indian government will not significantly modify or eliminate these tax exemptions.

We will be required to pay taxes in the United States if we repatriate funds from our operations in India and record a corresponding provision for income taxes. This would reduce future earnings. However, we consider these earnings to be permanently invested in India and do not anticipate repatriating any of these earnings to the United States.

CONVENTIONS

We use the following conventions throughout the discussion of our results of operations:

REVENUE RECOGNITION. Revenue from services provided on a fixed-price basis is recognized using the percentage of completion method. We bear the risk of cost over-runs and inflation with respect to our fixed price projects. In order to mitigate these risks, we subdivide projects into smaller phases, and we generally reserve the right to renegotiate fixed-price and fixed-time frame commitments in the event of any change in scope. Under the percentage of completion method, we must estimate the percentage of completion of each project at the end of each financial reporting period. Estimates are subject to adjustment as projects progress to reflect changes in projected completion costs or dates.

Revenue from services provided on a time and materials basis is recognized in the period that the services are provided. Certain services in our healthcare practice are provided on a contingency basis based on the recovery of expenses for clients or based on providing litigation support to clients. Revenue for recovery projects and litigation work is recognized when the outcomes of the projects are known.

COST OF REVENUE. Cost of revenue consists primarily of salaries and

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employee benefits for personnel dedicated to client projects as well as facility costs at the India and Northern Ireland software development facilities.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Salaries and related taxes and benefits for employees not dedicated to specific client projects make up the majority of our selling, general and administrative expenses. Other significant selling, general and administrative expenses are as follows:

- occupancy costs
- telecommunications
- marketing and promotion
- travel expenses

RESULTS OF OPERATIONS

The following table summarizes several items from our statements of income expressed as a percentage of revenue.

	Year ended December 31,			Six Months ended June 30,	
	1996	1997	1998	1998	1999
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	58.1	58.4	53.1	54.5	52.5
Gross profit	41.9	41.6	46.9	45.5	47.5
Selling, general and administrative expenses	25.0	27.8	23.9	25.6	22.2
Research and development	0.0	0.9	3.1	2.5	2.2
Goodwill and intangible amortization	0.2	1.0	1.0	0.7	1.6
Costs related to acquisitions	0.0	0.0	4.0	9.0	6.5
Income from operations	16.7	11.9	14.9	7.7	15.0
Other income, net	0.3	1.6	2.1	2.4	1.9
Income before provision for income taxes and minority interest	17.0	13.5	17.0	10.1	16.9
Pro forma provision for income taxes	7.0	4.7	7.2	6.2	7.3
Minority interest	1.3	0.0	0.0	0.0	0.0
Pro forma net income	8.7%	8.8%	9.8%	3.9%	9.6%

During 1999, we acquired Atechsys, Fusion and Orion and accounted for the acquisitions utilizing the pooling-of-interests method. Accordingly, our historical financial statements have been restated to include the results of operations for these three companies. The resulting gross margin percentages (gross profit divided by revenue) and operating margins (income from operations divided by revenue) are significantly lower than our reported margins before the statements of income were restated. These differences are summarized as follows:

	Percentage of Revenue Year ended December 31,		
	1996	1997	1998
Gross margin before restatement	44.0%	45.0%	48.0%
Effect of including operations of Atechsys, Fusion and Orion	(2.1)	(3.4)	(1.1)
Gross margin after restatement	41.9%	41.6%	46.9%

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Operating margin before restatement	16.8	18.7	17.0
Effect of including operations of Atechsys, Fusion and Orion	(0.1)	(6.8)	(2.1)
Operating margin after restatement	16.7%	11.9%	14.9%

</TABLE>

The primary reasons for the lower gross margin and operating margin are summarized as follows:

Prior to the Orion merger, Orion paid all of its net income to its shareholders as bonuses. Bonuses to management for the years ended December 31, 1996, 1997 and 1998 were approximately $3.0 million, $6.6 million and $4.0 million. As a percentage of earnings, future bonuses to these employees will be based on our existing incentive plans and will be significantly less than the amounts previously paid.

During 1998, Orion recognized a bad debt expense of $1.5 million from one client who became insolvent.

During 1998, Orion recognized a $1.5 million charge for the issuance of stock to several key employees.

Fusion's 1996 and 1997 operating margins were considerably lower than 1998 and 1999 levels due to its investments in developing its capital markets service offerings.

SIX MONTHS ENDED JUNE 30, 1999 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 1998

REVENUE. For the six months ended June 30, 1999, our revenue increased to $129.9 million, representing a 40.8% increase over revenue of $92.2 million for the six months ended June 30, 1998. Acquisitions accounted for under the purchase method contributed approximately one-half of the revenue increase. Revenue from our service offerings not related to our Year 2000 service offerings, increased to $102.2 million (including purchase acquisitions), representing an 88.7% increase over non Year 2000 revenue of $54.2 million for the six months ended June 30, 1998. Revenue from our Year 2000 conversion services decreased 27.2% to $27.7 million for the six months ended June 30, 1999 compared to $38.1 million for the six months ended June 30, 1998. As a percentage of total revenue, Year 2000 revenue decreased to 21.3% for the six months ended June 30, 1999 compared to 41.3% for the six months ended June 30, 1998. In addition, Year 2000 revenue for the three months ended June 30, 1999 was 17.8% of our revenue compared to 25.2% of our revenue for the three months ended March 31, 1999. We expect that Year 2000 revenue will continue to decrease over the next three quarters.

COST OF REVENUE. Cost of revenue was $68.3 million, or 52.5% of revenue, for the six months ended June 30, 1999, compared to $50.2 million, or 54.5% of revenue, for the six months ended June 30, 1998. The decrease in cost of revenue as a percentage of revenue primarily reflects productivity gains from the use of our toolsets.

Wage costs continue to increase at a greater rate than general inflation in each of the countries in which we have operations, and we anticipate that this trend will continue in the near term. Historically, we have been able to pass these wage increases on to our clients in the form of increased prices for our service offerings. However, we cannot assure you that we will be able to continue to increase prices to our clients to offset future wage increases.

GROSS PROFIT. Our gross profit increased 46.7% to $61.7 million in the six months ended June 30, 1999, compared to $42.0 million in the six months ended June 30, 1998. As a percentage of revenue, our gross profit increased to 47.5% in the six months ended June 30, 1999 compared to 45.5% in the six months ended June 30, 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. For the six months ended June 30, 1999, SG&A expenses increased to $28.9 million, compared to $23.7 million for the six months ended June 30, 1998. The dollar increase in SG&A expenses is attributable to the following:

- purchase acquisitions

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- the addition of seven sales offices and expansion of sales personnel

- the expansion of our general support staff, primarily recruiting and human resources personnel

The above increases were offset by a reduction in bad debt expense. During 1998, Orion incurred a $1.5 million bad debt from a major client, which filed for bankruptcy.

As a percentage of revenue, SG&A expenses for the six months ended June 30, 1999 decreased to 22.2% from 25.6% for the same period in 1998. We intend to continue to expand our SG&A infrastructure in preparation for anticipated revenue growth. We do not expect SG&A to decrease as a percentage of revenue in the near term.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses increased to approximately $2.9 million for the six months ended June 30, 1999 from approximately $2.2 million in the six months ended June 30, 1998. As a percentage of revenue, R&D decreased to 2.2% in the six months ended June 30, 1999 from 2.5% for the six months ended June 30, 1998. We anticipate that R&D expenses will continue to be approximately 2.0% to 2.5% of revenue for the remainder of 1999.

During the first six months of 1999, in accordance with Statement of Financial Accounting Standard No. 86, we capitalized approximately $1.2 million of software costs related to our component based products for the insurance industry and our maintenance toolset. There were no software costs eligible for capitalization during 1998. We anticipate that the amount of capitalized software will continue to increase through the remainder of 1999 at levels consistent with the rate of increase for the first half of 1999.

GOODWILL AND INTANGIBLE AMORTIZATION. Goodwill and intangible amortization increased to approximately $2.0 million for the six months ended June 30, 1999 from approximately $653,000 for the six months ended June 30, 1998. The additional expense primarily reflects goodwill and intangible assets attributable to purchase business combinations in 1998 and 1999.

ACQUISITION COSTS, ACCELERATION OF STOCK APPRECIATION RIGHTS UPON ACQUISITION AND IN PROCESS RESEARCH AND DEVELOPMENT. During the six months ended June 30, 1999, we completed three acquisitions that were accounted for as poolings of interests. Acquisition costs attributable to these transactions were approximately $6.6 million. In addition, the acquisition of Fusion accelerated the settlement of Fusion's stock appreciation rights plan. This resulted in a one-time and final charge of approximately $1.8 million in accordance with the plan.

During the six months ended June 30, 1998, in connection with our acquisition of Lyon, we incurred an $8.2 million expense for in process research and development. This expense was based on an appraisal of the intangible assets acquired in the Lyon acquisition and is more fully explained in the comparison of fiscal year 1998 to fiscal year 1997.

INCOME FROM OPERATIONS. Income from operations for the six months ended June 30, 1999 was $19.4 million compared to $7.1 million for the six months ended June 30, 1998. As a percentage of revenue, income from operations for the six months ended June 30, 1999 increased to 15.0% from 7.7% in the six months ended June 30, 1998. Both periods reflect certain one-time charges related to acquisition costs, acceleration of stock appreciation rights and in process research and development. Excluding these one-time charges, as a percentage of revenue, income from operations for the six months ended June 30, 1999 increased to 21.4% from 16.8% in the six months ended June 30, 1998. Due to increased infrastructure investments we do not expect income from operations excluding one-time charges, as a percentage of revenue, to increase significantly from current levels in the near term.

OTHER INCOME. We realized approximately $2.5 million of other income (net of other expenses) in the six months ended June 30, 1999 compared to net other income of approximately $2.2 million in the six months ended June 30, 1998. Net other income consists primarily of investment income generated by our cash and marketable securities.

PROVISION FOR INCOME TAXES. A pro forma provision for income taxes has been calculated due to Orion being a Subchapter S Corporation until June 1999. The pro forma provision for income taxes increased to

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$9.4 million for the six months ended June 30, 1999 from $5.7 million for the six months ended June 30,

1998. Excluding one-time charges, our effective tax rate was 36.8% for the six months ended June 30, 1999 compared to 32.2% for the six months ended June 30, 1998. The effective tax rate is calculated by dividing the provision for income taxes by income before provision for income taxes and minority interest.

The higher effective tax rate for the six months ended June 30, 1999 is partially attributable to goodwill and intangible amortization not being fully deductible for income tax purposes. Intangible amortization has increased 213.8% from the six months ended June 30, 1998 to the six months ended June 30, 1999. In addition, we have historically enjoyed a low effective tax rate primarily due to our industry's low tax rates in India. Accordingly, the effective tax rate has increased as a result of recent acquisitions in France, Canada, Japan, Australia and the United States, which have higher tax rates than India.

We have not recorded deferred income taxes applicable to undistributed earnings of IMRglobal-India. Those earnings are considered to be indefinitely reinvested and, accordingly, no provision for United States federal and state income tax has been provided thereon.

PRO FORMA NET INCOME. Pro forma net income increased to $12.5 million for the six months ended June 30, 1999 compared to $3.6 million for the six months ended June 30, 1998. Pro forma net income for the six months ended June 30, 1999, excluding one-time charges, was approximately $19.2 million compared to pro forma net income of approximately $12.0 million for the six months ended June 30, 1998. Excluding one-time charges, as a percentage of revenue, pro forma net income for the six months ended June 30, 1999 increased to 14.7% from 13.0% in the six months ended June 30, 1998.

PRO FORMA DILUTED EARNINGS PER SHARE. Pro forma diluted earnings per share was $0.28 for the six months ended June 30, 1999 and $0.08 for the six months ended June 30, 1998. Excluding one-time charges, pro forma diluted earnings per share was $0.42 for the six months ended June 30, 1999 as compared to $0.27 for the six months ended June 30, 1998.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

REVENUE. Revenue increased to $208.2 million in the year ended December 31, 1998, representing an 80.6% increase over revenue of $115.3 million in the year ended December 31, 1997. Of this increase, approximately $18.4 million was attributable to our acquisition of Lyon, RHO and Visual. Revenue for the year ended December 31, 1998 from our services not related to our Year 2000 service offering, increased to $131.0 million (including purchase acquisitions), representing an 84.9% increase over revenue of $70.8 million for the year ended December 31, 1997. Year 2000 revenue increased to $77.2 million or 37.1% of total revenue for the year ended December 31, 1998 compared to $44.5 million or 38.6% of total revenue for the year ended December 31, 1997.

COST OF REVENUE. Cost of revenue was $110.5 million, or 53.1% of revenue for the year ended December 31, 1998, compared to $67.4 million, or 58.4% of revenue, for the year ended December 31, 1997. The decrease in cost of revenue as a percentage of revenue reflects the following:

- productivity gains from Year 2000 service offerings and other toolsets

- a 17.8% devaluation of the Indian Rupee since September 1997, which resulted in reduced costs at our Indian software development centers

- improved utilization of software development personnel in India and Northern Ireland

- a substantial decrease in Orion's annual bonuses, primarily resulting from lower earnings due to a $1.5 million bad debt expense and a $1.5 million compensation charge for the issuance of stock to key employees

- improved profitability for Fusion due to a significant

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increase in its service offerings to capital market

clients. These service offerings utilize components that are reusable and result in lower costs to new clients

Wage costs continue to increase at a greater rate than general inflation in each of the countries in which we have operations. Historically, we have been able to pass these wage increases on to our clients in the form of increased prices for our service offerings. However, we cannot assure you that we will be able to continue to increase prices to our clients to offset future wage increases.

GROSS PROFIT. Gross profit increased to $97.8 million in the year ended December 31, 1998, compared to $48.0 million in the year ended December 31, 1997. Our gross profit margin, as a percentage of revenue, increased to 46.9% in the year ended December 31, 1998, compared to 41.6% in the year ended December 31, 1997.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased to $49.8 million in the year ended December 31, 1998, compared to $32.0 million in the year ended December 31, 1997. The dollar increase in SG&A expenses is attributable to the following:

- the Lyon, RHO and Visual acquisitions
- addition of sales offices
- expansion of sales personnel
- expansion of our delivery capacity
- regionalization of operations
- regionalization of operations

As a percentage of revenue, SG&A expenses decreased to 23.9% in the year ended December 31, 1998 compared to 27.8% for the year ended December 31, 1997. We are aggressively expanding our sales force and marketing efforts, which will generate higher SG&A in the near term.

RESEARCH AND DEVELOPMENT. Research and development costs increased to $6.4 million in the year ended December 31, 1998, compared to $1.1 million in the year ended December 31, 1997. The increase in dollars is attributable to the following:

- the acquisition of Lyon and the continued development of Lyon's component technology
- modification of component technology for certain targeted industries
- expansion of efforts to develop and enhance our transformation toolsets

GOODWILL AND INTANGIBLE AMORTIZATION. Goodwill and intangible amortization increased to approximately $2.1 million for the year ended December 31, 1998 from approximately $1.1 million for the year ended December 31, 1997. This increase primarily reflects goodwill attributed to our purchases of Lyon and Visual.

IN PROCESS RESEARCH AND DEVELOPMENT. The purchased assets and assumed liabilities in connection with the acquisition of Lyon were recorded at their estimated fair values at the acquisition date. We received an appraisal of the intangible assets which indicated that approximately $8.2 million of the acquired intangible assets was acquired in process research and development that had not yet reached technological feasibility and

had no alternative future use. To determine the value of the in process research and development, our appraisal considered several factors including the following:

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- state of development of each project

- time and cost needed to complete each project

- expected income for each project

- expected discounted cash flow for each project

- associated risks which included the inherent difficulties and uncertainties in completing each project and thereby achieving technological feasibility

- risks related to the viability of and potential changes to future target markets

In process research and development was charged to expense in the quarter ended June 30, 1998. In addition, we recorded a one-time charge of approximately $145,000 for costs related to the RHO acquisition. We did not incur in process research and development or acquisition costs in 1997.

INCOME FROM OPERATIONS. Income from operations for the year ended December 31, 1998 was $31.1 million compared to $13.7 million in the year ended December 31, 1997, representing a 127.0% increase. As a percentage of revenue, income from operations was 14.9% in the year ended December 31, 1998, compared to 11.9% in the year ended December 31, 1997. The increase reflects higher gross margins and lower SG&A expenses as described above. These increases were partially offset by one-time charges totaling approximately $8.3 million related to acquired in-process research and development and acquisition costs. Excluding one time charges, income from operations was 18.9% as a percentage of revenue for the year ended December 31, 1998.

OTHER INCOME. We realized net other income of approximately $4.3 million in the year ended December 31, 1998 compared to net other income of approximately $1.8 million in the year ended December 31, 1997. In 1998 we recognized approximately $4.6 million in investment income primarily from the investment of the remaining net proceeds from our public offering of common stock in August 1997 and we incurred approximately $258,000 of interest expense related to credit facilities in Japan, India and Australia. During 1997, we recognized approximately $2.0 million in investment income primarily from the investment of remaining net proceeds from our public offerings of common stock in November 1996 and August 1997, and we incurred approximately $208,000 of interest expense primarily for credit facilities in Japan, India and the U.K.

PROVISION FOR INCOME TAXES. A pro forma provision for income taxes has been calculated due to Orion being a Subchapter S Corporation until June 1999. The pro forma provision for income taxes increased to $15.0 million in the year ended December 31, 1998 from $5.4 million in the year ended December 31, 1997. The effective tax rate based on the pro forma provision for income taxes and excluding one-time charges for in process research and development and acquisition costs was 34.3% for 1998 and 34.7% for 1997. We calculate the effective tax rate by dividing the provision for income taxes by income before provision for income taxes and minority interest.

We have not recorded deferred income taxes applicable to undistributed earnings of IMRglobal-India. Those earnings are considered to be indefinitely reinvested and, accordingly, no provision for United States federal and state income tax has been provided thereon.

PRO FORMA NET INCOME. Pro forma net income increased 101.7% to $20.4 million in the year ended December 31, 1998 from $10.1 million in the year ended December 31, 1997. As a percentage of revenue, pro forma net income was 9.8% for 1998 compared to 8.8% for 1997. When we exclude one-time charges for in process research and development and acquisition costs, this increase is significantly higher.

PRO FORMA DILUTED EARNINGS PER SHARE. Pro forma diluted earnings per share increased to $0.45 for the year ended December 31, 1998 from $0.24 for the year ended December 31, 1997. Excluding one-time charges for in process research and development and acquisition costs, pro forma diluted earnings per share was $0.64 for the year ended December 31, 1998 compared to $0.24 for the year ended December 31, 1997.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

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REVENUE. Revenue increased to $115.3 million in the year ended December 31, 1997, representing a 107.4% increase over revenue of $55.6 million in the year ended December 31, 1996. Of this increase, approximately $18.0 million was attributable to the acquisition of IMRglobal-U.K. Revenue for the year ended December 31, 1998 from our services offerings not related to our Year 2000 service offering, increased to $70.8 million (including purchase acquisitions), representing a 47.2% increase over revenue of $48.1 million for the year ended December 31, 1997. Year 2000 revenue increased 494.1% to $44.5 million for the year ended December 31, 1997 compared to $7.5 million for the year ended December 31, 1996.

COST OF REVENUE. Cost of revenue was $67.4 million, or 58.4% of revenue for the year ended December 31, 1997, compared to $32.3 million, or 58.1% of revenue, for the year ended December 31, 1996.

GROSS PROFIT. Gross profit increased to $48.0 million in the year ended December 31, 1997 compared to $23.3 million in the year ended December 31, 1996. As a percentage of revenue, gross profit decreased to 41.6% in the year ended December 31, 1997 compared to 41.9% in the year ended December 31, 1996. Our gross profit margin increased for our United States (excluding Orion), France, Japan and India operations. However, reduced gross profit margins for Orion, IMRglobal-U.K. and IMRglobal-Northern Ireland offset this increase. Orion paid significantly higher bonuses in 1997 than 1996 in accordance with its practice of paying all earnings to top management, which was effective since January 1, 1997. IMRglobal-U.K. derived a substantial portion of its revenue from professional services, which generally result in lower profit margins. IMRglobal-Northern Ireland experienced lower gross profit during the start-up phase of its operations (which began in July 1997) as it hired and trained its workforce.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased to $32.0 million in the year ended December 31, 1997, compared to $13.9 million in the year ended December 31, 1996. As a percentage of revenue, SG&A expenses increased to 27.8% in the year ended December 31, 1997 as compared to 25.0% for the year ended December 31, 1996. The increase as a percentage of revenue occurred primarily due to Orion's previous practice of paying bonuses to top management in amounts equaling earnings. Prior to 1997, earnings were paid as Subchapter S distributions. Future bonuses to these employees will be based on our existing incentive plans and, as a percentage of earnings, will be significantly less than the amounts previously paid. In addition, Fusion made a significant investment in SG&A expenses in 1997 in anticipation of high revenue growth in 1998. These increases were partially offset by the rapid increase in revenue in 1997 compared to a lesser rate of increase in SG&A expenses during the same period for our United States operations (excluding Orion). The dollar increase in SG&A expenses is attributable to the following:

- acquisition of IMRglobal-U.K.
- addition of United States sales offices
- expansion of our delivery capacity
- expansion of our general support staff (primarily recruiting and human resources personnel)
- additional costs associated with reporting and accounting responsibilities as a public company

GOODWILL AND INTANGIBLE AMORTIZATION. Goodwill and intangible assets amortization increased to approximately $1.1 million for the year ended December 31, 1997 from approximately $100,000 for the year ended December 31, 1996. This increase reflects the goodwill resulting from our acquisition of 64.0% of IMR-India in the second half of 1996 and our 1997 acquisitions of IMR-U.K. and IMR-Northern Ireland.

INCOME FROM OPERATIONS. Income from operations for the year ended December 31, 1997 was $13.7 million compared to $9.3 million in the year ended December 31, 1996. As a percentage of revenue, income from operations decreased to 11.9% in the year ended December 31, 1997, compared to 16.7% in the year ended December 31, 1996. This was the result of increased SG&A expenses, and goodwill and intangible amortization as described above. In addition, we restarted our research and development program in 1997, which reduced income from operations as a percentage of revenue by 1.0%.

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OTHER INCOME. We realized net other income of approximately $1.8 million in the year ended December 31, 1997, compared to net other income of approximately $175,000 in 1996. During 1997, we recognized approximately $2.0 million in investment income primarily from the investment of remaining net proceeds from our public offerings of common stock in November 1996 and August 1997. Investment income for 1996 was approximately $263,000.

PROVISION FOR INCOME TAXES. A pro forma provision for income taxes has been calculated due to Orion being a Subchapter S Corporation until June 1999. The pro forma provision for income taxes increased to $5.4 million in 1997 from $3.9 million in 1996. The effective tax rate based on the pro forma provision for income taxes was 34.7% for 1997 and 41.1% for 1996. The decrease in the effective tax rate was due to a valuation allowance being assessed on Fusion's 1996 deferred tax asset. The effective tax rate is calculated by dividing the provision for income taxes by income before provision for income taxes and minority interest.

MINORITY INTEREST IN NET INCOME. Minority interest in net income decreased to approximately $48,000 for the year ended December 31, 1997 from approximately $730,000 in the comparable period in the year ended December 31, 1996. This represents the portion of IMR-India's net income that is allocated to IMR-India's minority shareholders. This decrease was a result of our acquisition of 64.0% of IMR-India during late 1996, and our acquisition of an additional 1.7% of IMR-India in 1997. On December 31, 1997, we owned approximately 99.9% of IMR-India and the remaining was owned by the three other individual shareholders.

PRO FORMA NET INCOME. Pro forma net income increased 107.9% to $10.1 million in the year ended December 31, 1997 from $4.9 million in the year ended December 31, 1996. As a percentage of revenue, pro forma net income was 8.8% for 1997 and 8.7% for 1996.

QUARTERLY RESULTS OF OPERATIONS

The following table contains portions of our unaudited quarterly statements of operations data for each of the ten quarters beginning January 1, 1997 and ending June 30, 1999. The information relating to the quarters beginning January 1, 1997 and ending on June 30, 1999 is derived from and should be read along with our financial statements and the related notes appearing elsewhere in this prospectus. We believe that this table is a fair presentation of that information but the results of operations for any quarter are not necessarily indicative of the results to be expected for any future period.

<TABLE>
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	Quarters Ended (In thousands except per share data)									
	1997				1998				1999	
	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue	$ 22,430	$ 26,625	$ 31,015	$ 35,240	$ 41,938	$ 50,306	$ 55,211	$ 60,756	$ 62,275	$ 67,645
Gross profit	9,279	11,040	12,864	14,775	18,863	23,151	27,061	28,676	29,511	32,140
Income from operations	2,228	3,737	4,844	2,886	6,615	499	11,794	12,174	7,031	12,411
Pro forma diluted earning (loss) per share	$ 0.03	$ 0.06	$ 0.08	$ 0.07	$ 0.13	($ 0.05)	$ 0.18	$ 0.19	$ 0.11	$ 0.17

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<CAPTION>

	Quarters Ended									
	1997				1998				1999	
	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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Gross profit	41.4	41.5	41.5	41.9	45.0	46.0	49.0	47.2	47.4	47.5
Income from operations	9.9	14.0	15.6	8.2	15.8	1.0	21.4	20.0	11.3	18.3

</TABLE>

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 1999, we had:

- working capital of $96.4 million

- liquid assets including cash, cash equivalents and marketable securities of approximately $85.4 million

- available bank lines of credit of approximately $13.9 million

Net cash provided by operating activities was $6.6 million for the year ended December 31, 1996, $18.8 million for the year ended December 31, 1997, $46.3 million for the year ended December 31, 1998, and $9.8 million for the six months ended June 30, 1999. The positive cash flow from operations primarily reflects our continuing profitability and the tax benefits generated through the exercise of employee stock options.

Net cash used in investing activities was $20.2 million for the year ended December 1996, $9.6 million for the year ended December 1997, $48.0 million for the year ended December 31, 1998, and $31.6 million for the six months ended June 30, 1999. During 1996, we acquired a majority interest in IMR-India for $10.0 million, invested in marketable securities of $5.5 million and purchased property and equipment for $3.7 million. During 1997, we

invested $3.3 million in the acquisition of two subsidiaries and purchased property and equipment of $7.8 million. During 1998, we invested $8.9 million in the acquisition of subsidiaries, invested $26.2 million in marketable securities and purchased property and equipment for $14.3 million. For the six months ended June 30, 1999, we invested an additional $20.1 million in the acquisition of subsidiaries and purchased $14.5 million of property and equipment.

Net cash provided by or used in financing activities was $36.6 million for the year ended December 31, 1996, $52.8 million for the year ended December 31, 1997, ($2.0) million for the year ended December 31, 1998 and ($2.8) million for the six months ended June 30, 1999. During the years ended December 31, 1996 and 1997 we received net proceeds from public offerings of $40.7 million and $52.5 million. This increase in cash flows from financing activities was partially offset by the payment of Subchapter S distributions of $3.2 million for the year ended December 31, 1996 and 2.4 million for the year ended December 31, 1997.

We maintain an uncollateralized $10.0 million revolving credit facility which allows us to borrow up to 80% of the book value of our United States accounts receivable. Our interest rate for this facility varies and is 1% above the LIBOR rate (currently 6.3%). On June 30, 1999, we had not borrowed any funds under this facility and the $10.0 million was available to us. Provisions of this line of credit and certain notes payable contain financial covenants, including covenants that require us to maintain certain financial ratios. On June 30, 1999, we were in compliance with these covenants. This credit facility can be cancelled at any time by the bank or by us.

Certain of our subsidiaries maintain additional revolving credit line arrangements. Interest rates are based on the lending institution's prime rate (ranging from 6.5% to 9.0% on June 30, 1999). On June 30, 1999, the amount outstanding under these facilities was $219,000 and the maximum amount available was approximately $3.9 million. The respective subsidiary's accounts receivable and certain property and equipment collateralize these facilities.

During June 1998, we entered into contracts to purchase land and construct new facilities for our corporate headquarters. The total price of this project (including furniture, fixtures and equipment) is expected to be approximately $28.0 million, of which $14.4 million has been expended as of June 30, 1999. Completion of this project is scheduled for January 2000. In addition, we have a contingent liability of approximately $4.2 million to the former shareholders of Lyon.

We periodically review our future cash requirements, together with our available bank lines of credit and internally generated funds. We believe we have adequate capital resources to meet all working capital obligations and fund the development of our current business operations, including the following business objectives:

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- Continued expansion of existing business

- Continued funding of research and development initiatives

- Anticipated levels of capital expenditures including the construction of our corporate headquarters

- Any debt repayment requirements, including those that may be required pursuant to the integration of our acquisitions

ASSET MANAGEMENT

Our accounts receivable balance was $21.3 million on December 31, 1997, $40.2 million on December 31, 1998 and $46.3 million on June 30, 1999. The increase for these periods was primarily due to new acquisitions and revenue growth. A significant portion of our business is executed on a fixed-price, fixed-time frame basis. Revenue on fixed-price contracts does not necessarily correlate to actual billings. Accordingly, accounts receivable may increase significantly in periods where there are significant increases in deferred revenue (I.E., billings issued in advance of revenue recognition).

A common financial measure is the calculation of days sales outstanding in accounts receivable. We refer to days sales outstandings as DSO. We believe that DSO should be calculated based on our quarterly results of

operations to factor in our historic rapid revenue growth rate. Based on the above, DSO was 55 days on December 31, 1997, 60 days on December 31, 1998 and 62 days on June 30, 1999. The Lyon and Atechsys acquisitions add approximately 3 days to our DSO as collection practices of accounts receivable in France have historically been slower than collections in other geographical areas. In addition, accounts receivable in Canada, France, Japan and U.K. include value added taxes that are not included in revenue. Without value added taxes, DSO would be approximately 3 days less than the above levels.

COSTS ASSOCIATED WITH THE ASSESSMENT AND RESOLUTION OF OUR YEAR 2000 CONVERSION PROJECTS

INTRODUCTION. Many existing computer systems run software programs permitting only two-digit entries to reference the year in the date field. For example, 1999 is read as 99. Software programs that use the two-digit year date field to perform computations or decision-making functions may fail due to an inability to correctly interpret dates in the 21st century. For example, many software systems will misinterpret "00" to mean the year 1900 rather than 2000.

OUR STATE OF READINESS. We are in the process of assessing the impact the Year 2000 will have on our systems, relationships with our third-party vendors and relationships with our clients.

Although we continue to review all of our systems for Year 2000 compliance, we have discovered that only our internal accounting system is not Year 2000 compliant. A new accounting system has been selected and we expect to replace the non-compliant accounting system by the end of October 1999. The implementation of a new accounting system was made for reasons other than the fact that the system is not Year 2000 compliant. To date, we have incurred expenses approximating $30,000 related to Year 2000 compliance and we anticipate that the total cost should not exceed $100,000. These estimates primarily reflect the costs related to our personnel. We do not believe that the costs associated with the replacement of the accounting system will have a material impact on our results of operations and financial condition. We have not identified any other IT or non-IT system that is subject to a material risk of disruption due to the Year 2000. We do not believe a formal contingency plan is required for internal systems.

We have assessed whether a system failure experienced by any of our third-party vendors would negatively impact our operations or financial condition. We have determined that a Year 2000 system failure experienced by our satellite and communication vendors could potentially interrupt communications between client sites and our software development centers. This interruption could result in loss of revenue, increased costs and project delays. We have contacted our satellite and communication vendors in order to assess whether they anticipate any communications failures or interruptions as a result of the Year 2000. We have been informed that no such failures or interruptions are presently anticipated. If, however, further analysis determines that one or more of our satellite or communication vendors may encounter Year 2000 related failures or interruptions, we will be required to develop a contingency plan. We anticipate that a contingency plan, if necessary, will be developed by the third quarter of 1999. We have determined that a system failure experienced by the satellite and communication vendors could have a material effect on our results of operations and financial condition. System failure by any other third party

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vendor would not have a material affect on our results of operations and financial condition.

RISKS PRESENTED BY THE YEAR 2000. Many of our client engagements include Year 2000 conversion services that are critical to the operations of our clients' businesses. Any failure in a client's system could result in a claim for substantial damages against us, regardless of our responsibility for such failure. We have described the risks associated with such claims from our clients under "Risk Factors -- We may have liability to clients for damages to their computer systems because our contracts limiting the liability may not be enforceable or because we may not be covered by insurance."

BUSINESS

GENERAL

We are a leading international provider of innovative business and IT solutions to Fortune 500 and Global 2000 sized companies. We focus on providing our comprehensive range of services to companies in the following vertical industries:

- Insurance
- Capital markets
- Healthcare
- Utilities
- Media and communications
- Retail and manufacturing/distribution

We believe companies in these specific industries are facing unique and substantial changes and competition that are altering the way they conduct business. Due to the scope and the pace of these changes, we believe that the IT solutions needed for these industries rarely lend themselves to packaged "off the shelf" programs or services. Instead, a customized and technology-based approach, provided in a short time frame, is needed. However, the development of customized applications is expensive and time consuming.

Since early 1998, we have been developing component-based, vertical industry solutions to meet the needs of our clients and have acquired companies with complementary business knowledge or technology to assist in this development effort. Our component-based vertical industry solutions combine the functionality of customized software with the speed of implementation of a packaged solution. These solutions usually require a relatively low level of customization and lower maintenance costs and are easily modified to meet changing business requirements.

Examples of some of our specific vertical market solutions include:

- Our insurance solution includes a suite of component-based applications that support definition of new products, acquisition of new businesses, and the administration, billing, processing and paying of claims and commissions. We customize these applications for clients in property and casualty, life and reinsurance sectors of the insurance business.

- Our capital markets solution includes a number of asset management and order execution component-based applications that we market under the name of FOX-TM-. The FOX solution enables securities firms to manage portfolios of securities, monitor changing market conditions and send orders to purchase or sell securities electronically.

- Our healthcare solution allows health insurance companies to analyze data and identify trends and anomalies in claims, which can then be targeted for further investigation. This allows our clients to screen their incoming claims and to identify erroneous reimbursement claims more efficiently.

We intend to continue to focus on developing component solutions because we believe that they provide significant benefits to our clients including a faster deployment time and generally at a lesser total cost than fully customized solutions. In addition we believe that our component-based solutions are more reliable and better tailored to the specific needs of our clients than pre-packaged products.

We offer our customers the following services, separately or in combination:

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- Business consulting - provide vertical industry business expertise
- IT strategy formulation - plan and develop IT strategies
- E-Business services - design and implement Internet solutions

- Component-based application development- build new applications using components
- Application modernization/transformation - transform older software to newer technologies
- Application management and support - manage and support existing computer applications

We provide all of our services on an outsourcing basis. Outsourcing is the use by a client of third party providers to perform activities traditionally handled by that company's internal staff. We believe that outsourcing has proven effective in helping in-house IT departments manage costs while reducing the time needed to complete projects. We augment the benefits of outsourcing by providing our clients with a global network of centers with [highly trained and] qualified technology professionals. We utilize the time differences between our development centers in our global network to create a 24-hour "virtual workday" during which our technology professionals can work on projects for our clients.

An important part of our strategy is to offer our services on a fixed-price, fixed-time basis. We believe that a high percentage of projects started by internal IT departments are not completed on time or on budget, with many not completed at all. By offering fixed pricing, we enable our clients to reduce their exposure to increased costs and by using our "on-site, off-site" delivery model, which utilizes one or more of our worldwide delivery centers, we can maintain consistent quality and reduce the project delivery time. Typically, we split the project team into an "on-site" team and one or more "off-site" teams. For a typical application management and support engagement, approximately 20% to 30% of the people are located at the client's site and the balance at one of our delivery centers. For large-scale development projects we can deliver projects faster by using multiple delivery centers. Over the past two years, we have successfully delivered over 100 fixed-price projects while improving our gross margins.

In addition to fixed-price, fixed-time projects, we provide programming and IT consulting services at clients' sites as needed, usually on a time and materials basis. We also help our clients with tactical issues such as Year 2000 conversion services and the transition to the Euro currency. Our Year 2000 service offering was our largest source of revenue in each of 1997 and 1998 as our clients committed significant financial resources in addressing this issue. As Year 2000 engagements are completed in 1999, our revenue from this service offering will decrease and we expect it to be less than 15% of our business for 1999.

Currently, we maintain a staff of approximately 2,700 software development professionals to serve our clients. We maintain three dedicated software development centers (Belfast, Mumbai and Bangalore) and operate five software development centers, in our corporate and international headquarters in Clearwater, London, Paris, Sydney and Tokyo. We also have 29 domestic branch/sales offices. We intend to further broaden our geographical reach and are considering additional locations in Europe, Asia and Eastern Europe. We expect this expansion to be accomplished primarily through acquisitions.

In addition to seeking acquisitions to broaden our geographical reach, we intend to continue to acquire companies that have specific industry expertise in one of our targeted vertical markets and/or significant expertise in new technologies . For example, in March 1999, we acquired Fusion Systems Japan Co., Ltd., headquartered in Tokyo, Japan, which provides asset management and order execution solutions for companies in the capital markets industry. In April, 1999, we acquired PLP, which provides solutions for companies in the property and casualty insurance market. In addition, in June 1999 we acquired Orion, which provides solutions to facilitate transactions with payors and providers in the healthcare industry.

INDUSTRY OVERVIEW

We believe that the vertical industries for which we are developing solutions are faced with dramatic business, technological and economic changes that are forcing them to alter their traditional business methods. These changes include demutualization and merger and acquisition activities in the insurance industry, deregulation of the utility industry, merger and acquisition activity in the financial services industry and privatization in the healthcare industry. Intense competition and globalization in turn are driving the development of new products and services which must be made available on a cost and time efficient basis. In addition, the integration of e-commerce into companies has become an integral part of the competitive

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environment.

These changes require the support of IT solutions. We believe companies in our targeted industries are faced with competitive pressures to reduce the time needed to develop and market new products. As a consequence, many companies can no longer develop new applications relying solely on their internal IT staff. Moreover, the complexities of the industries in which our clients operate often preclude the use of packaged solutions. We believe these industries require customized solutions with the speed of packaged solutions, and the flexibility to constantly integrate these solutions with updated technologies and pre-existing systems.

In addition, technology is enabling companies to increase productivity, shorten product cycles, enhance client services and create new lines of business. We believe that the rapid pace of these changes has overwhelmed many internal IT departments and has created a skills gap that IT service providers help to bridge. By outsourcing IT services, companies can focus on their core business, access specialized technical skills and implement IT solutions more rapidly while significantly reducing the costs of recruiting, training and retaining IT professionals.

The IT services industry has evolved into a highly fragmented environment with several large, national service providers, a small number of international providers and a large number of regional service providers. We believe that, in light of recent globalization trends, IT service providers with an increasing global presence will be better able to address the IT needs of the large Fortune 500 and Global 2000 sized companies.

OUR SOLUTIONS MODEL

The model of the traditional IT services provider has long been three-dimensional, with the level of customer service largely determined by the caliber of the provider's people, the level of its technology and the process by which it manages and delivers projects. We have been able to enhance customer service by adding a fourth dimension to the model utilizing our international network of software development and sales centers which provide a global presence while permitting local service and support to our clients. Our offices are distributed among nine time zones which gives us the ability to offer 24-hours of service per day, and thereby significantly decreases the time needed to complete clients projects. In addition, we are focusing on the business needs of companies within our targeted vertical industries and intend to continue to acquire more industry-specific knowledge. As a result, we have added industry knowledge as the fifth dimension to our model. We believe this five-dimensional model represents the ideal IT product and services provider.

[GRAPHIC OMITTED]

Our solutions and service offerings reflect the five-dimensional approach we have taken to build our business. We provide solutions to selected vertical markets utilizing advanced tools and technology together with highly qualified personnel using proprietary methodologies. We deliver these solutions using an international network of development and support facilities that permit a lower cost alternative and shorter development times.

- VERTICAL MARKET SOLUTION PROVIDER. We believe that what we offer our clients within our targeted vertical industries is unique. We act as a business partner who can provide our clients with industry specific solutions that reflect a thorough understanding and appreciation of the challenges they face and the business implications of those challenges. We believe we are one of the first to market component-based solutions that are tailored to meet industry specific business requirements, are platform independent, and are deployed using a rapid application development environment. Our solutions position us to become a long-term strategic partner and solution provider to our clients in these industries.

- TOOLS AND TECHNOLOGY. We continue to invest in research and development of tools and technologies that enable us to increase the overall quality and productivity and shorten the "time-to-market" for delivering our services and solutions. For example, our Maintenance Improvement Workbench enables us to more effectively manage and maintain large software applications. Our component-based development allows us to deliver software solutions, including vertical industry specific solutions, significantly faster than building entirely customized software, and our Systems Evolution Toolset which is a tool that enables us to transform older software into newer technologies quickly and cost-effectively.

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- GLOBAL BUSINESS MODEL. Our international network of software development centers provides us with a significant cost advantage and the ability to provide 24-hour service to our clients. Many of our clients are linked by satellite communications to our offsite development centers, where we perform a substantial amount of each project's work.

This global network allows us to take maximum advantage of the time differences between our clients' offices and ours, creating a seamless, 24 hour "virtual workday" to speed project completion. Working during our clients' off-peak hours also often allows us to use the excess capacity of their existing computing facilities, enabling us to undertake additional projects without substantial client investment in new hardware and software. For projects with critically short time frames, our multiple shifts allow us to further accelerate delivery by "concurrent development" - working on many development phases simultaneously in different offices. Cost savings and efficiencies are further enhanced because we are able to spread the costs of satellite communications and infrastructure at these centers among multiple clients and projects.

Our international network of software development centers is supported by a separate network of sales and support offices located close to our client. Currently, we have 29 offices in the United States and 13 international sales offices, six of which are in Canada with the remainder in London, Paris, Frankfurt, Luxembourg, Bangalore, Sydney and Tokyo.

- TSQM. We use our proprietary Total Software Quality Management (TSQM) set of defined software development processes, techniques and tools to maximize the quality of our operations and client services, and to minimize project risks. For every project, we implement a two-staged approach that provides: (a) an extensive initial assessment of the project's scope and risks, and (b) a fixed-price implementation stage, divided into phases with frequent deliverables and client feedback. Continuously refined, TSQM allows us to detect, correct and mitigate quality defects and to establish appropriate contingencies for each project.

The responsibilities of completing each TSQM phase are allocated between an on-site and an off-site team to optimize cost savings and accelerate project delivery. The specific tasks allocated to each team member are determined principally by the amount of client interaction required. The initial, front-end phase, which may include business area analysis, technical strategy development, requirements definition and analysis, and high level technical architecture design, is completed by the on-site team. The implementation phase, which may include programming, unit and system testing, is largely performed via satellite link by our off-site teams.

Our TSQM process is based in part on software standards published by the Institute of Electrical and Electronic Engineers and the Software Engineering Institute (SEI) software engineering process models and ISO 9001 quality processes. To position us for future business from companies in Europe, and from international affiliates of our North American clients, our facilities in Bangalore and Mumbai, India; London, England; Paris France; and Belfast, Northern Ireland have achieved ISO 9001 certification. We are currently pursuing company-wide ISO 9001 and SEI certification.

GROWTH STRATEGIES

To enhance our position in the market, we believe it will be necessary for us to further develop our industry expertise and expand our component-based application offerings to those industries. To do that, we have identified several key strategies we intend to pursue.

- CONTINUE TO DEVELOP EXPERTISE IN SELECTED VERTICAL MARKETS. We will continue to build a comprehensive understanding of the business needs of our clients in our targeted vertical industries. We shifted from a traditional technology-based focus to an industry-based focus beginning in 1998. In part, we have built on our relationships and integrated the industry knowledge that we acquired from previous Year 2000 and other engagements into our new service offerings. Since then, we have continued to build our industry expertise by investing in industry-specific research and development, by acquiring companies with industry specific knowledge or technology and by hiring individuals with proven expertise in these industries. For example, in February 1999, we hired John Alexander, former CIO of Unum Life Insurance Company, as Director of our Insurance Vertical Practice. In addition, some of our acquisitions have provided us with additional expertise in vertical markets.

- ACQUIRE AND DEVELOP PRODUCTIVITY-ENHANCING SOFTWARE TOOLS. We continue to improve our proprietary software engineering methodologies and toolsets through a combination of strategic acquisitions and internal research and development. In May 1998, we acquired Lyon Consultants which provided us

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with core technologies in component-based architectures, which, we believe, will be the dominant development technology over the next several years. We continue to enhance the technology we use to transform older software into newer technologies with licensing agreements and continued investments in research and development.

- DEVELOP LONG-TERM STRATEGIC PARTNERSHIPS WITH CLIENTS. A key element of our strategy is to expand the scope of the services that we provide to each client with the goal of forging lasting strategic partnerships with them. By striving to exceed our client expectations and delivering projects on time and on budget, we have been successful in retaining clients and converting projects into additional engagements. Our significant investment in the technology necessary to support our clients' business strategies and the addition of new services such as E-business and component-based development, should help us further to develop their loyalty and trust and should provide us with the ability to sell additional services to our existing clients as well as to attract new clients. To underscore our commitment to our clients, we actively solicit feedback with client satisfaction surveys, consultant performance surveys and regularly scheduled client meetings with senior management. We also link a substantial portion of our senior executives' performance based compensation directly to client satisfaction.

- CONCENTRATE ON KEY TECHNOLOGIES. We continue to focus on obtaining the most advanced software development technologies. The acquisition of ECWerks in January 1999 provided us with enhanced capabilities to design, develop and deliver large-scale solutions in the electronic commerce market. We also utilize software provided by companies such as Forte Software, Inc., in addition to our internally developed toolsets in offering the most advanced technology solutions. We conduct on-going personnel training to ensure that our employees are up to date in key technology areas.

- EXPAND GEOGRAPHIC PRESENCE. As we continue to expand our client base, we intend to open additional regional offices in other geographic areas. We have eight software development facilities around the world and 42 sales offices, of which 22 were added in 1999.

- PURSUE SELECTIVE STRATEGIC ACQUISITIONS. Our acquisition strategy is to select companies with well- established client bases, a strong cultural fits and one or more of the following criteria:

- Geography - located where we want to increase our global presence
- Technology - significant expertise in new technologies
- Vertical - specific industry expertise in one of our targeted verticals

By acquiring companies that meet these requirements, we believe we can create opportunities to sell additional products and services throughout our client base. For example, component development solutions obtained from Lyon have been sold to our existing clients in the United States, and some of our core services have been sold to Lyon's clients in France.

Our most significant acquisitions over the last two years met our requirements as follows:

<TABLE>
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	Geography	Technology	Vertical
<S>	<C>	<C>	<C>
1999			
Orion	--	--	--
PLP	--		--
Fusion	--	--	--
ECWerks		--	
Atechsys	--		--
1998			
Visual	--	--	
RHO	--	--	

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Lyon	--	--

</TABLE>

- LEVERAGE TACTICAL OPPORTUNITIES. We intend to continue to identify tactical opportunities and use them to sell additional products and services to our clients. Our Year 2000 and European Monetary Union (Euro) conversion services are examples of tactical opportunities we have used to develop new business.

OUR SERVICE OFFERINGS

- BUSINESS CONSULTING. We provide vertical industry business experience such as helping our healthcare clients by simplifying complex business issues in the healthcare industry, evaluating their financial and operational performance and supplying advice in the ever-changing healthcare industry. Our healthcare consultants have a national reputation as experts in healthcare payment methodologies and help our clients to improve the quality of their services, increase productivity and reduce costs. We have been significantly increasing our vertical industry business expertise in each of our targeted verticals by hiring people with extensive experience in particular vertical industries and by acquiring companies that focus exclusively on a particular vertical industry.

- IT STRATEGY FORMULATION. By combining vertical industry business expertise with our technological experience, we are able to assist our clients in formulating effective IT strategies that best match the business objectives of our clients. For example, we assisted Baylor College of Medicine in a strategic software selection and subsequently established a project management office that supported the on-time implementation of that selection.

- E-BUSINESS SOLUTIONS. We help clients design and implement solutions involving the Internet and electronic commerce. This service includes the development of Internet strategies, management of web content and training. Our senior E-commerce consultants assist clients in understanding the opportunities, procedures and technologic challenges associated with conducting electronic commerce. Our technical staff concurrently design, develop and implement the underlying technologies supporting the E-business initiative, using state-of-the-market development technologies. The scope of E-business projects includes: web retailing, client extranets, online service centers, supply chain optimization, electronic data interface, corporate intranets, back office integration, sales force extranets and knowledge base management.

- APPLICATION MODERNIZATION/TRANSFORMATION. We have developed a proprietary methodology for deploying new technologies and managing the successful transformation of mainframe systems with new technologies. Our TRANSFORM series of re-engineering tools automate many of the processes required, thereby substantially reducing the time and cost to perform these services. These "productivity tools" enable us to perform source code analysis, redesign target databases and convert certain programming languages.

- APPLICATION MANAGEMENT AND SUPPORT. We have four distinct processes for our application management and support services:

- CORRECTIVE MAINTENANCE requires software failures to be diagnosed and fixed as they occur. These failures can directly affect business operations and require the highest level of support. Quick fixes

and poor documentation often result in increased code complexity and increased future maintenance costs.
- ADAPTIVE MAINTENANCE requires software modification to support changing business requirements or changing technical environments. This includes user enhancements, operating system upgrades and other outside improvements. Enhancement backlogs are generally the biggest source of concern for IT management.
- PERFECTIVE MAINTENANCE involves modifications to application systems to improve performance, without changing the basic system.
- PREVENTIVE MAINTENANCE identifies and eliminates the maintenance problems that create the need for corrective maintenance. Year 2000 compliance services are forms of preventive maintenance.

- COMPONENT-BASED VERTICAL INDUSTRY SOLUTIONS. Using an approach similar to the popular Lego-REGISTERED- -building block approach, we utilize

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reusable, industry-specific software components to quickly build vertical industry specific applications for our clients. These pre-built, pre-tested software components, along with components customized for company specific purposes, are assembled in significantly less time than building an application from scratch and provide clients a solution that fits their business better than a packaged solution. This approach can be used to deliver projects on an accelerated basis for selected platforms, avoiding the functional shortcomings of traditional standardized, pre-packaged software solutions or the time and cost of developing completely new custom solutions.

- COMPONENT-BASED APPLICATION DEVELOPMENT. We utilize reusable technical and generic business components to quickly build applications for our clients. This approach can be used to deliver highly customized applications on an accelerated basis where no pre-packaged software solution exists. For example we recently built a supply chain management and billing system for CGM, a large European shipping company, using this approach. We also develop customized applications using our world wide development centers in significantly less time than building an application from scratch.

In addition, we provide Year 2000 services to support the ongoing needs of our clients and Euro conversion services to help large international companies and organizations transition to the Euro currency. We also provide programming services on a time and materials basis. In addition to staffing our client's short-term needs, our objective is to leverage professional staffing engagements to learn more about the client's business and IT system needs and position ourselves to provide additional services.

REPRESENTATIVE CLIENTS

INSURANCE	CAPITAL MARKETS	HEALTHCARE
AMPlus	Merrill Lynch	Health Plan Services
CGU Insurance	Morgan Stanley	Blue Cross/Blue Shield
John Hancock Mutual Life	Schroders International	Foundation Health System
Reliastar	Banque National de Paris	American Medical Association

UTILITIES	MEDIA AND COMMUNICATIONS	RETAIL AND MANUFACTURING/ DISTRIBUTION	OTHER
Ameritech	EBSCO Industries	Blockbuster	Amtrak
SAUR	Thompson EC Resources	Dayton Hudson	TWA
Southern California Edison		Fingerhut	Mitsui
Salt River Project		Winn Dixie	CGM
		Dow Corning	
		Michelin	
		Renault	

SALES AND MARKETING

We market and sell our services directly through our professional staff and senior management operating at our United States and international regional offices and sales branch offices. We focus our marketing efforts on

large corporations within our six targeted vertical industries that have significant IT budgets and recurring staffing or software development needs. Marketing personnel identify prospects and enter the information into a database which is consistently maintained. Direct sales representatives utilize these records to initiate the sales cycle from prospect qualification to closing. As a result, we can prequalify sales opportunities and minimize the time that direct sales representatives spend on prospect qualification.

Our marketing programs include direct mail campaigns, advertising, seminars, conferences and other activities. The sales executive and technical support teams define the scope, deliverables, assumptions and execution strategies for a proposed project. They also develop project estimates, prepare pricing, margin, and cash flow analyses, and finalize sales proposals. Management reviews and approves the proposal, then the sales staff presents the proposal to the prospective client. Sales personnel are actively involved throughout the execution phase.

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As we expand in Europe and Asia, we will consider establishing branch sales offices to pursue business opportunities in these regions.

INTELLECTUAL PROPERTY

Our business consists of software applications development and other deliverables including written specifications and documentation in connection with specific client engagements. Ownership of these products is generally retained by or assigned to the client. We also develop reusable software components and vertical industry component libraries for application development, as well as certain software toolsets and proprietary methodologies. Many are developed in one country and subsequently used in another country. Furthermore, we maintain trademarks and service marks in our various service offerings. To protect our intellectual properties, we rely on copyright and trade secret laws, nondisclosure and other contractual arrangements, and technical measures.

COMPETITION

The IT services market is highly competitive and is served by numerous national, regional and local firms. Our clients generally consist of large corporations principally in the insurance, capital markets, utilities, healthcare, retail, manufacturing and distribution, and media and communications industries. Many of our competitors are aggressively pursuing business from these entities. In addition to in-house IT departments, market participants include systems consulting and integration firms, professional service companies, applications software firms, temporary employment agencies, professional services divisions of large integrated manufacturing and other companies, facilities management and outsourcing companies, accounting and business consulting firms such as the "Big 5" and related entities.

We believe that many of our competitors have significantly greater financial, technical and market resources and generate greater revenue than we do. We compete by offering component-based software products, a successful services delivery model, excellent referral base, continued focus on client needs, quality of services, competitive prices and strong project management capabilities and technical expertise.

HUMAN RESOURCES

As of June 30, 1999, we had approximately 2,900 employees, including approximately 1,800 people in our United States, U.K., France, Japan, Canada and Australian headquarters and branch offices, and approximately 1100 in our software development centers in India and Northern Ireland. Additionally, we had approximately 200 independent contractors performing various services. None of our employees are subject to a collective bargaining arrangement, except for approximately 200 employees in France.

As of the end of July 1999, approximately 500 of our United States employees were working under the H-1B non-immigration work permitted visa classification, which we processed for those employees through the United States Immigration and Naturalization Service. The H-1B visa classification enables United States

employers to hire qualified foreign workers in positions which require education at least equal to a United States baccalaureate degree in specialty occupations such as software systems engineering and systems analysis.

We believe that there is a shortage of, and significant competition for, IT professionals and that our future success will depend in large part upon our ability to attract, train, motivate and retain highly skilled employees with the advanced technical skills necessary to perform the services we offer. We have active recruiting programs in North America, Europe, Australia, India and certain other countries and have developed a recruiting system and database that facilitates the rapid identification of skilled candidates. We also have adopted a career and education management program working with employees to define their objectives and career plans. Through an intensive orientation and training program, we introduce new employees to our TSQM software engineering process and our products and services.

PROPERTIES

The following table sets forth a description of our principal facilities:

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Location	Square Feet (Approx.)	Owned/ Lease Expiration Date	Function

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Clearwater, Florida	51,000	Owned	Corporate headquarters and software development facility
London (Chesham),England	12,500	March 2013	U.K. headquarters and software development facility
Howell, New Jersey	22,700	September 1999 - July 2003	Insurance facility
Bangalore, India	66,000	June 2000	Software development facility
Belfast, Northern Ireland	14,500	September 2002	Software development facility
Cleveland, Ohio	30,900	September 2007	Healthcare industry facility
Mumbai, India	28,000	Owned	Software development facility
New Delhi, India	28,000	Owned	Future facility
Paris, France	18,900	May 2005	France headquarters and software development facility
Paris, France	5,600	October 2000 - November 2001	European Capital Market Industry facility
Sydney, Australia	6,800	May 2002	Australian headquarters and software development facility
Toronto, Canada	6,300	October 2002	Canada headquarters
Tokyo, Japan	16,200	January 2001	Japan headquarters and software development facility
Tampa, Florida	20,000	January 2004	ECWerks headquarters

In 1998, we purchased approximately 15 acres in Clearwater, Florida for the purpose of constructing a headquarters complex. In July 1999, we took possession of land and our 51,000 square foot headquarters building. A second 80,000 square foot building is scheduled for completion in January 2000. The second building will also house the entire research and development team that is currently housed in Clearwater, France, Australia and India. The property has room for two additional buildings and a parking garage if further development is needed. In connection with taking possession of the headquarters building in Clearwater, the Tampa, Florida ECWerks headquarters is being vacated and employees are moving to the headquarters in Clearwater.

The leases for our facilities in Bangalore, Belfast, Paris (headquarters) and Toronto contain options to extend the term for an additional five years.

We own the building at our software development facility in Mumbai, India and we lease the land through March 2096. We own land and a building in New Delhi, India which may be renovated to house a future facility.

In addition, we lease branch offices, which are used primarily for sales and marketing purposes, in Atlanta, Boston, Chicago, Dallas, Detroit, Los Angeles, Minneapolis, New York, Seattle, Boston, Denver, Greenville, Jacksonville, Ashburn, Cincinnati, Clifton Park, Deerfield Beach, Harrisburg, Kansas City, Midlothian, New Iberia, Pittsburg, San Francisco, Saratoga Springs, St. Louis, Tempe in the United States, Montreal, Quebec City, Winnipeg, Calgary and Vancouver in Canada, Frankfurt, Germany and Luxembourg.

LEGAL PROCEEDINGS

We are not a party to any pending material litigation.

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