

SYKES ENTERPRISES INC

Form 8-K

November 15, 2005

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 8-K  
CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
Date of report (Date of earliest event reported): November 11, 2005  
Sykes Enterprises, Incorporated  
(Exact name of registrant as specified in its charter)**

Florida

0-28274

56-1383460

(State or other jurisdiction  
of incorporation)

(Commission File Number)

(IRS Employer  
Identification No.)

400 N. Ashley Drive, Tampa,  
Florida

33602

(Address of principal  
executive offices)

(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**ITEM 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review**

On November 7, 2005, Sykes Enterprises, Incorporated (the Company) issued a press release announcing its third quarter financial results, and also announcing that the Company was evaluating the reclassification of certain deferred revenues as current liabilities, rather than long-term liabilities, in the Company's Consolidated Balance Sheets at and after December 31, 2003. On November 9, 2005, the Company filed a Form 12b-25 delaying the filing of its Form 10-Q for the designated five days due to the time and effort required to evaluate the possible reclassification. The Company has now completed its evaluation and has determined that its Consolidated Balance Sheets will be restated to correct for certain deferred revenues which are being reclassified from long-term to current liabilities. The correction pertains to various contracts in the Company's Canadian roadside assistance program for which the Company is prepaid for roadside assistance services that are generally carried out over a twelve-month or longer period. On November 11, 2005, management, supported by the Audit Committee of the Board of Directors, concluded that investors should no longer rely on the Company's previously issued consolidated financial statements for the years ended December 31, 2003 and December 31, 2004, or the quarters ended March 31, 2005 and June 30, 2005, nor the related management's report on internal control over financial reporting or any of the respective independent registered public accountants' reports thereon. Additionally, on November 14, 2005, the Company issued a press release stating that the filing of its Form 10-Q for the quarter ended September 30, 2005 will be delayed beyond the Securities and Exchange Commission's filing deadline to allow time to incorporate these corrections into the Company's condensed consolidated financial statements.

As soon as practicable, the Company will amend its Form 10-K for the year ended December 31, 2004 and Form 10-Q's for the quarters ended March 31, 2005 and June 30, 2005. The Company will file its Form 10-Q for the quarter ended September 30, 2005 in conjunction with these amendments. The anticipated amounts of deferred revenues to be reclassified from long-term liabilities to current liabilities on the Consolidated Balance Sheets are approximately \$19.0 million as of December 31, 2003, December 31, 2004, and March 31, 2005 and approximately \$21.0 million as of June 30, 2005. Additionally, the Company will correct the related deferred income taxes to reclassify the related amounts from long-term assets to current assets on the Consolidated Balance Sheets of approximately \$1.6 million as of December 31, 2003 and \$2.1 million as of December 31, 2004, March 31, 2005 and June 30, 2005. These corrections did not have a material effect on the Company's Consolidated Statements of Operations or Consolidated Statements of Cash Flows for the periods then ended, and did not change the earnings per share in any of the previously reported periods. The decision to restate the previously issued financial statements has been discussed with the Company's independent registered public accounting firm.

The Company is currently evaluating the impact of the improper classification of deferred revenue on the Company's internal controls over financial reporting, as defined by the Public Company Accounting Oversight Board's Auditing Standard No. 2. However, the Company believes that the restatement is indicative of a material weakness and remedial actions will be disclosed in the Company's Form 10-Q for the third quarter 2005. Upon completion of its evaluation, the Company anticipates that it will revise management's reports on internal control over financial reporting for the relevant periods.

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The changes in the Company's Consolidated Balance Sheets at December 31, 2003, December 31, 2004, March 31, 2005 and June 30, 2005, respectively, are presented below (in thousands).

|   | June 30, 2005          |                   | March 31, 2005         |                   | December 31, 2004      |                   | December 31, 2003      |                   |         |         |          |
|---|------------------------|-------------------|------------------------|-------------------|------------------------|-------------------|------------------------|-------------------|---------|---------|----------|
|   | As Previously Reported | As Presented Now  | As Previously Reported | As Presented Now  | As Previously Reported | As Presented Now  | As Previously Reported | As Presented Now  |         |         |          |
| Cash and cash equivalents                 | \$ 109,114             | \$ 109,114        | \$ 97,858              | \$ 97,858         | \$ 93,868              | \$ 93,868         | \$ 92,085              | \$ 92,085         |         |         |          |
| Accounts receivable                       | 83,244                 | 83,244            | 87,911                 | 87,911            | 90,661                 | 90,661            | 82,415                 | 82,415            |         |         |          |
| Prepaid expenses and other current assets | 9,800                  | \$ 2,066          | 11,866                 | 10,432            | \$ 2,085               | 12,517            | 9,126                  | \$ 2,093          | 11,219  | 11,813  | \$ 1,615 |
| Inventory                                 | 3,987                  | 3,987             | 6,394                  | 6,394             | 9,742                  | 9,742             | 0                      | 0                 |         |         |          |
| Other current assets                      | 206,145                | 2,066             | 208,211                | 202,595           | 2,085                  | 204,680           | 203,397                | 2,093             | 205,490 | 186,313 | 1,615    |
| Property and equipment, net               | 76,678                 | 76,678            | 80,181                 | 80,181            | 82,891                 | 82,891            | 107,194                | 107,194           |         |         |          |
| Goodwill, net                             | 7,963                  | 7,963             | 8,120                  | 8,120             | 5,224                  | 5,224             | 5,085                  | 5,085             |         |         |          |
| Other intangible assets                   | 22,863                 | (2,066)           | 20,797                 | 20,992            | (2,085)                | 18,907            | 21,014                 | (2,093)           | 18,921  | 19,583  | (1,615)  |
| <b>Total assets</b>                       | <b>\$ 313,649</b>      | <b>\$ 313,649</b> | <b>\$ 311,888</b>      | <b>\$ 311,888</b> | <b>\$ 312,526</b>      | <b>\$ 312,526</b> | <b>\$ 318,175</b>      | <b>\$ 318,175</b> |         |         |          |
| Accounts payable                          |                        |                   |                        |                   |                        |                   | \$ 87                  | \$ 87             |         |         |          |
| Accrued expenses                          | \$ 15,542              | \$ 15,542         | \$ 11,861              | \$ 11,861         | \$ 13,693              | \$ 13,693         | 17,706                 | 17,706            |         |         |          |
| Deferred compensation                     | 28,667                 | 28,667            | 30,445                 | 30,445            | 30,316                 | 30,316            | 30,869                 | 30,869            |         |         |          |
| Other liabilities                         | 2,182                  | 2,182             | 4,411                  | 4,411             | 6,740                  | 6,740             | 0                      | 0                 |         |         |          |
| Income taxes                              | 2,461                  | 2,461             | 2,739                  | 2,739             | 2,965                  | 2,965             | 4,921                  | 4,921             |         |         |          |

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|                  |            |           |            |            |           |            |            |           |            |            |           |
|------------------|------------|-----------|------------|------------|-----------|------------|------------|-----------|------------|------------|-----------|
|                  | 0          | \$ 24,541 | 24,541     | 0          | \$ 23,100 | 23,100     | 0          | \$ 22,952 | 22,952     | 0          | \$ 23,507 |
| accrued<br>s and |            |           |            |            |           |            |            |           |            |            |           |
| s                | 15,867     | (4,055)   | 11,812     | 14,563     | (3,860)   | 10,703     | 13,284     | (3,898)   | 9,386      | 14,226     | (4,508)   |
| urrent           |            |           |            |            |           |            |            |           |            |            |           |
| s                | 64,719     | 20,486    | 85,205     | 64,019     | 19,240    | 83,259     | 66,998     | 19,054    | 86,052     | 67,809     | 18,999    |
| l                |            |           |            |            |           |            |            |           |            |            |           |
|                  | 16,964     |           | 16,964     | 15,767     |           | 15,767     | 13,921     |           | 13,921     | 27,369     |           |
| long             |            |           |            |            |           |            |            |           |            |            |           |
|                  | 20,486     | (20,486)  | 0          | 19,240     | (19,240)  | 0          | 19,054     | (19,054)  | 0          | 19,835     | (18,999)  |
| m                |            |           |            |            |           |            |            |           |            |            |           |
| s                | 2,175      |           | 2,175      | 2,345      |           | 2,345      | 2,518      |           | 2,518      | 2,330      |           |
| s                |            |           |            |            |           |            |            |           |            |            |           |
|                  | 104,344    | 0         | 104,344    | 101,371    | 0         | 101,371    | 102,491    | 0         | 102,491    | 117,343    | 0         |
| ders             |            |           |            |            |           |            |            |           |            |            |           |
|                  | 209,305    | 0         | 209,305    | 210,517    | 0         | 210,517    | 210,035    | 0         | 210,035    | 200,832    | 0         |
| s and            |            |           |            |            |           |            |            |           |            |            |           |
| lders            |            |           |            |            |           |            |            |           |            |            |           |
|                  | \$ 313,649 | \$        | \$ 313,649 | \$ 311,888 | \$        | \$ 311,888 | \$ 312,526 | \$        | \$ 312,526 | \$ 318,175 | \$        |

**Item 9.01. Financial Statements and Exhibits.**

(c) The following exhibit is included with this Report:  
 Exhibit 99.1 Press release, dated November 14, 2005, announcing the delay of the filing of the financial results for the quarter ended September 30, 2005.

**SIGNATURES**

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

**SYKES ENTERPRISES,  
INCORPORATED**

By: /s/ W. Michael Kipphut  
W. Michael Kipphut  
Senior Vice President and Chief  
Financial Officer

Date: November 14, 2005

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EXHIBIT INDEX

| Exhibit No. | Description  |
|-------------|--|
| 99.1        | Press release dated November 14, 2005, announcing the delay of the filing of the financial results for the quarter ended September 30, 2005. |