SYKES ENTERPRISES INC

FORM 10-K405
(Annual Report (Regulation S-K, item 405))

Filed 03/16/98 for the Period Ending 12/31/97

Address	400 NORTH ASHLEY DRIVE TAMPA, FL 33602
Telephone	8132741000
CIK	0001010612
Symbol	SYKE
SIC Code	7373 - Computer Integrated Systems Design
Industry	Computer Networks
Sector	Technology
Fiscal Year	12/31

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(Annual Report (Regulation S-K, item 405))

Filed 3/16/1998 For Period Ending 12/31/1997

Address	100 NORTH TAMPA ST STE 3900
	TAMPA, Florida 33602
Telephone	813-274-1000
CIK	0001010612
Industry	Computer Networks
Sector	Technology
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___________ to __________

Commission File Number 0-28274

SYKES ENTERPRISES, INCORPORATED
(Exact name of registrant as specified in its charter)

Florida (State or other jurisdiction of incorporation or organization)	56-1383460 (IRS Employer Identification No.)
100 N. Tampa Street, Suite 3900, Tampa, Florida (Address of principal executive offices)	33602 (Zip Code)

(813) 274-1000
(Registrant's telephone number, including area code)

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

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

Title of Each Class
Voting Common Stock $.0l Par Value

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

Indicate by check mark if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

As of March 11, 1998, there were outstanding 39,109,262 shares of Common Stock. The aggregate market value of the voting stock held by non-affiliates of the registrant based on the last sale price reported on the Nasdaq National Market as of March 11, 1998 was $387,161,318.

DOCUMENTS INCORPORATED BY REFERENCE:

Documents	Form 10-K Reference
Portions of the 1997 Sykes Enterprises, Incorporated Annual Report	Part II Items 5-8
Portions of the Proxy Statement dated March 30, 1998	Part III Items 10-13

Exhibit Index is on Page 27.

Sykes Enterprises, Incorporated

Form 10-K Annual Report

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Certain matters discussed or incorporated by reference in this report are forward-looking statements within the meaning of the federal securities laws. Although the company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, there can be no assurance that its expectations will be achieved. Factors that could cause actual results to differ materially from the Company's current expectations include the loss of a significant customer; the inability of the Company to mange its growth; risks associated with the Company's international operations, general economic conditions, and other risks discussed elsewhere in this report.

PART I

Item 1 Business

Sykes Enterprises, Incorporated ("Sykes" or the "Company") provides a wide array of information technology ("IT") outsourcing services, including information technology support services, information technology development services and solutions, and software fulfillment. The Company's services are provided at various stages during the life cycle of computer hardware and software products. Through its state-of-the-art IT call centers, the Company provides information technology support services (i) to leading computer hardware and software companies by providing technical product support services to end users of their products and (ii) to major companies by providing help desk services to their employees. The Company also provides fulfillment services to computer hardware and software companies including design, replication, material integration, packaging and distribution. In addition, through its staff of technical professionals, the Company provides information technology development services and solutions to large corporations, on a contract or temporary staffing basis, including software design, development, integration and implementation; systems support and maintenance; and documentation, foreign language translation and software localization. The integration of these services provides Sykes customers the opportunity to outsource a broad range of their information technology services needs to the Company.

In 1993, in an effort to capitalize on the trend toward outsourcing information technology services, the Company focused its strategic direction exclusively on the information technology services marketplace and broadened its array of services. Pursuant to this strategy, the Company began providing information technology support services by opening IT call centers. Revenues from information technology support services have grown rapidly through the opening of two domestic IT call centers in 1994, two in 1995, three in 1996, and one in 1997. The domestic IT call centers are stand-alone facilities, each modeled after the same prototype. The Company's strategy of locating its domestic IT call centers in smaller communities, typically near a college or university, has enabled the Company to benefit from a relatively low cost structure and a technically proficient, stable work force. In addition to its domestic IT call centers, internationally the Company has opened one call center in 1994, and two during 1997. Additional international IT call centers were obtained as part of acquisitions, of which one was acquired during 1996 and eight were acquired during 1997. The Company estimates that the IT call centers will have the capacity to process in excess of 140,000 calls per day in the aggregate, up from 7,000 calls per day in January 1994, from users of hardware and software products seeking technical assistance.

The Company believes that outsourcing by information technology companies and companies with information technology needs will continue to grow as increasing competition encourages businesses to focus on their core competencies rather than non-revenue producing activities. Rapid technological changes, significant capital requirements for state-of-the-art technology, and the need to integrate and update complex information technology systems spanning multiple generations of hardware and software components make it increasingly difficult for businesses to cost-effectively maintain quality information technology services in-house. To capitalize on this trend toward outsourcing, the Company has developed a strategy which includes the following key elements: (i) expand information technology support services revenues through additional IT call centers; (ii) market the Company's expanded customer care services to existing and new customers to position Sykes to become a preferred vendor of outsourced services; (iii) establish a competitive advantage through the Company's proprietary, sophisticated technological capabilities; and (iv) expand its international customer base through strategic alliances and selective acquisitions.

Sykes was founded in 1977 in North Carolina and moved its headquarters to Florida in 1993. In March 1996, Sykes changed its state of incorporation from North Carolina to Florida.

Industry Background

In today's rapidly changing technological environment, consumers and businesses require a variety of information technology services in order to effectively use and manage their complex information technology systems, including technical support, software development and information systems integration and management. Many companies' computer systems incorporate a variety of hardware and software components which may span a number of technology generations. For example, a company may use client/server systems or mainframe or midrange hardware platforms running a variety of operating systems, software applications and relational databases. Information technology services have become much more important in this environment as information technology departments strive to integrate a company's information processing capabilities into a single system while providing the flexibility to change with technological innovations.

These technological changes are making it increasingly difficult and expensive for companies to maintain in-house the necessary personnel to handle all of their information technology needs. Hardware and software companies, as well as businesses utilizing their products, are increasingly turning to third party vendors to perform specialized functions and services. Outsourcing of (i) product support functions by leading hardware and software companies, (ii) employee help desk functions by major companies, and (iii) other information technology services such as software design and systems integration and management, is growing rapidly because of the following factors:

- Increasing need for companies to focus on core competencies rather than non-revenue producing activities;

- Rapid technological changes requiring personnel with specialized technical expertise;

- Growing capital requirements for sophisticated technology necessary to provide timely product support and help desk functions;

- Increasing need to integrate and continually update complex systems incorporating a variety of hardware and software components spanning a number of technology generations;

- Extensive and ongoing staff training and associated costs required to maintain responsive, up-to-date in-house technical support and information technology services; and

- Cost savings from converting fixed employee costs to flexible, variable costs.

In the face of rapid technological change, large corporations also find it increasingly difficult and expensive to service all of their own information technology needs through in-house personnel. Gartner Group, an information technology advisory firm, predicts that more than 40% of companies with internal help desks will outsource a portion of this function by 1998, compared with 15% in 1995.

As the outsourcing of technical product support, help desk and other information technology services has gained acceptance, many companies also are seeking to consolidate the number of vendors which provide them with these services. Accordingly, providers of information technology outsourcing services must offer a wide array of services to maintain a preferred vendor relationship with their customers. Sykes believes its broad range of services will allow it to capitalize on this trend.

Strategy

The Company's objective is to continue its growth and to become a leading provider of a wide variety of information technology outsourcing services by being responsive to and providing skilled personnel for its clients' long-term outsourcing needs. The Company's principal strategies for achieving this objective are as follows:

Expand Through Systematic Addition of IT Call Centers. The Company has grown utilizing a strategy of both internal growth and external acquisitions. This plan has resulted in an increase from three IT call centers in 1994 to twenty IT call centers as of December 31, 1997. The Company has built six domestic IT call centers between October 1995 and September 1997 and acquisitions have included the IT call center acquired through the Datasvar acquisition, the IT call center acquired through the Telcare acquisition, the three IT call centers acquired through the TAS acquisitions, and the four IT call centers acquired through the McQueen acquisition. In addition, the Company has expanded its international operations through the IT call centers added in Sunninghill, South Africa and Les Ulis, France during 1997. The Company's IT call centers currently have the capacity to handle up to approximately 36 million calls per year. Sykes has systematized the establishment and ongoing operation of its domestic IT call centers by: (i) locating the centers in smaller communities, near a college or university, with a relatively low cost structure and a technically proficient, stable work force; (ii) constructing the IT call centers modeled after the same prototype; (iii) utilizing standardized procedures to hire and train technicians; and (iv) maintaining consistently responsive, high quality services through call monitoring and tracking technology and other quality assurance procedures. The Company's systematic approach and procedures are part of its strategy of providing responsive, high quality support at a lower cost than the Company's competitors.

Position Sykes as a Preferred Vendor. The Company intends to cross-market its expanded array of information technology services to existing customers and to continue to provide consistently high quality services to new and existing customers in order to position the Company as a preferred vendor of outsourced services. Sykes believes that its ability to work in partnership with its customers during the life cycle of their information technology products and systems, from software design and systems implementation, through technical documentation and foreign language translation, to product fulfillment including packaging and distribution, to end user technical product support, gives it a competitive advantage to become the provider of choice to its customers. Sykes has expanded the services it provides, such as help desk, diagnostic support services and fulfillment, through its existing relationships with Fortune 500 companies, particularly those customers using the Company's services to satisfy all or part of their information technology development services and solutions needs.

Capitalize on Sophisticated Technology. The Company seeks to establish a competitive advantage by continuing to capitalize on its sophisticated and specialized technological capabilities, including PBX switches, automatic call distributors, call tracking software and computer-telephone integration. These capabilities allow its IT call centers to serve as the transparent extension of the Company's customers, receive telephone calls and data directly from its customers' systems, and report detailed information concerning the status and results of the Company's services on a daily basis. The Company's sophisticated technology and systems, which the Company is able to upgrade periodically because of their open architecture, enable the Company to provide high response rates at a low cost per transaction.

The Company's strategy is to continue to develop or acquire other technologies that complement its technical product support functions. For example, the Company intends to integrate the capabilities of it's sophisticated diagnostic proprietary software with Sykes IT call centers to further enhance the efficiency and quality of the Company's information technology support services, and believes that enhancements to this software will enable it to access and offer information technology support services directly to the home and small business markets.

Growth Through Strategic Alliances. The Company intends to expand its customer base, geographic presence and the information technology services Sykes provides by forming strategic alliances with other information technology service providers, particularly those who do not provide labor intensive technical support. For example, information technology services providers such as systems integrators increasingly are seeking partners to whom they can outsource the help desk requirements of their customers. The Company continues to actively seek help desk contracts with such providers.

Growth Through Selective Acquisitions. The Company intends to continue to acquire complementary businesses to increase market share, expand its services, enter key industry sectors and expand its geographic presence. Through December 31, 1997 the Company has completed eight such strategic acquisitions since its initial public offering in April 1996. The Company believes it can expand the scope and quality of its information technology support services by acquiring companies with IT call centers in international markets which provide quality technical support for leading computer hardware and software companies, as well as companies which enhance its ability to provide such services. The Company further believes that significant opportunities exist to acquire organizations which provide information technology services within the Company's strategic focus of emerging technology industries, such as banking and telecommunications industries in which the Company primarily does not currently compete. The information technology services industry is highly fragmented. Many of these local firms may be attractive acquisition candidates because they would enable Sykes to expand existing service offerings or open new geographic offices.

Services

The Company provides a wide array of information technology outsourcing services, including information technology support services and information technology development services and solutions. The following is a description of Sykes' outsourcing services:

Technical Product Support. Sykes provides technical product support services by telephone (24 hours a day, 7 days a week) to end users of the products of hardware and software companies through its nine stand-alone IT call centers in the United States and eleven international call centers located in Europe, South Africa and the Philippines. Consumers of hardware or software products of Sykes' customers dial a technical support number listed in their product manuals and are automatically connected to an IT call center technician who is specially trained in the applicable product and acts as a transparent extension of the hardware or software company in diagnosing problems and answering technical questions. The IT call centers also provide technical product support by electronic mail and electronic bulletin boards. The IT call centers in Europe provide support in 11 languages to 20 European countries.

As a result of a strategic alliance with SystemSoft Corp., the Company provides a modular bundled call center support management software product, (ETSC-Electronic Technical Support Center) that integrates communication and remote control technology with hardware and software diagnostic tools to provide end users a total support solution. This technology capability allows a user, with ETSC loaded on their computer, to connect to a technical support technician located in a Sykes call center at the mouse click of an icon. Once connected the end user can receive support from traditional voice response means or the technician, with the user's authorization, can remotely fix the computer system directly from the call center.

The Company also develops and markets the proprietary hardware diagnostic software for use by manufacturers, professional service personnel and end users. Proprietary diagnostic products are developed and marketed for use with a variety of operating systems which include software used by personal computer manufacturers for quality assurance and pre-installed or bundled software used by professional service personnel and end users for verifying component functionality, troubleshooting, resolving hardware and software conflicts and hardware repairs.

Help Desk Services. The Company provides help desk services to major companies, at their facilities or through the IT call centers, that have outsourced technical support for their internal information technology systems. Employees of Sykes' customers telephone the help desk number provided to them by their employer for technical assistance. Trained technicians dedicated to a specific customer answer questions and diagnose and resolve technical problems ranging from a simplistic error message to a wide area network failure.

Software fulfillment. The Company provides fulfillment services to computer hardware and software companies. These services include design, replication, printing documentation, material integration, packaging and distribution. The products are distributed to various levels of the distribution chain as directed by the customer.

Software Design, Development, Integration and Implementation. Sykes' professional personnel provide software application design services geared toward the development of a functional and technical blueprint for a client's desired software application. These professionals identify applicable business processes supported by an application and its related functions, determine end user requirements and prepare a comprehensive plan for developing and implementing the application. They also develop custom software necessary to operate a desired application, integrate the application into the customer's existing information processing architecture, test the functionality of the application and assist the customer in training its personnel to use the application.

Software Localization and Documentation Development. Sykes also specializes in the development of product information for high-tech companies worldwide. Through its software localization, translation, technical documentation, and on-line information development services, Sykes provides turnkey solutions to help customers deliver their products to worldwide markets. Localization services include cultural adaptation, language translation, interface modification and international testing in over 24 languages. Technical documentation and on-line development services are provided in many leading formats (DOC, RTF, HTML, SGML) and a variety of platforms (Windows, Mac, Unix).

Systems Specialization and Maintenance. Sykes' professional personnel provide a variety of services designed to support and maintain client/server systems and mainframe and midrange platforms. These services include systems administration, maintenance and management support, applications enhancement and training services.

Retail Solutions. The Company provides design, programming, licensing and support of software solutions for the retail industry. These retail solutions, FS Pro (future store professional) Marketplace and FS Pro Chainstore 400 provide retail users advanced back office and point-of-sale technology including electronic ordering and receiving, cash management, sales analysis, inventory and price management, and complete hand-held RF-based functionality.

Operations

IT Call Centers. The Company's strategy in the United States is to locate its IT call centers in smaller communities with similar demographic characteristics, typically near a college or university. The Company believes these characteristics tend to provide a well-educated, technically proficient employee pool from which to attract qualified candidates. These locations also tend to have lower labor and infrastructure costs than large metropolitan areas.

New IT call centers are established to accommodate anticipated growth in the Company's business or in response to a specific customer need. The Company believes that additional IT call centers will be established in the United States and Europe and potentially in Asia.

A typical domestic IT call center is approximately 42,000 square feet, has 425 work stations and can handle 12,000 calls per day. The IT call centers employ current technology in PBX switches, call tracking software, telephone-computer integration, interactive voice response and relational database management systems that are integrated into centrally managed local area networks and wide area networks. The Company's sophisticated equipment and technology enable it to serve as the transparent extension of its customers at a low cost per transaction and provide its customers with immediate access to the status and results of the Company's services. Due to its modular, open system architecture, the Company's computer system allows timely system updates and modifications. The Company utilizes sophisticated call tracking software and systems to provide efficient scheduling of personnel to accommodate fluctuations in call volume.

Automated call distributors and digital switches identify each call by the number dialed and automatically route the call to a technician with the applicable knowledge and training. The technical product support calls are routed directly from the end user to the IT call center or are overflow calls routed from the client's place of business.

IT call center systems capture and download to permanent databases a variety of information concerning each call for reporting on a daily basis to customers, including number and duration of calls (which are important for billing purposes), response time and results of the call. Summary data and complete databases are made available to the customer to enable it to monitor the level of service provided by the Company, as well as to determine whether end users of its products are encountering recurring problems that require modification. The databases also provide Sykes customers with considerable marketing information concerning end users, such as whether the user is a home or business user and regional differences in purchasing patterns or usage. The Company maintains tape backups and offsite storage to assure the integrity of its reporting systems and databases.

The IT call centers are protected by a fire extinguishing system and backup generators and short-term battery backup in the event of a power outage, reduced voltage or power surge. Rerouting of telephone calls to one of the other IT call centers is also available in the event of a telecommunications failure, natural disaster or other emergency. Security measures are imposed to prevent unauthorized access. Software and related data files are backed up daily and stored off site at multiple locations. The Company carries business interruption insurance covering interruptions that might occur as a result of damage to its business. In addition, the Company believes that it has adequate arrangements with its equipment vendors pursuant to which damaged equipment can be replaced promptly.

Fulfillment Centers. Sykes has expanded its fulfillment services during 1997 through an acquisition. Sykes has two fulfillment centers located in the United States and six fulfillment centers located in Europe. Through these centers, the Company offers a broad range of brands in each of the product categories it covers. By stocking a broad mix of products, Sykes meets the needs of customers who prefer to deal with a single source for many of their product needs. Sykes is continually evaluating new products, the demand for current products, and its overall product mix.

Offices. Sykes' professional personnel are assigned to one of the Company's fourteen offices, which are located in metropolitan areas throughout the United States and Europe in order to be closer to their major customers. Each office is responsible for staffing the professional personnel needs of customers within its geographic region and customers referred from other offices based on specialized needs. These offices give Sykes the ability to (i) offer a broad range of professional services on a local basis, and (ii) respond to changing market demands in each geographical area served. The number of professionals assigned to each office ranges from 3 to 150.

Each office is staffed with one or more account executives whose goal is to become the client's partner in evaluating and meeting the client's information technology needs. The account executive's primary responsibilities include: client development; understanding and identifying clients' information technology service needs; working closely with recruiters to staff assignments appropriately; setting billing rates for each assignment; and monitoring ongoing assignments. Each account executive is responsible for between four and ten active corporate accounts, some of which may involve several projects with multiple operating units of a particular company. The account executive cultivates and maintains relationships with the client's chief information officer and numerous department and project managers within the client's organization.

The account executive has responsibility for staffing an assignment on a timely basis. Upon receiving a new assignment, the account executive prepares a proposal with assignment specifications and distributes the proposal to a recruiter who is familiar with the professionals who have the expertise required for the assignment. The account executive reviews the recruiter's recommended candidates, submits the resumes of qualified employees and other available candidates to the client and schedules client interviews of the candidates. Typically, an assignment is staffed within five working days. For certain clients with whom the Company has long-term relationships, account executives are given sole responsibility for staffing assignments with little or no client involvement in the decision.

Quality Assurance

The Company carefully trains, monitors and supervises its employees to enhance efficiency and quality of its services. The training of new technicians at the IT call centers is conducted in-house through certified trainers or by professionals supplied by the Company's customers. The Company actively recruits highly skilled professionals to staff specific assignment needs of its information technology development services and solutions customers. Generally, employees also receive ongoing training throughout the year to respond to changes in technology.

An IT call center manager supervises project leaders, team leaders and technicians dedicated to individual customer accounts. Each team leader at the IT call centers monitors approximately ten technicians. A project leader supervises a particular customer's account by monitoring calls and reviewing quality standards. Using the Company's proprietary, sophisticated call tracking software, the project leader monitors the number of calls each technician handles, the duration of each call, time between calls, response time, number of queries resolved after the first call and other statistics important in measuring and enhancing productivity and service levels. Remote and on-site call monitoring systems and on-line performance tracking are used to enhance high quality services. Customers have daily access to a variety of measures of service performance tracked by the Company's technology and can monitor calls directly through the Company's remote call monitoring systems.

The Company emphasizes a team approach in order to provide high quality, customized solutions to meet its clients' information technology development services and solutions needs. The central role in this team approach is provided by the Company's account executives and recruiters who work together to achieve a successful relationship between the client and the Company's professionals. The team shares information on active and prospective clients, reviews the availability of professionals and discusses general market conditions. Such forums enable the teams to remain informed and knowledgeable on the latest technologies and to identify business development opportunities as they emerge.

The Company is committed to providing its customers with the highest quality services. To that end, the Company's IT call center in Sterling, Colorado has received ISO 9002 certification, an international standard for quality assurance and consistency in operating procedures. The Company's other locations are ISO 9002 compliant, but not certified. The Company anticipates that ISO 9002 certification may become a factor to organizations outsourcing their technical product support or help desk functions. Consequently, the Company has modeled each IT call center after ISO 9002 procedures to achieve consistency and quality. In addition, the Company received the 1995, 1996 and 1997 STAR Award in the highest call volume category. This award has been presented annually since 1988 by the Software Support Professionals Association (SSPA) to the software support company that achieves superior customer satisfaction and call metrics.

Sales and Marketing

The Company's marketing objective is to develop long-term relationships with existing and potential clients to become the preferred vendor of their information technology outsourcing services. Sykes believes that its significant client base provides excellent opportunities for further marketing of its broad range of capabilities. The Company markets its information technology services through a variety of methods, including client referrals, personal sales calls, advertising in industry publications, attending trade shows, direct mailings to targeted customers, telemarketing and cross selling additional services to existing clients. The Company currently employs 77 people in its direct sales force.

As part of its marketing efforts, the Company invites potential and existing customers to visit the IT call centers, where the Company demonstrates its sophisticated telecommunications and call tracking technology, quality procedures and the knowledge of its technicians. The Company also demonstrates its ability to quickly accommodate a new customer or a significant increase in business from an existing customer by emphasizing its systematic approach to establishing and managing IT call centers.

The Company also emphasizes account development to strengthen its relationships with its customers. Sales representatives and account executives are assigned to a limited number of accounts in order to develop a complete understanding of each customer's particular needs, to form strong customer relationships and encourage cross selling of other services offered by the Company. Account executives also receive incentives for cross selling the Company's services.

The Company's fulfillment services sales force is composed of field sales representatives who manage relationships with the accounts. In addition, the Company has inside customer sales representatives who receive product orders and answer customer inquiries. The Company will process the order and ship the product from the appropriate fulfillment center. Fulfillment services are generally billed to the client based on a per unit basis.

Technical product support services provided through IT call centers generally are billed to the client based on a fee per call, rate per minute or time and material basis. As a result of the significant infrastructure costs required for each IT call center, the Company requires a minimum billing amount to facilitate planning and capital needs. Help desk services usually are billed at a flat rate per employee per month, with the per employee charge varying depending on the customer's total number of employees and the complexity of its information systems.

Information technology development services and solutions engagements generally are billed on a time and material basis. Sykes is expanding its efforts to obtain contracts with customers lasting six months or longer to increase recurring revenues, maximize utilization of professional personnel and enhance long-term relationships. The Company also is attempting to obtain contracts to provide for the management of a customer's entire information technology project, rather than providing professionals to staff a client-managed project, with a view to enhancing profit margins through the provision of value-added management services.

Retail solutions are marketed by both in-house direct sales staff and through a remarketing agreement with IBM reached late in 1997. With IBM, the Company has effectively increased its marketing program by approximately 150 sales people. The solutions are sold on a per license or location basis and often include computer hardware equipment.

Customers

The Company has customers in the United States, Canada, Europe and South Africa. The Company's customers include Fortune 500 corporations and leading hardware and software companies. The Company believes its nationally recognized customer base presents opportunities for further cross-marketing of its services.

Adobe Systems Incorporated, which became a customer as a result of the McQueen acquisition during 1997, accounted for 13%, 13% and 11% of the Company's consolidated revenues for the years ended December 31, 1995, 1996 and 1997, respectively. The Company's loss of (or the failure to retain a significant amount of business with) its key customer could have a material adverse effect on the Company. The Company's largest ten customers accounted for approximately 44% of the consolidated revenues in 1997. Generally, the Company's contracts are cancelable by each customer at any time or on short-term notice, and customers may unilaterally reduce their use of the Company's services under such contracts without penalty. Sykes provided services to approximately 500 customers during 1997.

Competition

The industry in which the Company competes is extremely competitive and highly fragmented. While many companies provide information technology services, management believes no one company is dominant. There are numerous and varied providers of such services, including firms specializing in call center operations, fulfillment, temporary staffing and personnel placement companies, language translation companies, general management consulting firms, major accounting firms, divisions of large hardware and software companies and niche providers of information technology services, many of whom compete in only certain markets. The Company's competitors include many companies who may possess substantially greater resources, greater name recognition and a more established customer base than the Company. In addition, the services offered by the Company historically have been provided by in-house personnel. The Company's also competes with other developers of software diagnostic tools, back office and point-of-sale applications, many of which have significantly greater financial, technical, marketing and other resources than the Company.

The Company believes that the most significant competitive factors in the sale of its services include quality and reliability of services, flexibility in tailoring services to customer needs, price, experience, reputation and comprehensive and integrated services. As a result of intense competition, information technology development services and solutions engagements frequently are subject to pricing pressure. Customers also require vendors to be able to provide services in multiple locations. Competition for contracts for many of Sykes' services takes the form of competitive bidding in response to requests for proposals.

Many of Sykes' large customers purchase information technology services primarily from a limited number of preferred vendors. Sykes has experienced and continues to anticipate pricing pressure from these customers in order to remain a preferred vendor. These companies also require vendors to be able to provide services in multiple locations.

Intellectual Property

The Company relies upon a combination of contract provisions and trade secret laws to protect the proprietary technology it uses at its IT call centers. Sykes relies on a combination of copyright, trademark and trade secret laws to protect it's proprietary software. The Company attempts to further protect its trade secrets and other proprietary information through agreements with employees and consultants. The Company does not hold any patents and does not have any patent applications pending. There can be no assurance that the steps taken by the Company to protect its proprietary technology will be adequate to deter misappropriation of its proprietary rights or third party development of similar proprietary software. Sykes(R) is a registered servicemark of the Company. Sykes holds a number of registered trademarks, including DIAGSOFT(R), QAPLUS/WIN(R), ETSC(R), FS PRO(R) and FS PRO MARKETPLACE(R).

Employees

As of March 1, 1998, the Company had 6,538 full-time employees, consisting of 77 in sales and marketing, 4,282 customer support technicians at the IT call centers, 1,130 technical professionals, 499 in fulfillment services and 550 in management, administration and finance.

The technical and service nature of the Company's business makes its employees an important corporate asset. While the market for qualified personnel is extremely competitive, the Company believes its relationship with its employees is good. The Company's employees with the exception of 157 employees in Scotland, are not represented by any labor union.

The Company believes that it gains a competitive advantage by locating its IT call centers in smaller communities in which they become an integral part of the local economy and labor force. The Company believes that personnel located in such communities can be employed at a lower overall cost than employees located in a metropolitan setting. Sykes IT call centers are located in communities near a college or university to provide a well-educated, technically proficient work force. Applicants are interviewed for technical skills as well as interpersonal skills.

The Company recruits its professional personnel through a continually updated recruiting network. This network includes a seasoned team of technical recruiters, a Company-wide candidate database, internet/newspaper advertising, candidate referral programs and job fairs. However, demand for qualified professionals conversant with certain technologies may outstrip supply as new skills are needed to keep pace with the requirements of customer engagements. Competition for such personnel is intense and employee turnover in this industry is high.

Executive Officers of the Registrant

The following table provides the names and ages of the Company's executive officers, and the positions and offices with the Company currently held by each of them:

Name	Age	Principal Position
John H. Sykes	61	President and Chief Executive Officer
Gordon H. Loetz	47	Executive Vice President and Chief Operating Officer
Scott J. Bendert	41	Senior Vice President-Finance, Treasurer, and Chief Financial Officer
Keith L. Gibson	38	Senior Vice President-Worldwide Sales and Marketing
John D. Bray	49	Senior Vice President-Human Resources and Administration
John L. Crites	53	Vice President and General Counsel

John H. Sykes has been President and Chief Executive Officer of the Company since its inception in 1977. Previously, Mr. Sykes was Senior Vice President of CDI Corporation, a publicly-held technical services firm.

Gordon H. Loetz joined the company as Executive Vice President and Chief Operating Officer during November 1997. Mr. Loetz has held a seat on the Company's Board of Directors since 1993, also having previously served on the Audit Committee. Prior to serving as Executive Vice President and Chief Operating Officer, Mr. Loetz served as President of Comprehensive Financial Services Insurance Agency, Inc., a financial investment advisory company.

Scott J. Bendert joined the Company in 1993 as Chief Financial Officer and was named Senior Vice President-Finance during October 1997. In 1994, Mr. Bendert was named Treasurer, and in 1995 was appointed Vice President-Finance. From 1984 to 1993, Mr. Bendert held various management positions with Reflectone, Inc., a publicly-held producer of complex computer simulator trainers and devices, most recently as Corporate Controller.

Keith L. Gibson joined the Company as Senior Vice President-Worldwide Sales and Marketing during October 1997. From 1991 until 1997, Mr. Gibson was a partner of KPMG Peat Marwick LLP ("KPMG") where he acted as the Chief Knowledge Officer ("CKO"). Prior to his role as CKO, Mr. Gibson was Partner in Charge of Outsourcing Assessments. Prior to joining KPMG, Mr. Gibson spent 13 years at IBM in various marketing positions, working his way through many aspects of IBM's marketing area.

John D. Bray joined the Company in 1996 as Vice President-Human Resources and was named Senior Vice President-Human Resources and Administration during October 1997. From 1989 to 1995, Mr. Bray was Director of Human Resources and Risk Management for Lil' Champ Food Stores, Inc.

John L. Crites, Jr. joined the Company as Vice President and General Counsel during April 1996. Prior thereto and since 1991, Mr. Crites served as Executive Director of the Vivian L. Smith Foundation for Restorative Neurology at Baylor College of Medicine in Houston, Texas.

Item 2 Properties

The Company's principal executive offices are located in Tampa, Florida. This facility currently serves as the headquarters for senior management, the financial and administrative departments and the Tampa office. The following table sets forth additional information concerning the Company's facilities:

Properties	General Usage	Square Feet	Lease Expiration
UNITED STATES LOCATIONS			
Tampa, Florida	Corporate headquarters	18,000	December 2002
Tampa, Florida	Development office	5,000	September 1998
Tampa, Florida	Office	18,000	July 1999
Bismarck, North Dakota	IT call centers	84,000	Company owned
Greeley, Colorado	IT call center	42,000	Company owned
Hays, Kansas	IT call center	42,000	Company owned
Klamath Falls, Oregon	IT call center	42,000	Company owned
Minot, North Dakota	IT call center	42,000	Company owned
Ponca City, Oklahoma	IT call center	42,000	Company owned
Sterling, Colorado	IT call center	34,000	Company owned
Fremont, California	IT call center and fulfillment center	111,500	November 1999
Nashville, Tennessee	Fulfillment center	121,400	December 1998
Atlanta, Georgia	Office	2,000	May 2000
Boise, Idaho	Office	2,400	January 1999
Boston, Massachusetts	Office	26,000	September 2000
Boulder, Colorado	Office	13,000	March 1998
Cary, North Carolina	Office	9,500	December 1999
Charlotte, North Carolina	Office	2,200	June 2000
Charlotte, North Carolina	Office	37,800	October 2003
Dallas, Texas	Office	5,500	June 1998
Lexington, Kentucky	Office	1,600	June 2000
Orlando, Florida	Office	2,000	August 1998
Poughkeepsie, New York	Office	1,000	January 1998
St. Louis, Missouri	Office	5,500	September 1998
INTERNATIONAL LOCATIONS			
Amsterdam, The Netherlands	IT call center	27,700	April 1999
Amsterdam, The Netherlands	IT call center	12,400	December 1999
Edinburgh, Scotland	IT call center	35,900	September 2019

Properties	General Usage	Square Feet	Lease Expiration
Les Ulis, France	IT call center	36,200	February 2007
Bochum, Germany	IT call center	30,000	December 2000
Stuttgart, Germany	IT call center	9,200	December 2006
Wilhelmshaven, Germany	IT call center	36,800	March 2003
Manila, The Philippines	IT call center	13,200	June 2000
Sunninghill, South Africa	IT call center	4,000	September 2000
Sveg, Sweden	IT call center	13,200	June 1998
Shannon, Ireland	IT call center and fulfillment center	66,000	April 2013
Hoofddorp, The Netherlands	Fulfillment center	12,000	August 1998
Sevran, France	Fulfillment center	19,400	August 2002
Galashiels, Scotland	Fulfillment center	92,800	Company owned
Kista, Sweden	Fulfillment center	6,500	December 2000
Stockholm, Sweden	Sales office	2,700	December 1999
Brussels, Belgium	Office and fulfillment center	26,900	February 2001

The Company owns each of its domestic IT call centers as identified and anticipates that additional IT call centers will be required due to growth and expansion.

Item 3 Legal Proceedings

From time to time, the Company is involved in litigation incidental to its business. In the opinion of management, no litigation to which the Company currently is a party is likely to have a materially adverse effect on the Company's results of operations or financial condition, if decided adversely to the Company.

Item 4 Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security-holders during the fourth quarter of the year covered by this report.

PART II

Item 5 Market for the Registrant's Common Equity and Related Shareholder Matters

The information called for by this item is contained in page 15 of the Company's Annual Report and is incorporated herein by reference.

Item 6 Selected Financial Data

The information called for by this item is contained in page 14 of the Company's Annual Report and is incorporated herein by reference.

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

The information called for by this Item is contained in pages 16 through 21 of the Company's Annual Report and is incorporated herein by reference.

Item 8 Financial Statements and Supplementary Data

The information called for by this Item is contained in pages 24 through 44 of the Company's Annual Report and is incorporated herein by reference.

Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

All information required by Items 10 through 13 with the exception of information on Executive Officers which appears in the report under the caption "Executive Officers of the Registrant" is incorporated by reference to the Company's Proxy Statement for its 1998 Annual Meeting of Shareholders.

PART IV

Item 14 Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1) Consolidated Financial Statements

Reports of Independent Certified Public Accountants.

The following information is contained in pages 24 through 44 of the Company's Annual Report, and is incorporated herein by reference:

Consolidated Balance Sheets as of December 31, 1996 and 1997. Consolidated Statements of Income for the years ended December 31, 1995, 1996 and 1997.
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 1995, 1996 and 1997.
Consolidated Statements of Cash Flows for the years ended December 31, 1995, 1996 and 1997.

Notes to Consolidated Financial Statements.

(a)(2) Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

(a)(3) Exhibits

The following documents are filed as exhibits to this report:

Exhibit Number	Exhibit Description
2.1	Articles of Merger between Sykes Enterprises, Incorporated, a North Carolina corporation, and Sykes Enterprises, Incorporated, a Florida Corporation, dated March 1, 1996. (1)
2.2	Articles of Merger between Sykes Enterprises, Incorporated and Sykes Realty, Inc. (1)
2.3	Stock Purchase Agreement dated July 1, 1996 among Sykes Enterprises, Incorporated and Johan Holm, Arne Weinz and Norhold Invest AB. (2)
2.4	Stock Purchase Agreement dated August 30, 1996 among Sykes Enterprises, Incorporated and Gordon H. Kraft. (3)
2.5	Merger Agreement dated as of January 10, 1997 among Sykes Enterprises, Incorporated, Info Systems of North Carolina, Inc. and ISNC Acquisition Co. (4)
2.6	Stock Purchase Agreement date March 28, 19997 among Sykes Enterprises, Incorporated, Sykes Holdings of Belgium, B.V.B.A., Cycle B.V.B.A. and Michael McMahon. (5)
2.7	Joint Marketing and Distribution Agreement dated April 30, 1997 by and between Sykes Enterprises, Incorporated and SystemSoft Corporation. (10)
2.8	Common Stock Purchase Agreement dated May 6, 1997 by and between Sykes Enterprises, Incorporated and SystemSoft Corporation. (10)
2.9	Acquisition Agreement, dated May 30, 1997, by and among the holders of all of the capital interests of Telcare Gesellschaft fur Telekommunikations-Mehrwertdienste mbH, Sykes Enterprises GmbH, and Sykes Enterprises, Incorporated. (7)
2.10	Acquisition Agreement, dated September 19, 1997, by and among the holders of all of the capital interests of TAS Telemarketing Gesellschaft fur Kommunikation und Dialog mbH, Sykes Enterprises, GmbH, and Sykes Enterprises, Incorporated. (8)
2.11	Acquisition Agreement, dated September 25, 1997, by and among the holders of all of the capital interests of TAS Hedi Fabinyi GmbH, Sykes Enterprises, GmbH, and Sykes Enterprises, Incorporated. (8)

2.12	Shareholder Agreement dated December 18, 1997, by and among Sykes Enterprises, Incorporated and HealthPlan Services Corporation (filed herewith).
2.13	Acquisition Agreement, dated December 31, 1997, by and among the holders of all of the capital interests of McQueen International Limited and Sykes Enterprises, Incorporated. (11)
3.1	Articles of Incorporation of Sykes Enterprises, Incorporated, as amended. (12)
3.2	Bylaws of Sykes Enterprises, Incorporated, as amended. (12)
4.1	Specimen certificate for the Common Stock of Sykes Enterprises, Incorporated. (1)
10.1	Loan Agreement between NationsBank, N.A. and Sykes Enterprises, Incorporated dated as of December 31, 1996. (6)
10.2	Employment Agreement dated as of January 1, 1996 between John H. Sykes and Sykes Enterprises, Incorporated. (1)
10.3	Form of Employment Agreement between executive officers and Sykes Enterprises, Incorporated. (1)
10.4	Stock Option Agreement between Sykes Enterprises, Incorporated and David E. Garner dated as of December 31, 1995. (1)
10.5	1996 Employee Stock Option Plan. (1)
10.6	1996 Non-Employee Director Stock Option Plan. (1)
10.7	1996 Non-Employee Directors' Fee Plan. (1)
10.8	Form of Split Dollar Plan Documents. (1)
10.9	Form of Split Dollar Agreement. (1)
10.10	Form of Indemnity Agreement between directors and executive officers and Sykes Enterprises, Incorporated. (1)
10.11	Aircraft Lease Agreement between JHS Leasing of Tampa, Inc. as lessor and Sykes Enterprises, Incorporated as lessee, dated December 1, 1995. (1)
10.12	Single Tenant Property Lease Agreement between Sykes Investments as landlord and Sykes Enterprises, Incorporated as tenant dated October 31, 1989, for building in Charlotte, North Carolina. (1)
10.13	Tax Indemnification Agreement between Sykes Enterprises, Incorporated and John H. Sykes. (1)

10.14	Consultant Agreement between Sykes Enterprises, Incorporated and E.J. Milani Consulting Corp. dated April 1, 1996. (1)
13.1	1997 Sykes Enterprises, Incorporated Annual Report (incorporates sections only in electronic filing).
21.1	List of subsidiaries of Sykes Enterprises, Incorporated.
23.2	Consent of Coopers & Lybrand L.L.P.
23.3	Consent of Grant Thornton.
24.1	Power of Attorney relating to subsequent amendments (included on the signature page of this report).
27.1	Financial Data Schedule (for SEC use only)(filed herewith)
99.1	McQueen International Limited Consolidated Financial Statements for Years Ended February 28, 1997 and 1996 (filed herewith).
99.2	McQueen International Limited Pro Forma Financial Statements for the Ten Months Ended December 31, 1997 (filed herewith).

----

(1) Filed as the same numbered Exhibit to Registrant's Registration Statement on Form S-1 (Registration No. 333-2324) and incorporated herein by reference.

(2) Filed as an Exhibit to the Registrant's Form 8-K dated July 31, 1996 and incorporated herein by reference.

(3) Filed as an Exhibit to the Registrant's Form 8-K dated September 16, 1996 and incorporated herein by reference.

(4) Included as Appendix A to the Proxy Statement/Prospectus contained in the Registrant's Registration Statement on Form S-4 (Registration No. 333-20465) and incorporated herein by this reference.

(5) Filed as an Exhibit to the Registrant's Form 10-K dated March 30, 1997 and incorporated herein by reference.

(6) Filed as Exhibit 2.5 to the Registrant's Registration Statement on Registration No. 333-20465.

(7) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated June 16, 1997 and incorporated herein by reference.

(8) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated September 26, 1997 and incorporated herein by reference.

(9) Filed as the same numbered Exhibit to Registrant's Registration Statement on Form S-3 (Registration No. 333-38513) and incorporated herein by reference.

(10) Filed as an Exhibit to the Registrant's Form 10-Q dated June 29, 1997 and incorporated herein by reference.

(11) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated January 15, 1998 and incorporated herein by reference.

(12) Filed as an Exhibit to Registrant's Registration Statement on Form S-3 (Registration No. 333-38513) and incorporated herein by reference.

(13) Filed as an Exhibit to Registrant's Registration Statement on Form S-3 (Registration No. 333-46569) and incorporated herein by reference.

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Tampa, and State of Florida, on this 16th day of March, 1998.

SYKES ENTERPRISES, INCORPORATED
(Registrant)

By: /s/ Scott J. Bendert

Scott J. Bendert,
Senior Vice President-Finance, Treasurer
and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated. Each person whose signature appears below constitutes and appoints Scott Bendert and John Crites and each of them individually, his true and lawful attorney-in-fact and agent, with full power of substitution and revocation, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/John H. Sykes --------------------- John H. Sykes	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	March 16, 1998
/s/Scott J. Bendert --------------------- Scott J. Bendert	Senior Vice President-Finance, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 16, 1998
/s/Gordon H. Loetz --------------------- Gordon H. Loetz	Executive Vice President, Chief Operating Officer and Director	March 16, 1998

/s/Furman P. Bodenheimer, Jr. ----------------------------- Furman P. Bodenheimer, Jr.	Director	March 16, 1998
/s/John D. Gannett, Jr. ----------------------------- John D. Gannett, Jr.	Director	March 16, 1998
/s/H. Parks Helms ----------------------------- H. Parks Helms	Director	March 16, 1998
/s/Ernest J. Milani ----------------------------- Ernest J. Milani	Director	March 16, 1998
/s/Adelaide A. Sink ----------------------------- Adelaide A. Sink	Director	March 16, 1998
/s/R. James Stroker ----------------------------- R. James Stroker	Director	March 16, 1998

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Sykes Enterprises, Incorporated

We have audited the consolidated balance sheet of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 1997, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year ended December 31, 1997, which financial statements are included on pages 24 through 44 of the Sykes Enterprises, Incorporated and subsidiaries Annual Report and incorporated by reference herein. We have also audited the financial statement schedule on page 26 of this Form 10-K. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 1997 and the consolidated results of their operations and their cash flows for the year ended December 31, 1997, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

We previously audited and reported on the consolidated statements of income and cash flows of Sykes Enterprises, Incorporated and subsidiaries for the years ended December 31, 1995 and 1996, prior to their restatement for the 1997 pooling of interest of McQueen International Limited. The contribution of Sykes Enterprises, Incorporated and subsidiaries to revenues and net income represented 69 percent and 69 percent in 1995 and 73 percent and 84 percent in 1996, respectively, of the respective restated totals. Separate financial statements of McQueen International Limited included in the 1995 and 1996 restated consolidated statements of income and cash flows were audited and reported on separately by other auditors. We also audited the combination of the accompanying consolidated balance sheet as of December 31, 1996 and the statements of income and cash flows for the years ended December 31, 1995 and 1996, after restatement for the 1997 pooling of interests; in our opinion, such consolidated statements have been properly combined on the basis described in Notes 1 and 2 of notes to consolidated financial statements.

Coopers & Lybrand L.L.P.

Tampa, Florida
March 6, 1998

MCQUEEN INTERNATIONAL LIMITED

REPORT OF THE INDEPENDENT AUDITORS

Board of Directors
McQueen International Limited

We have audited the consolidated balance sheets of McQueen International Limited and its subsidiaries as of February 28, 1997 and 1996 and the related consolidated statement of earnings, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of McQueen International Limited and its subsidiaries as of February 28, 1997 and 1996 and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with generally accepted accounting principles in the United States.

GRANT THORNTON
Edinburgh
United Kingdom

February 18, 1998

SYKES ENTERPRISES, INCORPORATED

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 1995, 1996 and 1997

	Beginning Balance	Additional Charge to Cost and Expenses	Deductions(1)	Ending Balance
Year ended December 31, 1995				
Allowance for doubtful Accounts	$192,396	$251,200	$132,857	$310,739
Year ended December 31, 1996				
Allowance for doubtful Accounts	310,739	317,811	130,421	498,129
Year ended December 31, 1997				
Allowance for doubtful Accounts	498,129	167,396	128,130	537,395

(1) Write-offs and recoveries

EXHIBIT INDEX

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2.12	--	Shareholder Agreement, dated December 18, 1997, by and among Sykes Enterprises, Incorporated and HealthPlan Services Corporation (filed herewith).

2.13	--	Acquisition Agreement, dated December 31, 1997, by and among the holders of all of the capital interests of McQueen International Limited and Sykes Enterprises, Incorporated. (11)
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10.13	--	Tax Indemnification Agreement between Sykes Enterprises, Incorporated and John H. Sykes. (1)
10.14	--	Consultant Agreement between Sykes Enterprises, Incorporated and E.J. Milani Consulting Corp. dated April 1, 1996. (1)

13.1 -- 1996 Sykes Enterprises, Incorporated Annual Report (incorporates sections only in electronic filing).

21.1 -- List of subsidiaries of Sykes Enterprises, Incorporated.

23.2 -- Consent of Coopers & Lybrand L.L.P.

23.3 -- Consent of Grant Thornton.

24.1 -- Power of Attorney relating to subsequent amendments (included on the signature page of this report).

27.1 -- Financial Data Schedule (for SEC use only).

99.1 -- McQueen International Limited Consolidated Financial Statements for Years Ended February 28, 1997 and 1996 (filed herewith).

99.2 -- McQueen International Limited Pro Forma Financial Statements for Ten Months Ended December 31, 1997 (filed herewith).

----

(1) Filed as the same numbered Exhibit to Registration No. 333-2324 and incorporated herein by reference.

(2) Filed as an Exhibit to the Registrant's Form 8-K dated July 31, 1996 and incorporated herein by reference.

(3) Filed as an Exhibit to the Registrant's Form 8-K dated September 16, 1996 and incorporated herein by reference.

(4) Included as Appendix A to the Proxy Statement/Prospectus contained in the Registrant's Registration Statement on Form S-4 (Registration No. 333-20465) and incorporated herein by this reference.

(5) Filed as an Exhibit to the Registrant's Form 8-K dated March 30, 1997 and incorporated herein by reference.

(6) Filed as Exhibit 2.5 to the Registrant's Registration Statement on Registration No. 333-20465.

(7) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated June 16, 1997 and incorporated herein by reference.

(8) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated September 26, 1997 and incorporated herein by reference.

(9) Filed as the same numbered Exhibit to Registrant's Registration Statement on Form S-3 (Registration No. 333-38513) and incorporated herein by reference.

(10) Filed as an Exhibit to the Registrant's Form 10-Q dated June 29, 1997 and incorporated herein by reference.

(11) Filed as an Exhibit to the Registrant's Current Report on Form 8-K dated January 15, 1998 and incorporated herein by reference.

(12) Filed as an Exhibit to Registrant's Registration Statement on Form S-3 (Registration No. 333-38513) and incorporated herein by reference.

(13) Filed as an Exhibit to Registrant's Registration Statement on Form S-3 (Registration No. 333-46569) and incorporated herein by reference.

Exhibit 2.12

SHAREHOLDER AGREEMENT

by and among

SYKES ENTERPRISES, INCORPORATED

and

HEALTHPLAN SERVICES CORPORATION

December 11, 1997

TABLE OF CONTENTS

EXHIBITS

SHAREHOLDER AGREEMENT

THIS SHAREHOLDER AGREEMENT ("Agreement") is made and entered into on December 11, 1997, by and among SYKES ENTERPRISES, INCORPORATED, a Florida corporation ("SEi"), and HEALTHPLAN SERVICES CORPORATION, a Delaware corporation ("HPS") (SEi and HPS are sometimes referred to individually as an "Investor Shareholder" and together with those persons signing from time to time as a shareholder are referred to individually as a "Shareholder" and collectively as the "Shareholders").

Upon the formation of Sykes HealthPlan Services, Inc. ("Newco") pursuant to Section 1.1 below, Newco shall also become a party to this Agreement.

WHEREAS:

A. HPS is a provider of marketing, administration and risk management services and solutions for health and other benefit programs;

B. SEi provides information technology outsourcing services, including information technology support services and information technology development services and solutions;

C. SEi and HPS desire to establish a new business venture for the purpose of providing information technology support services through call centers for health insurance, managed care and other benefit programs;

NOW THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants, agreements and conditions hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

1. ORGANIZATION AND PURPOSE

1.1. Formation. As soon as practicable following the execution of this Agreement and pursuant to the terms and conditions of this Agreement, SEi and HPS shall organize a new Florida corporation.

1.2. Name. The name of Newco shall be Sykes HealthPlan Services, Inc. If such name is unavailable, SEi and HPS shall promptly agree on another name.

1.3. Scope and Purpose of Business. The purpose of Newco shall be to build, own and operate call centers focused on customer services related to the insurance industry, health care management services and such other health industry related services as may be approved from time to time by the requisite vote of the Board of Directors of Newco, and to market and sell such services throughout the United States.

(a) Articles of Incorporation and Bylaws. The Articles of Incorporation and Bylaws of Newco shall be substantially in the form of Exhibits A and B hereto, respectively. Each of the Shareholders shall take, and shall cause the director or directors of Newco elected by it to take, all actions necessary to ensure that the Articles of Incorporation and Bylaws of Newco do not at any time conflict with the provisions of this Agreement.

1.4. Registered Office/Location of Facilities. The administrative offices of Newco shall first be located at Tampa, Florida.

1.5. Authorized Capital. The aggregate number of shares which Newco shall initially have authority to issue shall be Ten Million (10,000,000) shares of Class A voting common stock having a par value of $.01 per share (the "Shares") and Two Million (2,000,000) shares of Class B nonvoting common stock having a par value of $.01 per share.

1.6. No Partnership or Joint Venture. The parties acknowledge that Newco, as a newly formed Florida corporation, constitutes an independent and distinct legal entity. Neither this Agreement nor any other document delivered in connection herewith, nor any prior agreements, actions or omission shall in any respect be interpreted, deemed or construed as making any Shareholder a partner or joint venturer with Newco or any other Shareholder or any of them, and the parties agree not to make any contrary assertion, contention, claim or counterclaim in any action, suit or other legal proceeding.

2. CAPITAL CONTRIBUTIONS

2.1. Initial Contributions. At the Closing, SEi and HPS shall each subscribe for and make initial capital contributions to Newco of $2,959,200.

2.2. Method of Payment. All payments under this Article 2 shall be made by wire transfer of immediately available funds to an account designated by the recipient not less than 48 hours prior to the time for payment specified herein.

2.3. Lending Commitment.

(a) At the Closing, SEi and HPS shall each commit to make available to Newco a term loan in the amount of $9,040,800 which shall be drawn upon by Newco from time to time in increments of $100,000 (the "Loans"). The Loans shall require quarterly interest only payments with all outstanding principal and interest due three (3) years from the date hereof. Such lending commitment and loan shall be evidenced, and described in further detail, by Loan Agreements in the forms of each Exhibit C hereto (the "Loan Agreements"), and the related forms of promissory notes of Newco also included in Exhibit D hereto (the "Notes").

(b) SEi and HPS shall each fund 50% of the total Loans. All payments by Newco of principal and interest shall be applied pro rata to the respective loans from SEi and HPS. SEi and HPS further covenant among themselves that in the event action to collect the Loans becomes necessary or desirable, SEi and HPS shall coordinate and cooperate, in good faith, to collect the Loans and shall share the net proceeds (after payment of all costs and expenses of collection, including reasonable attorneys fees) ratably so that SEi and HPS each receive simultaneous payment of an amount that is equal to the ratio of (A) the total amount of indebtedness of Newco owed to each of them on the Loans, respectively, from time to time, and at each relevant time, to (B) the aggregate amount of indebtedness of Newco to both of them on the Loans, from time to time, and at each relevant time until the aggregate indebtedness of Newco to each of them has been paid in full. SEi and HPS shall promptly give written notice to the other of the occurrence of a "default" or "event of default" or any condition or event that, with notice or lapse of time, or both, would give such party the right to accelerate payment of any indebtedness of Newco owed to it under any agreement, instrument or document to which Newco is a party. SEi and HPS also shall promptly give written notice to the other if it demands payment of, or takes action to collect, its Loan. SEi and HPS covenant among themselves that they shall not amend their respective Loan Agreements or take any collateral or security for their Loans without the consent of the other, it being the intention of both that their Loan Agreements should contain identical provisions to make their Loans pari passu to the greatest extent possible. SEi and HPS covenant among themselves to execute and deliver such other and further documents and instruments as may be necessary or desirable to implement fully or evidence further the provisions of this Section 2.3.(b).

(c) The parties acknowledge that if either Investor Shareholder defaults in its obligations to fund its share of the Loans, as provided in subsections (a) and (b) above, and such borrowing has previously been approved by Newco's Board of Directors pursuant to the terms of the annual Budget adopted in accordance with Section 3.6, then the nondefaulting Investor Shareholder shall have the right, but not the obligation, to fund the shortfall pursuant to a senior convertible note issued by Newco and Newco shall have the right to borrow from the nondefaulting Investor Shareholder upon the following terms and conditions: (i) the loan shall be due and payable on demand; (ii) Newco shall pay interest on the principal balance at five percent (5%) in excess of the 30-day LIBOR Rate; (iii) the senior convertible note (which shall be subordinate to Newco's senior bank credit facility) shall be senior in payment and priority to all Loans payable to either Investor Shareholder; (iv) at the option of the nondefaulting Investor Shareholder, the senior convertible note shall be convertible, in whole or in part, into Shares, at a conversion price per share equal to the original purchase price paid for Shares at Closing (determined by dividing the initial capital contributions from the Investor Shareholders to Newco by the total number of Shares issued to the Investor Shareholders, with an appropriate adjustment for any stock splits) if the defaulting Investor Shareholder does not refinance the senior convertible note (i.e., fund its pro rata share of all Loans so that the senior convertible note is repaid by Newco), within six months of the date funds are advanced by the nondefaulting Investor Shareholder; and (v) if any Investor Shareholder converts more than $5 million (in the aggregate) of senior convertible notes to Shares, the super majority voting requirements (including Sections 3.5 and 3.6), voting agreement concerning election of directors (including Section 3.2, 3.3 and 3.4) and all other provisions of this Agreement designed to give shared control of Newco to each Investor Shareholder shall no longer apply, thereby providing, among other things, that the nondefaulting Investor Shareholder shall have control of Newco's Board of Directors. The Shareholders and Newco shall have the right to implement this subsection (c) and Newco shall have the right to borrow pursuant to the senior convertible notes contemplated herein, without any further approval or action by any Shareholder or any director nominated or designated by the defaulting Investor Shareholder, and the Shareholders covenant among themselves to take such further actions and to execute and deliver such other and further documents and instruments as may be necessary or desirable to implement fully or evidence further the provisions of the Section 2.3(c).

(d) The parties acknowledge and confirm that SEi and HPS are arm's length lenders with respect to the Loans. The parties acknowledge that SEi and HPS shall exercise their respective remedies under the Notes and Loan Agreements to collect the Loans if Newco defaults.

2.4. Issuance of Shares. In exchange for the initial capital contribution described in Section 2.1, SEi and HPS each shall be issued 5,000,000 Shares at the Closing.

3. VOTING OF SHARES AND GOVERNANCE OF NEWCO

3.1. Number of Directors. Each Shareholder agrees to vote its Shares and all Shares as to which the Shareholder is entitled to exercise voting power at any meeting of shareholders in favor of a resolution fixing the number of directors of Newco at two (2), or such greater number as SEi and HPS may mutually agree from time to time.

3.2. Voting Agreement. Each Shareholder agrees to vote its Shares in favor of one individual (or if the number of directors is increased to more than two, one-half of the total directors at each relevant time) who shall be nominated as a director by SEi (the "SEi Directors") and in favor of one individual (or if the number of directors is increased to more than two, one-half of the total directors at each relevant time) who shall be nominated as a director by HPS (the "HPS Directors").

3.3. Vacancies. In the event of a vacancy on the Board of Directors with respect to a SEi Director, each Shareholder agrees to vote its Shares and all Shares as to which the Shareholder is entitled to exercise voting power for any individual nominated in writing by SEi; and in the event of a vacancy on the Board of Directors with respect to a HPS Director, each Shareholder agrees to vote its Shares and all Shares as to which the Shareholder is entitled to exercise voting power for an individual nominated in writing by HPS. Until any such vacancy is filled, the Board of Directors shall not take any action unless the Shareholder with the right to fill the vacancy consents in writing.

3.4. Removal. Newco agrees to call meetings of its Board of Directors to be held at least quarterly. If at any time between meetings of Shareholders of Newco, SEi or HPS shall request the right to remove one or more of the SEi Directors or one or more of the HPS Directors, respectively, which were originally nominated by such party or to elect or appoint to the Board of Directors a nominee to which it is entitled pursuant to this Article 3, each party hereto shall use its best efforts to bring about the immediate removal of such director or the election or appointment of such nominee to the Board of Directors, as the case may be.

3.5. Actions by Board of Directors to Follow Shareholder Consent. The Board of Directors shall not take any of the following actions, except upon the prior affirmative vote of not less than 90% of the total number of the then outstanding shares of the capital stock of Newco entitled to vote thereon, or with the written consent of such Shareholders:

(a) sale of all or substantially all of the assets of Newco or any of its subsidiaries;

(b) any material acquisition (including acquisition of stock or assets) of any other company, business or enterprise;

(c) any merger or consolidation involving Newco or any of its subsidiaries or the dissolution or liquidation of Newco or any of its subsidiaries;

(d) any payment of any dividend in cash or property other than cash by Newco or redemption of any Shares;

(e) any recapitalization, restatement of assets, reduction of capital or other change in the capitalization of Newco or its subsidiaries;

(f) any issuance or reissuance or agreement to issue or reissue any capital stock of Newco or any option or warrant for, or any security convertible into, any capital stock of Newco;

(g) any filing of any registration statement of the Securities Act of 1933, as amended;

(h) the amendment to the Articles of Incorporation or Bylaws of Newco;

(i) the acquisition by Newco of material assets unrelated to the business described in Section 1.3 of this Agreement; or

(j) engaging in a material line of business other than the business described in Section 1.3 of this Agreement.

3.6. Actions by Board of Directors Requiring a Super Majority Vote. The Board of Directors shall not take any of the following actions, except upon the prior affirmative vote of all of the directors:

(a) approval or revision of the annual Budget in form acceptable to the Board of Directors setting forth the estimated receipts and expenditures of, capital expenditures of, and reasonable reserves for working capital for, Newco for the succeeding calendar year;

(b) capital improvements or expenditures (including capitalized leases and interest costs) in excess of $50,000 which are not included in the Budget approved by the Board of Directors;

(c) filing of bankruptcy;

(d) any issuance, reissuance or redemption by Newco of any shares of its capital stock or securities convertible into or exchangeable for shares of such stock, including any options, warrants or other rights to purchase or otherwise acquire any shares of such stock or securities convertible into or exchangeable for such stock;

(e) any declaration of dividends by Newco;

(f) the selection of corporate officers of Newco and the determination of the compensation and benefits payable to each such officer;

(g) any proposal for Newco to (i) create, assume or incur, or become liable in respect of, any indebtedness in excess of $100,000 per obligation, except for accounts payable incurred in the ordinary course of business and indebtedness included in the Budget approved by the Board of Directors, (ii) become a lessee of real property if the annual rentals payable under the relevant lease would exceed $100,000, (iii) acquire the securities of, make any other investment in, any other person, or (iv) make loans, provide guarantees or otherwise extend or pledge credit to others with respect to any such loan, guarantee, extension or pledge, except endorsements and extensions of credit in the ordinary course of operations of Newco;

(h) any proposal for Newco to confess any judgment against Newco or create, assume, incur, or suffer to be created, assumed or incurred or to exist, any mortgage, pledge, encumbrance, lien or charge of any kind (each, a "Lien") upon any of the assets or properties of Newco, or to acquire or hold or agree to acquire or hold any such assets or properties subject to any such Lien if such Lien is proposed in connection with any proposal referred to in paragraph (g) above except in the normal course of business and in accordance with the Budget approved by the Board of Directors;

(i) any proposal for Newco to sell or transfer any assets of Newco valued in excess of $10,000 in one or a series of related transactions not in the ordinary course of business;

(j) any proposal to enter into any contract, obligation, commitment, capital investment, or any other program involving aggregate expenditures reasonably estimated to be in excess of $200,000;

(k) any proposal for Newco to acquire the capital stock or assets of another entity;

(l) any proposal to select or change Newco's independent auditors, legal counsel or any outside consultant which shall be paid more than $75,000 during any fiscal year;

(m) make a gift, loan, advance or political contribution to any person, except loans and advances to employees of up to $2,500 for ordinary and necessary business expenses;

(n) any decision whether to redeem or to purchase any Shares pursuant to the Right of First Refusal contained in Section 4.3 of this Agreement or the assignment of such right to a third party. (In deciding whether to exercise a Right of First Refusal with respect to a disposing Investor Shareholder's Shares, any directors designated by, or who is an officer, director, employee or agent of the disposing Investor Shareholder, shall abstain from voting to the extent necessary to avoid a conflict of interest and such director's affirmative vote shall not be necessary to approve such action); and

(o) determination of the Determined Value of Shares pursuant to Section 4.5 of this Agreement.

3.7. Budget and Business Plans. Before the beginning of each fiscal year management of Newco shall prepare and present to the Board of Directors of Newco for its approval an annual budget and multi-year business plans for Newco in accordance with timing, format and instructions to be determined by the Board of Directors of Newco. Newco's management shall use their reasonable good faith efforts to manage Newco's business pursuant to any business plan or budget approved by the Board of Directors, as it may be revised from time to time with approval of the Board.

3.8. Dividends. SEi and HPS currently anticipate that all of Newco's earnings will be retained for development and expansion of Newco's business and acknowledge and agree that Newco does not anticipate paying any dividends in the foreseeable future. Notwithstanding the foregoing, dividend policy shall be vested in the Board of Directors as provided in this Agreement.

3.9. Fiscal Year. The fiscal year of Newco shall end on December 31 of each year. The first fiscal year of Newco shall commence upon completion of the organization of Newco and shall end on the next succeeding December 31.

3.10. Books and Records. The Board of Directors of Newco, in consultation with its auditors, shall establish such books, records and accounts for Newco as are customary for corporations similarly situated and as accurately reflect the financial condition and position of Newco in accordance with generally accepted accounting principles. The books and records of Newco shall be subject to inspection by any Shareholder during ordinary business hours.

3.11. Reports. Newco shall prepare and provide the Shareholders with unaudited monthly and quarterly financial statements (including a balance sheet and profit and loss statement), audited annual financial statements and such other reports as the Shareholders shall reasonably request. Newco's management shall consult regularly with the Investor Shareholders and provide the Investor Shareholders' designated representatives reasonable access to all books and records of Newco.

3.12. Severance of Business Relationship Upon Deadlock of Board of Directors or Investor Shareholders. In the event that the Board of Directors or Investor Shareholders are deadlocked on a material matter, and such deadlock continues for the longer of (a) three (3) consecutive meetings (including special meetings) or (b) ninety (90) days, either SEi or HPS may institute a severance of business relationship as provided in this Section 3.12.

(a) Notice of Intent to Pursue Severance. SEi or HPS may send a Deadlock Notice to Newco and the other Investor Shareholder proposing a resolution of the deadlock and providing notice that if the proposal is not accepted by the other Investor Shareholder within twenty (20) days, SEi or HPS may institute a severance of business relationship as provided below. A "Deadlock Notice" means a written notice to be delivered to Newco and each other Investor Shareholder by SEi or HPS which shall state that a deadlock exists among the Board of Directors or the Investor Shareholders concerning a material issue, and shall describe SEi or HPS's proposed resolution of the deadlock, and shall provide notice that unless the other Investor Shareholder accepts the proposal within twenty (20) days, SEi or HPS may institute the severance of business relationship procedures pursuant to this Section 3.12.

(b) Initiation of Severance. If the deadlock continues to exist for more than twenty (20) days after mailing of the Deadlock Notice provided in Section 3.12.(a), for a period of thirty (30) days thereafter, SEi or HPS (called the "Severing Shareholder"), if it wishes to sever its relationship in Newco with the other Investor Shareholder (the "Responding Shareholder"), it shall so notify the Responding Shareholder and Newco in writing (the "Severance Notice") stating a date not less than thirty (30) days after the mailing of such notice when the Severing Shareholder wishes the severance to take place. The Severance Notice shall also state the price per Share which the Severing Shareholder believes is the fair market value for the Shares then outstanding (the "Severance Price"). If, however, neither Investor Shareholder delivers a Severance Notice within thirty (30) days following the Investor Shareholder's failure to accept the proposed resolution, then such severance opportunity will lapse as though the Deadlock Notice had never been given.

(c) Response. The Responding Shareholder shall have thirty (30) days after the mailing of the Severance Notice to advise the Severing Shareholder, in writing, whether the Responding Shareholder wishes (i) to sell all of its Shares to the Severing Shareholder for the Severance Price per Share, or (ii) to purchase all of the Severing Shareholder's Shares for the Severance Price per Share. If the Responding Shareholder does not advise the Severing Shareholder of its election within that time, the Responding Shareholder shall be deemed to have elected to sell all its Shares to the Severing Shareholder.

(d) Closing. Upon the effective date of the Severance as designated in the Severance Notice, the purchase or sale of Shares as described above shall be closed in Newco's principal business office and all appropriate documents will be executed and delivered to effect the severance of the relationship and sale of Shares, free and clear of all encumbrances. The Severance Price shall be paid by the purchasers to the sellers in immediately available funds.

(e) Continued Operation. Newco shall continue to operate during any period of deadlock or dispute and during the continuance of any default under this Agreement (or alleged default), and in no event shall a deadlock, dispute or allegation of default interfere with the right of the directors and officers of Newco to operate within the scope of business activity contemplated by Section 1.3 of this Agreement; provided, however, that no action may be taken by the directors and officers that would prejudice the outcome of any matter in deadlock, any dispute or any allegation of default, except with the consent of 100% of the members of the Board of Directors; provided, however, that the service activities (and all related marketing, administrative, and other activities) of Newco in accordance with the Business Plan and Budget shall not be stopped or delayed, except with the consent of 100% of the members of the Board of Directors.

(f) Only Exercise if Substantial Business Disagreement. The parties may only exercise the Severance Provisions of this Section 3.12 if the Investor Shareholders have a substantial disagreement regarding the management or future direction of Newco. Examples of areas of potential "substantial disagreements" include, without limitation, (i) whether Newco should go public, (ii) whether Newco should be sold, (iii) whether Newco should make a material acquisition, (iv) termination of a senior executive, and (v) whether to approve an annual business plan and budget. After delivery of a Deadlock Notice, the potential Severing Shareholder shall thereafter be available, upon reasonable prior notice, to meet with the Responding Shareholder (and in the case of SEi or HPS, they shall make their respective chairmen and chief executive officers available to meet with each other) and discuss in good faith the potential resolution to the substantial disagreement. For a period of sixty (60) days following the expiration of such thirty

(30) days prior written notice period, either Investor Shareholder may thereafter institute the Severance of Business Relationship as provided under subsection (b) of this Section 3.12. Notwithstanding the foregoing, the Responding Shareholder may prevent the Severance from occurring by accepting and agreeing to the resolution of the substantial disagreement proposed by the Severing Shareholder and agreeing to take such further action as the Severing Shareholder reasonably requests to implement such resolution. (Such agreement by the Responding Shareholder must be made by written notice delivered prior to the time that the Responding Shareholder is otherwise required to elect to buy or sell pursuant to subsection (c) of this Section 3.12.

(g) Applicability of Arbitration. The right to initiate a severance of business relationship as described herein shall supersede the agreement to arbitrate a dispute contained in Section 13 of this Agreement, except that the parties shall arbitrate any dispute concerning whether a particular dispute constitutes a "deadlock on a material matter" as described herein.

(h) Repayment of Loans/Release of Guarantees. In the event of a severance of Business Relationship under this Section 3.12, at the Closing the purchasing Shareholder shall cause Newco to repay in full all Loans from the selling Shareholder and shall cause the selling Shareholder to be released from all guarantees of Newco's indebtedness.

4. PREEMPTIVE RIGHTS, RIGHT OF FIRST REFUSAL, TAG-ALONG RIGHTS

4.1. Definitions. For purposes of this Article 4, the following terms shall have the following meanings:

(a) "Dispose of" means any transfer or assignment, whether voluntary or involuntary to a person other than a Permitted Transferee, whether by sale, exchange, pledge, encumbrance, judicial attachment, contribution to a trust or other entity, or otherwise. "Dispose of" shall not include: (i) a pledge of shares to a responsible financial institution in the United States, as collateral security for a bona fide loan made by such financial institution, provided that such financial institution agrees in writing that any disposition of the pledged shares for the account of the pledging Shareholder in the event of any default by such Shareholder shall be subject to the obligations imposed on such Shareholder by this Agreement, including but not limited to the right of first refusal granted to Newco and the other Shareholders hereunder, or (ii) a disposition to a wholly owned subsidiary of a Shareholder, so long as such transferees agree in writing to be bound by the terms of this Agreement.

(b) "Disposing Shareholder" means a Shareholder who desires to Dispose of all or a part of the shares owned by that Shareholder.

(c) "First Refusal Notice" means the written notice to be mailed to Newco and SEi and HPS by the Disposing Shareholder which shall describe in adequate detail the terms and conditions offered by, and the identity of, a bona fide prospective purchaser, lender or other transferee to whom the Disposing Shareholder is considering Disposing of all or a part of the Disposing Shareholder's shares, which notice shall include a complete copy of the written offer of such purchaser, lender or other transferee.

(d) "First Refusal Price" means the price agreed upon between the Disposing Shareholder and the party or parties electing to exercise a right of first refusal under the terms hereof. In the absence of an agreed upon price, the term shall mean a purchase or redemption on terms and conditions substantially the same as those described in the First Refusal Notice given to the other parties hereto in accordance with the terms of this Agreement. In the event such notice describes terms and conditions that are unique to a proposed transaction and cannot readily be assumed by other parties, e.g., an exchange of shares in return for property or services, or in the event of a proposed gift, in the absence of an agreed upon price, the First Refusal Price shall be the Determined Value as provided in Section 4.5.

(e) "Permitted Transferee" means a wholly owned subsidiary of a Shareholder, provided, however, that no person shall become a "Permitted Transferee" without first agreeing to be bound by the terms of this Agreement in a manner satisfactory to Newco's Board of Directors.

(f) "Pro Rata" means with respect to any right to acquire shares hereunder, pro rata based upon the number of shares owned by those Shareholders (assuming more than two parties are Shareholders under this Agreement) who shall duly exercise their option to acquire any shares offered hereunder. Thus, if only two Shareholders, each owning ten percent (10%) of Newco's shares, should elect to exercise their right of first refusal granted in this Agreement, each of them would have the right to purchase fifty percent (50%) of the shares available for purchase. "Pro Rata" means with respect to Tag-along Rights, pro rata based on the ratio of the shares proposed to be sold in the transaction to the total number of shares then outstanding.

4.2. Preemptive Rights.

(a) Right of First Refusal for Purchase of Stock Sold by Newco. If at any time Newco shall propose to sell any additional securities (including any stock held in the treasury and securities convertible into additional stock), Newco shall give the Investor Shareholders a written notice which shall describe in adequate detail the terms and conditions on which the Company proposes to sell additional securities, including, if applicable, conditions offered by, and the identity of, a bona fide prospective purchaser (the "Company First Refusal Notice") respecting such securities, offering them for disposition at the First Refusal Price.

(b) Time for Election to Purchase. Any Investor Shareholder electing to purchase any of the securities so offered for purchase shall notify Newco and the other Investor Shareholder of that election within the time period for elections set forth in the Newco First

Refusal Notice, which shall be a reasonable period of time under the circumstances after the date of mailing of the Company First Refusal Notice. Such notice shall specify the number of securities that the Shareholder is willing to purchase. In the event that any electing Investor Shareholder is unwilling to purchase the entire Pro Rata portion of securities allocable to such Investor Shareholder for purchase, the portion rejected shall be allocated to the other electing Investor Shareholder if and to the extent it has indicated in its notice that it is willing to purchase more than what would be their Pro Rata portion if all Shareholders elected to exercise in full their right of first refusal. If an election to purchase shall not have been timely made as to the securities, or any portion thereof, offered for purchase, the portion of such securities as to which a right of refusal has not been exercised hereunder may, during a period of sixty (60) days after the expiration of the first refusal period granted herein to the Investor Shareholders, be sold upon substantially the same terms and conditions described in the Company First Refusal Notice previously given, provided that the purchaser executes this Agreement and agrees to be bound by the terms hereof. If, however, such securities shall not have been so sold, in whole or in part, within that sixty (60) day period, then a new Company First Refusal Notice must be sent hereunder to SEi and HPS in the event that Newco wishes to sell such securities.

(c) Closing of Purchase. If SEi or HPS elects to purchase all or any portion of the securities offered by Newco for purchase, the purchase shall be closed and the securities delivered free and clear of all liens and encumbrances, (other than any purchase money liens taken back by Newco at the closing, if applicable) at a closing to be held at the principal offices of Newco within (30) days after the expiration of the first refusal period granted herein to the Investor Shareholders.

4.3. Right of First Refusal.

(a) Right of First Refusal for Redemption or Purchase of Shares Disposed of by Shareholders. If at any time any Shareholder shall desire or be required to Dispose of all or any of the shares owned by such Shareholder, the Disposing Shareholder shall give Newco, SEi and HPS, a First Refusal Notice respecting those shares offering them for disposition at the First Refusal Price. If Newco, within twenty (20) days after the date of mailing of the First Refusal Notice, does not elect to redeem all of the shares offered for redemption or purchase in accordance with the terms of this Agreement, then for an additional twenty-five (25) days, the Investor Shareholders shall have the option of purchasing the remaining shares offered for disposition, Pro Rata, at the First Refusal Price. If the Investor Shareholders do not elect to purchase all the remaining shares, the Board of Directors (exclusive of any Director who is designated by, or who is an officer, director, employee or an agent of, the Disposing Shareholder or its Affiliate), acting on behalf of Newco, may assign the right to purchase the remaining shares at the First Refusal Price to one or more third parties provided that such third parties pay the First Refusal Price in cash and agree to execute a shareholder agreement acceptable to Newco and Non-disposing Shareholders and agree to be bound by the terms hereof.

(b) Time for Election to Redeem or to Purchase. Newco, and/or SEi and/or HPS, and/or any assignee of Newco who elects to redeem or to purchase any of the Shares so offered for redemption or purchase shall notify the Disposing Shareholder, Newco and all other Shareholders of that election within twenty (20) days after the date of mailing of the First Refusal Notice if the electing party is Newco, or within forty-five (45) days after such date of mailing if any Investor Shareholder or an assignee of Newco. Such notice shall specify the number of shares that the sender is willing to purchase. In the event that any electing Investor Shareholder is unwilling to purchase the entire Pro Rata portion of shares allocable to such Investor Shareholder for purchase, the portion rejected shall be allocated among the other electing Investor Shareholder if and to the extent it has indicated in its notice that it is willing to purchase more than what would be its Pro Rata portion if both Investor Shareholders elected to exercise in full their right of first refusal. If an election to redeem or to purchase shall not have been timely made, either by Newco, and/or by the Investor Shareholders, and/or by any assignees of Newco, or any combination of the foregoing, as to all (and not less than all) the shares offered for redemption or purchase, such shares may, during a period of one hundred twenty (120) days after the expiration of the first refusal period granted herein, be Disposed of to the purchaser or other transferee named in, and upon substantially the same terms and conditions described in, the First Refusal Notice previously given the other parties, provided that the transferee executes this Agreement and agrees to be bound by the terms hereof. If, however, such shares shall have not been so Disposed of, in whole or in part, and the certificates therefor presented for transfer within that one hundred twenty (120) -day period, then such shares shall again become restricted as though they had never been offered to Newco or to the Investor Shareholders in accordance with this Agreement. No Shareholder shall dispose of shares without first complying with the Right of First Refusal. Shareholders other than Investor Shareholders shall have no right to purchase shares pursuant to this Right of First Refusal, except in the capacity as assignor of Newco.

(c) Closing of Redemption or Purchase. If Newco, and/or SEi and/or HPS and/or any assignee(s) of Newco elect to purchase collectively all (and not less than all) the shares offered for redemption or purchase, the redemption and/or purchase shall be closed and the Disposing Shareholder's shares offered for redemption or purchase shall be delivered free and clear of all liens and encumbrances (other than any purchase money liens taken back by the Disposing Shareholder at the closing, if applicable), at a closing to be held at the principal offices of Newco within thirty (30) days after the expiration of the first offer period granted herein to the Investor Shareholders.

4.4. Sale of Shares to a Third Party.

(a) Tag-Along Rights. If, at any time, SEi or HPS (the "Disposing Shareholders") propose to sell shares to any one or more third parties who are not, and following such sale will not be, a wholly owned subsidiary of an Investor Shareholder (a "Third Party"), the other Investor Shareholder shall have the right to participate (a "Tag- Along Right") in such sale with respect to any shares, including any shares issuable upon exercise of any vested options or warrants (if any) held by such Investor Shareholder, on a Pro Rata basis for the same consideration per Share and otherwise on the same terms as the Disposing Shareholders. If circumstances occur which give rise to the Tag-Along Right, then the Disposing Shareholder shall give written notice to Newco and the other Investor Shareholder, providing the particulars of the proposed sale to the Third Party and advising such other Investor Shareholder of its Tag-Along Rights. This notice shall not be given until the expiration of all rights of First Refusal under Section 4.3. The other Investor Shareholder may exercise its Tag-Along Right by written notice to Newco and the Disposing Shareholder within twenty-five (25) days of the date of mailing of the Disposing Shareholder's notice stating the number of shares that it wishes to sell, up to the maximum number permitted herein. If any Investor Shareholder gives written notice indicating that such Investor Shareholder wishes to sell, such Investor Shareholder shall be obligated to sell that number of shares specified in its written acceptance notice upon the same terms and conditions as the Disposing Shareholder is selling to the Third Party and shall not be subject to the requirements of Section 4.3. The Tag-Along Right provided in this Section 4.4 shall be in addition to the Right of First Refusal provided in Section 4.3 and shall not relieve the Disposing Shareholder of the obligation to provide the First Refusal Notice provided herein. No Shareholder, other than an Investor Shareholder, shall have any Tag-Along Right.

(b) Drag-Along Rights. If, at any time, any Investor Shareholder (the "Disposing Shareholder") proposes to sell shares to a Third Party, such Shareholder shall, upon written notice to the Company and the other Shareholders given at least twenty-five (25) days prior to the proposed sale, have the right to require each other Shareholder, other than an Investor Shareholder, to participate (a "Drag-Along Right") in such sale with respect to any shares, including any shares issuable upon exercise of any vested options, which are held by such Shareholder, on a pro rata basis (based on the percentage of the number of such shares held by any such Shareholder corresponding to the relationship of the aggregate number of such shares to be sold by the Shareholders to the total number of shares outstanding for the same consideration per Share and otherwise on the same terms as the Disposing Shareholder.

(c) Coordination with Options. For purposes of Section 4.4.(b), to the extent that Shares issuable upon exercise of a vested option are to be sold pursuant to the exercise of a Drag-Along Right, the holders of such options or securities shall not be required to exercise their options or convert their securities, as the case may be, until all conditions to the commitment by the Third Party to purchase the shares into which such options are exercisable or such securities are convertible pursuant to the exercise of a Drag-Along Right have been satisfied or waived.

4.5. Determination of Share Value. Whenever the Determined Value of shares is required to be determined hereunder, the Determined Value shall be agreed upon by the holder of the shares and Newco within ten (10) days following the expiration of the applicable notice period. If the interested Shareholders and Newco are unable to agree upon the Determined Value within such period of time, Newco shall promptly select a firm experienced in valuing businesses similar to Newco's business and shall promptly notify the interested Shareholders of its selection.

The interested Shareholders shall have ten (10) days after the receipt of such notification to accept the firm selected by Newco or to select another firm experienced in valuing businesses similar to Newco's. If the interested Shareholders accept the firm selected by Newco, (i) such firm shall promptly provide to Newco and the interested Shareholders its estimate of the Determined Value, whereupon such estimate shall be the Determined Value, and (ii) Newco shall pay the fees charged by such firm. If the interested Shareholders do not accept the firm selected by Newco, such firm and the firm selected by a majority of the interested Shareholders shall each promptly submit to Newco, the interested Shareholders and each other its estimate of the Determined Value. If the lower of the two estimates is greater or equal to ninety percent (90%) of the higher of the two estimates, the average of the two estimates shall be the Determined Value. If the lower estimate is less than ninety percent (90%) of the higher estimate, the two firms shall select a third firm experienced in valuing businesses similar to Newco's, which firm shall select from the two estimates the estimate that is closest to such third firm's estimate of the Determined Value, whereupon such selected estimate shall be the Determined Value. In the event that a majority of the interested Shareholders do not accept the firm selected by Newco, each of Newco and the interested Shareholders (Pro Rata among them based on the relative number of shares owned by each) shall pay the fees charged by the firm selected by it or them. Newco and the interested Shareholders (Pro Rata among them based on the relative number of shares owned by each) shall share equally the fees charged by the third firm. The Determined Value shall be determined as of the last day of the month preceding the date on which the right to purchase the shares arose. In no event shall the Determined Value reflect a discount for minority interests. The parties intend that the Determined Value per share shall be equal to the Determined Value of Newco divided by the total number of shares outstanding (with reasonable and appropriate adjustments for any vested stock options where the exercise price of the option is less than the fair market value of the shares). The Determined Value of shares issuable upon exercise of a vested option shall be equal to the Determined Value of the underlying shares, less the exercise price of such option.

4.6. Remedy for Violation. In the event that any person Disposes of any shares in violation of any of the provisions of this Agreement, such disposition shall be void. In the event any restriction on transfer herein shall be held invalid, Newco and the other Shareholders shall have the right to redeem or purchase, as the case may be, all or any shares disposed of in violation of the invalidated restrictions from the then holder thereof (a) at the price and on the terms on which such shares were acquired by such holder, if such shares were acquired by the holder in a purchase transaction, or (b) at the election of the redeeming or purchasing parties, or in the case of a transaction that is unique or the terms of which cannot readily be assumed by other parties, at the Determined Value of such shares. The rights given by this paragraph shall accrue first to Newco and then, Pro Rata, to the Investor Shareholders and then, Pro Rata to the other Shareholders, and then to any assignee(s) of Newco. Newco shall notify the Shareholders promptly of the final judgment holding the transfer restriction invalid, and shall have one hundred twenty (120) days after the date of mailing of such notice to elect to exercise its redemption option by mailing written notice of such election to the holder of the shares and to the Shareholders. In the event that Newco elects not to exercise its option hereunder as to all the shares available for redemption or purchase hereunder, each Shareholder shall have sixty (60) days after the date of mailing of Newco's initial notice to notify the holder of the shares, Newco and all other Shareholders of such Shareholder's election to purchase all or any part of such Shareholder's Pro Rata portion of the shares. If the other Shareholders do not elect to purchase all the remaining shares, Newco may assign the right to purchase all or any part of the remaining shares to one or more third parties provided that such third parties agree to execute this Agreement and agree to be bound by the terms hereof.

4.7. Endorsement on Certificates Evidencing Shares. Each certificate representing Shares now or hereafter held by Shareholders or their transferees and successors, shall be stamped with a legend in substantially the following form:

"This certificate represents Shares, the sale, disposition, pledge, encumbrance or other transfer of which is subject to limitations and restrictions (including without limitation, certain rights of first refusal and mandatory purchase and sale obligations), and the voting of which is subject to agreements and restrictions, a full statement of which will be furnished by Newco to any Shareholder upon request and without charge."

5. REPRESENTATIONS AND WARRANTIES

SEi, with respect to SEi, makes the following representations and warranties to HPS, and HPS with respect to HPS, makes the following representations and warranties to SEi, each of which, in any case, is true and correct on the date hereof, shall remain true and correct to and including the Closing Date, shall be unaffected by any investigation heretofore or hereafter made by SEi or HPS, as the case may be, or any knowledge of SEi or HPS, as the case may be, other than as specifically disclosed in the Schedules to this Agreement, and shall survive the Closing of the transactions provided for herein. The term "Company" as used in this Agreement, means either SEi or HPS, as the case may be.

5.1. Corporate.

(a) Organization. SEi is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida. HPS is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Corporate Power. Company has all requisite corporate power and authority to own, operate and lease its properties, to carry on its business as and where such is now being conducted, to enter into this Agreement and the other documents and instruments to be executed and delivered by it pursuant hereto and to carry out the transactions contemplated hereby and thereby.

(c) Authority. The execution and delivery of this Agreement and the other documents and instruments to be executed and delivered by Company pursuant hereto and the consummation of the transactions contemplated hereby and thereby have been duly authorized by the Board of Directors of the Company. No other or further corporate act or proceeding on the part of Company is necessary to authorize this Agreement or the other documents and instruments to be executed and delivered by Company pursuant hereto or the consummation of the transactions contemplated hereby and thereby. This Agreement constitutes, and when executed and delivered, the other documents and instruments to be executed and delivered by Company pursuant hereto will constitute, valid binding agreements of Company, enforceable in accordance with their respective terms, except as such may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally, and by general equitable principles.

5.2. No Violation. Neither the execution and delivery of this Agreement or the other documents and instruments to be executed and delivered by Company pursuant hereto, nor the consummation by Company of the transactions contemplated hereby and thereby (a) will violate any statute or law or any rule, regulation, order, writ, injunction or decree of any court or governmental authority, (b) except for applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), will require any authorization, consent, approval, exemption or other action by or notice to any court, administrative or governmental agency, instrumentality, commission, authority, board or body, or (c) will violate or conflict with, or constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, or will result in the termination of, or accelerate the performance required by, or result in the creation of any Lien upon any of the assets of Company, under any term or provision of the Articles of Incorporation or Bylaws of Company or of any contract, commitment, understanding, arrangement, agreement or restriction of any kind or character to which Company is a party or by which Company or any of its assets or properties may be bound or affected.

6. OTHER MATTERS

6.1. Noncompetition; Confidentiality. Subject to the Closing, and as an inducement to execute this Agreement and complete the transactions contemplated hereby, SEi and HPS each hereby covenant and agree as follows:

(a) Covenant Not to Compete. During the term of this Agreement and for a period of sixty (60) months following the termination or expiration of this Agreement, (1) Newco agrees that it will not directly or indirectly engage in any businesses which competes with HPS in the HPS Core Business or which competes with SEi in the SEi Core Business; (2) HPS agrees that it will not directly or indirectly engage in any business which competes with Newco in the Newco Core Business or with SEi in the SEi Core Business, provided that nothing contained herein shall prohibit HPS from continuing to provide Care Management Services pursuant to contracts with Care Management Services already in place as of the date hereof; and (3) SEi agrees that it will not directly or indirectly engage in any business which competes with Newco in the

Newco Core Business or with HPS in the HPS Core Business. This covenant not to compete shall have worldwide scope.

For purposes of this Section 6.1, the following terms shall have the following meanings:

(i) "HPS Core Business" means the business of providing marketing, distribution, enrollment, premium billing and collection, claims administration, and information services to medical benefits payors and health care providers, including customer service activities related thereto. While HPS is in the business of providing Care Management Services to medical benefits payors and health care providers and will continue to contract with payors and providers to provide such services in the future, it shall outsource this business to Newco pursuant to its Care Management Outsourcing Agreement with Newco except to the extent that it currently has other contractual commitments with other care management providers to provide such services.

(ii) "Care Management Services" means the business of providing utilization review (which includes, but is not limited to, pre-admission certification, prior authorization, prospective length of stay approvals, second opinions, concurrent review and discharge planning), catastrophic medical case management, disease management and demand (24 hours a day, 7 days a week) management services to benefits payors and health care providers, including third party administrators, provider organizations such as independent professional associations and provider management companies.

(iii) "SEi Core Business" means the business of (A) operating stand-alone call centers to provide (1) technical product support services to end users for computer hardware and software companies, and (2) help desk services to major companies to provide their employees with help in operating their equipment and software, (B) providing information technology development services and solutions to large corporations on a contract or temporary staffing basis, including software design, development integration and implementation services, systems support and maintenance (C) providing foreign language translation and software localization services, and (D) providing a standalone/physically dedicated call center and related services (both inbound and outbound) to customers.

(iv) "Newco's Core Business" means the business of operating call centers to provide Care Management Services to medical benefits payors, health care providers and organizations comprised of such entities and other providers of Care Management Services, such as third party administrators, provider organizations and provider management companies.

(v) "Compete" means, in addition to the customary and accepted definition of compete, all of the following:

(A) directly or indirectly engage in, continue in or carry on any business which competes with such business or is substantially similar thereto, including owning or controlling any financial interest in any corporation, partnership, firm or other form of business organization which is so engaged; and

(B) engage in any practice the purpose of which is to evade the provisions of this covenant not to compete.

The term "Competes with" shall not include the ownership of securities of corporations which are listed on a national securities exchange or traded in the national over-the-counter market in an amount which shall not exceed 5% of the outstanding shares of any such corporation. The parties agree that the geographic scope of this covenant not to compete shall extend throughout the United States and the entire world. The parties agree that the geographic scope of this covenant not to compete is reasonable because telecommunications is a global business and SEi has substantial international operations. In the event a court of competent jurisdiction determines that the provisions of this covenant not to compete are excessively broad as to duration, geographical scope or activity, it is expressly agreed that this covenant not to compete shall be construed so that the remaining provisions shall not be affected, but shall remain in full force and effect, and any such over broad provisions shall be deemed, without further action on the part of any person, to be modified, amended and/or limited, but only to the extent necessary to render the same valid and enforceable in such jurisdiction. This covenant not to compete has been separately bargained for and is a material inducement to the willingness of the Investor Shareholders to invest in Newco and enter into this Agreement.

(b) Covenant of Confidentiality. Neither SEi, HPS nor Newco shall at any time subsequent to the Closing, except as explicitly requested by SEi, HPS or Newco, as the case may be, (i) use for any purpose,
(ii) disclose to any person, or (iii) keep or make copies of documents, tapes, discs or programs containing, any confidential information concerning any other party hereto. For purposes hereof, "confidential information" shall mean and include, without limitation, all Trade Rights in which SEi, HPS or Newco, as the case may be, has an interest, all customer lists and customer information, and all other information concerning processes, apparatus, equipment, services, marketing and distribution methods of SEi, HPS or Newco, as the case may be, not previously disclosed to the public directly by SEi, HPS or Newco, as the case may be. (Notwithstanding the foregoing, this provision shall not limit in any way the Investor Shareholders' rights to consult with management of Newco and inspect the books and records of Newco.)

(c) Equitable Relief for Violations. SEi, HPS, Newco and the other Shareholders agree that the provisions and restrictions contained in this Section 6.1 are necessary to protect the legitimate continuing interests of SEi, HPS and Newco, and that any violation or breach of these provisions will result in irreparable injury to SEi, HPS and Newco, respectively, for which a remedy at law would be inadequate and that, in addition to any relief at law which may be available to SEi, HPS and Newco, respectively, for such violation or breach and regardless of any other provision contained in this Agreement, SEi, HPS and Newco, respectively, shall be entitled to injunctive and other equitable relief as a court may grant after considering the intent of this Section 6.1.

6.2. HSR Act Filings. To the extent such filings have not been completed prior to the execution of this Agreement, SEi and HPS shall, in cooperation with the other, file any reports or notifications that may be required to be filed by it under the HSR Act, with the Federal Trade Commission and the Antitrust Division of the Department of Justice, and shall furnish to the other all such information in its possession as may be necessary for the completion of the reports or notifications to be filed by the other. Prior to making any communication, written or oral, with the Federal Trade Commission, the Antitrust Division of the federal Department of Justice or any other governmental agency or authority or members of their respective staffs with respect to this Agreement or the transactions contemplated hereby, SEi and HPS shall consult with each other.

6.3. Subcontract for Existing Call Center Services of HPS. Following the Closing, and to the extent HPS is not contractually prohibited from doing such and can obtain the necessary consents, Newco and HPS shall enter into an agreement (the "Care Management Agreement") providing for the subcontracting of call center services provided by HPS which relate to utilization review, medical case management special claims review and other managed care related services. The scope of such Agreement shall be as may be mutually agreed upon in good faith by the parties.

6.4. Support Service Contract. Following the Closing, Newco, SEi and HPS shall enter into a contract or contracts providing for various administrative support services to be provided at actual cost by SEi and HPS to Newco (the "Support Service Contract"). The scope of such contract or contracts shall be as may be mutually agreed upon in good faith by the parties.

6.5. SEi Call Center Support. Following the Closing, SEi shall consult, if asked, with Newco regarding call center technology and shall assist Newco in designing Newco's call center and training newco's call center staff. The scope and terms of such support shall be as may be mutually agreed upon in good faith.

7. CONDITIONS PRECEDENT TO OBLIGATIONS

Each and every obligation of SEi and each and every obligation of HPS to be performed on the Closing Date shall be subject to the satisfaction prior to or at the Closing of each of the following conditions:

7.1. Representations and Warranties True on the Closing Date. Each of the representations and warranties made by the other party in this Agreement, and in any instrument, list, certificate or writing delivered by the other party pursuant to this Agreement, shall be true and correct in all material respects when made and shall be true and correct in all material respects at and as of the Closing Date as though such representations and warranties were made or given on and as of the Closing Date, except for any changes permitted by the terms of this Agreement or consented to in writing by SEi or HPS, as the case may be.

7.2. Compliance With Agreement. The other parties shall have in all material respects performed and complied with all of their agreements and obligations under this Agreement which are to be performed or complied with by them prior to or on the Closing Date, including the delivery of the closing documents specified in Section 8.1.

7.3. Absence of Suit. No action, suit or proceeding before any court or any governmental authority shall have been commenced or threatened, and no investigation by any governmental or regulating authority shall have been commenced, against SEi, HPS or any of the shareholders, affiliates, officers or directors of either of them, seeking to restrain, prevent or change the transactions contemplated hereby, or questioning the validity or legality of any such transactions, or seeking damages in connection with, or imposing any condition on, any such transactions.

7.4. Consents and Approvals. All approvals, consents and waivers with respect to the other party that are required to effect the transactions contemplated hereby shall have been received, and executed counterparts thereof shall have been delivered.

8. CLOSING

The closing of this transaction ("the Closing") shall take place at the offices of Foley & Lardner in Tampa, Florida, at 12 p.m. on December 11, 1997, or at such other time and place as the parties hereto shall agree upon. Such date is referred to in this Agreement as the "Closing Date".

8.1. Documents to be Delivered by SEi and HPS. At the Closing, SEi, HPS and Newco shall deliver all the following documents, in each case duly executed or otherwise in proper form:

(a) SEi and HPS shall deliver to Newco, the payment of the initial capital contribution referred to in Section 2.1;

(b) SEi, HPS and Newco shall deliver the Loan Agreements;

(i) All other documents, instruments or writings required to be delivered by SEi, HPS or Newco at or prior to the Closing pursuant to this Agreement and such other certificates of authority and documents as SEi or HPS may reasonably request.

8.2. Organization Meeting. At the Closing, simultaneously with the delivery of documents referred to in Section 8.1, the Shareholders shall hold an organization meeting of Newco. At such meeting, (a) the Shareholders shall appoint the initial Board of Directors of Newco; (b) the newly-elected Board of Directors shall meet for the purpose of electing officers of Newco; and (c) the agreements and documents referred to in this Agreement to which Newco is a party shall be authorized on behalf of Newco.

9. TERMINATION

9.1. Survival of Agreement. It is the intention of the parties that this Agreement shall survive the formation of Newco and serve as a binding agreement on the parties and their respective successors and assigns including, without limitation, any future shareholders of Newco who agree to be bound by the terms hereof.

9.2. Termination. Notwithstanding the provisions of Section 9.1 hereof, this Agreement shall terminate, and shall no longer have any force or effect, upon the earliest of (a) its termination by mutual written consent of SEi and HPS, (b) the failure of any of the conditions precedent set forth in
Section 7, (c) any transfer of shares of Newco which results in Newco having no more than one Shareholder, or (d) the dissolution and liquidation of Newco.

9.3. Consequences of Termination. Upon the termination of this Agreement pursuant to Section 9.2 above, all rights and obligations under this Agreement shall immediately terminate except the following which shall survive termination of this Agreement for any reason: (a) all claims of any Party against the other party for damages arising out of acts or omissions of such other Party outside the scope of this Agreement, or in breach of this Agreement, (b) all rights and obligations of the parties accrued during the term of this Agreement, and (c) the provisions of Section 2.3.(b) (pro rata repayment of Loans), Section 6.1 (Non-Competition; Confidentiality), and Article 13 (Resolution of Disputes) of this Agreement.

9.4. Dissolution of Newco Upon Termination. In the event this Agreement is terminated as herein provided prior to Closing, but Newco shall already have been organized and capitalized, Newco shall be promptly liquidated and all capital contributions shall be returned to the Shareholders, less their pro rata share of expenses incurred in connection with the negotiation and execution of this Agreement, the formation of Newco, and the organization and liquidation of Newco.

10. FURTHER ASSURANCE

From time to time, at the other party's request and without further consideration, each party to this Agreement will execute and deliver to the other party such documents and take such other action as the other party may reasonably request in order to consummate more effectively the transactions contemplated hereby.

11. DISCLOSURES AND ANNOUNCEMENTS

Both the timing and the content of all disclosure to third parties and public announcements concerning the transactions provided for in this Agreement by either SEi or HPS shall be subject to the approval of the other in all essential respects, except that approval shall not be required as to any statements and other information which a party may submit to the Securities and Exchange Commission, the New York Stock Exchange or the Nasdaq National Market, or its shareholders or be required to make pursuant to any rule or regulation of the Securities and Exchange Commission, New York Stock Exchange, Nasdaq National Market, or otherwise required by law.

12. ASSIGNMENT; PARTIES IN INTEREST

12.1. Assignment. Except as expressly provided herein, the rights and obligations of a party hereunder may not be assigned, transferred or encumbered without the prior written consent of the other parties.

12.2. Parties in Interest. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the respective successors and permitted assigns of the parties hereto. Nothing contained herein shall be deemed to confer upon any other person any right or remedy under or by reason of this Agreement.

13. RESOLUTION OF DISPUTES

13.1. Arbitration. Any dispute, controversy or claim arising out of or relating to this Agreement or any contract or agreement entered into pursuant hereto or the performance by the parties of its or their terms shall be settled by binding arbitration held in Tampa, Florida, in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect, except as specifically otherwise provided in this Article 13. Notwithstanding the foregoing, Newco may, in its discretion, apply to a court of competent jurisdiction for equitable relief from any violation or threatened violation of the covenants of SEi or HPS under Section 6.1 (covenant not to compete) of this Agreement.

13.2. Arbitrators. If the matter in controversy (exclusive of attorney fees and expenses) shall appear, as at the time of the demand for arbitration, to exceed $1,500,000, then the panel to be appointed shall consist of one neutral arbitrator to be mutually agreed upon by the parties; otherwise, the panel shall be comprised of three neutral arbitrators of whom one shall be selected by each party within twenty (20) days, and a third arbitrator shall be selected by these two selected arbitrators. If one of the parties fails to timely select an arbitrator, the arbitrator that was timely selected shall be the sole arbitrator. If neither party timely selects an arbitrator, the first arbitrator selected thereafter shall be the sole arbitrator, no others being appointed. Where each of the parties timely selects an arbitrator, said arbitrators will have ten (10) days from the end of the twenty (20) -day period to select the third arbitrator. In the event the arbitrators are unable to timely agree on the third arbitrator, either party may petition any official of the American Arbitration Association for appointment of the third arbitrator and the parties agree to accept any arbitrator appointed by such official subject to the limitations hereof. Arbitrators must be reasonably independent of the parties and their principals. Persons who are hereby expressly disqualified to serve as arbitrators are principals of the parties, relatives of said principals, employees of the parties or said principals, persons not residing within 100 miles of Tampa, Florida, attorneys, accountants, and other business persons have professional or business relationships with the parties or said principals.

13.3. Procedures; No Appeal. The arbitrator(s) shall allow such discovery as the arbitrator(s) determine appropriate under the circumstances, provided that any party shall be entitled to reasonable production of documents and not less than (i) 16 hours of deposition examination and 20 written interrogatories if the matter in controversy (exclusive of attorneys fees and costs) is $1,500,000 or less; and (ii) 24 hours of deposition examination and 40 written interrogatories if the matter in controversy (exclusive of attorneys fees and costs) exceeds $1,500,000. The arbitrators shall resolve the dispute as expeditiously as practicable, and if reasonably practicable, within one hundred twenty (120) days after the selection of the arbitrator(s). The arbitrator(s) shall give the parties written notice of the decision, with the reasons therefor set out, and shall have thirty (30) days thereafter to reconsider and modify such decision if any party so requests within ten (10) days after the decision. Thereafter, the decision of the arbitrator(s) shall be final, binding, and nonappealable with respect to all persons, including (without limitation) persons who have failed or refused to participate in the arbitration process. The privileges, including, without limitation, the attorney-client privilege, shall apply in arbitration.

13.4. Authority. The arbitrator(s) shall have authority to award relief under legal or equitable principles, including interim or preliminary relief, and to allocate responsibility for the costs of the arbitration and to award recovery of attorneys fees and expenses in such manner as is determined to be appropriate by the arbitrator(s).

13.5. Entry of Judgment. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having in personam and subject matter jurisdiction. Each party hereby submits to the in personam jurisdiction of the Federal and State courts in Hillsborough County, for the purpose of confirming any such award and entering judgment thereon.

13.6. Confidentiality. All proceedings under this Article 13 and all evidence given or discovered pursuant hereto, shall be maintained in confidence by all parties.

13.7. Continued Performance. The fact that the dispute resolution procedures specified in this Article 13 shall have been or may be invoked shall not excuse any party from performing its obligations under this Agreement and during the pendency of any such procedure all parties shall continue to perform their respective obligations in good faith, subject to any rights to terminate this Agreement that may be available to any party.

13.8. Tolling. All applicable statues of limitation shall be tolled while the procedures specified in this Article 13 are pending. The parties will take such action, if any, required to effectuate such tolling.

13.9. Expenses of Arbitration. Except as otherwise may be provided in this Agreement, the expenses of arbitration will be borne equally by the parties, provided that each party will bear the cost of its own experts, evidence and attorneys' fees, except that, in the discretion of the arbitrators, any award in arbitration may include attorneys' fees if the arbitrators expressly determine that the party against whom such an award is entered has caused the dispute to be submitted to arbitration in bad faith or as a dilatory tactic. No arbitration will be commenced after the date when institution of legal or equitable proceedings based upon the same subject matter would be barred by the applicable statute of limitations.

14. LAW GOVERNING AGREEMENT

This Agreement may not be modified or terminated orally, and shall be construed and interpreted according to the internal laws of the State of Florida, excluding any choice of law rules that may direct the application of the laws of another jurisdiction.

15. AMENDMENT AND MODIFICATION

The parties may amend, modify and supplement this Agreement in such manner as may be agreed upon by them in writing.

16. NOTICE

All notices, requests, demands and other communications hereunder shall be given in writing and shall be: (a) personally delivered; (b) sent by telecopier, facsimile transmission or other electronic means of transmitting written documents; or (c) sent to the parties at their respective addresses indicated herein by registered or certified U.S. mail, return receipt requested and postage prepaid, or by private overnight mail courier service. The respective addresses to be used for all such notices, demands or requests are as follows:

(a) If to SEi, to:

Sykes Enterprises, Incorporated 100 North Tampa Street, Suite 3900 Tampa, FL 33602 Attention: John H. Sykes Facsimile: 813-273-0148

(with a copy to)

Martin A. Traber, Esq.
Foley & Lardner
100 North Tampa, Suite 2700
Tampa, FL 33602
Facsimile: 813-221-4210

or to such other person or address as SEi shall furnish to HPS in writing.

(b) If to HPS, to:

HealthPlan Services Corporation 3501 Frontage Road Tampa, FL 33607 Attention: Phil Dingle, Esq.

Facsimile: 813-287-6629

(with a copy to)

David C. Shobe, Esq.
501 E. Kennedy Blvd., Suite 1700
Tampa, FL 33601
Facsimile: 813-229-8313

or to such other person or address as HPS shall furnish to SEi in writing.

If personally delivered, such communication shall be deemed delivered upon actual receipt; if electronically transmitted pursuant to this paragraph, such communication shall be deemed delivered the next business day after transmission (and sender shall bear the burden of proof of delivery); if sent by overnight courier pursuant to this paragraph, such communication shall be deemed delivered upon receipt; and if sent by U.S. mail pursuant to this paragraph, such communication shall be deemed delivered as of the date of delivery indicated on the receipt issued by the relevant postal service, or, if the addressee fails or refuses to accept delivery, as of the date of such failure or refusal. Any party to this Agreement may change its address for the purposes of this Agreement by giving notice thereof in accordance with this Section.

17. EXPENSES

Regardless of whether or not the transactions contemplated hereby are consummated:

17.1. Brokerage. SEi and HPS each represent and warrant to each other that there is no broker involved or in any way connected with the subject matter of this transaction. SEi agrees to hold HPS harmless from and against all claims for brokerage commissions or finder's fees incurred through any act of SEi in connection with the execution of this Agreement or the transactions provided for herein. HPS agrees to hold SEi harmless from and against all claims for brokerage commissions or finder's fees incurred through any act of HPS in connection with the execution of this Agreement or the transactions provided for herein.

17.2. Pre-Closing Expenses. SEi and HPS shall each pay their respective expenses in negotiating and drafting this Agreement and the documents delivered at Closing. Newco shall pay any filing fees (including, without limitation, the HSR Act filing fee) and the fee of its registered agent.

All fees and expenses of Newco's legal, accounting, investment banking and other professional counsel in connection with the transactions contemplated hereby shall be paid by Newco.

17.3. Other. Except as otherwise provided herein, each of the parties shall bear its own expenses and the expenses of its counsel and other agents in connection with the transactions contemplated hereby.

17.4. Costs of Litigation or Arbitration. The parties agree that (subject to the discretion, in an arbitration proceeding, of the arbitrator as set forth in Section 13) the prevailing party in any action brought with respect to or to enforce any right or remedy under this Agreement shall be entitled to recover from the other party or parties all reasonable costs and expenses of any nature whatsoever incurred by the prevailing party in connection with such action, including without limitation attorneys' fees and prejudgment interest.

18. ENTIRE AGREEMENT

This instrument embodies the entire agreement between the parties hereto with respect to the transactions contemplated herein, and there have been and are no agreements, representations or warranties between the parties other than those set forth or provided for herein. For purpose of interpretation, no party shall be deemed the draftsperson of this Agreement or any document delivered at Closing.

19. COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

20. HEADINGS

The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

21. FURTHER DOCUMENTS

The parties each agree to execute all other documents and to take such other action or corporate proceedings as may be necessary or desirable to carry out the terms hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

SYKES ENTERPRISES, INCORPORATED

By /s/ John H. Sykes

John H. Sykes, President

HEALTH PLAN SERVICES CORPORATION

By /s/ James K. Murray, Jr.

James K. Murray, Jr., President

AGREEMENT TO BE BOUND BY AGREEMENT

Effective as of December 11, 1997, Sykes HealthPlan Services, Inc., a Florida corporation, hereby and agrees to be bound by all of the terms, covenants, representations, warranties and other provisions of the Agreement by and between SEi and HPS dated December 11, 1997 ("Agreement") that are applicable to Newco, any "Party," the "Parties" (as those terms are defined in the Agreement) as if Newco was an original signatory of the Agreement.

SYKES HEALTHPLAN SERVICES, INC.

By /s/ David E. Garner

David E. Garner, President

SELECTED FINANCIAL DATA

The following selected financial data has been derived from the Company's consolidated financial statements. The information below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Company's Consolidated Financial Statements and related notes.

	Year Ended July 31, 1993	Year Ended July 31, 1994	Five Months Ended December 31, 1994	Year Ended December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1997
	(in thousands, except per share amounts)					
STATEMENT OF INCOME DATA:						
Revenues	$101,588	$104,545	$ 51,750	$155,957	$218,996	$313,185
Income from operations(1)	3,203	2,984	2,235	7,081	16,936	33,058
Net income(2)(3)	1,081	1,144	808	2,714	10,257	21,993
PER SHARE DATA:						
Basic (1)(2)(3)(4)	$ 0.04	$ 0.04	$ 0.03	$ 0.09	$ 0.30	$ 0.56
Dilutive	$ 0.04	$ 0.04	$ 0.03	$ 0.09	$ 0.29	$ 0.55

	July 31, 1993	July 31, 1994	December 31, 1994	December 31, 1995	December 31, 1996	December 31, 1997
	(in thousands)					
BALANCE SHEET DATA:						
Working capital	$ 5,484	$ 2,920	$ 4,707	$ 271	$109,373	$108,316
Total assets	36,491	48,311	56,953	56,577	214,524	241,663
Long-term debt, less current installments	4,362	9,779	13,153	9,584	5,178	33,313
Shareholders' equity	13,847	12,968	13,764	12,375	144,143	147,787

(1) The balance for 1997 is exclusive of $13,451 of charges associated with the impairment of long-lived assets pursuant to SFAS No. 121 and one-time merger and related charges associated with the Company's acquisition of McQueen International Limited.

(2) The balance for 1997 is exclusive of $2,795 of expense associated with acquisition related in-process research and development costs incurred by a joint venture entity and $13,451 of one-time charges as identified above.

(3) Adjusted as if an affiliate of the Company included in the consolidated financial statements, which was a S corporation for federal income tax purposes, were subject to income taxes for all periods presented, based on the tax laws in effect during the respective periods.

(4) The earnings per share amounts prior to 1997 have been restated as required to comply with Statement of Financial Accounting Standards No. 128, Earnings Per Share.

MARKET SHAREHOLDER DATA

Sykes common stock has been quoted on the Nasdaq National Market under the symbol SYKE since Sykes' initial public offering in April 1996. The following table sets forth, for the periods indicated, certain information as to the high and low sale prices per share of Sykes common stock as quoted on the Nasdaq National Market since April 30, 1996, as adjusted for three-for-two stock splits effected on July 28, 1996 and May 29, 1997, respectively.

Year ending December 31, 1997	High	Low
First Quarter	$30 3/16	$16 5/16
Second Quarter	28 3/4	17
Third Quarter	32	19 3/4
Fourth Quarter	27 5/8	16 7/8

Year ending December 31, 1996	High	Low
First Quarter	N/A	N/A
Second Quarter (commencing April 30)	$24 3/16	$13 11/16
Third Quarter	32 1/2	16 3/4
Fourth Quarter	35 3/8	23 11/16

Holders of Sykes common stock are entitled to receive dividends out of the funds legally available when and if declared by the Board of Directors. Sykes has not declared or paid any cash dividends on its common stock in the past. Sykes currently anticipates that all of its earnings will be retained for development and expansion of the Company's business and does not anticipate paying any cash dividends in the foreseeable future.

As of March 11, 1998, the last sale price of the registrant's common stock was $18 15/16 on the Nasdaq National Market, and there were approximately 200 holders of record of the common stock. The Company believes that there are approximately 10,000 beneficial owners of common stock.

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

The following should be read in conjunction with the Consolidated Financial Statements, including the notes thereto. The following discussion compares the year ended December 31, 1997 ("1997") to the year ended December 31, 1996 ("1996"), and 1996 to the year ended December 31, 1995 ("1995"). The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Future events and the Company's actual results could differ materially from the results reflected in these forward-looking statements, as a result of certain of the factors set forth below and elsewhere in this analysis.

OVERVIEW

The Company derives its revenues from providing information technology ("IT") support services, fulfillment solutions and information technology development services and solutions. Revenues from information technology support services provided through the IT call centers are recognized as services are rendered. These services are billed on a fee per call, rate per minute or time and material. Fulfillment services are generally billed on a per unit basis. Information technology development services and solutions usually are billed on a time and material basis, generally by the hour, and revenues generally are recognized as the services are provided. Revenue from software licenses are sold on a per unit or site basis and are recognized when the related software is delivered. Revenues from fixed price contracts, generally with terms of less than one year, are recognized using the percentage-of-completion method. Most of the Company's revenues are derived from non-fixed price contracts. The Company has not experienced material losses due to fixed price contracts and does not anticipate a significant increase in revenues derived from such contracts in the future.

In 1993, in an effort to capitalize on a trend toward the outsourcing of information technology services, the Company began providing information technology support services through the opening of IT call centers while phasing out its non-information technology services. The phase-out of these services was substantially completed in 1995.

Direct salaries and related costs include direct personnel compensation, statutory and other benefits associated with such personnel and other direct costs associated with providing services to customers. General and administrative expenses include administrative, sales and marketing, occupancy and other indirect costs. General and administrative costs incurred in opening new IT call centers are expensed when incurred. Interest and other income (expense) consist primarily of interest expense or income and foreign currency transaction gains and losses. Foreign currency transaction gains and losses generally result from exchange rate fluctuations on intercompany transactions. During 1997, the Company entered into a joint venture and the results of this entity are included in the Other Income section of the Statements of Income.

Grants from local or state governments for the acquisition of property and equipment are deferred and recognized as income over the corresponding useful lives of the related property and equipment. The deferred grants, net of amortization, totaled $12.1 million and $14.1 million at December 31, 1996 and 1997, respectively.

The Company's effective tax rate for the periods presented reflects the effects of foreign taxes, net of foreign income not taxed in the United States, nondeductible expenses for income tax purposes and the provision of potential additional income tax liability resulting from an Internal Revenue Service examination currently being conducted. The Company believes its reserves for any liability that may result from this examination are adequate.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated the percentage of revenues represented by certain items reflected in the Company's statements of income:

	YEARS ENDED DECEMBER 31,		
PERCENTAGE OF REVENUES	1995	1996	1997
Revenues	100.0%	100.0%	100.0%
Direct salaries and related costs	65.2	61.3	62.4
General and administrative(1)(2)	30.3	31.0	31.3
Income from operations	4.5	7.7	6.3
Interest and other expense(3)	(0.9)	(0.0)	(1.0)
Income before income taxes	3.6	7.7	5.3
Provision for income taxes(4)	1.7	3.0	3.5
Net income(1)(2)(3)(4)	1.9%	4.7%	1.8%

(1) Includes non-cash compensation expense of 0.6% related to the grant of stock options to an executive officer in 1995.

(2) Includes charges associated with the impairment of long-lived assets pursuant to SFAS No. 121 and one-time merger and related charges of 4.3% related to the acquisition of McQueen International Limited ("McQueen") in 1997.

(3) Includes expense associated with acquired in-process research and development costs of 0.9% related to an acquisition completed by a joint venture entity in 1997.

(4) Adjusted as if an affiliate of the Company included in the consolidated financial statements, which was an S corporation for federal income tax purposes, were subject to income taxes for all periods presented, based on the tax laws in effect during the respective periods. See Note 16 of Notes to Consolidated Financial Statements.

1997 COMPARED TO 1996

Revenues. Revenues increased $94.2 million, or 43.0%, to $313.2 million in 1997 from $219.0 million in 1996. These results reflect an increase in revenues of $44.5 million from fulfillment services, an increase in revenues of $40.8 million from information technology support services provided through IT call centers and an increase in revenues of $8.9 million from information technology services and solutions. At the completion of 1997, information technology support services, fulfillment services and information technology services and solutions accounted for 48.4%, 27.3%, and 24.3%, respectively, of the Company's consolidated revenues, as compared to 50.5%, 18.8% and 30.7%, respectively in 1996.

The increase in fulfillment services revenue is primarily associated with an acquisition completed in 1997 by McQueen accounted for utilizing the purchase method of accounting. Sykes acquired McQueen in the fourth quarter of 1997 utilizing the pooling-of-interests method of accounting. The increase in information technology support services revenues was primarily attributable to an increase in the number of IT call centers providing services throughout the period, the addition of several significant customers since 1995 and the resultant increase in call volumes from clients. During 1996, the Company opened three new IT call centers which were fully operational throughout 1997, and opened three additional centers in 1997. The increase in revenues for information technology services and solutions was primarily attributable to the increase in hours billed to customers for professional services when compared to the prior period.

Direct Salaries and Related Costs. Direct salaries and related costs increased $61.2 million, or 45.6%, to $195.4 million in 1997 from $134.2 million in 1996. As a percentage of revenues, direct salaries and related costs increased to 62.4% in 1997 from 61.3% in the comparable 1996 year. The increase in the amount of direct salaries and related costs was primarily attributable to the change in the Company's mix of business associated with the McQueen acquisition referenced above and the addition of personnel to support revenue growth.

General and Administrative. General and administrative expenses increased $30.3 million, or 44.7%, to $98.1 million in 1997, inclusive of special one-time charges, from $67.8 million in 1996. As a percentage of revenues, and inclusive of special one-time charges, general and administrative expenses remained relatively constant at 31% in 1997 and 1996. The increase in the amount of general and administrative expenses was attributable to the occurrence of special one-time charges identified below. General and administrative expenses exclusive of $13.4 million of charges associated with the impairment of long-lived assets pursuant to SFAS No. 121 and one-time merger and related charges associated with the Company's acquisition of McQueen, increased $16.9 million, or 24.9%, to $84.7 million, or 27.0% of revenue. The decrease as a percentage of revenues resulted from economies of scale associated with spreading costs over a larger revenue base.

Interest and Other Expense. Interest and other expense increased to $3.0 million during 1997 from $0.1 million during 1996. As a percentage of revenues, interest and other expense was 1.0% in 1997 compared to less than 0.5% in 1996. The increase in interest and other expense was primarily attributable the occurrence of approximately $2.8 million of acquisition related in-process research and development costs, which was recorded as other expense and an increase in the Company's debt position as a result of the acquisition of McQueen completed during 1997,partially offset by interest income earned on available funds realized from the Company's public offerings.

Income Taxes. Income taxes increased $4.4 million, or 67.7%, to $10.9 million during 1997 from $6.5 million during 1996, and increased as a percentage of revenues to 3.0% from 2.8%, respectively. This increase was attributable to the significant increase in the amount of income before income taxes and in income before income taxes as a percentage of revenues. However, the Company's marginal tax rate increased to 65% during 1997 primarily as a result of nondeductible expenses being a significantly higher percentage of income before income taxes. These nondeductible expenses consisted primarily of goodwill and in-process research and development costs.

Net Income. As a result of the foregoing, net income inclusive of special one-time charges decreased to $5.7 million in 1997 from $10.3 million in 1996. Net income for 1997 exclusive of the $13.4 million of charges associated with the impairment of long-lived assets pursuant to SFAS No. 121 and one-time merger and related charges, and exclusive of the $2.8 million associated with acquisition related in-process research and development would have been $21.9 million for 1997.

1996 COMPARED TO 1995

Revenues. Revenues increased $63.0 million, or 40.4%, to $219.0 million in 1996 from $156.0 million in 1995. These results reflect an increase in revenues of $48.3 million from information technology support services provided through IT call centers, an increase in revenues of $15.8 million from information technology services and solutions, and a $3.0 million increase in revenues from fulfillment services, partially offset by a $4.1 million reduction in revenues from non-information technology services that were substantially phased out in 1995. At the completion of 1996, information technology support services, fulfillment services and information technology services and solutions accounted for 50.5%, 18.8% and 30.7%, respectively, of the Company's consolidated revenues, as compared to 39.9%, 24.5% and 35.6%, respectively, in 1995.

The increase in information technology support services revenues was primarily attributable to an increase in the number of IT call centers providing services throughout the period, the addition of several significant customers since 1995 and the resultant increase in call volumes from clients. During the fourth quarter of 1995, the Company opened two new IT call centers which were fully operational throughout 1996, and opened three additional centers in 1996. In addition, the Company has added 36 customers in its information technology support services since the beginning of 1995, giving it 58 customers that utilized these services as of December 31, 1996. The increase in revenues for information technology services and solutions was primarily attributable to the increase in hours billed to customers for professional services when compared to the prior period. The increase in revenues for fulfillment services was primarily attributable to an increase in orders from the Company's largest customer.

Direct Salaries and Related Costs. Direct salaries and related costs increased $32.5 million, or 32.0%, to $134.2 million in 1996 from $101.7 million in 1995. As a percentage of revenues, however, direct salaries and related costs decreased to 61.3% in 1996 from 65.2% in 1995. The increase in the amount of direct salaries and related costs was attributable to the addition of personnel to support revenue growth. The decrease as a percentage of revenues resulted from economies of scale associated with spreading costs over a larger revenue base and the continued change in the Company's mix of business reflecting the growth of information technology support services as a percentage of consolidated results.

General and Administrative. General and administrative expenses increased $20.6 million, or 43.6% to $67.8 million in 1996 from $47.2 million in 1995. As a percentage of revenues, general and administrative expenses increased to 31.0% in 1996 from 30.3% in 1995. The increase in the amount of general and administrative expenses was primarily attributable to the addition of management and administrative personnel to support the Company's growth and depreciation expenses associated with facility and capital equipment expenditures incurred in connection with the IT call centers.

Interest and Other Expense. Interest and other expense decreased to $0.1 million during 1996 from $1.5 million during 1995. As a percentage of revenues, interest and other expense was less than 0.5% in 1996 from interest and other expense of 0.9% in 1995. The decrease was primarily attributable to a reduction of interest expense as a result of certain debt repayments from proceeds realized from the Company's public offerings completed during 1996.

Income Taxes. Income taxes increased $3.6 million, or in excess of 100.0%, to $6.5 million during 1996 from $2.9 million during 1995, and increased as a percentage of revenues to 3.0% from 1.8%, respectively. This increase was attributable to the significant increase in the amount of income before income taxes and in income before income taxes as a percentage of revenues. However, the Company's marginal tax rate decreased to 38.6% during 1996 primarily as a result of nondeductible expenses being a lower percentage of the larger income before income taxes and tax-exempt interest income earned during the year.

Net Income. As a result of the foregoing, net income increased to $10.3 million in 1996 from $2.7 million in 1995.

QUARTERLY RESULTS

The following information presents unaudited quarterly operating results for the Company for 1996 and 1997. The data has been prepared by the Company on a basis consistent with the Consolidated Financial Statements included elsewhere in this Form 10-K, and include all adjustments, consisting of normal recurring accruals, that the Company considers necessary for a fair presentation thereof. These operating results are not necessarily indicative of the Company's future performance.

	QUARTER ENDED							
	3/31/96	6/30/96	9/29/96	12/31/96	3/30/97	6/29/97	9/28/97	12/31/97
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
Revenues	$51,797	$50,252	$52,155	$64,791	$66,597	$79,224	$79,802	$87,561
Direct salaries and related costs	31,424	30,592	32,935	39,285	39,639	49,618	50,828	55,364
General and Administrative(1)(2)	15,321	15,625	16,358	20,518	19,306	32,620	21,606	24,595
Income (loss) from Operations(1)(2)	5,052	4,035	2,862	4,988	7,652	(3,014)	7,368	7,602
Interest and other income (expense)(3)	(378)	(108)	84	260	442	152	84	(3,662)
Income (loss) before income taxes(1)(2)	4,674	3,927	2,946	5,248	8,094	(2,862)	7,452	3,940
Provision for income taxes(4)	1,391	1,811	1,262	2,026	2,947	2,695	2,702	2,532
Net income (loss) (1)(2)(4)	$3,283	$2,116	$1,684	$3,222	$5,147	$(5,557)	$ 4,750	$ 1,408
Net income (loss) per share(1)(2)(4)	$ 0.10	$ 0.06	$ 0.04	$ 0.08	$ 0.13	$ (0.14)	$ 0.12	$ 0.04
Total diluted shares	31,328	35,686	37,552	39,251	40,165	40,326	40,299	40,222

(1) The quarter ended June 29, 1997 includes $10.4 million of charges associated with the impairment of long-lived assets pursuant to SFAS No. 121. Exclusive of such charges, income from operations, income before income taxes, net income, and net income per diluted share would have been approximately $7.4 million, $7.5 million, 4.8 million and $0.12, respectively.

(2) The quarter ended December 31, 1997 includes $3,051 of one-time merger and related charges associated with the acquisition of McQueen. Exclusive of such charges and the expense referenced in (3) below, income from operations, income before income taxes, net income and net income per diluted share would have been approximately $13.4 million, $9.8 million, $7.3 million and $0.18, respectively.

(3) The quarter ended December 31, 1997 includes $2,795 of expense associated with acquisition related in-process research and development cost.

(4) Adjusted as if an affiliate of the Company included in the consolidated financial statements, which was an S corporation for federal income tax purposes, were subject to income taxes for all periods presented, based on the tax laws in effect during the respective periods. See Note 15 of Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are equity offerings, cash flows from operations and available borrowings under its credit facility. The net proceeds to the Company of $39.7 million from its April 1996 initial public offering were used to repay certain debt outstanding at such time and make capital expenditures. In November 1996, the Company received proceeds, net of offering expenses, of $71.5 million from the sale of approximately 2.4 million shares of common stock pursuant to a secondary offering. The Company has utilized certain of these proceeds and the balance of the funds available from the initial public offering to make additional capital expenditures associated primarily with its technical support services as identified above, to repay debt associated with entities it has acquired subsequent to the public offerings, to acquire interest in and provide capitalization to a joint venture entry into the healthcare service industry, invest in technology applications to further the Company's service offerings and for working capital and general corporate purposes. In addition, the Company intends similar uses from the balance of such funds, including possible additional acquisitions. Pending any such use, the Company will invest the balance of its available funds in short-term, investment grade securities or money market instruments.

Subsequent to December 1997, the Company entered into a new $150.0 million syndicated credit facility which provides for multi-currency lending. This new facility will accrue borrowings at tiered levels between 75 and 175 basis points above listed LIBOR pursuant to a defined ratio calculation within the agreement. The facility which matures in February 2001, contains certain financial covenants associated with debt ratios, leverage, coverage and capital expenditures and acquisitions as defined by the agreement.

During 1997, the Company generated approximately $14.8 million in cash, net from operating activities. The combination of these funds with the $3.0 million received from issuance of common stock, $2 million received from grants associated with the construction of its eighth domestic IT call center and available cash and cash equivalents, were used in 1997 to fund $21.8 million of capital expenditures, $8 million in marketable security investments, $5.4 million in repayment of debt, $5.1 million of investments in a joint venture and $1.8 million to make an acquisition. The capital equipment expenditures were predominantly the result of the Company's continued expansion, both domestically and internationally, in providing technical product support services. During 1997, the Company constructed its eighth domestic IT call center, outfitted another and funded the expansion and enhancing of the technology base from which services are provided. Internationally, the Company opened two new IT call centers, expanded four other call centers and also enhanced its technology base. As a result of the Company's expansion and continued integration of its 1997 acquisitions, it is anticipated that 1998 capital expenditures will approximate $20 million. The debt repayments were associated with assumed debt levels resulting from certain acquisitions the Company completed during 1997. Also in 1997, the Company was involved in the formation of a joint venture entity, Sykes HealthPlan Services, Inc. During 1997, the Company funded approximately $5.1 million and has committed another $12.4 million for its share of the capitalization of this organization.

During 1997, the Company acquired Info Systems of North Carolina, Inc., Telcare Gesellschaft fur Telekommunikations-Mehrwertdieste mbH, TAS Telemarketing Gesellschaft fur Kommunikations und Dialog mbH, TAS Hedi Fabinyi GmbH, and McQueen International Limited. The aggregate purchase price for these acquisitions was approximately 6,020,000 shares of the Company's common stock plus assumed debt, and were accounted for using the pooling-of-interests method of accounting. In addition, the Company also acquired the stock of Translation, Fulfillment & Communication, N.V ("Traffic") and related assets for $1.8 million in cash and accounted for the acquisition utilizing the purchase method of accounting. In the aggregate, the acquisitions expanded the Company's geographical presence in Europe and expanded the service offerings that the Company provides. Pursuant to the acquisitions, the Company has approximately $36.3 million in debt at December 31, 1997.

During 1996, the Company generated approximately $0.6 million in cash, net, from operations. The Company has used these funds plus a portion of its $111.2 million proceeds from its public offerings, together with $5.6 million received as incentive grants from local and state governmental agencies, to fund $23.1 million of capital expenditures in 1996 predominantly to construct and outfit three new IT call centers.

During 1996, the Company increased its European technical support presence and acquired additional sophisticated information technology capabilities to enhance its technical support services through the acquisitions of Datasvar Support AB and

DiagSoft, Inc. The purchase price for these acquisitions was approximately 1.4 million shares of the Company's common stock, and were accounted for using the pooling-of-interests method of accounting.

The Company has evaluated the year 2000 impact on its internal financial and operational systems. Management does not believe that the year 2000 will have a material effect on its or its subsidiaries financial condition or business operations.

The Company believes that its current cash levels, accessible funds under its credit facilities and cash flows from future operations, will be adequate to meet its continued expansion objectives, anticipated levels of capital expenditures and debt repayment requirements, including those that may be required pursuant to the integration of its acquisitions, for the foreseeable future.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financing Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income" which is effective for periods ending after December 15, 1998. This statement establishes standards for computing and presenting comprehensive income which includes translation adjustments. In June 1997, FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which is also effective for periods ending after December 15, 1998. This statement establishes additional disclosure requirements for business segments.

Management is currently assessing the future period impact of SFAS No. 130 and 131 on the Company's presentation of results of operations, changes in shareholders' equity and segment disclosures.

SUBSEQUENT EVENT

Subsequent to December 31, 1997, the Company's joint venture entity signed definitive agreements to acquire Health International ("HI") and Prudential Service Bureau, Inc. ("PSBI"). The combined purchase price of the two acquisitions was $72.6 million and the transactions were expected to be completed by March 31, 1998. HI is a disease management company that provides a comprehensive managed medical care program for employees and plan administrators. PSBI provides a wide range of call center-based health and welfare benefits and administrative services.

These acquisitions will be accounted for by the joint venture utilizing the purchase method of accounting. As a result, the Company anticipates the recording of non-recurring charges approximating $11.8 million, representing its share of the joint venture's acquired in process research and development.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Sykes Enterprises, Incorporated

We have audited the consolidated balance sheet of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 1997 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 1997 and the consolidated results of their operations and their cash flows for the year ended December 31, 1997, in conformity with generally accepted accounting principles.

We previously audited and reported on the consolidated statements of income and cash flows of Sykes Enterprises, Incorporated and subsidiaries for the years ended December 31, 1995 and 1996, prior to their restatement for the 1997 pooling of interest of McQueen International Limited. The contribution of Sykes Enterprises, Incorporated and subsidiaries to revenues and net income represented 69 percent and 69 percent in 1995 and 73 percent and 84 percent in 1996, respectively, of the respective restated totals. Separate financial statements of McQueen International Limited included in the 1995 and 1996 restated consolidated statements of income and cash flows were audited and reported on separately by other auditors. We also audited the combination of the accompanying consolidated balance sheet as of December 31, 1996 and the statements of income and cash flows for the years ended December 31, 1995 and 1996, after restatement for the 1997 pooling of interests; in our opinion, such consolidated statements have been properly combined on the basis described in Notes 1 and 2 of notes to consolidated financial statements.

Coopers & Lybrand L.L.P.

Tampa, Florida
March 6, 1998

MCQUEEN INTERNATIONAL LIMITED

REPORT OF THE INDEPENDENT AUDITORS

Board of Directors
McQueen International Limited

We have audited the consolidated balance sheets of McQueen International Limited and its subsidiaries as of February 28, 1997 and 1996 and the related consolidated statement of earnings, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of McQueen International Limited and its subsidiaries as of February 28, 1997 and 1996 and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with generally accepted accounting principles in the United States.

GRANT THORNTON
Edinburgh
United Kingdom

February 18, 1998

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1996	DECEMBER 31, 1997
ASSETS		
Current assets		
Cash and cash equivalents	$ 92,836,884	$ 70,523,067
Receivables, including unbilled	56,970,273	68,520,471
Prepaid expenses and other current assets	8,266,841	11,377,920
Total current assets	158,073,998	150,421,458
Property and equipment, net	53,620,430	71,282,183
Marketable securities	--	7,800,002
Investment in joint venture	--	2,285,142
Deferred charges and other assets	2,829,103	9,874,680
	$ 214,523,531	$ 241,663,465
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current installments of long-term debt	$ 8,345,239	$ 2,989,271
Accounts payable	15,104,013	19,905,671
Income tax payable	1,899,168	2,725,177
Accrued employee compensation and benefits	10,203,068	10,035,233
Other accrued expenses and current liabilities	13,149,137	6,449,650
Total current liabilities	48,700,625	42,105,002
Long-term debt	5,177,678	33,312,597
Deferred income taxes	4,420,562	4,374,963
Deferred grants	12,081,537	14,083,691
Total liabilities	70,380,402	93,876,253
Commitments and contingencies (Notes 7 and 10)		
Shareholders' equity		
Preferred stock, $0.01 par value, 10,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock, $.01 par value; 200,000,000 shares authorized; 38,858,274 and 39,057,626 issued and oustanding	388,583	390,576
Additional paid-in capital	131,013,883	133,579,200
Retained earnings	12,930,738	17,106,620
Unrealized loss on securities, net of taxes	--	(734,518)
Accumulated foreign currency translation adjustments	(190,075)	(2,554,666)
Total shareholders' equity	144,143,129	147,787,212
	$ 214,523,531	$ 241,663,465

See accompanying notes to consolidated financial statements

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,		
	1995	1996	1997
Revenues	$ 155,956,584	$ 218,995,751	$ 313,184,554
Operating expenses			
Direct salaries and related costs	101,702,512	134,235,748	195,449,373
General and administrative	47,172,960	67,823,910	87,727,877
Impairment of long-lived asset	--	--	10,400,000
Total operating expenses	148,875,472	202,059,658	293,577,250
Income from operations	7,081,112	16,936,093	19,607,304
Other income (expense)			
Interest, net	(1,685,656)	(596,828)	766,637
Loss from joint venture	--	--	(2,828,000)
Other	175,797	455,215	(922,735)
Total other income (expense)	(1,509,859)	(141,613)	(2,984,098)
Income before income taxes	5,571,253	16,794,480	16,623,206
Provision for income taxes			
Current	1,429,857	6,437,122	10,863,000
Deferred	1,255,753	(14,185)	13,000
Total provision for income taxes	2,685,610	6,422,937	10,876,000
Net income	2,885,643	10,371,543	5,747,206
Preferred stock dividends	--	(47,343)	--
Net income applicable to common shareholders	$ 2,885,643	$ 10,324,200	$ 5,747,206
Pro forma income data (unaudited)			
Income before income taxes	$ 5,571,253	$ 16,794,480	
Pro forma provision for income taxes relating to S corporation	172,000	67,000	
Actual provision for income taxes	2,685,610	6,422,937	
Total provision and pro forma provision for income taxes	2,857,610	6,489,937	
Pro forma net income	2,713,643	10,304,543	
Preferred stock dividends	--	(47,343)	
Pro forma net income applicable to common shareholders	$ 2,713,643	$ 10,257,200	
Pro forma basic net income per share (actual for 1997)	$ 0.09	$ 0.30	$ 0.15
Pro forma diluted net income per share (actual for 1997)	$ 0.09	$ 0.29	$ 0.14
Shares outstanding			
Basic	29,945,275	34,411,266	38,982,002
Diluted	31,328,520	35,954,323	40,253,046

See accompanying notes to consolidated financial statements

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Unearned Compensation	Unrealized Loss on Securities	Accumulated Foreign Currency Translation Adjustment
Balance at January 1, 1995 ...	27,015,159	$270,152	$ 3,314,571	$ 8,310,368	$(2,081,611)	$ --	$ (18,079)
Issuance of common stock	62,013	620	6,261,892	--	--	--	--
Stock dividend	123,104	1,231	(1,231)	--	--	--	--
Repurchase of common stock	--	--	(150,815)	--	--	--	--
Distributions	--	--	--	(683,452)	--	--	--
Unearned employee compensation from Employee Stock Ownership Plan Trust	--	--	--	--	743,570	--	--
Reserve adjustment	--	--	--	(716,100)	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--	64,209
Net income	--	--	--	2,885,643	--	--	--
Balance at December 31, 1995 .	27,200,276	272,003	9,424,417	9,796,459	(1,338,041)	--	46,130
Merger with Sykes Realty, Inc.	2,745,000	27,450	238,116	(827,554)	--	--	--
Conversion of redeemable preferred stock ..	448,029	4,480	5,371,872	(5,376,352)	--	--	--
Issuance of common stock	6,427,632	64,277	112,276,067	--	--	--	--
Three-for-two stock split	2,037,337	20,373	(20,373)	--	--	--	--
Repurchase of common stock	--	--	(142,702)	--	--	--	--
Distributions	--	--	--	(986,015)	--	--	--
Tax effect of non-qualified exercise of stock options	--	--	3,866,486	--	--	--	--
Unearned employee compensation from Employee Stock Ownership Plan Trust	--	--	--	--	1,338,041	--	--
Foreign currency translation adjustment	--	--	--	--	--	--	(236,205)
Preferred stock dividends	--	--	--	(47,343)	--	--	--
Net income	--	--	--	10,371,543	--	--	--
Balance at December 31, 1996 .	38,858,274	388,583	131,013,883	12,930,738	--	--	(190,075)
Issuance of common stock	199,352	1,993	3,037,968	--	--	--	--
Capital contribution	--	--	1,237,000	--	--	--	--
Repurchase of common stock	--	--	(2,623,651)	--	--	--	--
Tax effect of non-qualified exercise of stock options	--	--	914,000	--	--	--	--
Unrealized loss on securities, net of income taxes ..	--	--	--	--	--	(734,518)	--
Distributions	--	--	--	(496,972)	--	--	--
Adjustments to conform fiscal year of McQueen International Limited (Note 2)..	--	--	--	(1,074,352)	--	--	--
Foreign currency translation adjustment	--	--	--	--	--	--	(2,364,591)
Net income	--	--	--	5,747,206	--	--	--
Balance at December 31, 1997 .	39,057,626	$390,576	$ 133,579,200	$ 17,106,620	$ --	$(734,518)	$(2,554,666)

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See accompanying notes to consolidated financial statements

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	1995	1996	1997
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 2,885,643	$ 10,371,543	$ 5,747,206
Depreciation and amortization	4,629,638	7,978,342	13,260,621
Impairment of long-lived asset	--	--	10,400,000
In-process research and development costs expensed by joint venture	--	--	2,795,000
Capital contributions	--	--	1,237,000
Deferred compensation	949,960	--	--
Deferred income taxes	1,255,753	283,582	13,000
ESOP allocation (unearned compensation)	743,570	1,338,041	--
Loss (gain) on disposal of property and equipment	38,022	(99,286)	(105,416)
Changes in assets and liabilities			
Receivables, including unbilled	(12,953,900)	(21,553,135)	(6,567,198)
Prepaid expenses and other current assets	(2,406,143)	(3,132,602)	(683,079)
Deferred charges and other assets	(1,316,847)	(743,451)	(1,098,577)
Accounts payable	5,546,764	(1,715,852)	852,658
Income tax payable	255,427	566,643	1,740,009
Accrued employee compensation and benefits	5,834,552	1,901,386	(167,835)
Other accrued expenses and current liabilities	433,119	5,393,607	(7,808,556)
Net cash provided by operating activities	5,895,558	588,818	19,614,833
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(16,443,031)	(23,115,413)	(21,784,482)
Investment in marketable securities	--	--	(8,000,000)
Investment in joint ventures	--	--	(5,080,142)
Acquisition of business	--	--	(1,800,000)
Proceeds from sale of property and equipment	100,402	201,425	208,351
Net cash used for investing activities	(16,342,629)	(22,913,988)	(36,456,273)
CASH FLOWS FROM FINANCING ACTIVITIES			
Paydowns under revolving line of credit agreements	(32,413,539)	(20,771,718)	(72,441,000)
Borrowings under revolving line of credit agreements	31,013,422	19,916,835	72,441,000
Proceeds from issuance of stock	6,261,892	112,340,344	3,039,961
Proceeds from grants	2,603,485	5,642,335	2,000,000
Proceeds from issuance of long-term debt	6,233,753	6,668,403	350,467
Subsidiary stock redemption	(150,815)	(142,702)	(2,623,651)
Payment of long-term debt	(3,728,725)	(12,255,388)	(5,377,591)
Dividends paid	(683,452)	(1,033,358)	(496,972)
Net cash provided by (used for) financing activities	9,136,021	110,364,751	(3,107,786)
Adjustment for foreign currency translation	64,209	(236,205)	(2,364,591)
Net increase (decrease) in cash, cash equivalents and temporary investments	(1,246,841)	87,803,376	(22,313,817)
CASH AND CASH EQUIVALENTS - BEGINNING	6,280,349	5,033,508	92,836,884
CASH AND CASH EQUIVALENTS - ENDING	$ 5,033,508	$ 92,836,884	$ 70,523,067
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	$ 1,910,043	$ 1,414,925	$ 2,614,600
Income taxes	$ 2,345,408	$ 4,913,279	$ 5,845,721

See accompanying notes to consolidated financial statements

SYKES ENTERPRISES, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sykes Enterprises, Incorporated and consolidated subsidiaries (the "Company" or "Sykes") provides comprehensive information technology outsourcing services including information technology support services, information technology development services and solutions, and software fulfillment. The Company's services are provided to a wide variety of industries.

Unless otherwise noted, all information has been adjusted to retroactively reflect three-for-two stock splits in the form of 50% stock dividends to shareholders of record on July 18, 1996 and May 19, 1997, which was reflected on the Nasdaq National Market on July 29, 1996 and May 29, 1997, respectively.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of Sykes Enterprises, Incorporated and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Recognition of Revenue - The Company primarily recognizes its revenue as services are performed. Royalty revenue is recognized at the time royalties are earned and the remaining revenue is recognized on fixed price contracts using the percentage-of-completion method of accounting. Adjustments to fixed price contracts and estimated losses, if any, are recorded in the period when such adjustments or losses are known. Software and product sales are recognized upon shipment.

Cash and Cash Equivalents - Cash and cash equivalents consist of highly liquid short term investments classified as available for sale as defined under the Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." At December 31, 1997, cash in the amount of approximately $40.6 million was held in tax free interest bearing investments, approximately $29.9 million was held in taxable interest bearing investments, both of which are classified as available for sale and have an average maturity of approximately 30 days.

Property and Equipment - Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets. Improvements to leased premises are amortized over the shorter of the related lease term or the useful lives of the improvements. Cost and related accumulated depreciation on assets retired or disposed of are removed from the accounts and any gains or losses resulting therefrom are credited or charged to income. Depreciation expense was approximately $6.3, $9.2 and $13.2 million for the years ended December 31, 1995, 1996 and 1997, respectively. Property and equipment includes approximately $620,000 and $1.3 million of additions included in accounts payable at December 31, 1996 and 1997, respectively. Accordingly, these non-cash transactions have been excluded from the accompanying Consolidated Statements of Cash Flows for the years ended December 31, 1996 and 1997, respectively.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES, continued

Land received from various governmental agencies under grants is recorded at fair value (as determined by an independent appraiser) at date of grant. During the years ended December 31, 1995, 1996 and 1997 the Company recorded approximately $1,824,000, $317,000 and $430,000, respectively, in land acquisitions as a result of such grants. Accordingly, these non-cash transactions have been excluded from the accompanying consolidated statements of cash flows for the years ended December 31, 1995, 1996 and 1997.

Investment in Joint Venture - The Company has a fifty percent interest in a joint venture that is accounted for using the equity method of accounting. Accordingly, the Company records its proportionate share of the gains and losses of the joint venture in the consolidated statement of income.

Deferred Charges and Other Assets - Deferred charges and other assets consist primarily of goodwill, long-term deposits, and covenants not to compete arising from business acquisitions. These intangible assets are being amortized over periods ranging from two to fifteen years. Amortization expense was approximately $337,000, $415,000 and $499,000 for the years ended December 31, 1995, 1996 and 1997, respectively. Accumulated amortization was approximately $752,000 and $1,251,000 at December 31, 1996 and 1997, respectively.

Impairment of Long-Lived Assets - The Company reviews long-lived assets and certain identifiable intangibles for impairment and writes down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In 1996, under this analysis, the Company determined that the value of the assets were not impaired. During 1997, the Company recorded an impairment loss of $10.4 million related to an acquisition made during the year.

Income Taxes - Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

The Company and its consolidated subsidiaries are either taxed as C corporations or have elected to be taxed as an S corporation under the provisions of the Internal Revenue Code through the effective date of the Company's initial public offering (See Note 16). The Company's affiliate which elected to be taxed as an S corporation terminated its S corporation election during 1996 and accordingly became subject to federal and state income taxes.

Deferred Grants - Grants for relocation and the acquisition of property and equipment are deferred and recognized in income over the corresponding useful lives of their related property and equipment. There are no significant contingencies associated with the grants that would impact the Company's ability to utilize assets received in association with the grants.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES, continued

Foreign Currency Translation - The assets and liabilities of the Company's foreign subsidiaries whose functional currency is other than the U.S. Dollar are translated at the exchange rates in effect on the reporting date, and income and expenses are translated at the weighted average exchange rate during the period. The net effect of translation gains and losses is not included in determining net income, but is accumulated as a separate component of shareholders' equity. Foreign currency transactional gains and losses are included in determining net income. Such gains and losses are not material for any period presented.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, management does not believe these differences would have a material effect on operating results.

Year 2000 - The Company has evaluated the year 2000 impact on its internal financial and operational systems. Management does not believe that the year 2000 will have a material effect on its financial condition or business operations.

Accounting Pronouncements - In June 1997, the Financing Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income" which is effective for periods ending after December 15, 1998. This statement establishes standards for computing and presenting comprehensive income which includes translation adjustments. In June 1997, FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which is also effective for periods ending after December 15, 1998. This statement establishes additional disclosure requirements for business segments.

Management is currently assessing the future period impact of SFAS No. 130 and 131 on the Company's presentation of results of operations, changes in shareholders' equity and segment disclosures.

NOTE 2 - ACQUISITIONS AND MERGERS

Effective January 1, 1997, the Company acquired all of the common stock of Traffic, N.V. ("Traffic") of Brussels, Belgium, and certain other assets, for approximately $1.8 million in cash. Traffic specializes in foreign language translation and multi-media documentation development. The transaction was accounted for under the purchase method of accounting and pro forma information is not presented, as the operating results are not material to the Company's consolidated operations.

NOTE 2 - ACQUISITIONS AND MERGERS, continued

On March 31, 1997, the Company acquired Info Systems of North Carolina, Inc. ("Info Systems") in exchange for approximately 1.1 million shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. Info Systems is engaged in the design, development, licensing and support of information management solutions to the retail, manufacturing and distribution industries.

On June 16, 1997, the Company acquired all of the stock of Telcare Gesellschaft fur Telekommunikations-Mehrwertdieste mbH ("Telcare") of Wilhelmshaven, Germany, in exchange for 750,000 shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. Telcare operates an information technology call center and provides technical support and service to numerous industries in Germany.

On September 26, 1997, the Company acquired all of the stock of TAS Telemarketing Gesellschaft fur Kommunikation und Dialog mbH ("TAS I") of Bochum, Germany in exchange for 400,000 shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. TAS I provides technical call center support and customer care services, database development, consulting and training services to customers in Germany and surrounding countries.

On September 26, 1997, the Company acquired all of the stock of TAS Hedi Fabinyi GmbH ("TAS II") of Stuttgart, Germany, in exchange for 180,000 shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. TAS II provides technical call center support and customer care services, to customers in Germany and surrounding countries.

On December 31, 1997, the Company acquired all of the stock of McQueen International Limited ("McQueen") of Galashiels, Scotland, in exchange for 3,540,000 shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. McQueen provides inbound call center support and customer service, software fulfillment and foreign language translation and localization services.

On April 7, 1997 McQueen acquired the Media Services divisions of Rand McNally & Company, comprising the US Division, Rand McNally Media Services Inc., and Rand McNally International Business Services BV, a Netherlands division with an operational branch in Ireland, for approximately $30.0 million, including acquisition costs. This purchase price was entirely financed through the issuance of notes to the seller. Accordingly, this non-cash transaction has been excluded from the accompanying Consolidated Statement of Cash Flows for the year ended December 31, 1997. The acquisition has been accounted for by the purchase method of accounting. Accordingly, the results of operations for the eight months ended December 31, 1997 of Rand McNally Media Services Inc and Rand McNally International Business Services BV have been included in the accompanying financial statements. The excess of the total acquisition cost over the fair value of net assets acquired in the amount of $6.9 million after an impairment of $10.4 million is being amortized on a straight line basis over fifteen years. The unaudited pro forma combined historical results, as if the Media Services division of Rand McNally & Company had been acquired on January 1, 1996.

NOTE 2 - ACQUISITIONS AND MERGERS, continued

January 1, 1996 are estimated to be revenues of $285,249,000, net income of $10,752,000, and basic and diluted earnings per share of $0.31 and $0.30, respectively for 1996 and revenues of $329,748,000, net income of $5,871,000, and basic and diluted earnings per share of $0.15 and $0.15, respectively for 1997. The pro forma results include amortization of the intangibles noted above and interest expense on the debt assumed to finance the purchase. The pro forma results are not necessarily indicative of what actually would have occurred if the acquisition had been completed as of the beginning of 1996, nor are they necessarily indicative of future consolidated results.

McQueen had a February 28 fiscal year end and, accordingly, the McQueen statements of income for the years ended February 28, 1996 and 1997 have been combined with the Sykes' statements of income for the years ended December 31, 1995 and 1996, respectively. In order to conform McQueen's fiscal year end to Sykes' calendar year end, the consolidated statement of income for 1997 includes two months (January and February 1997) for McQueen which are also included in the consolidated statements of income for the year ended December 31, 1996. Accordingly, an adjustment has been made during 1997 to retained earnings for the duplication of net income of approximately $1.1 million for such two month period. McQueen's revenue for the two months (January and February 1997) was approximately $12.3 million.

The above transactions, excluding Traffic and McQueen's purchase of the Media Services division of Rand McNally & Company, have been accounted for as pooling-of-interests and, accordingly, the consolidated financial statements for the periods presented have been restated to include the accounts of Info Systems, Telcare, TAS I, TAS II and McQueen.

NOTE 2 - ACQUISITIONS AND MERGERS, continued

Separate results of operations for the periods prior to the mergers with Info Systems, Telcare, TAS I, TAS II and McQueen are outlined below.

	December 31, 1995	December 31, 1996
Revenue:		
Sykes	$ 74,594,634	$117,018,154
Info Systems	23,317,923	25,196,629
Telcare	3,587,292	6,405,423
TAS I	4,318,972	7,922,762
TAS II	2,075,363	3,467,533
McQueen	48,062,400	58,985,250
Combined	$155,956,584	$218,995,751
Net income:		
Sykes	$ 2,396,085	$ 9,817,484
Info Systems	(304,526)	(1,982,510)
Telcare	(489,725)	282,130
TAS I	337,453	435,729
TAS II	53,556	124,560
McQueen	892,800	1,694,150
Combined	$ 2,885,643	$ 10,371,543
Other changes in shareholders' equity:		
Sykes	$ 190,775	$113,916,826
Info Systems	678,051	2,356,235
Telcare	46,912	69,494
TAS I	(275,691)	(290,208)
TAS II	(18,151)	(13,445)
McQueen	5,614,128	(464,865)
Combined	$ 6,236,024	$115,574,037

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade receivables. With the exception of approximately $2.3 million of receivables from a significant customer (See Note 15), the Company's credit concentrations are limited due to the wide variety of customers and markets into which the Company's services are sold.

NOTE 4 - RECEIVABLES

Receivables consist of the following:

	December 31, 1996	December 31, 1997
Trade accounts receivable	$ 49,416,729	$ 52,765,811
Unbilled accounts receivable	2,843,193	9,937,777
Note from officer	-	418,958
Other	5,208,480	5,935,320
	57,468,402	69,057,866
Less allowance for doubtful accounts	498,129	537,395
	$ 56,970,273	$ 68,520,471

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 1996	December 31, 1997
Land	$ 2,506,421	$ 3,008,222
Buildings and leasehold improvements	18,777,157	24,340,797
Equipment, furniture and fixtures	56,469,008	82,950,507
Transportation equipment	759,822	441,647
Construction in progress	-	6,344,495
	78,512,408	117,085,668
Less accumulated depreciation	24,891,978	45,803,485
	$ 53,620,430	$ 71,282,183

NOTE 6 - MARKETABLE SECURITIES

On May 8, 1997, the Company purchased approximately 1.066 million shares of SystemSoft Corp. common stock in conjunction with a strategic technology exchange agreement between the parties. On June 20, 1997, the Company converted a $1.0 million note receivable into a to be determined number of shares of InfoCure Corporation common stock, which will have a market value of $1.0 million. In accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the investments are classified as available-for-sale securities and are carried at an aggregate market value of $7.8 million as of December 31, 1997. The Company's cost basis in these investments is $9.0 million, and the unrealized loss of approximately $1.2 million, net of deferred income taxes of approximately $465,000, is reported as a separate component of shareholders' equity.

NOTE 7 - LONG-TERM DEBT

Long term debt consists of the following:

	December 31, 1996	December 31, 1997
Secured loan note, principal and interest payable in annual installments through November 1999, interest at 8 percent, collateralized by certain assets	$ --	$ 855,675
Secured loan notes, interest payable in quarterly installments through December 1999, interest at varying rates up to 9.6 percent, principal due in three installments during 1999, collateralized by certain assets	--	26,950,400
Notes payable and capital leases, principal and interest payable in monthly installments through December 2002, interest at varying rates up to prime plus 1 percent, collateralized by certain receivables and equipment	13,522,917	8,495,793
	13,522,917	36,301,868
Less current portion	8,345,239	2,989,271
	$ 5,177,678	$33,312,597

Future principal maturities subsequent to December 31, 1998 are as follows:

1999	$29,569,573
2000	1,232,487
2001	1,140,042
2002	1,370,495
	$33,312,597

Effective December 31, 1996, the Company entered into an agreement replacing its previous credit line with an unsecured revolving $25.0 million facility. This new facility accrues borrowings at tiered levels between 125 and 200 basis points above listed LIBOR pursuant to a defined ratio calculation within the agreement, and includes as annual commitment fee of 0.1 percent of the committed amount. The facility matures in June 1998, and contains certain covenants associated with tangible net worth, debt and debt funding as defined by the agreement. There were no borrowings outstanding under this agreement at December 31, 1996 or 1997, respectively.

Subsequent to December 1997, the Company entered into a new $150 million syndicated credit facility which provides for multi-currency lending. This new facility will accrue borrowings at tiered levels between 75 and 175 basis points above listed LIBOR pursuant to a defined ratio calculation within the agreement, and will accrue as unused commitment fee at tiered levels between 15 and 37.5 basis points above listed LIBOR. The facility which matures in

NOTE 7 - LONG-TERM DEBT, continued

February 2001, contains certain financial covenants associated with debt ratios, leverage, coverage and capital expenditures and acquisitions as defined by the agreement.

During 1996, a subsidiary of the Company entered into a $2.0 million and a $1.25 million credit facility. These facilities consisted of a revolving line of credit maturing in November 1997. The Company had no borrowings under either credit facility at December 31 1996 or 1997, respectively, and both of these credit facilities were canceled during 1997.

NOTE 8 - INCOME TAXES

The components of income before income taxes are as follows:

	December 31,		
	1995	1996	1997
Domestic	$ 1,179,908	$10,823,955	$ 8,551,740
Foreign	4,391,345	5,970,525	8,071,466
Total income before income taxes	$ 5,571,253	$16,794,480	$16,623,206

Provision for income taxes consists of the following:

	December 31,		
	1995	1996	1997
Current:			
Federal	$ (174,520)	$ 3,573,533	$ 6,906,000
State	(35,875)	610,632	1,229,000
Foreign	1,640,252	1,955,190	2,728,000
Total current provision for income taxes	1,429,857	6,139,355	10,863,000
Deferred:			
Federal	1,054,967	(2,000)	(99,000)
State	183,006	56,250	(25,000)
Foreign	17,780	229,332	137,000
Total deferred provision for income taxes	1,255,753	283,582	13,000
Total provision for income taxes	$ 2,685,610	$ 6,422,937	$10,876,000

NOTE 8 - INCOME Taxes, continued

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

	December 31, 1996	December 31, 1997
Domestic current:		
Deferred tax asset:		
Accrued expenses	$ 686,000	$ 800,000
Deferred compensation	--	246,000
Bad debt reserve	15,000	119,000
Other	53,000	7,000
Total current deferred tax asset	$ 754,000	$ 1,172,000
Deferred tax liability:		
Property and equipment	$ (149,000)	$ --
Cash to accrual-Section 481 adjustment	(277,000)	(488,000)
Total current deferred tax liability	(426,000)	(488,000)
Net domestic current deferred tax asset	$ 328,000	$ 684,000
Foreign current:		
Deferred tax asset:		
Net operating loss carry-forward	$ 571,000	$ 135,000
Less: valuation allowance	(571,000)	(135,000)
Total foreign non-current deferred tax asset	$ --	$ --
Net current deferred asset	$ 328,000	$ 684,000
Domestic non-current:		
Deferred tax asset:		
Deferred compensation	$ 240,000	$ --
Unrealized loss on security	--	466,000
Intangible assets	--	40,000
Accrued expenses	3,000	--
Other	--	3,000
Total non-current deferred tax asset	$ 243,000	$ 509,000
Deferred tax liability:		
Property and equipment	$ (338,000)	$ (504,000)
Cash to accrual-Section 481 adjustment	(2,903,000)	(2,437,000)
Accrued liabilities	--	(258,000)
Other	(244,562)	(526,963)
Total non-current deferred tax liability	(3,485,562)	(3,725,963)
Net domestic non-current deferred tax liability	$(3,242,562)	$(3,216,963)
Foreign non-current:		
Deferred tax liability:		
Property and equipment	$(1,178,000)	$(1,158,000)
Total non-current deferred tax liability	(1,178,000)	(1,158,000)
Net foreign non-current deferred tax liability	$(1,178,000)	$(1,158,000)
Net non-current deferred tax liability	$(4,420,562)	$(4,374,963)

NOTE 8 - INCOME TAXES, continued

The corporation has not recorded deferred income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. Undistributed earnings amounted to approximately $6.0 million at December 31, 1997, excluding amounts which, if remitted, generally would result in minimal additional U.S. income taxes because of available foreign tax credits. If the earnings of such foreign subsidiaries were not indefinitely reinvested, a deferred tax liability of approximately $700,000 would have been required.

In conjunction with the Company's initial public offering, the Company changed its method of accounting for income taxes from the cash basis to the accrual method. The corresponding adjustment will be included in taxable income over a period not to exceed four years.

The following summarizes the principal differences between income taxes at the federal statutory rate and the effective income tax amounts reflected in the financial statements:

	December 31,		
	1995	1996	1997
Statutory tax	$ 1,894,000	$ 5,710,000	$ 5,818,000
State income taxes net of federal tax benefit	67,000	316,000	759,000
Effect of income not subject to federal and state income tax	(155,000)	(284,000)	(1,015,000)
Change in tax rate	-	-	71,000
Non-deductible amortization	-	-	3,640,000
Loss on joint venture	-	-	990,000
Foreign taxes, net of foreign income not taxed in the United States	444,264	276,937	133,000
Permanent differences	366,555	153,000	582,000
Tax credits	(90,209)	-	-
Other	159,000	251,000	(102,000)
Total provision for income taxes	$ 2,685,610	$ 6,422,937	$10,876,000

The Company is currently under examination by the Internal Revenue Service for tax years ended July 31, 1991, 1992, 1993 and 1994. The Company has reviewed various matters that are under consideration and believes that it has adequately provided for any liability that may result from this examination. In the opinion of management, any liability that may arise from prior periods as a result of the examination will not have a material effect on the Company's financial condition or results of operations.

NOTE 9 - EARNINGS PER SHARE

Basic earnings per share are based on the weighted average number of common shares outstanding during the periods. Diluted earnings per share includes the weighted average number of common shares outstanding during the periods and further assumes, (i) that the redeemable preferred stock was converted at the beginning of each period, or date of issuance, if later, and (ii) that earnings were increased for preferred dividends that would not have been incurred had conversion taken place. Diluted earnings per share includes, dilutive stock options using the treasury stock method.

The numbers of shares used in the earnings per share computation are as follows:

	December 31,		
	1995	1996	1997
Basic:			
Weighted average common outstanding	29,945,275	34,411,266	38,982,002
Total basic	29,945,275	34,411,266	38,982,002
Diluted:			
Conversion of preferred stock	672,044	227,151	-
Dilution of stock options	711,201	1,315,906	1,271,044
Total diluted	31,328,520	35,954,323	40,253,046

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Company leases certain equipment and buildings under operating leases having terms ranging from one to twenty-two years. The building leases contain up to two five year renewal options.

Rental expense under operating leases for the years ended December 31, 1995, 1996 and 1997 was approximately $2,569,000, $6,177,000 and $4,949,000, respectively. Rental expense for an office building leased from the Company's major shareholder, net of subleases was approximately $104,000, $104,000 and $88,000 for each of the years ended December 31, 1995, 1996 and 1997, respectively. This building was sold during November 1997, which terminated the sublease agreement.

The Company has a ten-year operating lease agreement, signed in 1995, with the Company's majority shareholder for its corporate aircraft. The lease expense for the years ended December 31, 1995, 1996 and 1997 was approximately $51,000, $615,000 and $618,000, respectively.

The Company had a five year sublease agreement with an unrelated tenant for its Charlotte, North Carolina facility. The minimum sublease rental amounts the Company was expected to receive for the years ended December 31, 1998 and 1999, was approximately $187,000 and $94,000 respectively. This building was sold during November 1997, which terminated the sublease agreement.

NOTE 10 - COMMITMENTS AND CONTINGENCIES, continued

The following is a schedule of future minimum rental payments under operating leases having a remaining noncancelable term in excess of one year subsequent to December 31, 1997:

Year	Related Party	Non-Related Party	Total Amount
1998	$ 618,000	$ 3,417,000	$ 4,035,000
1999	618,000	2,820,000	3,438,000
2000	618,000	2,131,000	2,749,000
2001	618,000	1,802,000	2,420,000
2002	618,000	1,306,000	1,924,000
Thereafter	1,803,000	12,485,000	14,288,000
Total minimum payments required	$ 4,893,000	$23,961,000	$28,854,000

During 1997, the Company entered into a joint venture with HealthPlan Services, Inc., for the purpose of managing call centers focused on customer services related to the health care services industry. The Company has committed to invest $17.5 million for a fifty percent equity interest in the joint venture. As of December 31, 1997, the Company has invested approximately $5.1 million of its commitment in the joint venture.

The Company from time to time is involved in legal actions arising in the ordinary course of business. With respect to these matters, management believes that it has adequate legal defenses and/or provided adequate accruals for related costs such that the ultimate outcome will not have a material adverse effect on the Company's future financial position.

NOTE 11 - EMPLOYEE BENEFIT PLAN

The Company maintains a 401(k) plan covering defined employees who meet established eligibility requirements. Under the original plan provisions, the Company matched 25% of participant contributions to a maximum matching amount of 1% of participant compensation. During 1997, the Company increased the 401 (k) matching provision to 50% of participating contributions to a maximum matching amount of 2% of participant compensation. Company contributions are funded on a bi-weekly basis. The Company contribution was approximately $143,000, $170,000 and $295,000 for the years ended December 31, 1995, 1996 and 1997, respectively. In addition, one of the Company's subsidiaries maintains a separate defined contribution plan. The contributions made to this plan was approximated $180,000, $198,000 and $244,000 for the years ended December 31, 1995, 1996, and 1997, respectively.

NOTE 11 - EMPLOYEE BENEFIT PLAN, continued

In June 1992, one of the Company's subsidiaries established an Employee Stock Ownership Plan ("ESOP") for the benefit of its employees. In August 1992, the ESOP purchased 249,350 shares of the subsidiary's common stock. In connection with the stock purchase, the subsidiary made a cash contribution of $1.0 million to the ESOP and entered into a note payable of $3.1 million. As the debt was repaid, shares were released from collateral and allocated to active employees, based on the proportion of debt service paid in the current year. The note payable associated with the ESOP was repaid as of December 31, 1996 and all shares were released to eligible employees.

NOTE 12 - PUBLIC OFFERINGS

In April 1996, the Company completed its initial public offering for the sale of 4,500,000 shares of common stock. Coincident with such offering, the underwriters of the offering exercised their 15% over-allotment and accordingly an additional 939,978 shares of the Company's common stock were sold by the Company. The Company received approximately $39.7 million from the sale of the shares, net of underwriting discounts and expenses associated with such offering. The proceeds were used to repay all outstanding indebtedness and make capital expenditures, with the remaining balance held for general corporate and working capital purposes.

In November 1996, the Company completed a secondary offering for the sale of 2,419,890 shares of common stock, inclusive of the underwriters over-allotment option. The Company received approximately $71.5 million from the offering, net of underwriting discounts and expenses. The net proceeds were held for general corporate and working capital purposes.

NOTE 13 - STOCK OPTIONS

In 1995, the Company granted options to an executive officer to purchase 1,143,000 shares of common stock at $3.02 per share. The Company determined that the price was approximately $0.83 below fair market value at the date of the grant and recognized $949,960 as compensation expense for the year ended December 31, 1995. The options become exercisable three years from the date of grant, except that one-third were exercisable to the extent that the underlying shares were permitted to be included by the underwriters in an underwritten public offering. In November, 1996 the Company completed its secondary public offering and 381,000 of the options granted to the executive officer were exercised and sold in the offering. The remaining 762,000 options expire if not exercised by the tenth anniversary of their grant date.

Another executive officer was granted options under the Company's 1996 Employee Stock Option Plan to purchase 209,841 shares of the Company's common stock with an exercisable price of (i) 33 1/3% of such shares at $8.00 per share, (ii) 33 1/3% at $7.55 per share, and (iii) 33 1/3% at $6.67 per share. Compensation expense of approximately $28,000 and $42,000 is recognized in the general and administrative expenses in the accompanying consolidated statements of operations for the years ended December 31, 1996 and 1997, respectively.

NOTE 13 - STOCK OPTIONS, continued

1996 Employee Stock Option Plan - The Company's 1996 Employee Stock Option Plan (the "Employee Plan") permits the granting of incentive or nonqualified stock options to purchase up to approximately 2,324,000 shares of the Company's common stock at not less than the fair value at the time the options are granted. Certain other officers and employees hold options to purchase additional shares of common stock at a range of $0.03 to $31.27 per share and vest ratably over the three-year period following the date of grant, except for approximately 360,000 options associated with the outstanding options from the acquisition of McQueen and options granted to key employees of a 1996 acquisition, all of which are immediately exercisable. All options granted under the Employee Plan expire if not exercised by the tenth anniversary of their grant date with the exception of outstanding options converted pursuant to the acquisition of McQueen consistent with pooling-of-interests rules and expire five years from grant date.

Transactions related to the 1996 Employee Stock Option Plan are summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 1995 .	--	
Granted	973,605	$ 10.00
Exercised	--	
Expired or terminated	(71,813)	$ 8.00
Outstanding at December 31, 1996 .	901,792	$ 15.22
(Excercisable: 180,000 at $27.67)		
Granted	893,816	$ 19.86
Exercised	(190,322)	$ 8.00
Expired or terminated	(231,300)	$ 19.38
Outstanding at December 31, 1997 .	1,373,986	$ 16.67
Options available for future grant	831,610	

The following table further summarizes information about the 1996 Employee Stock Option Plan at December 1997:

Range of Exercise Prices	Number Outstanding at 12/31/97	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable at 12/31/97	Weighted Average Exercise Price
$ 0.03 to $ 1.24	236,441	5.0	$ 0.63	236,441	$ 0.63
$ 8.00 to $10.00	328,970	8.3	$ 8.00	6,150	$ 8.00
$19.18 to $31.27	808,575	9.6	$24.89	148,375	$27.70
$ 0.03 to $31.27	1,373,986	8.5	$16.67	390,966	$11.02

1996 Non-Employee Director Stock Option Plan - The Company's 1996 Non-Employee Director Stock Option Plan (the "Non-Employee Plan") permits the granting of nonqualified stock options to purchase up to approximately 431,000 shares of the Company's common stock to members of the Board of Directors who are not employees of the Company. Each outside director will receive options to

NOTE 13 - STOCK OPTIONS, continued

purchase 5,000 shares of common stock on the day following each annual meeting of shareholders. Also, on the date on which a new outside director is first elected or appointed, he or she will automatically be granted options to purchase 5,000 shares of common stock. All options granted will have an exercise price equal to the then fair market value of the common stock. At December 31, 1996 and 1997, no options granted were exercisable. All options granted under the Non-Employee Plan expire if not exercised by the tenth anniversary of their grant date.

Transactions related to the 1996 Non-Employee Director Stock Option Plan are summarized as follows:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 1995	-	
Granted	56,250	$ 8.00
Exercised	-	
Expired or terminated	-	
Outstanding at December 31, 1996	56,250	$ 8.00
Granted	42,500	$22.61
Exercised	(26,250)	$ 8.00
Expired or terminated	-	
Outstanding at December 31, 1997	72,500	$16.56
Options available for future grant	341,250	

The following table further summarizes information about the 1996 Non-Employee Director Stock Option Plan at December 1997:

Range of Exercise Prices	Number Outstanding at 12/31/97	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable at 12/31/97	Weighted Average Exercise Price
$ 8.00 to $10.00	30,000	8.3	$ 8.00	-	$ -
$22.23 to $25.42	42,500	9.4	$22.61	-	$ -
$ 8.00 to $25.42	72,500	8.9	$16.56	-	$ -

The Company has adopted the disclosure only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation", but applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its plans. Therefore, no compensation expense has been recognized for stock options granted under its plans. If the Company had elected to recognize compensation expense for stock options based on the fair value at grant date, consistent with the method prescribed by SFAS No. 123, net income and earnings per share would have been reduced to the pro forma amounts shown on the following page:

NOTE 13 - STOCK OPTIONS, continued

	Years Ended December 31,		
	1995	1996	1997
	($ in thousands, except per share amounts)		
Pro forma net income as reported (actual for 1997)	$ 2,741	$10,305	$ 5,747
Pro forma net income (loss) as prescribed by SFAS 123	$ 784	$ 7,970	$ (300)
Pro forma net income per diluted share as reported (actual for 1997)	$ 0.09	$ 0.29	$ 0.14
Pro forma net income (loss) per diluted share as prescribed by SFAS 123	$ 0.03	$ 0.22	$ (0.01)

The pro forma amounts were determined using the Black-Scholes valuation model with the following key assumptions: (i) a discount rate of 6.0 percent for 1995 and 1996 and 6.05 percent for 1997; (ii) a volatility factor initially based upon the average trading price since the Company's common stock has traded on the Nasdaq National Market; (iii) no dividend yield; and (iv) an average expected option life of approximately 4 years, for each year presented.

NOTE 14 - GEOGRAPHIC INFORMATION

Information about the Company's operations by geographic location are as follows:

	Years Ended December 31,		
	1995	1996	1997
Revenue:			
United States	$ 86,231,484	$130,653,666	$193,898,426
International	69,725,100	88,342,085	119,286,128
	$155,956,584	$218,995,751	$313,184,554
Income before income taxes:			
United States	$ 1,179,908	$ 10,823,955	$ 8,551,740
International	4,391,345	5,970,525	8,071,466
	$ 5,571,253	$ 16,794,480	$ 16,623,206
Total assets:			
United States	$ 44,766,987	$162,831,598	$176,310,372
International	41,191,342	51,691,933	65,353,093
	$ 85,958,329	$214,523,531	$241,663,465

NOTE 15 - SIGNIFICANT CUSTOMER

Revenues from one customer amounted to 13%, 13% and 11% for the years ended December 31, 1995, 1996 and 1997, respectively.

NOTE 16 - PRO FORMA DISCLOSURES

Preferred Stock - In connection with an agreement entered into in February 1996, the Company's majority shareholder transferred all the newly issued shares of the Company's outstanding preferred stock and all of the outstanding non-voting common stock to a related party. Effective immediately prior to the Company's initial public offering, the preferred stock and non-voting common stock was automatically converted into shares of common stock. These shares were sold in connection with such offering.

Pro Forma Income Taxes - An affiliate of the Company had elected to be treated as an S corporation for federal and state income tax purposes. As such, the affiliate's taxable income was reported to and subject to tax to the affiliate's shareholder. Prior to the Company's initial public offering, the Company's affiliate terminated its S corporation election and accordingly became subject to federal and state income taxes. The pro forma provision for income taxes reported on the consolidated statements of operations presents federal and state income taxes that would have been incurred if the affiliate had been subject to tax as a C corporation. In addition, the Company changed its method of accounting for income taxes from the cash basis to the accrual method in connection with the offering. The corresponding adjustment will be included in taxable income over a period not to exceed four years.

Pro Forma Net Income Per Share - In March 1996, the Company was a North Carolina corporation and amended its Articles of Incorporation to authorize the issuance of up to 10,000 shares of $1,000 par value per share preferred stock. At that time, the Company approved a 95-to-1 stock split of all outstanding common stock, and subsequent to the amendment and stock split, the Company changed its state of incorporation from North Carolina to Florida and changed the authorized number of shares of common stock from 100,000 to 50,000,000 (subsequently further amended to 200,000,000). As part of the change of state of incorporation, each share of common stock of the North Carolina corporation was exchanged for 88 shares (198 shares as adjusted for the three-for-two stock splits) of common stock of the Company. All applicable share and per share amounts in the accompanying financial statements have been retroactively adjusted to reflect these events.

Weighted average common shares outstanding includes the common share equivalents discussed in Note 9, consistent with FAS Statement No. 128. In addition, the calculation includes certain preferred stock issued during the year that was converted to common stock immediately prior to the closing of and sold in the Company's initial public offering. Such shares were deemed outstanding for all periods presented.

In addition, the Company issued 2,745,000 shares of common stock as a result of the merger involving Sykes Realty, Inc. immediately prior to the offering, which shares were deemed outstanding for all periods presented.

NOTE 17 - SUBSEQUENT EVENTS

Subsequent to December 31, 1997, the Company's joint venture entity signed definitive agreements to acquire Health International ("HI") and Prudential Service Bureau, Inc. ("PSBI"). The combined purchase price of the two acquisitions was $72.6 million and the transactions were expected to be completed by March 31, 1998. HI is a disease management company that provides a comprehensive managed medical care program for employees and plan administrators. PBSI provides a wide range of call center-based health and welfare benefits and administrative services.

These acquisitions will be accounted for by the joint venture utilizing the purchase method of accounting. As a result, the Company anticipates the recording of non-recurring charges approximating $11.8 million, representing its share of the joint venture's acquired in process research and development.

Sykes Enterprises, Incorporated
List of Subsidiaries

Sykes Enterprises Incorporated of Canada	Canada
Sykes Enterprises Incorporated Holdings B.V.	Netherlands
Sykes Enterprises Incorporated, B.V.	Netherlands
Sykes Realty, Inc.	Florida
Sykes Enterprises-South Africa, Inc.	Florida
DiagSoft, Inc.	Florida
Datasvar Support AB	Sweden
Info Systems of North Carolina, Inc.	North Carolina
Sykes Holdings of Belgium B.V.B.A.	Belgium
Translation, Fulfillment & Communication, N.V. ("Traffic")	Belgium
Sykes Enterprises GmbH	Germany
Telcare Gesellschaft fur Telekommunikations-Mehrwertdieste mbH ("Telcare")	Germany
TAS Telemarketing Gesellschaft fur Kommunikations und Dialog mbH ("TAS I")	Germany
TAS Hedi Fabinyi GmbH ("TAS II")	Germany
McQueen Limited	Scotland
McQueen International Limited	Scotland
McQueen Integrated Manufacturing Services Ltd.	Scotland
McQueen Graphics Ltd.	Scotland
McQueen Europe Ltd.	Scotland
Link Network Ltd.	Scotland
McQueen Benelux BV	Netherlands
McQueen France SA	France
McQueen Inc.	United States
McQueen Skandinavian AB	Sweden

Exhibit Number - 23.2

Consent of Independent Accountants

We consent to the incorporation by reference in the registration statements of Sykes Enterprises, Incorporated and subsidiaries on Forms S-3 (file Nos. 333-38513 and 333-46569) and on Form S-8 (File No. 333-23681) of our report dated March 6, 1998, on our audits of the consolidated financial statements of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 1996 and 1997 and for the years ended December 31, 1995, 1996 and 1997, which is incorporated by reference in this Annual Report on Form 10-K. Separate financial statements of McQueen International Limited included in the 1995 and 1996 restated consolidated statements of income and cash flows were audited and reported on separately by other auditors.

Coopers & Lybrand
March 13, 1998

Exhibit Number - 23.3

Consent of Independent Accountants

We have issued our report dated February 18, 1998 accompanying the financial statements of McQueen International Limited and subsidiaries for the years ended February 28, 1997 and 1996 included in Form 10-K of Sykes Enterprises, Incorporated as of and for the year ended December 31, 1997. We consent to the incorporation by reference of said report in the registration statements of Sykes Enterprises, Incorporated and subsidiaries on Forms S-3 (File Nos. 333-38513 and 333-46569) and on Form S-8 (File No.333-23681).

GRANT THORNTON

Edinburgh
United Kingdom
March 13, 1998

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-K.

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 01 1997
PERIOD END	DEC 31 1997
CASH	70,523,067
SECURITIES	0
RECEIVABLES	69,057,866
ALLOWANCES	537,395
INVENTORY	0
CURRENT ASSETS	150,421,458
PP&E	117,085,668
DEPRECIATION	45,803,485
TOTAL ASSETS	241,663,465
CURRENT LIABILITIES	42,105,002
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	390,576
OTHER SE	147,396,636
TOTAL LIABILITY AND EQUITY	241,663,465
SALES	0
TOTAL REVENUES	313,184,554
CGS	0
TOTAL COSTS	195,449,373
OTHER EXPENSES	98,127,877
LOSS PROVISION	(3,750,735)
INTEREST EXPENSE	766,637
INCOME PRETAX	16,623,206
INCOME TAX	10,876,000
INCOME CONTINUING	0
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	5,747,206
EPS PRIMARY	0.15
EPS DILUTED	0.14

Exhibit 99.1

MCQUEEN INTERNATIONAL LIMITED

CONSOLIDATED FINANCIAL STATEMENTS FOR YEARS ENDED FEBRUARY 28 1997 AND 1996

MCQUEEN INTERNATIONAL LIMITED
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors
McQueen International Limited

Report of the Independent Auditors

We have audited the accompanying consolidated balance sheets of McQueen International Limited and its subsidiaries as of February 28, 1997 and 1996, and the related consolidated statements of earnings, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of McQueen International Limited and its subsidiaries as of February 28, 1997 and 1996 and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with generally accepted accounting principles in the United States.

GRANT THORNTON
Edinburgh
United Kingdom

February 18, 1998

MCQUEEN INTERNATIONAL LIMITED
CONSOLIDATED BALANCE SHEETS
AS OF FEBRUARY 28

	(In Thousands)	
	1997	1996
	L.	L.
ASSETS		
Current assets:		
Cash and cash equivalents	1,713	1,327
Accounts receivable, net	8,484	7,214
Other receivables	244	460
Prepayments	1,246	476
Inventories, net	2,398	1,594
	------	------
Total current assets	14,085	11,071
Property and equipment, net	7,482	7,128
Investments	31	3
Goodwill	493	754
	------	------
Total assets	22,091	18,956
	======	======
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank overdraft	3,216	289
Current portion of secured subordinated loan stock debentures	375	375
Current portion of capital leases	440	470
Accounts payable	4,394	4,722
Deferred grants	82	156
Accrued expenses	6,280	5,573
	------	------
Total current liabilities	14,787	11,585
Long term portion of capital leases	525	886
Deferred grants	171	250
Deferred income taxes	587	425
Secured subordinated loan stock debentures, less current portion	1,691	2,051
	------	------
Total liabilities	17,761	15,197
Cumulative redeemable preference, L.1 stated value, 632,801 shares authorized, issued and outstanding	633	633
"A" Cumulative convertible preference, L.1 stated value, 2,408,272 shares authorized, issued and outstanding	2,408	2,408
"B" Convertible redeemable preference, L.1 stated value, 573,405 shares authorized, issued and outstanding	573	573
	------	------
	3,614	3,614
Commitments and contingencies	-	-
Shareholders' equity		
Ordinary L.0.10 stated value, 102,485 (1996 - 159,061) shares authorized, issued and outstanding	10	16
"A" Ordinary L.0.10 stated value, 361,772 shares authorized, issued and outstanding	36	36
"B" Ordinary L.0.10 stated value, 121,827 shares authorized, 58,814 shares issued and outstanding	6	-
Cumulative convertible participating preferred ordinaryL.0.10 stated value, 65,121 shares authorized, issued and outstanding	6	6
Cumulative translation adjustment	(339)	(72)
Additional paid in capital	285	285
Retained earnings/(accumulated deficit)	712	(126)
	------	------
Total shareholders' equity	4,330	3,759
	------	------
Total liabilities and shareholders' equity	22,091	18,956
	======	======

The accompanying notes are an integral part of these financial statements.

MCQUEEN INTERNATIONAL LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED FEBRUARY 28

	(In Thousands)	
	1997	1996
	L.	L.
Sales	38,055	31,008
Cost of sales	(14,258)	(14,310)
Gross profit	23,797	16,698
Operating expenses	(21,467)	(15,093)
Income from operations	2,330	1,605
Interest income	42	16
Interest expense	(581)	(482)
Income before tax and minority interest	1,791	1,139
Income taxes	(727)	(562)
Income after tax and before minority interest	1,064	577
Minority interest	29	(1)
Net income	1,093	576
Net earnings per share	L.2.09	L.1.10

	(In Thousands)	
	Number	Number
Weighted average shares outstanding	522	521

The accompanying notes are an integral part of these financial statements.

MCQUEEN INTERNATIONAL LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
FOR THE YEARS ENDED FEBRUARY 28

	Ordinary Shares		"A" Ordinary	
	Shares	Amount L. 000	Shares	Amount L. 000
Balance at March 1, 1995	159,061	16	361,772	36
Share capital issued	--	--	--	--
Minority interest	--	--	--	--
Cumulative translation adjustment	--	--	--	--
Dividends paid	--	--	--	--
Net income	--	--	--	--
Balance at February 28, 1996	159,061	16	361,772	36
Share capital converted	(56,576)	(6)	--	--
Share capital issued	--	--	--	--
Cumulative translation adjustment	--	--	--	--
Dividends paid	--	--	--	--
Minority interest	--	--	--	--
Net income	--	--	--	--
Balance at February 28, 1997	102,485	10	361,772	36

	Preferred Ordinary		"B" Ordinary	
	Shares	Amount L. 000	Shares	Amount L. 000
Balance at March 1, 1995	--	--	--	--
Share capital issued	65,121	6	--	--
Minority interest	--	--	--	--
Cumulative translation adjustment	--	--	--	--
Dividends paid	--	--	--	--
Net income	--	--	--	--
Balance at February 28, 1996	65,121	6	--	--
Share capital converted	--	--	--	--
Share capital issued	--	--	58,145	6
Cumulative translation adjustment	--	--	--	--
Dividends paid	--	--	--	--
Minority interest	--	--	--	--
Net income	--	--	--	--
Balance at February 28, 1997	65,121	6	58,145	6

	Cumulative Convertible Preference Shares		Cumulative translation adjustment	Additional paid in capital
	Shares	Amount L. 000	L. 000	
Balance at March 1, 1995	3,041,073	3,041	--	--
Share capital issued	573,405	573	--	285
Minority interest	--	--	--	--
Cumulative translation adjustment	--	--	(72)	--
Dividends paid	--	--	--	--
Net income	--	--	--	--
Balance at February 28, 1996	3,614,478	3,614	(72)	285
Share capital converted	--	--	--	--
Share capital issued	--	--	--	--
Cumulative translation adjustment	--	--	(267)	--

Dividends paid	--	--	--	--
Minority interest	--	--	--	--
Net income	--	--	--	--
Balance at February 28, 1997	3,614,478	3,614	(339)	285

	(Accumulated deficit/ retained earnings L. 000	Total L. 000
Balance at March 1, 1995	(462)	2,631
Share capital issued	--	864
Minority interest	5	5
Cumulative translation adjustment	--	(72)
Dividends paid	(245)	(245)
Net income	576	576
Balance at February 28, 1996	(126)	3,759
Share capital converted	--	(6)
Share capital issued	--	6
Cumulative translation adjustment	--	(267)
Dividends paid	(245)	(245)
Minority interest	(10)	(10)
Net income	1,093	1,093
Balance at February 28, 1997	712	4,330

The accompanying notes are an integral part of these financial statements.

MCQUEEN INTERNATIONAL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED FEBRUARY 28

	1997 L.	1996 L.
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	1,093	576
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	1,148	1,266
Deferred tax expense/(benefit)	162	(130)
CHANGES IN ASSETS AND LIABILITIES, NET OF EFFECT OF ACQUISITION		
Increase in inventories	(804)	(876)
Increase in receivables	(1,804)	(1,790)
(Decrease)/increase in accounts payable	(328)	1,674
Increase in accrued expenses	707	2,186
(Decrease)/increase in other liabilities	(190)	584
Total adjustments	(1,109)	2,914
Net cash (used in)/provided by operating activities	(16)	3,490
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,021)	(1,133)
Acquisition of business, net of bank overdraft acquired	--	(816)
Proceeds from sale of property and equipment	339	104
Purchase of investments	(28)	--
Net cash used for investing activities	(1,710)	(1,845)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in bank overdraft	2,927	(1,357)
Principal payments under long-term debt and capital leases	(766)	(963)
Proceeds from issuance of shares	--	1,052
Proceeds from grants	438	413
Proceeds from issuance of long-term debt, net	--	1,000
Payments in connection with issuance of loan notes and shares	--	(224)
Dividends paid	(220)	(163)
Net cash (used in)/provided by financing activities	2,379	(242)
Effect of exchange rate changes on cash and cash equivalents	(267)	(76)
Net increase in cash and cash equivalents	386	1,327
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,327	--
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,713	1,327
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	539	466
Income taxes	425	663
Non cash investing and financing activities:		
New capital leases	213	--
Acquisition of business:		
Fair value of assets acquired	--	2,925
Cash paid	--	(786)
Liabilities assumed	--	2,139

NOTE A - DESCRIPTION OF THE BUSINESS

The Company

McQueen International Limited and its subsidiaries (the "Company") are principally engaged in the provision of outsourced services to the technology and information industries.

The Company provides an integrated range of outsourced services through three business units: Localization, Fulfillment Services and Call Center Services. Localization translates and re-engineers software products and documentation into multiple languages. Fulfillment Services fulfills the physical product by printing documentation, replicating disk media, procuring components, assembling the final product and shipping it to whichever level within the distribution chain the client designates. Call Center Services provides a range of access services for inquiries, direct sales and technical support to end users.

These business units provide national and international services through the Company's operational sites in the United Kingdom ("UK"), the Netherlands, Sweden, France and the United States ("US").

Incorporation and history

The Company was incorporated in Scotland on September 16, 1994 as Dunwilco (415) Limited and on September 29, 1994 changed its name to McQueen International Limited. On February 3, 1995 it acquired the entire share capital of McQueen Limited.

On July 7, 1995 McQueen Limited acquired the entire share capital of Winners SA, a French company engaged in the provision of Localization and Fulfillment Services.

Companies Act 1985

These financial statements do not comprise accounts within the meaning of
Section 240 of the UK Companies Act 1985 (the "Companies Act"). The Company's statutory accounts, which are its primary financial statements, are prepared in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP") in compliance with the Companies Act and are presented in Great Britain pounds sterling ("pounds sterling"). Dividends are required to be declared in pounds sterling out of profits available for that purpose as determined by UK GAAP and in accordance with the Companies Act.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Principles of Consolidation

The consolidated financial statements include the accounts of McQueen International Limited and its subsidiaries, McQueen Limited, McQueen France SA, McQueen Benelux BV, McQueen Inc., McQueen Skandinavien AB, McQueen ESOT Trustees Limited, Link Network Limited, McQueen Integrated Manufacturing Services Limited, McQueen Graphics Limited, McQueen Direct Limited and Portfolio Solutions Limited. All significant intercompany balances and transactions have been eliminated.

Accounting Estimates

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

Revenue Recognition

Revenue is recognized on sales when a product is shipped and from services when performed.

Earnings Per Share

Primary earnings per common share are based on the weighted average number of common shares outstanding.

Fully diluted earnings per common share are based on the assumption that all stock options were converted at the beginning of the year or at the time of issuance if later.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents for purposes of the statement of cash flows.

Fair value of Financial Instruments

The fair values of the Company's cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate their carrying values due to the relatively short maturities of these instruments.

Inventories

Inventories are priced at the lower of cost (determined by first-in, first-out) or market value (defined as net realizable value).

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets less estimated residual value to operations over their estimated useful lives, principally on the straight-line basis. The estimated lives used in determining depreciation are:

Buildings	50 years
Plant and equipment	3 - 15 years
Motor vehicles	4 years
Fixtures and fittings	10 - 25 years

Leased assets are amortized over the lives of the respective leases or the service life of the asset, whichever is shorter. Repair and maintenance costs are charged to expenses as incurred.

The depreciation charges for the years ended February 28, 1997 and 1996 were L.1,312,000 and L.1,469,000, respectively.

Goodwill

Goodwill is the excess of cost over the fair value of net assets acquired and is being amortized by the straight-line method over one to fifteen years. The amortization charges for the years ended February 28, 1997 and 1996 were L.261,000 and L.486,000 respectively.

On an ongoing basis, management reviews the valuation and amortization of goodwill to determine possible impairment. The recoverability of goodwill is assessed by determining whether the amortization of goodwill over its remaining life can be recovered through projected undiscounted future cash flows.

Income Taxes

The Company accounts for income taxes using Statement of Financial Accounting Standards No 109 (SFAS No 109), " Accounting for Income Taxes". Under SFAS No 109 income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Foreign Currency Translation

The reporting currency of the Company is the pound sterling. The functional currency of the US subsidiary is the US dollar. The functional currency of the other foreign subsidiaries is the domestic currency of that subsidiary.

The assets and liabilities of the Company's foreign subsidiaries whose functional currency is other than the pound sterling are translated at the exchange rates in effect on the reporting date, and income and expenses are translated at the weighted average exchange rate during the period. The net effect of translation gains and losses are not included in determining net income, but are accumulated as a separate component of shareholders' equity. Foreign currency transaction gains and losses are included in determining net income. Such gains and losses are not material for any period presented.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable at February 28, consist of the following:

	(In Thousands)	
	1997	1996
	L.	L.
Trade accounts receivable	8,624	7,359
Less allowance for doubtful accounts	(140)	(145)
	8,484	7,214

NOTE D - INVENTORIES

Inventories at February 28, consist of the following:

	(In Thousands)	
	1997	1996
	L.	L.
Raw materials	724	710
Work-in-progress	1,548	420
Finished Goods	193	483
	2,465	1,613
Reserve for obsolete inventory	(67)	(19)
	2,398	1,594

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment at February 28, consists of the following:

	(In Thousands)	
	1997	1996
	L.	L.
Land and buildings	1,977	1,983
Plant and machinery	7,505	6,441
Motor Vehicles	79	531
Fixtures and fittings	3,161	2,476
	12,722	11,431
Less accumulated depreciation	(5,240)	(4,303)
	7,482	7,128

NOTE F- GOODWILL

Goodwill at February 28, consists of the following:

	(In Thousands)	
	1997	1996
	L.	L.
Purchased goodwill	1,240	1,240
less accumulated amortization	(747)	(486)
	493	754

NOTE G - ACCRUED EXPENSES

Accrued expenses at February 28, consist of the following:

	(In Thousands)	
	1997 L.	1996 L.
Social security and other taxes	1,207	1,516
Other	3,790	2,956
Sundry creditors	421	399
Income tax payable	862	702
	6,280	5,573

NOTE H - LONG-TERM OBLIGATIONS

	(In Thousands)	
	1997 L.	1996 L.
Long-term obligations at February 28, consists of the following:		
Secured loan notes (net of issue costs) - repayable in yearly installments of L.375,000 (excluding interest) until November 1999. They carry interest of 8% per annum and are secured by a floating charge over the assets of the company.	1,106	1,474
Secured loan stocks - the loans are secured by a floating charge over the assets of the company. The interest rate is 3% over bank base rate until February 1998 and 5% over bank base rate thereafter.	960	952
	2,066	2,426
less current position	(375)	(375)
	1,691	2,051

Aggregate maturities of long-term obligations at February 28, 1997 are as follows:

	(In Thousands) L.
1998	375
1999	356
2000	300
2001	300
2002	360
	1,691

NOTE I - INCOME TAXES

The provision for income taxes for the year ended February 28, was composed of the following:

	(In Thousands) 1997 L.	1996 L.
Current tax expense:		
United Kingdom	565	692
Deferred tax expense (benefit):		
United Kingdom	162	(130)
	----	----
Total provision for income taxes	727	562
	====	====

Income taxes are greater than the amount of income tax determined by applying the applicable UK statutory income tax rate to income before income taxes as a result of the following differences:

	(In Thousands) 1997 L.	1996 L.
Income tax expenses at the 33% UK statutory rate	591	374
Non-deductible amortization	86	160
Other	50	28
	----	----
	727	562
	====	====

Significant components of the Company's net deferred tax liabilities as of February 28, are as follows:

	(In Thousands) 1997 L.	1996 L.
Deferred tax liability:		
Depreciation	(587)	(425)
Deferred tax asset:		
Net operating loss carryforward of international subsidiaries	86	125
Valuation allowance	(86)	(125)
	----	----
Net deferred tax liability	(587)	(425)
	====	====

SFAS No 109 specifies that deferred tax assets are to be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. As of February 28, 1997 and 1996, the Company had deferred tax assets attributable to foreign net operating loss carryforwards. As a majority of these carryforwards expire in five years or less realization is considered uncertain and a valuation allowance has been recorded.

NOTE J - BENEFIT PLANS

DEFINED CONTRIBUTION PLAN

The Company has a defined contribution agreement for the benefit of its employees. The assets of the agreement are administered by trustees in a fund independent from those of the Company. Costs charged against profits represents the amount of the contributions payable to the scheme in respect of the accounting period. The amount of contributions expensed was [pound sterling] 128,000, and [pound sterling] 116,000 for the years ended February 28, 1997 and 1996 respectively.

NOTE K - PREFERRED STOCK

CUMULATIVE REDEEMABLE PREFERENCE SHARES

Dividends

The cumulative redeemable preference shares are non equity shares which carry an entitlement to a dividend of L.0.05 per share.

Voting Rights

The cumulative redeemable preference shares carry no voting rights unless the Company is more than three months late in paying a dividend or redeeming shares.

Redemption rights

The cumulative redeemable preference shares are required to be redeemed at a price of L.1.16 as follows:

	Number
February 28, 2000	126,560
February 28, 2001	126,560
February 28, 2002	126,561
February 28, 2003	126,560
February 28, 2004	126,560

	632,801
	=======

They may also be redeemed at the behest of the Company at any time with the consent of 95% of the shareholders.

Rights on a winding up

Cumulative redeemable preference shareholders have the right on a winding up to receive in priority to any other class of share all arrears of dividend or redemption together with the sum of L.1.16 per share.

"A" CUMULATIVE CONVERTIBLE PREFERENCE SHARES

Dividends

The cumulative convertible preference shares are non equity shares which carry an entitlement to a dividend of L.0.05 per share.

Voting Rights

The cumulative convertible preference shares carry no voting rights unless the Company is more than three months late in paying a dividend.

Conversion rights

The cumulative convertible preference shares shall be converted prior to and conditional upon any listing of the company's shares. Then the shares will be converted into a mixture of ordinary shares and deferred shares in accordance with a formula laid down in the Company's articles of association. The deferred shares so created carry no rights to vote, receive income or be converted and are redeemable at the company's behest at the sum of L.0.000001 per share.

Rights on a winding up

Cumulative convertible preference shareholders have the right on a winding up to receive in priority to the holders of the ordinary and "A" ordinary shares all arrears of dividend or redemption together with the sum of L.1.16 per share.

"B" CONVERTIBLE REDEEMABLE PREFERENCE SHARES

Dividends

The convertible redeemable preference shares are non equity shares which carry no entitlement to a dividend.

Voting Rights

The convertible redeemable preference shares carry no voting rights unless the Company breaches its obligations with regard to its loan stocks. Then the shareholders carry the rights to vote that they would receive if they had converted their shares in accordance with the formula laid down in the Company's articles of association.

Conversion rights

The convertible redeemable preference shares may be converted at the shareholders' behest at any time after February 28, 2005. Then the shares will be converted into a mixture of preferred ordinary shares and deferred shares in accordance with a formula laid down in the Company's articles of association. The deferred shares so created carry no rights to vote, receive income or be converted and are redeemable at the Company's behest at the sum of L.0.000001 per share.

Redemption rights

The convertible redeemable preference shares may be redeemed at the behest of the Company at any time after the loan stocks have been repaid with the consent of 75% of its members. The Company may redeem the shares on or before February 28, 2004 at an amount per share between L.1.73 and L.5.16. After February 28, 2004 the Company may redeem the shares at L.6.19 per share.

The convertible redeemable preference shares shall also be redeemed when the Company becomes listed, a controlling interest is sold or the holders of the cumulative redeemable preference shares initiate the redemption of their shares.

Rights on a winding up

The convertible redeemable preference shareholders have the right on a winding up to receive in priority to all other classes of shares bar the holders of the cumulative redeemable preference shares that amount which they would have received if the shares had been redeemed on that date.

CUMULATIVE CONVERTIBLE PARTICIPATING PREFERRED ORDINARY SHARES

Dividends

The preferred ordinary shares are equity shares that carry an entitlement to a dividend based on a percentage of the net profit, as defined in the Company's articles of association, commencing at 5% and rising to 12.5% from March 1, 2002; or 7% of the total amount distributed or to be distributed to the holders of the issued equity share capital in respect of that year.

Voting Rights

The preferred ordinary shares carry the right to one vote per share subject to a maximum amount of voting rights for the class of share as a whole of 4.9% of the votes available.

Conversion Rights

At the holders' behest or upon a listing of any of its shares, the Company must convert all of the preferred ordinary shares into that number of shares that represents 7% of the issued equity share capital assuming the exercise in full of all other outstanding share options and conversions including that of the "A" ordinary shares.

Rights on a winding up

The holders of the preferred ordinary shares carry unlimited equal rights along with the ordinary and "A" ordinary shareholders to share in the surplus remaining on a winding up after all the liabilities and participation rights of other classes of shares have been satisfied.

NOTE L - GEOGRAPHIC INFORMATION

The Company's operations involve a single industry segment providing services. Information about the Company's operations by geographic area for the years ended February 28, is as follows:

	(In Thousands)	
	1997 L.	1996 L.
Net revenue		
United States	171	192
United Kingdom	29,035	25,904
France	6,755	3,977
Rest of the World	2,094	935
	38,055	31,008
Income from operations		
United States	7	12
United Kingdom	2,122	1,666
France	85	121
Rest of the World	116	(194)
	2,330	1,605
Identifiable assets		
United States	37	56
United Kingdom	18,021	15,852
France	2,671	2,457
Rest of the World	1,362	591
	22,091	18,956

NOTE M - COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Company leases certain facilities and items of equipment under noncancellable operating leases. The following is a schedule, by years, of minimum rental payments under such operating leases which expire at various dates through 2020:

	(In Thousands) L.
1998	592
1999	590
2000	582
2001	446
Thereafter	8,516
	10,726

Total rent expense for the years ended February 28, 1997 and 1996 were approximately L.593,000 and L.91,000 respectively.

CAPITAL LEASES

The Company also leases certain assets under capital leases. The related assets and obligations have been recorded using the Company's incremental borrowing rate at the inception of the lease. The leases, which are noncancellable, expire at various dates through 2002. The following is a schedule of leased property under capital leases as of February 28:

	(In Thousands)	
	1997 L.	1996 L.
Plant and machinery	3,249	1,662
Motor Vehicles	25	356
	3,274	2,018
Less accumulated depreciation	(766)	(676)
	2,508	1,342

The following is a schedule, by years, of future minimum lease payments under capital leases together with the present value of the net minimum payments as of February 28, 1997:

	(In Thousands) L.
Year ended February 28,	
1998	547
1999	441
2000	106
2001	100
Total minimum lease payments	1,194
less amount representing interest	(229)
Present value of net minimum lease payments	965
Current portion	440
Noncurrent portion	525
	965

NOTE M - COMMITMENTS AND CONTINGENCIES (CONTINUED)

GOVERNMENT GRANTS

The Company has received government grants principally of a revenue nature and these grants have been credited to Income in the period in which the related expenditure has been incurred. The grants of a capital nature are deferred and released to the Income Statement over the lives of the assets to which they relate. The position at February 28 is summarized below.

	(In Thousands) 1997 L.	1996 L.
Deferred portion		
less than one year	82	156
more than one year	171	250
	---	---
	253	406
	===	===

NOTE N - MAJOR CUSTOMERS

Approximately 46% (1996 57%) of the Company's revenue is from Adobe Systems, Inc ("Adobe").

During the year ended February 28, 1997, approximately 73% (1996 70%) of the Company's net revenues were from five (1996 - five) major customers. At February 28, 1997 accounts receivable included balances of approximately L.4,245,000 (1996 L.4,260,000) from five major customers, of which L.2,987,000 (1996 L.3,530,000) is due from Adobe.

NOTE O - STOCK OPTIONS

The Company has four share option plans accounted for under APB Opinion 25 and related interpretations. The company's articles allow the Company to grant options to employees for up to 130,034 equity shares. Options currently outstanding become exercisable in three to seven years from the grant date and expire seven years after the grant date. The options are exercisable at less than the market value of the Company's shares on the date of the grant. Accordingly, compensation cost has been recognized for the plan. Had compensation cost for the plan been determined based on the fair value of the options at the grant dates consistent with the method of Statement of Financial Accounting Standard No 123, "Accounting for Stock-Based Compensation" (SFAS No 123), the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below.

		1997 L.	1996 L.
Net income	As reported	L.1,093,000	L.576,000
	Pro forma	L.1,002,000	L.416,000
Primary earnings per share	As reported	L.2.09	L.1.10
	Pro forma	L.1.92	L.0.80
Fully diluted earnings per share	As reported	L.1.98	L.1.08
	Pro forma	L.1.81	L.0.78

The fair value of each option grant is estimated on the date of grant using the minimum value method of which the following weighted-average assumptions used for grants, risk-free interest rates 6.5%; and expected life of 6 years.

A summary of the status of the company's stock option plans as of February 28, 1997 and 1996, and changes during the years ending on those dates is presented below.

	1997		1996	
	Shares 000	Weighted average exercise price	Shares 000	Weighted average exercise price
Outstanding at beginning of year	20	L.0.10	-	-
Granted	20	L.3.40	20	L.0.10
Outstanding at end of year	40	L.1.75	20	L.0.10
Options exercisable at year end	-	-	-	-
Weighted-average fair value of options granted during the year	L.132,000	L.6.60	L.130,000	L.6.50

The following table summarizes information concerning options outstanding at February 28, 1997

Range of Exercise Prices	Number Outstanding 000	Weighted-Average remaining contractual life (Years)	Weighted-Average Exercise Price
L.0.10	23	5.7	L.0.10
L.4.00	17	6.6	L.4.00
	40		

NOTE P - ACCOUNTING PRONOUNCEMENTS

For US GAAP purposes, the Company adopted SFAS No 121, "Accounting for the Long-Lived Assets and for Long-Lived Assets to be Disposed of", as of April 1, 1996. The effect of adoption of SFAS No 121 was not material.

In June 1997 the Financial Accounting Standards Board issued SFAS No 130 "Reporting Comprehensive Income", and this SFAS is effective for fiscal years beginning after December 15, 1997. The Company has considered the effects of this statement and believes the cumulative translation adjustment is the only component of comprehensive income as defined by this statement.

In June 1997 the Financial Accounting Standards Board issued SFAS No 131 "Disclosure about Segments of an Enterprise and Related Information" and this is Effective for fiscal years beginning after December 15, 1997. The Company is evaluating the disclosure impact of SFAS No 131 on its financial statements and believes that the effect of adoption of SFAS No 131 will not be material.

In February 1997, the Financial Accounting Standards Board issued SFAS No 128 "Earnings per Share". This statement is effective for financial statements issued for periods ending after December 15, 1997. The Company is evaluating the disclosure impact of SFAS No 128 on its financial statements and believes that the effect of adoption will not be material.

NOTE Q - POST BALANCE SHEET EVENTS

On April 7, 1997 the Company acquired the Media Services divisions of Rand McNally & Company, comprising the US division, Rand McNally Media Services Inc, and Rand McNally International Business Services BV, a Netherlands division with an operational branch in Ireland, for approximately L.18.4 million in a cash transaction including acquisition costs. The excess of the total acquisition cost over the fair value of net assets acquired in the amount of L.4,173,000 after an impairment provision of L.6,400,000 is to be amortized on a straight line basis over fifteen years. On April 7, 1997 Rand McNally Media Services Inc changed its name to McQueen Inc and the pre-existing US subsidiary, McQueen Inc, changed its name to McQueen International Inc. On July 29, 1997 Rand McNally International Business Services BV changed its name to McQueen International BV.

On December 31, 1997 the business of the Company and Sykes Enterprises, Inc ("Sykes"), an information technology company providing a variety of computer related outsourcing services to Fortune 500 firms, were merged upon the exchange of Sykes common shares for the outstanding common and preferred shares of the Company. The transaction was accounted for as a pooling of interest.

NOTE R - RELATED PARTY TRANSACTIONS

For the years ended February 28, 1997 and 1996, the Company paid to Glenbrae Management Services Limited (Glenbrae) and Blackford Business Services (Blackford) L.192,765 and L.159,649, and L.14,990 and nil respectively. A director and a non-executive director of the Company are also a shareholder and sole proprietor of Glenbrae and Blackford, respectively.

Exhibit 99.2

MCQUEEN INTERNATIONAL LIMITED

Consolidated Profit and Loss Account

For the ten month period ended December 31, 1997

	10 Months ended December 31, 1997 (L.) 000
SALES	61,221
Cost of sales	25,146
Gross Profit	36,075
Operating expenses	39,565
OPERATING LOSS	(3,490)
Interest receivable and similar income	86
Interest payable and similar charges	(1,366)
Loss before tax and minority interest	(4,770)
Income tax benefit	205
LOSS AFTER TAX AND BEFORE MINORITY INTEREST	(4,565)
Minority interests	45
NET LOSS	(4,610)

Exhibit 99.2

MCQUEEN INTERNATIONAL LIMITED

Consolidated Cash Flow Statement

For the ten month period ended December 31, 1997

	10 Months ended December 31, 1997 (L.) 000
CASH FLOWS FROM OPERATING ACTIVITIES	
NET (LOSS)	(4,610)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation and amortization	7,441
Changes in assets and liabilities, net of effects from acquisition	
Decrease in accounts receivable	2,519
Decrease in inventories	767
Increase in accounts payable	3,123
Increase in other liabilities	63
Total adjustments	13,913
Net cash provided by operating activities	9,303
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(2,275)
Acquisition of Rand McNally Media Services	(18,399)
Net cash used in investing activities	(20,674)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principle payments on loan notes and capital leases	(1,231)
Receipts from capital leases	372
Issuance of loan notes	19,514
Shares repurchased	(1,697)
Dividends paid	(187)
Net cash used in financing activities	16,771
Net increase in cash and cash equivalents	5,400
Cash and cash equivalents at beginning of period	(1,500)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,900
Other information:	
Interest paid	1,446
Income taxes paid	864