SYKES ENTERPRISES INC

FORM 10-Q/A
(Amended Quarterly Report)

Filed 08/14/01 for the Period Ending 03/31/01

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

SYKES ENTERPRISES INC

FORM 10-Q/A
(Amended Quarterly Report)

Filed 8/14/2001 For Period Ending 3/31/2001

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-Q/A

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2001.

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from
________________________________ to ________________________________

Commission File No. 0-28274

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

Florida	56-1383460
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

100 North Tampa Street, Suite 3900, Tampa, FL 33602

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

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 at least the past 90 days.

[X] Yes [ ] No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDING DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

[ ] Yes [ ] No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of May 4, 2001, there were 39,832,794 shares of common stock outstanding.

The Exhibit Index Appears on Page 24

EXPLANATORY NOTE

After the Company filed its Annual Report on Form 10-K for the year ended December 31, 2000 with the United States Securities and Exchange Commission ("SEC"), the Company determined that the accounting for the recognition of cash grants received in excess of building costs for the development of new technical and customer support centers required revision, as explained below.

During the fourth quarter of 2000, the Company adopted retroactive to January 1, 2000, Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101") which resulted in a cumulative effect of change in accounting principle. The cumulative effect of the change related to prior years resulted in a charge to income of $2.1 million (net of income taxes of $1.3 million), or $0.05 per diluted share, which was deducted from income for the year ended December 31, 2000. In adopting SAB 101, the Company had modified its accounting treatment for the recognition of revenue as it related to, among other things, the accounting for cash grants received in excess of building costs for the development of new technical and customer support centers which represented approximately $1.2 million (net of income taxes of $0.7 million) of the cumulative effect of the $2.1 million change, or $0.03 per diluted share. Prior to the adoption of SAB 101, the Company recognized the excess of cash grants received over the costs of construction of the related facility ("excess cash grants") as a reduction of general and administrative costs commencing on the date the funds were placed in escrow and construction of the facility began. In connection with the adoption of SAB 101, the Company changed its method of accounting for excess cash grants to delay their recognition until the funds were released from escrow and construction of the facility was complete, at which time they were recognized as a reduction of salaries and other direct costs related to training of personnel at the facility involved.

Subsequent to the issuance of its condensed consolidated financial statements for the three months ended March 31, 2001, the Company determined that the excess cash grants should not be offset against direct salaries and related costs to the extent training costs were incurred and recognized at the time the funds were released from escrow and construction of the facility was complete. Instead the excess cash grants should have been deferred and recognized as a reduction of depreciation expense over the weighted average useful life of the equipment utilized at the new facility (which generally approximates five years) with the amortization beginning when construction of the facility is complete and the facility is occupied.

Accordingly, the Company reversed the portion of the cumulative effect of change in accounting principle related to the excess cash grants of $1.2 million (net of income taxes of $0.7 million), or $0.03 per diluted share, previously recorded by the Company as of January 1, 2000. As a result, the accompanying condensed consolidated statement of income for the three months ended March 31, 2000 and the condensed consolidated balance sheets as of March 31, 2001 and December 31, 2000 have been restated from the amounts previously reported. The impact of the change in the accounting for excess cash grants on income before cumulative effect of change in accounting principle for the three months ended March 31, 2001 was not material.

A summary of the significant effects of the restatement is as follows:

Condensed Consolidated Statement of Income: Three Months Ended March 31, 2000: In thousands (except per share data)	As Previously Reported	As Restated
Revenues	$ 162,710	$ 162,710
Operating expenses	148,785	148,785
Income (loss) from operations	13,925	13,925
Total other income (expense)	(1,237)	(1,237)
Income before provision for income taxes and cumulative effect of change in accounting principle	12,688	12,688
Provision for income taxes	4,923	4,923
Income before cumulative effect of change in accounting principle	7,765	7,765
Cumulative effect of change in accounting principle	(2,068)	(919)
Net income	$ 5,697	$ 6,846
Net income per basic share:		
Income before cumulative effect of change in accounting principle	$ 0.18	$ 0.18
Cumulative effect of change in accounting principle	(0.05)	(0.02)
Net income per basic share	$ 0.13	$ 0.16
Net income per diluted share:		
Income before cumulative effect of change in accounting principle	$ 0.18	$ 0.18
Cumulative effect of change in accounting principle	(0.05)	(0.02)
Net income per diluted share	$ 0.13	$ 0.16

Condensed Consolidated Balance Sheet Data: As of March 31, 2001: In thousands	As Previously Reported	As Restated
Deferred charges and other assets	$ 14,525	$ 15,135
Total assets	$337,874	$338,484
Deferred grants	$ 29,688	$ 31,303
Retained earnings	$ 96,458	$ 95,453
Shareholders' equity	$197,768	$196,763
Condensed Consolidated Balance Sheet Data: As of December 31, 2000: In thousands		
Deferred charges and other assets	$ 13,212	$ 13,822
Total assets	$357,344	$357,954
Deferred grants	$ 30,143	$ 31,758
Retained earnings	$ 91,435	$ 90,430
Shareholders' equity	$196,897	$195,892

This Form 10-Q/A includes such restated financial statements and related notes thereto for the three months ended March 31, 2001, and other information related to such restated financial statements. Except for Items 1 and 2 of Part I and Item 6 of Part II, no other information included in the original report on Form 10-Q is amended by this Form 10-Q/A.

PART I

ITEM 1 - FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REPORT.

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except per share data)

	MARCH 31, 2001 Restated (See Note 1) (Unaudited)	DECEMBER 31, 2000 Restated (See Note 1)
ASSETS		
Current assets		
Cash and cash equivalents	$ 27,432	$ 30,141
Receivables	119,571	135,609
Prepaid expenses and other current assets	17,298	17,679
Total current assets	164,301	183,429
Property and equipment, net	150,822	151,842
Intangible assets, net	8,226	8,861
Deferred charges and other assets	15,135	13,822
	$ 338,484	$ 357,954
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current installments of long-term debt	$ 57	$ 100
Accounts payable	24,143	34,636
Income taxes payable	4,877	5,502
Accrued employee compensation and benefits	29,751	32,746
Other accrued expenses and current liabilities	17,817	17,481
Total current liabilities	76,645	90,465
Long-term debt	1,960	8,759
Deferred grants	31,303	31,758
Deferred revenue	31,808	31,072
Other long-term liabilities	5	8
Total liabilities	141,721	162,062
Contingencies		
Shareholders' equity		
Preferred stock, $0.01 par value, 10,000 shares authorized; no shares issued and outstanding	--	--
Common stock, $0.01 par value, 200,000 shares authorized; 43,116 and 43,084 issued	431	431
Additional paid-in capital	159,855	159,696
Retained earnings	95,453	90,430
Accumulated other comprehensive income (loss)	(18,393)	(14,082)
	237,346	236,475
Treasury stock at cost; 2,981 shares	(40,583)	(40,583)
Total shareholders' equity	196,763	195,892
	$ 338,484	$ 357,954

See accompanying notes to condensed consolidated financial statements.

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2001 AND MARCH 31, 2000
(Unaudited)

(in thousands, except for per share data)	2001	2000 Restated (See Note 1)
Revenues	$ 140,421	$ 162,710
Operating expenses:		
Direct salaries and related costs	88,712	101,871
General and administrative	43,247	46,914
Total operating expenses	131,959	148,785
Income from operations	8,462	13,925
Other income (expense):		
Interest, net	20	(1,236)
Other	(380)	(1)
Total other income (expense)	(360)	(1,237)
Income before provision for income taxes and cumulative effect of change in accounting principle	8,102	12,688
Provision for income taxes	3,079	4,923
Income before cumulative effect of change in accounting principle	5,023	7,765
Cumulative effect of change in accounting principle, net of income taxes of $580	--	(919)
Net income	$ 5,023	$ 6,846
Net income per basic share:		
Income before cumulative effect of change in accounting principle	$ 0.13	$ 0.18
Cumulative effect of change in accounting principle	--	(0.02)
Net income per basic share	$ 0.13	$ 0.16
Total weighted average basic shares	40,137	42,606
Net income per diluted share:		
Income before cumulative effect of change in accounting principle	$ 0.12	$ 0.18
Cumulative effect of change in accounting principle	--	(0.02)
Net income per diluted share	$ 0.12	$ 0.16
Total weighted average diluted shares	40,251	42,902

See accompanying notes to condensed consolidated financial statements.

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2000, NINE MONTHS ENDED DECEMBER 31, 2000 AND THREE MONTHS ENDED MARCH 31, 2001
(Unaudited)

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at January 1, 2000 (restated)	42,734	$ 427	$ 155,023	$ 43,643	$ (5,860)	$ --	$ 193,233
Issuance of common stock	275	3	2,195	--	--	--	2,198
Purchase of treasury stock	--	--	--	--	--	(16,199)	(16,199)
Net income for the three months ended March 31, 2000 (restated)	--	--	--	6,846	--	--	6,846
Foreign currency translation adjustment	--	--	--	--	(3,975)	--	(3,975)
Comprehensive income (restated)							2,871
Balance at March 31, 2000 (restated)	43,009	430	157,218	50,489	(9,835)	(16,199)	182,103
Issuance of common stock	75	1	1,013	--	--	--	1,014
Purchase of treasury stock	--	--	--	--	--	(24,384)	(24,384)
Tax-effect of non-qualified exercise of stock options	--	--	1,465	--	--	--	1,465
Net income for the nine months ended December 31, 2000	--	--	--	39,941	--	--	39,941
Foreign currency translation adjustment	--	--	--	--	(4,247)	--	(4,247)
Comprehensive income							35,694
Balance at December 31, 2000 (restated)	43,084	431	159,696	90,430	(14,082)	(40,583)	195,892
Issuance of common stock	32	--	159	--	--	--	159
Net income for the three months ended March 31, 2001 (restated)	--	--	--	5,023	--	--	5,023
Foreign currency translation adjustment	--	--	--	--	(4,311)	--	(4,311)
Comprehensive income (restated)							712
Balance at March 31, 2001 (restated)	43,116	$ 431	$ 159,855	$ 95,453	$ (18,393)	$ (40,583)	$ 196,763

See accompanying notes to condensed consolidated financial statements.

SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2001 AND MARCH 31, 2000
(Unaudited)

(in thousands)	2001	2000 Restated (See Note 1)
Cash flows from operating activities:		
Net income	$ 5,023	$ 6,846
Depreciation and amortization	8,924	9,383
Cumulative effect of accounting change, net of tax	--	919
Deferred income tax benefit	(41)	(2,101)
Loss on disposal of property and equipment	217	--
Changes in assets and liabilities:		
Receivables	16,809	(18,352)
Prepaid expenses and other current assets	367	(1,189)
Deferred charges and other assets	(1,212)	4,252
Accounts payable	(10,493)	(8,888)
Income taxes payable	(1,396)	(1,330)
Accrued employee compensation and benefits	(2,995)	1,113
Customer deposits, net of restricted cash	--	5,973
Other accrued expenses and current liabilities	336	2,856
Deferred revenue	736	19,467
Other long-term liabilities	(3)	177
Net cash provided by operating activities	16,272	19,126
Cash flows from investing activities:		
Capital expenditures	(8,145)	(19,635)
Proceeds from sale of property and equipment	8	--
Net cash used for investing activities	(8,137)	(19,635)
Cash flows from financing activities:		
Paydowns under revolving line of credit agreements	(17,367)	(18,545)
Borrowings under revolving line of credit agreements	10,559	31,540
Payments of long-term debt	(34)	--
Proceeds from issuance of stock	159	2,198
Purchase of treasury stock	--	(16,199)
Proceeds from grants	150	2,021
Net cash provided by (used for) financing activities	(6,533)	1,015
Adjustments for foreign currency translation	(4,311)	(3,975)
Net decrease in cash and cash equivalents	(2,709)	(3,469)
Cash and cash equivalents - beginning	30,141	31,001
Cash and cash equivalents - ending	$ 27,432	$ 27,532

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MARCH 31, 2001 AND MARCH 31, 2000

(Unaudited)

Sykes Enterprises, Incorporated and consolidated subsidiaries ("Sykes" or the "Company") provides outsourced customer management solutions and services. Sykes' Business Solutions group provides professional services in e-commerce, and customer relationship management (CRM) with a focus on business strategy development, project management, business process redesign, change management, knowledge management, education, training and web development. Sykes' Business Services group provides customer care outsourcing services with emphasis on technical support and customer service. These services are delivered through multiple communication channels encompassing phone, e-mail, web and chat. Sykes' services are provided to customers on a worldwide basis primarily within the technology, communications and financial services markets.

NOTE 1 - RESTATEMENT OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

After the Company filed its Annual Report on Form 10-K for the year ended December 31, 2000 with the United States Securities and Exchange Commission ("SEC"), the Company determined that the accounting for the recognition of cash grants received in excess of building costs for the development of new technical and customer support centers required revision, as explained below.

During the fourth quarter of 2000, the Company adopted retroactive to January 1, 2000, Staff Accounting Bulletin No. 101, " Revenue Recognition in Financial Statements" ("SAB 101") which resulted in a cumulative effect of change in accounting principle. The cumulative effect of the change related to prior years resulted in a charge to income of $2.1 million (net of income taxes of $1.3 million), or $0.05 per diluted share, which was deducted from income for the year ended December 31, 2000. In adopting SAB 101, the Company had modified its accounting treatment for the recognition of revenue as it related to, among other things, the accounting for cash grants received in excess of building costs for the development of new technical and customer support centers which represented approximately $1.2 million (net of income taxes of $0.7 million) of the cumulative effect of the $2.1 million change, or $0.03 per diluted share. Prior to the adoption of SAB 101, the Company recognized the excess of cash grants received over the costs of construction of the related facility ("excess cash grants") as a reduction of general and administrative costs commencing on the date the funds were placed in escrow and construction of the facility began. In connection with the adoption of SAB 101, the Company changed its method of accounting for excess cash grants to delay their recognition until the funds were released from escrow and construction of the facility was complete, at which time they were recognized as a reduction of salaries and other direct costs related to training of personnel at the facility involved.

Subsequent to the issuance of its consolidated financial statements for the three months ended March 31, 2001, the Company determined that the excess cash grants should not be offset against direct salaries and related costs to the extent training costs were incurred and recognized at the time the funds were released from escrow and construction of the facility was complete. Instead the excess cash grants should have been deferred and recognized as a reduction of depreciation expense over the weighted average useful life of the equipment utilized at the new facility (which generally approximates five years) with the amortization beginning when construction of the facility is complete and the facility is occupied.

Accordingly, the Company reversed the portion of the cumulative effect of change in accounting principle related to the excess cash grants of $1.2 million (net of income taxes of $0.7 million), or $0.03 per diluted share, previously recorded by the Company as of January 1, 2000. As a result, the accompanying condensed consolidated statement of income for the three months ended March 31, 2000 and the condensed consolidated balance sheets as of March 31, 2001 and December 31, 2000 have been restated from the amounts previously reported. The impact of the change in the accounting for excess cash grants on income before cumulative effect of change in accounting principle for the three months ended March 31, 2001 was not material.

(Unaudited)

NOTE 1 - RESTATEMENT OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

A summary of the significant effects of the restatement is as follows:

Condensed Consolidated Statement of Income: Three Months Ended March 31, 2000: In thousands (except per share data)	As Previously Reported	As Restated
Revenues	$ 162,710	$ 162,710
Operating expenses	148,785	148,785
Income (loss) from operations	13,925	13,925
Total other income (expense)	(1,237)	(1,237)
Income before provision for income taxes and cumulative effect of change in accounting principle	12,688	12,688
Provision for income taxes	4,923	4,923
Income before cumulative effect of change in accounting principle	7,765	7,765
Cumulative effect of change in accounting principle	(2,068)	(919)
Net income	$ 5,697	$ 6,846
Net income per basic share:		
Income before cumulative effect of change in accounting principle	$ 0.18	$ 0.18
Cumulative effect of change in accounting principle	(0.05)	(0.02)
Net income per basic share	$ 0.13	$ 0.16
Net income per diluted share:		
Income before cumulative effect of change in accounting principle	$ 0.18	$ 0.18
Cumulative effect of change in accounting principle	(0.05)	(0.02)
Net income per diluted share	$ 0.13	$ 0.16

Condensed Consolidated Balance Sheet Data: As of March 31, 2001: In thousands	As Previously Reported	As Restated
Deferred charges and other assets	$ 14,525	$ 15,135
Total assets	$ 337,874	$ 338,484
Deferred grants	$ 29,688	$ 31,303
Retained earnings	$ 96,458	$ 95,453
Shareholders' equity	$ 197,768	$ 196,763

Condensed Consolidated Balance Sheet Data: As of December 31, 2000: In thousands		
Deferred charges and other assets	$ 13,212	$ 13,822
Total assets	$ 357,344	$ 357,954
Deferred grants	$ 30,143	$ 31,758
Retained earnings	$ 91,435	$ 90,430
Shareholders' equity	$ 196,897	$ 195,892

(Unaudited)

NOTE 2 - BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2001 are not necessarily indicative of the results that may be expected for any future quarters or the year ending December 31, 2001. For further information, refer to the restated consolidated financial statements and notes thereto, included in the Company's Form 10-K/A for the year ended December 31, 2000 as filed with the SEC.

ACCOUNTING CHANGE FOR REVENUE RECOGNITION - During the fourth quarter of 2000, the Company adopted Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the Securities and Exchange Commission. Based on criteria established by SAB 101, adopted retroactive to January 1, 2000, the Company modified its accounting treatment for the recognition of revenue as it relates to contract services. Revenues, in certain limited situations, that were recognized as services were performed and as the related fees became collectible under agreements between the Company and its customers are deferred until either a final contract or purchase order has been fully executed.

The cumulative effect of the change on prior years resulted in a charge to income of $0.9 million (net of income taxes of $0.6 million), or $0.02 per diluted share, which has been deducted in the determination of income for the three months ended March 31, 2000. The effect of this change for the three months ended March 31, 2000 was to increase income before cumulative effect of the change in accounting principle by $0.9 million or $0.02 per diluted share.

The cumulative effect adjustment of $0.9 million (net of income taxes of $0.6 million) as of January 1, 2000 was recognized in income during the three-month period ended in March 31, 2000.

DEFERRED GRANTS - Recognition of income associated with grants of land and the acquisition of property, buildings and equipment is deferred until after the completion and occupancy of the building and title has passed to the Company and the funds have been released from escrow. The deferred amounts for both land and building are amortized and recognized as a reduction of depreciation expense included within general and administrative costs over the corresponding useful lives of the related assets. Any excess amounts over the cost of the building are allocated to the cost of equipment and, only after the grants are released from escrow, recognized as a reduction of depreciation expense over the weighted average useful life of the related equipment, which approximates five years. Amortization of the deferred grants that is included in income for the three months ended March 31, 2001 and 2000 was $0.6 million and $0.6 million, respectively.

RECENT ACCOUNTING PRONOUNCEMENTS - Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The Company adopted SFAS No. 133 effective January 1, 2001. The adoption of SFAS No. 133 had no impact on the financial position, results of operations, or cash flows of the Company.

NOTE 2 - BASIS OF PRESENTATION AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", which is effective for transfers after March 31, 2001. It is effective for disclosures about securitizations and collateral transactions and for recognition and reclassification of collateral for fiscal years ending after December 15, 2000. SFAS No. 140 replaces SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". It revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of the provisions of SFAS No. 125 without reconsideration. The Company has not yet evaluated the potential impact of SFAS No. 140 on its results of operations.

NOTE 3 - CONTINGENCIES

The Company is aware of sixteen purported class action lawsuits that have been filed against Sykes and certain of its officers alleging violations of federal securities laws. All of the actions have been consolidated into one case which is pending in the United States District Court for the Middle District of Florida. The plaintiffs purport to assert claims on behalf of a class of purchasers of Sykes' common stock during the period from July 27, 1998 through September 18, 2000. The consolidated action claims violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Among other things, the consolidated action alleges that during 2000, 1999, and 1998, the Company and certain of its officers made materially false statements concerning the Company's financial condition and its future prospects. The consolidated complaint also claims that certain of the Company's quarterly financial statements during 1999 and 1998 were not prepared in accordance with generally accepted accounting principles. The consolidated action seeks compensatory and other damages, and costs and expenses associated with the litigation. The Company believes these claims are without merit and intends to defend the actions vigorously.

The Company is also aware of a lawsuit filed by Kyrus that asserts functionality issues associated with software that Kyrus had licensed from the Company. At the time of the software license, the Company and Kyrus entered into an agreement which provided for a return of a portion of the convertible preferred stock transferred to the Company in consideration of the license in the event that revenues generated by Kyrus from the software did not reach agreed upon levels. In this lawsuit, Kyrus claims that revenues from the software did not meet the minimum levels agreed upon and that Kyrus is therefore entitled to a return of the convertible preferred stock having a fair value of $4.5 million at the time Kyrus licensed the software from the Company. The Company has not recorded the convertible preferred stock subject to the contingency in the accompanying Condensed Consolidated Balance Sheets as of March 31, 2001 and December 31, 2000. Therefore, in the event the Company is required to return the preferred stock to Kyrus, the return will not impact the Company's financial position or results of operations. This litigation is currently pending in the Court of Common Pleas for Greenville County, South Carolina. This lawsuit is in the very early stages and formal discovery has not yet begun. The Company intends to vigorously defend this lawsuit.

Although the Company intends to vigorously defend these lawsuits, it cannot predict their outcome or the impact they may have on the Company. The Company also cannot predict whether any other suits, claims, or investigations may arise in the future based on the same claims. The outcome of any of these lawsuits or any future lawsuits, claims, or investigations relating to the same subject matter may have a material adverse impact on the Company's financial condition and results of operations.

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 financial position or results of operations.

(Unaudited)

NOTE 4 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Sykes presents data in the Condensed Consolidated Statements of Changes in Shareholders' Equity in accordance with SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes rules for the reporting of comprehensive income and its components. Total comprehensive income was approximately $0.7 million and $2.9 million for the three months ended March 31, 2001 and 2000, respectively.

Earnings associated with the Company's investment in its foreign subsidiaries are considered to be permanently invested and no provision for United States federal and state income taxes on those earnings or translation adjustments has been provided.

NOTE 5 - RESTRUCTURING AND OTHER CHARGES

The Company recorded restructuring and other charges during the second and fourth quarters of 2000 totaling $30.5 million. Related to the second quarter restructuring and other charges totaling $9.6 million, the Company consolidated several European and one U.S. distribution and fulfillment center and closed or consolidated six professional services offices. Included in the second quarter 2000 restructuring and other charges is a $3.5 million lease termination payment related to the corporate aircraft. As a result of the second quarter restructuring, the Company reduced the number of employees by 157 during 2000 and expects the remaining lease obligations related to the closed facilities to be completed by June 2001.

The Company also announced, after a comprehensive review of operations, its decision to exit certain non-core lower margin businesses to reduce costs, improve operating efficiencies and focus on its core competencies of technical support, customer service and consulting solutions. As a result, the Company recorded $20.9 million in restructuring and other charges during the fourth quarter of 2000 related to the closure of its U.S. fulfillment and distribution operations, the consolidation of its Tampa, Florida technical support center into its Charlotte, North Carolina center and the exit of its worldwide localization operations. Included in the fourth quarter 2000 restructuring and other charges is a $2.4 million severance payment related to the employment contract of the Company's former President. In connection with the fourth quarter restructuring, the Company reduced the number of employees by 245 during the first quarter of 2001 and expects the remaining lease obligations related to the closed facilities to be completed by December 2001.

The major components of restructuring and other charges established during the second and fourth quarters of 2000 are as follows (in thousands):

	Restructuring	Other	Total
Severance and related costs	$ 1,614	$ 2,360	$ 3,974
Lease termination costs	1,765	3,639	5,404
Write-down of property and equipment..	14,088	103	14,191
Write-down of intangible assets	6,086	--	6,086
Other	813	--	813
	$24,366	$ 6,102	$30,468

NOTE 5 - RESTRUCTURING AND OTHER CHARGES (continued)

A summary of the restructuring and other charges activity for the three months ended March 31, 2001 (none for the comparable period in 2000), is as follows (in thousands):

	Restructuring	Other	Total
Balance remaining as of January 1, 2001..	$ 2,708	$ 2,360	$ 5,068
Reduction in workforce cash outflows	(328)	(121)	(449)
Lease termination cash payments	(201)	--	(201)
Other cash outflows	(109)	--	(109)
Balance remaining at March 31, 2001	$ 2,070	$ 2,239	$ 4,309

NOTE 6 - INCOME TAXES

The Company's effective tax rate was 38.0 percent and 38.8 percent for the three months ended March 31, 2001 and 2000, respectively. The effective tax rate differs from the statutory federal income tax rate primarily due to the effects of foreign, state and local income taxes, foreign income not subject to federal and state income taxes, non-deductible intangibles and other permanent differences.

NOTE 7 - 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 respective periods and the further dilutive effect, if any, from stock options using the treasury stock method.

The number of shares used in the earnings per share computation are as follows (in thousands):

	THREE MONTHS ENDED	
	MARCH 31, 2001	MARCH 31, 2000
Basic:		
Weighted average common shares outstanding	40,137	42,606
Diluted:		
Dilutive effect of stock options	114	296
Total weighted average diluted shares outstanding..	40,251	42,902

NOTE 8 - STOCK OPTIONS

The Company's 2001 Equity Incentive Plan (the "2001 Plan") was adopted by the Company's Board of Directors on March 15, 2001 and approved by the Company's shareholders on April 26, 2001. The 2001 Plan permits the granting of options, stock appreciation rights and other stock-based awards to purchase up to 7.0 million shares of the Company's common stock to eligible employees and certain non-employees, who provide services to the Company, at not less than the fair value at the time the options, stock appreciation rights and other stock-based awards are granted. The term of the options, stock appreciation rights and other stock-based awards granted under the 2001 Plan cannot exceed a period of ten years from the date of grant. No options, stock appreciation rights or other stock-based awards granted under the 2001 Plan are outstanding as of March 31, 2001.

(Unaudited)

NOTE 8 - STOCK OPTIONS (continued)

Upon adoption of the 2001 Plan, the Company terminated the 1996 Employee Stock Option Plan, the 1997 Management Incentive Stock Option Plan and the 2000 Stock Option Plan and the related options available for future grant under these plans of approximately 0.7 million shares, 2.4 million shares and 2.9 million shares, respectively. The options previously granted under these plans are not affected and continue to be governed by their respective plans.

NOTE 9 - SEGMENT REPORTING AND MAJOR CLIENT

The Company has two reportable segments entitled Business Services and Business Solutions. The Business Services group is comprised of the Company's technical and customer support and distribution and fulfillment businesses. The Business Solutions group provides professional services in e-commerce and customer relationship management (CRM) with a focus on businesses strategy development, project management, business process redesign, change management, knowledge management, education, training and web development. There has been no change in the basis of the Company's segmentation or in the measurement of segment profit as compared with the Annual Report on Form 10-K/A for the year ended December 31, 2000.

Information about the Company's reportable segments for the first quarter of 2001 compared to the first quarter of 2000 is as follows (in thousands):

Three Months Ended March 31, 2001:	Business Services	Business Solutions	Other	Consolidated Total
Revenue	$ 130,393	$ 10,028	$ --	$ 140,421
Depreciation and amortization	8,831	93	--	8,924
Income (loss) from operations	$ 9,262	$ (800)	$ --	$ 8,462
Other income (expense)			(360)	(360)
Provision for income taxes			(3,079)	(3,079)
Net income				$ 5,023
Three Months Ended March 31, 2000 (restated):				
Revenue	$ 149,375(1)	$ 13,335(2)	$ --	$ 162,710
Depreciation and amortization	9,175	208	--	9,383
Income from operations	$ 13,395	$ 530	$ --	$ 13,925
Other income (expense)			(1,237)	(1,237)
Provision for income taxes			(4,923)	(4,923)
Cumulative effect of change in accounting principle			(919)	(919)
Net income				$ 6,846

Business Services' revenue includes $14.2 million or 10.1% of consolidated revenues for the three months ended March 31, 2001 and $0.2 million or 0.1% of consolidated revenues for the three months ended March 31, 2000 from a major provider of communications services.

(1) Business Services' revenue includes $26.7 million from SHPS Incorporated, a previously wholly owned subsidiary of the Company, which was sold in June 2000, and U.S. fulfillment and distribution, a business in which the Company exited in connection with the fourth quarter 2000 restructuring. The Company continues to operate its European fulfillment and distribution business.

(2) Business Solutions' revenue includes $2.5 million from the Company's localization operations, a business in which the Company exited in connection with the fourth quarter 2000 restructuring.

INDEPENDENT ACCOUNTANTS' REPORT
To the Board of Directors and Shareholders of Sykes Enterprises, Incorporated

We have reviewed the accompanying condensed consolidated balance sheet of Sykes Enterprises, Incorporated and subsidiaries (the "Company") as of March 31, 2001, and the related condensed consolidated statements of operations, changes in shareholders' equity, and cash flows for the three-month period then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the March 31, 2001 consolidated financial statements have been restated.

/s/ Deloitte & Touche LLP

Certified Public Accountants

Tampa, Florida
April 23, 2001
(July 30, 2001 as to Note 1)

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This discussion should be read in conjunction with the condensed consolidated financial statements and notes included elsewhere in this report and in the Sykes Enterprises, Incorporated (the "Company") Annual Report on Form 10-K/A for the year ended December 31, 2000 filed with the Securities and Exchange Commission. Subsequent to the issuance of its condensed consolidated financial statements for the three months ended March 31, 2001, the Company revised its method of accounting for excess cash grants. As a result, the condensed consolidated statement of income for the three months ended March 31, 2000 and the condensed consolidated balance sheets as of March 31, 2001 and December 31, 2000 have been restated from the amounts previously reported. The effects of the restatement are presented in Note 1 to the condensed consolidated financial statements and have been reflected herein.

Management's discussion and analysis may contain forward-looking statements
(within the meaning of the Private Securities Litigation Reform Act of 1995)
that are based on current expectations, estimates, forecasts, and projections about the Company, management's beliefs, and assumptions made by management. In addition, other written or oral statements, which constitute forward-looking statements, may be made from time to time by or on behalf of Sykes. Words such as "may," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe the Company's future plans, objectives, or goals also are forward-looking statements. These statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including those discussed below and elsewhere in this report. The Company's actual results may differ materially from what is expressed or forecasted in such forward-looking statements. All forward-looking statements are made as of the date hereof, and Sykes undertakes no obligation to update any such forward-looking statements, whether as a result of new information, future events or otherwise.

Factors that could cause actual results to differ materially from what is expressed or forecasted in such forward-looking statements include, but are not limited to: the marketplace's continued receptivity to Sykes' terms and elements of services offered under Sykes' standardized contract for future bundled service offerings; Sykes' ability to continue the growth of its support service revenues through additional technical and customer support centers; Sykes' ability to leverage its customer relationship practice; Sykes' ability to further penetrate into vertically integrated markets; Sykes' ability to expand revenues within the global markets; Sykes' ability to continue to establish a competitive advantage through sophisticated technological capabilities; uncertainties relating to pending litigation; Sykes' dependence on key clients; Sykes' ability to attract and retain experienced personnel; potential difficulties in continuing to expand and manage growth; Sykes' ability to grow through selective acquisitions and mergers; rapid technological change; Sykes' reliance on technology and computer systems; Sykes' dependence on trend toward outsourcing; risk of emergency interruption of technical and customer support center operations; risks associated with international operations and expansion; existence of substantial competition; dependence on senior management; control by principal shareholder and anti-takeover considerations; volatility of stock price may result in loss of investment; and the risk factors listed from time to time in Sykes' registration statements and reports as filed with the Securities Exchange Commission.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000

Revenues

For the three months ended March 31, 2001, the Company recorded consolidated revenues of $140.4 million, a decrease of $22.3 million or 13.7%, from $162.7 million of consolidated revenues for the comparable period during 2000. Exclusive of SHPS, Incorporated ("SHPS"), in which 93.5% of the Company's ownership interest was sold on June 30, 2000, and exclusive of U.S. fulfillment and distribution and the Company's localization operations, from which the Company exited in connection with the fourth quarter 2000 restructuring, revenues increased $6.1 million or 4.6% for the three months ended March 31, 2001, from $133.6 million for the comparable period during 2000. This growth in revenue was the result of a $6.9 million or 5.6% increase in Business Services' revenues, exclusive of SHPS and U.S. fulfillment and distribution operations, and a decrease of $0.8 million or 7.4% from Business Solutions' revenues, exclusive of the Company's localization operations.

RESULTS OF OPERATIONS (continued)

Revenues (continued)

The increase in Business Services' revenues for the three months ended March 31, 2001 was primarily attributable to an increase in new and expanded contracts for technical and customer support services, highlighted by a further diversification into the communications market, partially offset by a decrease from the Company's European fulfillment and distribution services revenues. The decrease in European fulfillment and distribution services revenue for the three months ended March 31, 2001 was primarily attributable to a reduction in business from a single dot.com client, who was undergoing financial restructuring.

The decrease in Business Solutions' revenues for the three months ended March 31, 2001, was due to the decline in the demand for IT staffing services from clients who are aware of the current market environment and have reacted by delaying IT projects.

Direct Salaries and Related Costs

Direct salaries and related costs decreased $13.2 million or 12.9% to $88.7 million for the three months ended March 31, 2001, from $101.9 million in 2000. As a percentage of revenues, direct salaries and related costs increased to 63.2% in 2001 from 62.6% for the comparable period in 2000. The decrease in the dollar amount of direct salaries and related costs was primarily attributable to a $20.2 million decrease in direct salaries and related costs associated with SHPS, U.S. fulfillment and distribution and the Company's localization operations and a $2.3 million decrease in direct material costs associated primarily with the European fulfillment and distribution services. This decrease was partially offset by a $10.3 million increase in salaries and benefits due to higher direct labor and benefit costs to support additional technical and customer support centers and associated training costs, fluctuations in client forecasting as a result of market uncertainties and shifts in client mix. As a percentage of revenues, direct salaries and related costs, exclusive of SHPS, U.S. fulfillment and distribution and the Company's localization operations, increased to 63.3% in 2001 from 60.9% for the comparable period in 2000.

General and Administrative

General and administrative expenses decreased $3.7 million or 7.8% to $43.2 million for the three months ended March 31, 2001, from $46.9 million in 2000. As a percentage of revenues, general and administrative expenses increased to 30.8% in 2001 from 28.8% for the comparable period in 2000. The decrease in the dollar amount of general and administrative expenses was primarily attributable to an $8.1 million decrease in general and administrative expenses associated with SHPS, U.S. fulfillment and distribution and the Company's localization operations. This decrease was offset by a $1.7 million increase in salaries and benefits to support the Company's organic growth, a $0.9 million increase in legal and professional fees, a $0.5 million increase in consulting and a $1.9 million increase in depreciation and amortization associated with facility and capital equipment expenditures incurred in connection with both technology infrastructure and the expansion of the Company's technical and customer support centers. As a percentage of revenues, general and administrative expenses, exclusive of SHPS, U.S. fulfillment and distribution and the Company's localization operations, increased to 30.7% in 2001 from 28.7% for the comparable period in 2000.

RESULTS OF OPERATIONS (continued)

Other Income and Expense

Other expense was $0.4 million during the three months ended March 31, 2001, compared to $1.2 million during the comparable 2000 period. This decrease was attributable to a decrease of $1.3 million in interest expense associated with a decrease in the Company's average outstanding debt position. The Company's average debt balance for the first quarter of 2001 was $5.1 million compared to $84.6 million for the first quarter of 2000. The decrease in the average debt balance is principally due to the repayment of debt from the proceeds generated from the sale of SHPS, offset by capital expenditures and the Company's repurchase of 3.0 million shares of its common stock during 2000 that are being held as treasury shares.

Provision for Income Taxes

The provision for income taxes decreased $1.8 million to $3.1 million for the three months ended March 31, 2001 from $4.9 million for the comparable period in 2000. The decrease in the provision for income taxes was primarily attributable to the decrease in income for the three months ended March 31, 2001. The effective tax rate was 38.0 percent for the three months ended March 31, 2001 and 38.8 percent for the comparable 2000 period. The effective tax rate differs from the statutory federal income tax rate primarily due to the effects of foreign, state and local income taxes, foreign income not subject to federal and state income taxes, non-deductible intangibles and other permanent differences.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are cash flows generated from operations and from available borrowings under its credit facilities. The Company has utilized its capital resources to make capital expenditures associated primarily with its technical and customer support services, invest in technology applications and tools to further develop the Company's service offerings and for working capital and other general corporate purposes, including the repurchase of its common stock in the open market. In future periods, the Company intends similar uses of any such funds, including possible acquisitions.

In the first quarter of 2001, the Company generated $16.3 million in cash from operating activities and used $2.7 million in available cash primarily to invest $8.1 million in capital expenditures and paydown $6.8 million in borrowings under the Company's credit facilities.

Net cash flows provided by operating activities for the three months ended March 31, 2001 was $16.3 million compared to $19.1 million for the comparable period in 2000. The $2.8 million decrease in net cash flows provided by operating activities was due to a decrease in net income of $1.8 million, a net increase in non-cash expenses of $0.9 million and a net decrease in assets and liabilities of $1.9 million. This net decrease in assets and liabilities of $1.9 million was principally due to a decrease in deferred revenue of $18.7 million, primarily related to revenue from diagnostic software, and a decrease in accounts payable and other accrued accounts of $18.4 million offset by a $35.2 million decrease in receivables. This decrease in receivables included an $8.8 million decrease in SHPS' receivables, a previously wholly owned subsidiary of the Company, which was sold in June 2000, and a $26.4 million decrease in receivables primarily due to increased collection efforts.

Capital expenditures, which are generally funded by cash generated from operating activities and borrowings available under its credit facilities, were $8.1 million for the three months ended March 31, 2001 compared to $19.6 million for the three months ended March 31, 2000. Capital expenditures for the first quarter of 2001 were $11.5 million lower than the comparable period of 2000. In the first quarter of 2001, approximately 81% of the capital

LIQUIDITY AND CAPITAL RESOURCES (continued)

expenditures were the result of investing in new and existing technical and customer support centers and 19% was expended for systems infrastructure. In 2001, the Company anticipates capital expenditures in the range of $45.0 million to $50.0 million.

The primary sources of cash flows from financing activities are from borrowings under the Company's syndicated credit facility, as amended on May 2, 2000, with a syndicate of lenders (the "Amended Credit Facility"). Pursuant to the terms of the Amended Credit Facility, the amount of the Company's revolving credit facility is $150.0 million. The $150.0 million Amended Credit Facility includes a $10.0 million swingline loan to be used for working capital purposes. In addition, the Company has a $15.0 million multi-currency credit facility that provides for multi-currency lending. The Amended Credit Facility matures on February 28, 2003, and the multi-currency facility matures on February 28, 2002. At March 31, 2001, the Company had $27.4 million in cash and $163.0 million of availability under its credit facilities.

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 debt repayment requirements, continued expansion objectives and anticipated levels of capital expenditures for the foreseeable future.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's earnings and cash flows are subject to fluctuations due to changes in non-U.S. currency exchange rates. The Company is exposed to non-U.S. exchange rate fluctuations as the financial results of non-U.S. subsidiaries are translated into U.S. dollars in consolidation. As exchange rates vary, those results, when translated, may vary from expectations and adversely impact overall expected profitability. The cumulative translation effects for subsidiaries using functional currencies other than the U.S. dollar are included in accumulated other comprehensive income in shareholders' equity. Movements in non-U.S. currency exchange rates may affect the Company's competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-United States based competitors. Under its current policy, the Company does not use non-U.S. exchange derivative instruments to manage its exposure to changes in non-U.S. currency exchange rates.

At March 31, 2001, the Company had $2.0 million in debt outstanding at variable interest rates, which is generally equal to the Eurodollar rate plus an applicable margin. Based on the Company's level of variable rate debt during the first three months of 2001, a one-point increase in the weighted average interest rate would increase the Company's annual interest expense by approximately $0.3 million. The Company has not historically used derivative instruments to manage its exposure to changes in interest rates.

FLUCTUATIONS IN QUARTERLY RESULTS

For the year ended December 31, 2000, quarterly revenues as a percentage of total annual revenues were approximately 27%, 26%, 23% and 24%, respectively, for the first through fourth quarters of the year. The Company has experienced and anticipates that in the future it will continue to experience variations in quarterly revenues. The variations are due to the timing of new contracts and renewal of existing contracts, the timing of the expenses incurred to support new business, the timing and frequency of client spending for e-commerce and e-business activities, non-U.S. currency fluctuations, and the seasonal pattern of technical and customer support, and fulfillment and distribution services.

PART II - OTHER INFORMATION.

ITEM 1 - LEGAL PROCEEDINGS.

Reference is made to Part I, Item 3 "Legal Proceedings" of the Registrant's Annual Report on Form 10-K/A for the year ended December 31, 2000. Since August 14, 2001, the Company has not been named as a defendant in any action, which, to the best of the Company's knowledge, could have a material adverse effect on the financial condition or results of operations of the Company other than the actions described below.

A. Class Action Litigation.

The Company is aware of sixteen purported class action lawsuits that have been filed against Sykes and certain of its officers alleging violations of federal securities laws. All of the actions have been consolidated into one case which is pending in the United States District Court for the Middle District of Florida. The plaintiffs purport to assert claims on behalf of a class of purchasers of Sykes' common stock during the period from July 27, 1998 through September 18, 2000. The consolidated action claims violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Among other things, the consolidated action alleges that during 2000, 1999 and 1998, the Company and certain of its officers made materially false statements concerning the Company's financial condition and its future prospects. The consolidated complaint also claims that certain of the Company's quarterly financial statements during 1999 and 1998 were not prepared in accordance with generally accepted accounting principles. The consolidated action seeks compensatory and other damages, and costs and expenses associated with the litigation. The Company believes these claims are without merit and intends to defend the actions vigorously.

The Company is also aware of a lawsuit filed by Kyrus that asserts functionality issues associated with software that Kyrus had licensed from the Company. At the time of the software license, the Company and Kyrus entered into an agreement which provided for a return of a portion of the convertible preferred stock transferred to the Company in consideration of the license in the event that revenues generated by Kyrus from the software did not reach agreed upon levels. In this lawsuit, Kyrus claims that revenues from the software did not meet the minimum levels agreed upon and that Kyrus is therefore entitled to a return of the convertible preferred stock having a fair value of $4.5 million at the time of the software license. The Company has not recorded the convertible preferred stock subject to the contingency in the accompanying Condensed Consolidated Balance Sheets as of March 31, 2001 and December 31, 2000. Therefore, in the event the Company is required to return the preferred stock to Kyrus, the return will not impact the Company's financial position or results of operations. This litigation is currently pending in the Court of Common Pleas for Greenville County, South Carolina. This lawsuit is in the very early stages and formal discovery has not yet begun. The Company intends to vigorously defend this lawsuit.

Although the Company intends to vigorously defend these lawsuits, it cannot predict their outcome or the impact they may have on the Company. The Company also cannot predict whether any other suits, claims, or investigations may arise in the future based on the same claims. The outcome of any of these lawsuits or any future lawsuits, claims, or investigations relating to the same subject matter may have a material adverse impact on the Company's financial condition and results of operations.

B. Other Litigation.

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 financial position or results of operations.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

a. The Annual Meeting of Shareholders was held on April 26, 2001.

b. The following members of the Board of Directors were elected to serve until the 2004 Annual Meeting and until their successors are elected and qualified:

	For	Against	Abstained
H. Parks Helms	36,403,399	--	792,715
Adelaide A. (Alex) Sink	36,405,399	--	790,715
Linda F. McClintock-Greco, M.D.	36,402,199	--	793,915

The following member of the Board of Directors, who was appointed by the Board during 2000 to fill a vacancy, was elected to serve until the 2002 Annual Meeting and until his successor is elected and qualified:

	For	Against	Abstained
Thomas F. Skelly	36,405,647	--	790,467

The following member of the Board of Directors, who was appointed by the Board during 2000 to fill a vacancy, was elected to serve until the 2003 Annual Meeting and until his successor is elected and qualified:

	For	Against	Abstained
William J. Meurer	36,405,647	--	790,467

The following members of the Board of Directors whose term of office as a director continued after the meeting:

John H. Sykes	Ernest J. Milani
Furman P. Bodenheimer, Jr.	Iain A. Macdonald
Gordon H. Loetz	

c. The following matters were voted upon at the Annual Meeting of

Shareholders:

d. The proposal to approve the adoption of the Company's 2001 Equity Incentive Plan was approved as follows:

For	Against	Abstained
19,923,966	8,266,562	48,761

The proposal to ratify Deloitte & Touche as the principal independent public accountants for the year 2001 was approved as follows:

For	Against	Abstained
36,758,134	394,531	43,449

d. Not applicable.

ITEM 5 - OTHER INFORMATION.

None.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

The following documents are filed as an exhibit to this Report:

10.12	Amended and Restated 1996 Non-Employee Director Stock Option Plan (1)
10.32	2001 Equity Incentive Plan (1)
15	Letter regarding unaudited interim financial information

(1) Filed as an Exhibit to the Registrant's Form 10-Q dated March 31, 2001, and incorporated herein by reference.

(b) Reports on Form 8-K

Registrant filed a current report on Form 8-K, dated March 14, 2001, with the Commission on March 21, 2001, which announced the engagement of Deloitte & Touche LLP as its principal accountant to audit the consolidated financial statements of the Registrant for the year ended December 31, 2001 and the dismissal of Ernst &Young LLP, effective upon the completion of the audit of the Registrant's consolidated financial statements for the year ended December 31, 2000.

SIGNATURES

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

SYKES ENTERPRISES, INCORPORATED
(Registrant)

Date: August 14, 2001 *By: /s/ W. Michael Kipphut*

W. Michael Kipphut
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	
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10.32	2001 Equity Incentive Plan (1)
15	Letter regarding unaudited interim financial information

(1) Filed as an Exhibit to the Registrant's Form 10-Q dated March 31, 2001, and incorporated herein by reference.

EXHIBIT 15

July 30, 2001

Board of Directors
Sykes Enterprises, Incorporated
100 N. Tampa Street
Tampa, FL 33602

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim consolidated financial information (restated) of Sykes Enterprises, Incorporated and subsidiaries for the period ended March 31, 2001, as indicated in our report dated April 23, 2001 (July 30, 2001 as to Note 1); because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2001, is incorporated by reference in Registration Statement Nos. 333-23681, 333-76629, and 333-88359 on Forms S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statements prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

Tampa, Florida