

Edgar Filing: AMDOCS LTD - Form 6-K

AMDOCS LTD  
Form 6-K  
February 11, 2008

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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13A-16 OR 15D-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended December 31, 2007

Commission File Number 1-14840

AMDOCS LIMITED  
Suite 5, Tower Hill House Le Bordage  
St. Peter Port, Island of Guernsey, GY1 3QT Channel Islands

Amdocs, Inc.  
1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

FORM 20-F    X                      FORM 40-F  
                  -----                      -----

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

-----

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

-----

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

YES                      NO    X  
                  -----                      -----

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- \_\_\_\_\_

AMDOCS LIMITED

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

FOR THE QUARTER ENDED DECEMBER 31, 2007

INDEX

# Edgar Filing: AMDOCS LTD - Form 6-K

## PART I FINANCIAL INFORMATION

### Item 1. Financial Statements

#### Unaudited Consolidated Financial Statements

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statement of Changes in Shareholders' Equity

Consolidated Statements of Cash Flows

Notes to Unaudited Consolidated Financial Statements

### Item 2. Operating and Financial Review and Prospects

## PART II OTHER INFORMATION

### Item 1. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

### Item 2. Reports on Form 6-K

## SIGNATURES

This report on Form 6-K shall be incorporated by reference into the Registration Statements on Form F-3 (File Nos. 333-114079 and 333-114344) and any other Registration Statement filed by the Registrant that by its terms automatically incorporates the Registrant's filings and submissions with the SEC under Sections 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934.

1

## PART I FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

#### AMDOCS LIMITED CONSOLIDATED BALANCE SHEETS

(dollar and share amounts in thousands, except per share data)

	AS OF	
	----- DECEMBER 31, 2007 ----- (UNAUDITED)	----- SEPTEMBER 30, 2007 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 581,399	\$ 615,501
Short-term interest-bearing investments	585,691	563,779
Accounts receivable, net	530,957	493,418
Deferred income taxes and taxes receivable	114,701	117,623

Edgar Filing: AMDOCS LTD - Form 6-K

Prepaid expenses and other current assets	105,233	98,746
	-----	-----
Total current assets	1,917,981	1,889,067
Equipment, vehicles and leasehold improvements, net	282,551	283,839
Deferred income taxes	196,779	192,761
Goodwill	1,487,361	1,489,132
Intangible assets, net	297,158	303,456
Other noncurrent assets	193,337	186,344
	-----	-----
Total assets	\$4,375,167	\$4,344,599
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 155,079	\$ 192,395
Accrued expenses and other current liabilities	238,667	222,616
Accrued personnel costs	196,723	177,926
Short-term portion of financing arrangements	2,105	2,055
Deferred revenue	165,979	173,775
Deferred income taxes and taxes payable	44,650	205,960
	-----	-----
Total current liabilities	803,203	974,727
Convertible notes	450,000	450,000
Deferred income taxes and taxes payable	274,750	122,983
Noncurrent liabilities and other	197,548	196,646
	-----	-----
Total liabilities	1,725,501	1,744,356
	-----	-----
Shareholders' equity:		
Preferred Shares - Authorized 25,000 shares; L0.01 par value; 0 shares issued and outstanding	--	--
Ordinary Shares - Authorized 550,000 shares; L0.01 par value; 238,855 and 238,312 issued and 208,129 and 209,762 outstanding, respectively	3,861	3,850
Additional paid-in capital	2,189,967	2,168,234
Treasury stock, at cost -30,726 and 28,550 Ordinary Shares, respectively	(724,738)	(652,229)
Accumulated other comprehensive income	5,213	689
Retained earnings	1,175,363	1,079,699
	-----	-----
Total shareholders' equity	2,649,666	2,600,243
	-----	-----
Total liabilities and shareholders' equity	\$4,375,167	\$4,344,599
	=====	=====

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

AMDOCS LIMITED  
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)  
(dollar and share amounts in thousands, except per share data)

THREE MONTHS ENDED  
DECEMBER 31,  
-----

Edgar Filing: AMDOCS LTD - Form 6-K

	2007	2006
	-----	-----
Revenue:		
License	\$ 26,217	\$ 31,744
Service	716,033	659,288
	-----	-----
	742,250	691,032
	-----	-----
Operating expenses:		
Cost of license	774	1,069
Cost of service	470,741	435,121
Research and development	56,015	60,468
Selling, general and administrative	97,665	89,170
Amortization of purchased intangible assets	21,753	17,698
	-----	-----
	646,948	603,526
	-----	-----
Operating income	95,302	87,506
Interest income and other, net	8,816	11,739
	-----	-----
Income before income taxes	104,118	99,245
Income taxes	8,454	5,903
	-----	-----
Net income	\$ 95,664	\$ 93,342
	=====	=====
Basic earnings per share	\$ 0.46	\$ 0.45
	=====	=====
Diluted earnings per share	\$ 0.44	\$ 0.42
	=====	=====
Basic weighted average number of shares outstanding	208,109	206,450
	=====	=====
Diluted weighted average number of shares outstanding	222,039	222,718
	=====	=====

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

3

AMDOCS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(dollar and share amounts in thousands)

	Ordinary Shares		Additional	Treasury	Accumulated	Retained
	-----	-----	Paid-in	Stock	Other	Earnings
	Shares	Amount	Capital	-----	Comprehensive	-----
	-----	-----	-----	-----	Income	-----
BALANCE AS OF SEPTEMBER 30, 2007	209,762	\$3,850	\$2,168,234	\$ (652,229)	\$ 689	\$1,079,

Edgar Filing: AMDOCS LTD - Form 6-K

Comprehensive income:							
Net income	--	--	--	--	--		95,
Unrealized gain on foreign currency hedging contracts, net of \$1,098 tax	--	--	--	--		4,062	
Unrealized gain on short-term interest-bearing investments, net of \$(13) tax	--	--	--	--		462	
Comprehensive income							
Employee stock options exercised	355	7	6,433	--	--		
Repurchase of shares	(2,176)	--	--	(72,509)	--		
Tax benefit of stock options exercised	--	--	1,084	--	--		
Issuance of restricted stock, net of forfeitures	188	4	--	--	--		
Equity-based compensation expense related to employees	--	--	14,216	--	--		
BALANCE AS OF DECEMBER 31, 2007	208,129	\$3,861	\$2,189,967	\$ (724,738)	\$5,213	\$1,175,	

As of December 31, 2007 and September 30, 2007, accumulated other comprehensive income (loss) is comprised of unrealized gain (loss) on derivatives, net of tax, of \$3,483 and \$(579), respectively, and unrealized income on cash equivalents and short-term interest-bearing investments, net of tax, of \$1,003 and \$541, respectively and adjustment to accumulated other comprehensive income upon adoption of statement 158, net of tax, of \$727.

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

AMDOCS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(dollar amounts in thousands)

	THREE MONTHS ENDED DECEMBER 31,	
	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$ 95,664	\$ 93,342

## Edgar Filing: AMDOCS LTD - Form 6-K

Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	46,706	38,042
Loss (Gain) on sale of equipment	106	(171)
Equity-based compensation expense	14,216	15,325
Deferred income taxes	(9,192)	(2,928)
Excess tax benefit from equity-based compensation	(65)	(154)
Realized gain from short-term interest-bearing investments and other	(332)	(1,255)
Net changes in operating assets and liabilities, net of amounts acquired:		
Accounts receivable	(37,388)	7,113
Prepaid expenses and other current assets	(2,449)	7,280
Other noncurrent assets	(7,345)	(6,091)
Accounts payable, accrued expenses and accrued personnel	4,516	11,390
Deferred revenue	(9,565)	(46,986)
Income taxes payable	(5,560)	(19,884)
Noncurrent liabilities and other	3,834	4,046
	-----	-----
Net cash provided by operating activities	93,146	99,069
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of equipment, vehicles and leasehold improvements	284	450
Payments for purchase of equipment, vehicles and leasehold improvements	(34,509)	(50,568)
Proceeds from sale of short-term interest-bearing investments	155,018	216,001
Purchase of short-term interest-bearing investments	(176,149)	(295,903)
Net cash paid for acquisition	(9,069)	(26,595)
	-----	-----
Net cash used in investing activities	(64,425)	(156,615)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from employee stock options exercised	6,444	15,500
Excess tax benefit from equity-based compensation	65	154
Repurchase of shares	(69,332)	--
	-----	-----
Net cash (used in) provided by financing activities	(62,823)	15,654
	-----	-----
Net decrease in cash and cash equivalents	(34,102)	(41,892)
Cash and cash equivalents at beginning of period	615,501	607,187
	-----	-----
Cash and cash equivalents at end of period	\$ 581,399	\$ 565,295
	=====	=====
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash paid for:		
Income taxes, net of refunds	\$ 22,118	\$ 22,754
Interest	537	441

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

## Edgar Filing: AMDOCS LTD - Form 6-K

(dollar and share amounts in thousands, except per share data)

### 1. BASIS OF PRESENTATION

Amdocs Limited (the "Company") is a leading provider of software products and services primarily to the communications industry. The Company and its subsidiaries operate in one segment offering products and services that enable their customers to move toward an integrated approach to customer management. The Company designs, develops, markets, supports, operates, and provides managed services for information system solutions primarily for leading communications companies throughout the world.

The unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). In the opinion of the Company's management, all adjustments considered necessary for a fair presentation of the unaudited interim consolidated financial statements have been included herein and are of a normal recurring nature.

The preparation of financial statements during interim periods requires management to make numerous estimates and assumptions that impact the reported amounts of assets, liabilities, revenue and expenses. Estimates and assumptions are reviewed periodically and the effect of revisions is reflected in the results of operations of the interim periods in which changes are determined to be necessary.

The results of operations for the interim periods presented herein are not necessarily indicative of the results to be expected for the full fiscal year. These statements do not include all information and footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with GAAP. These statements should be read in conjunction with the Company's consolidated financial statements for the fiscal year ended September 30, 2007, set forth in the Company's Annual Report on Form 20-F filed on December 3, 2007 with the U.S. Securities and Exchange Commission (the "SEC").

#### Reclassification

Certain immaterial amounts in prior year financial statements have been reclassified to conform to the current year presentation.

### 2. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement No. 141 (revised), Business Combinations ("SFAS 141(R)"). SFAS 141(R) significantly changes the accounting for business combinations and establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree and recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase. SFAS 141(R) applies to the Company prospectively for business combinations for which the acquisition date is on or after October 1, 2009.

In December 2007, the FASB issued Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 ("SFAS 160"). SFAS 160 changes the accounting for noncontrolling (minority) interests in consolidated financial statements including the requirements to classify noncontrolling interests as a component of consolidated stockholders' equity, the elimination of "minority interest" accounting in results of operations and changes in the accounting for both increases and decreases in a parent's controlling ownership interest. SFAS 160 is effective for fiscal years

## Edgar Filing: AMDOCS LTD - Form 6-K

beginning after December 15, 2008, and early adoption is

6

### AMDOCS LIMITED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(dollar and share amounts in thousands, except per share data)

prohibited. The Company is currently evaluating the effect that the application of SFAS 160 will have on its consolidated results of operations and financial condition.

In February 2007, the FASB issued Statement No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" including an amendment of FASB Statement No. 115 ("SFAS 159"), which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities under an instrument-by-instrument election. If the fair value option is elected for an instrument, subsequent changes in fair value for that instrument will be recognized in earnings. SFAS 159 also establishes additional disclosure requirements and is effective for fiscal years beginning after November 15, 2007, with early adoption permitted provided that the entity also adopts Statement No. 157, "Fair Value Measurements" ("SFAS 157"). The Company is currently evaluating the effect that the application of SFAS 159 will have on its consolidated results of operations and financial condition.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 will be effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the effect that the application of SFAS 157 will have on its consolidated results of operations and financial condition.

### 3. ADOPTION OF NEW ACCOUNTING STANDARD

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," An Interpretation of SFAS No. 109 ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return that results in a tax benefit. Additionally, FIN 48 provides guidance on de-recognition, income statement classification of interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company adopted FIN 48 in the first quarter of fiscal 2008. The adoption of FIN 48 did not result in a change to retained earnings. See Note 6 for additional information regarding the Company's provision for income taxes, including the effects of adoption of FIN 48 on its Consolidated Financial Statements.

7



# Edgar Filing: AMDOCS LTD - Form 6-K

## AMDOCS LIMITED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(dollar and share amounts in thousands, except per share data)

### 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following:

	AS OF	
	DECEMBER 31, 2007	SEPTEMBER 30, 2007
Accounts receivable - billed	\$ 485,372	\$457,393
Accounts receivable - unbilled	73,355	63,441
Less-allowances	(27,770)	(27,416)
	-----	-----
Accounts receivable, net	\$ 530,957	\$493,418
	=====	=====

### 5. COMPREHENSIVE INCOME

Comprehensive income represents the change in shareholders' equity during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity except those resulting from investments by owners and distributions to owners.

The following table sets forth the reconciliation from net income to comprehensive income for the following periods:

	THREE MONTHS ENDED DECEMBER 31,	
	2007	2006
Net income	\$ 95,664	\$ 93,342
Other comprehensive income:		
Unrealized gain on foreign currency hedging contracts, net of tax	4,062	1,667
Unrealized gain (loss) on short-term interest-bearing investments, net of tax	462	(106)
	-----	-----
Comprehensive income	\$100,188	\$ 94,903
	=====	=====

### 6. INCOME TAXES

The provision for income taxes for the following periods consisted of:

Edgar Filing: AMDOCS LTD - Form 6-K

	THREE MONTHS ENDED DECEMBER 31,	
	2007	2006
Current	\$18,388	\$3,744
Deferred	(9,934)	2,159
	\$ 8,454	\$5,903

8

AMDOCS LIMITED  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(dollar and share amounts in thousands, except per share data)

The Company's effective income tax rate varied from the statutory Guernsey tax rate as follows for the following periods:

	THREE MONTHS ENDED DECEMBER 31,	
	2007	2006 (1)
Statutory Guernsey tax rate	20%	20%
Guernsey tax-exempt status	(20)	(20)
Foreign taxes	8	6
	8%	6%

(1) Includes the Company's net release of \$8,748 of tax reserves during the three months ended December 31, 2006, attributable to a resolved tax audit of a prior year, as well as changes in the Company's tax reserves made during that quarter in the ordinary course of business.

As a Guernsey company with tax-exempt status, the Company's overall effective tax rate is attributable to foreign taxes. Tax legislation recently enacted in Guernsey with effect from January 1, 2008 is expected to repeal the exemption and subject the Company to a zero percent corporate tax rate, which the Company believes will not impact its effective tax rate.

As of December 31, 2007, deferred tax assets of \$32,951, derived from net capital and operating loss carry forwards related to some of the Company's subsidiaries, were offset by valuation allowances related to the uncertainty of realizing tax benefit for such losses. When realization of the tax benefits associated with such net capital and operating losses is deemed more likely than not, the valuation allowance will be released through income taxes or through goodwill when it relates to a business combination.

## Edgar Filing: AMDOCS LTD - Form 6-K

On October 1, 2007, the Company adopted FIN 48 which prescribes a comprehensive model for the financial statement recognition, measurement, classification and disclosure of uncertain tax positions. The adoption of FIN 48 did not result in a change to the Company's retained earnings. The total amount of gross unrecognized tax benefits as of the date of adoption, which includes interest and penalties, was \$108,929, of which \$104,762 would affect the Company's effective tax rate if realized. The Company historically classified unrecognized tax benefits in current income taxes payable. In implementing FIN 48, the Company has reclassified unrecognized tax benefits for which the Company does not anticipate making payment within one year to long-term income taxes payable.

The total amount of gross unrecognized tax benefits, which includes interest and penalties, was \$106,323 as of December 31, 2007, of which \$102,042 would affect the effective tax rate if realized. As a result of the settlement of certain tax matters during the first quarter of fiscal 2008, the amount of gross unrecognized tax benefits was reduced by approximately \$11,750 (including interest), of which \$4,688 was recorded against reduction in tax receivable.

The Company's policy of including interest and penalties related to income taxes, including unrecognized tax benefits, within the provision for income taxes on the consolidated statements of income did not change as a result of implementing FIN 48. As of the date of adoption of FIN 48, the Company had accrued \$17,530 in income taxes payable for interest and penalties relating to unrecognized tax benefits.

9

### AMDOCS LIMITED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(dollar and share amounts in thousands, except per share data)

The Company is currently under audit in several jurisdictions for the tax years 2001 and onwards. Timing of the resolution of audits is highly uncertain and therefore the Company cannot estimate the change in unrecognized tax benefits resulting from these audits within the next 12 months.

#### 7. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	THREE MONTHS ENDED DECEMBER 31,	
	2007	2006
Numerator:		
Numerator for basic earnings per share	\$ 95,664	\$ 93,342
Effect of assumed conversion of convertible notes	985	985
Numerator for diluted earnings per share	\$ 96,649	\$ 94,327

## Edgar Filing: AMDOCS LTD - Form 6-K

	=====	=====
Denominator:		
Denominator for basic earnings per share- weighted average number of shares outstanding	208,109	206,450
Effect of assumed conversion of convertible notes	10,436	10,436
Effect of dilutive stock options granted	3,109	5,522
Effect of restricted stock issued	385	310
	-----	-----
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	222,039	222,718
	=====	=====
Basic earnings per share	\$ 0.46	\$ 0.45
	=====	=====
Diluted earnings per share	\$ 0.44	\$ 0.42
	=====	=====

### 8. REPURCHASE OF SECURITIES

In August 2007, the Company announced that its board of directors had authorized a share repurchase plan allowing the repurchase of up to \$400 million of its outstanding ordinary shares. The authorization permits the Company to purchase its ordinary shares in open market or privately negotiated transactions

10

## AMDOCS LIMITED

### NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(dollar and share amounts in thousands, except per share data)

at times and prices that it considers appropriate. During the three months ended December 31, 2007, the Company repurchased 2,176 ordinary shares under this repurchase program, at an average price of \$33.31 per share (excluding broker and transaction fees).

### 9. STOCK OPTION AND INCENTIVE PLAN

In January 1998, the Company adopted the 1998 Stock Option and Incentive Plan (the "Plan"), which provides for the grant of restricted stock awards, stock options and other equity-based awards to employees, officers, directors and consultants. The purpose of the Plan is to enable the Company to attract and retain qualified personnel and to motivate such persons by providing them with an equity participation in the Company. Since its adoption, the Plan has been amended on several occasions to, among other things, increase the number of ordinary shares issuable under the Plan. In January 2008, the maximum number of ordinary shares authorized to be granted under the Plan was increased from 46,300 to 55,300. Awards granted under the Plan generally vest over a period of four years and stock options have a term of ten years.

The following table summarizes information about options to purchase the Company's ordinary shares, as well as changes during the three-month period ended December 31, 2007:

Edgar Filing: AMDOCS LTD - Form 6-K

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM
	-----	-----	-----
Outstanding as of October 1, 2007	20,456.5	\$31.62	
Granted	3,271.0	33.96	
Exercised	(354.5)	18.17	
Forfeited	(369.5)	37.23	
	-----		
Outstanding as of December 31, 2007	23,003.5	\$32.07	6.32
	=====	=====	=====
Exercisable on December 31, 2007	13,460.7	\$31.95	4.54
	=====	=====	=====

11

AMDOCS LIMITED  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(dollar and share amounts in thousands, except per share data)

The following table summarizes information relating to awards of restricted shares, as well as changes to such awards during the three-month period ended on December 31, 2007:

	NUMBER OF SHARES	WEIGHTED AVERAGE GRANT DATE FAIR VALUE
	-----	-----
Outstanding unvested shares as of October 1, 2007	955.1	\$34.50
Granted	216.1	34.77
Vested	(122.2)	32.53
Forfeited	(28.2)	37.60
	-----	-----
Outstanding unvested shares as of December 31, 2007	1,020.8	\$34.71
	=====	=====

As of December 31, 2007, there was \$72,166 of unrecognized compensation expense related to unvested stock options and unvested restricted stock awards. The Company recognizes compensation costs using the graded vesting attribution method which results in a weighted average period of approximately one year over which the unrecognized compensation expense is expected to be recognized.

Equity-based payments to employees, including grants of employee stock options, are recognized in the statements of income based on their fair values in accordance with FASB Statement No. 123 (revised 2004), "Share-Based Payment,"

## Edgar Filing: AMDOCS LTD - Form 6-K

a revision of SFAS No. 123 ("SFAS 123(R)") and Staff Accounting Bulletin No. 107 ("SAB 107"), which provides supplemental implementation guidance on SFAS 123(R).

Employee equity-based compensation pre-tax expense under SFAS 123(R) for the three months ended December 31, 2007 and 2006 was as follows:

	THREE MONTHS ENDED	
	DECEMBER 31, 2007	DECEMBER 31, 2006
Cost of service	\$ 6,282	\$ 6,322
Research and development	1,376	1,778
Selling, general and administrative	6,558	7,225
Total	\$14,216	\$15,325

The total income tax benefit recognized in the income statement for stock-based compensation (including restricted shares) for the three months ended December 31, 2007 and 2006 was \$1,396 and \$2,392, respectively.

The Company selected the Black-Scholes option pricing model as the most appropriate fair value method for its equity-based awards and recognizes compensation costs using the graded vesting

12

### AMDOCS LIMITED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(dollar and share amounts in thousands, except per share data)

attribution method. The Black-Scholes option pricing model assumptions used are noted in the following table (all in weighted averages for options granted during the period):

	THREE MONTHS ENDED	
	DECEMBER 31,	
	2007	2006
Risk-free interest rate (1)	3.47%	4.46%
Expected life of stock options (2)	4.18	4.36
Expected volatility (3)	0.32	0.33
Expected dividend yield (4)	None	None
Fair value per option	\$10.55	\$13.14

(1) Risk-free interest rate is based upon U.S. Treasury yield curve appropriate for the term of the Company's employee stock options.

(2) Expected life of stock options is based upon historical experience.

## Edgar Filing: AMDOCS LTD - Form 6-K

- (3) Expected volatility for the three months ended December 31, 2007 and 2006 is based on a combination of implied volatility of the Company's traded options and historical stock price volatility ("blended volatility").
- (4) Expected dividend yield is based on the Company's history and future expectation of dividend payouts.

Equity-based compensation recognized is reduced for estimated forfeitures and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

13

### AMDOCS LIMITED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(dollar and share amounts in thousands, except per share data)

#### 10. OPERATIONAL EFFICIENCY AND COST REDUCTION PROGRAMS

In the quarter ended March 31, 2007, the Company commenced a series of measures designed to align its operational structure to its expected future growth and to improve efficiency. As part of this plan, the Company recorded an expense of \$6,011, consisting primarily of employee separation costs in connection with the termination of the employment of software and information technology specialists and administrative professionals at various locations around the world and for facility related costs. Approximately \$5,004 of the total expense had been paid in cash as of December 31, 2007. The facility-related costs are expected to be paid through May 2013.

In connection with its acquisition of DST Innovis, Inc. and DST Interactive, Inc (collectively, "DST Innovis") in fiscal 2005, the Company commenced integration activities with respect to the DST Innovis business based on a plan to exit specific research and development activities and to terminate employees associated with these activities. The liabilities associated with this plan, which were recorded as part of the purchase accounting, are presented in the following table:

	CONTRACTUAL OBLIGATIONS	OTHER	TOTAL
	-----	-----	-----
Balance as of October 1, 2007	\$4,247	\$112	\$ 4,359
Cash payments	(485)	--	(485)
	-----	-----	-----
Balance as of December 31, 2007	\$3,762	\$112	\$ 3,874
	=====	=====	=====

#### 11. CONTINGENCIES

##### Legal Proceedings

The Company is involved in various legal proceedings arising in the normal course of its business. Based upon the advice of counsel, the Company does not believe that the ultimate resolution of these matters will have a material

## Edgar Filing: AMDOCS LTD - Form 6-K

adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company generally sells its products with a limited warranty for a period of 90 days. The Company's policy is to account for warranty costs, if needed, based on historical trends in product failure. Based on the Company's experience, only minimal warranty services have been required and, as a result, the Company did not accrue any amounts for product warranty liability during the three months ended December 31, 2007 and 2006.

The Company generally indemnifies its customers against claims of intellectual property infringement made by third parties arising from the use of the Company's software. To date, the Company has incurred and recorded only minimal costs as a result of such obligations and in its consolidated financial statements.

14

### ITEM 2. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

#### FORWARD LOOKING STATEMENTS

This section contains forward-looking statements (within the meaning of the United States federal securities laws) that involve substantial risks and uncertainties. You can identify these forward-looking statements by words such as "expect", "anticipate", "believe", "seek", "estimate", "project", "forecast", "continue", "potential", "should", "would", "could", and "may", and other words that convey uncertainty of future events or outcome. Statements that we make in this document that are not statements of historical fact also may be forward-looking statements. Forward-looking statements are not guarantees of future performance, and involve risks, uncertainties and assumptions that may cause our actual results to differ materially from the expectations that we describe in our forward-looking statements. There may be events in the future that we are not accurately able to predict, or over which we have no control. You should not place undue reliance on forward-looking statements. We do not promise to notify you if we learn that our assumptions or projections are wrong for any reason. We disclaim any obligation to update our forward-looking statements, except where applicable law may otherwise require us to do so.

Important factors that may affect these projections or expectations include, but are not limited to: changes in the overall economy; changes in competition in markets in which we operate; changes in the demand for our products and services; consolidation within the industries in which our customers operate; the loss of a significant customer; changes in the telecommunications regulatory environment; changes in technology that impact both the markets we serve and the types of products and services we offer; financial difficulties of our customers; losses of key personnel; difficulties in completing or integrating acquisitions; litigation and regulatory proceedings; and acts of war or terrorism. For a discussion of these important factors and other risks, please read the information set forth under the caption "Risk Factors" in our Annual Report on Form 20-F for fiscal 2007 that we filed on December 3, 2007 with the United States Securities and Exchange Commission ("SEC").

15



## Edgar Filing: AMDOCS LTD - Form 6-K

### OVERVIEW OF BUSINESS AND TREND INFORMATION

Amdocs is a leading provider of software and services for communications service providers. Our market focus is primarily Tier 1 and Tier 2 communications companies, including leading wireline and wireless telecommunications, broadband cable and satellite service providers. In addition, Amdocs also operates in emerging markets and supports smaller tier communication service providers.

We develop, implement and manage software and services associated with the business support systems and operational support systems (BSS and OSS) that enable service providers to deliver a better, differentiated, and intentional customer experience, by, for example, introducing products quickly, understanding their customers more deeply, processing orders efficiently and solving problems productively. We refer to these systems as customer experience systems.

We believe the demand for our customer experience systems is primarily driven by the need for communications service providers to transform their business and support next generation products and services.

Consolidation in the communications industry is continuing, and competition among incumbent and new entrant service providers is intensifying. At the same time, convergence is accelerating, with consumers expecting continuous access to voice, data and video services anywhere, through any device. Service providers are responding to this challenge by seeking to develop new revenue streams that take advantage of ubiquitous connectivity and convergence. In this changing environment, we believe service providers will succeed by differentiating their offerings in order to deliver a customer experience that is simple, personal, and valuable at every point of service. Service providers can do this by adopting our strategy of integrated customer management. While we recognize that there are some macro-economic indicators that cause uncertainty in our industry, we continue to see demand for Amdocs products and services, and currently expect that we will continue to expand our business in 2008.

### Offerings

Amdocs offerings of software and related services consist of:

- A complete, modular portfolio of BSS and OSS software, including revenue management (billing, mediation and partner settlement), customer management (ordering, customer relationship management or CRM, and self-service), service and resource management (network management, planning and fulfillment ) digital commerce management (content revenue management, search and digital advertising) and foundation products (such as enterprise product catalog). In January 2008, we introduced our most current version of the portfolio, Amdocs CES 7.5.
- A comprehensive line of services, from strategy to execution. Because our customers' projects are complex and require systems support expertise, we also provide information technology, or IT, services, including extensive consulting, business strategy, system implementation, training, integration, modification, ongoing support, enhancement and maintenance services. In addition, we offer managed services, which include services such as system modernization and consolidation, the operation of data centers, ongoing support, maintenance services, system modification, rating and billing services and communications facility management services.

We have designed our customer experience systems to meet the

## Edgar Filing: AMDOCS LTD - Form 6-K

mission-critical needs of leading service providers around the world. We support their various lines of business, including wireline, wireless, cable and satellite, and a wide range of communication services, including voice, video, data, IP, broadband, content, electronic and mobile commerce applications. We also support companies that offer multiple service packages, commonly referred to as bundled or convergent service packages. We have also applied our experience to assist service providers in the financial services sector to meet operational challenges that are similar to those experienced by communications companies.

16

Amdocs also offers a full range of directory sales and publishing systems and related services, which we refer to as directory systems, for publishers of both traditional printed yellow page and white page directories and electronic Internet directories.

We conduct our business globally, and, as a result we are subject to the effects of global economic conditions and, in particular, market conditions in the communications industry. We maintain development facilities in China, Cyprus, India, Ireland, Israel and the United States.

We believe that demand for our customer experience systems is primarily driven by the following key factors:

- Industry transformation, including:
  - ubiquitous use of communications and content services,
  - increases in digital and mobile commerce,
  - ongoing consolidation among incumbent communications providers,
  - increased competition from new entrants,
  - continued convergence of communications, broadband cable and satellite industries, and
  - continued commoditization and pricing pressure.
- Technology advances, such as:
  - emergence of new communications products and services, especially video, broadband, data and content services, including IP-based services, such as Internet Protocol (IP) Television (IPTV) and Voice over IP (VoIP),
  - evolution to next generation networks such as IP Multimedia Subsystem (IMS), that enable converged services offerings like fixed-mobile convergence, and
  - technological changes, such as the introduction of 3G and 4G wireless technology, next-generation content systems and WiFi- and WiMax- based access technologies.
- Customer focus, such as:
  - the need for service providers to focus on their customers in

## Edgar Filing: AMDOCS LTD - Form 6-K

order to build profitable customer relationships,

- the "authority shift" toward the consumer, with customers demanding new, innovative services that can be personalized, that are timely and relevant to them, that they can participate in creating, and that can be accessed anytime and anywhere,
  - ever-increasing expectation of customer service and support, including access to self service options, and
  - the need for service providers to differentiate themselves by creating a unique and mutually valuable customer experience.
- The need for operational efficiency, including:
- the shift from in-house management to vendor solutions,
  - business needs of service providers to reduce costs and lower total cost of ownership while retaining high-value customers in a highly competitive environment,
  - automating and integrating business processes that span service providers' BSS and OSS systems and create a simple, one-company face to customers,
  - integrating and implementing new next-generation networks (and retiring legacy networks) to deploy new technologies, and
  - transforming fragmented legacy OSS systems to introduce new services in a timely and cost-effective manner.

We derive our revenue principally from:

- the initial sales of licenses to use our products and related services, including modification, implementation and integration services,
- providing Managed Services and other related IT services, and

17

- recurring revenue from ongoing support, maintenance and enhancements provided to our customers, and from incremental license fees resulting from increases in a customer's business volume.

Revenue is recognized only when all of the following conditions have been met: (i) there is persuasive evidence of an arrangement; (ii) delivery has occurred; (iii) the fee is fixed and determinable; and (iv) collectability of the fee is reasonably assured. We usually sell our software licenses as part of an overall solution offered to a customer that combines the sale of software licenses with a broad range of services, which normally include significant customization, modification, implementation and integration. As a result, we generally recognize combined license and service revenue over the course of these long-term projects, using the percentage of completion method of accounting. Initial license fee revenue is recognized as work is performed, using the percentage of completion method of accounting. Subsequent license fee revenue is recognized upon completion of specified conditions in each contract, based on a customer's subscriber or transaction volume or other measurements when greater than the level specified in the contract for the initial license

## Edgar Filing: AMDOCS LTD - Form 6-K

fee. Service revenue that involves significant ongoing obligations, including fees for software customization, implementation and modification, also is recognized as work is performed, under the percentage of completion method of accounting. Revenue from software solutions that do not require significant customization and modification is recognized upon delivery or as services are provided. In Managed Services contracts, we typically recognize revenue from the operation of a customer's system as services are performed based on time elapsed, output produced or volume of data processed, depending on the specific contract terms of the managed services arrangement. Revenue from ongoing support services is recognized as work is performed or based on straight line over the service period.

Revenue from third-party hardware sales is recognized upon delivery and installation, and revenue from third-party software sales is recognized upon delivery. Maintenance revenue is recognized ratably over the term of the maintenance agreement.

As a result of a significant portion of our revenue being subject to the percentage of completion accounting method, the size and timing of customer projects and our progress in completing such projects may significantly affect our annual and quarterly operating results.

Revenue from managed services arrangements (for customer experience systems and directory systems) is included in both license and service revenue. Revenue generated in connection with managed services arrangements are a significant part of our business, accounting for approximately 35% to 40% of our total revenue in the three months ended December 31, 2007 and 2006, and generating substantial, long-term revenue streams, cash flow and operating income. In the initial period of our managed services projects, we generally invest in modernization and consolidation of the customer's systems. Invoices are usually structured on a periodic fixed or unit charge basis. As a result, managed services projects can be less profitable in the initial period. Margins tend to improve over time as we derive benefit from the operational efficiencies provided by system modernization and consolidation.

### RECENT ACCOUNTING STANDARDS

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement No. 141 (revised), Business Combinations ("SFAS 141(R)"). SFAS 141(R) significantly changes the accounting for business combinations and establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree and recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase. SFAS 141(R) applies to us prospectively for business combinations for which the acquisition date is on or after October 1, 2009.

In December 2007, the FASB issued Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 ("SFAS 160"). SFAS 160 changes the accounting for noncontrolling (minority) interests in consolidated financial statements including the requirements to classify noncontrolling interests as a component of consolidated stockholders' equity, the elimination of "minority interest" accounting in results of operations and changes in the accounting for both increases and decreases in a parent's controlling ownership interest. SFAS 160 is effective for fiscal years beginning after December 15, 2008, and early adoption is prohibited. We are

## Edgar Filing: AMDOCS LTD - Form 6-K

currently evaluating the effect that the application of SFAS 160 will have on our consolidated results of operations and financial condition.

In February 2007, the FASB issued Statement No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" including an amendment of FASB Statement No. 115 ("SFAS 159"), which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities under an instrument-by-instrument election. If the fair value option is elected for an instrument, subsequent changes in fair value for that instrument will be recognized in earnings. SFAS 159 also establishes additional disclosure requirements and is effective for fiscal years beginning after November 15, 2007, with early adoption permitted provided that the entity also adopts Statement No. 157, "Fair Value Measurements" ("SFAS 157"). We are currently evaluating the effect that the application of SFAS 159 will have on our consolidated results of operations and financial condition.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No.157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 will be effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating the effect that the application of SFAS 157 will have on our consolidated results of operations and financial condition.

### ADOPTION OF NEW ACCOUNTING STANDARD

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," An Interpretation of SFAS No. 109, ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return that results in a tax benefit. Additionally, FIN 48 provides guidance on de-recognition, income statement classification of interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We adopted FIN 48 in the first quarter of fiscal 2008. The adoption of FIN 48 did not result in a change to retained earnings. See Note 6 to our consolidated financial statements for additional information on our provision for income taxes, including the effects of adoption of FIN 48 on our Consolidated Financial Statements.

19

### RESULTS OF OPERATIONS

The following table sets forth for the three months ended December 31, 2007 and 2006 certain items in our consolidated statements of income reflected as a percentage of total revenue:

THREE MONTHS ENDED DECEMBER 31,	
-----	
2007	2006
-----	-----

Edgar Filing: AMDOCS LTD - Form 6-K

Revenue:		
License.....	3.5%	4.6%
Service.....	96.5	95.4
	-----	-----
	100.0	100.0
	-----	-----
Operating expenses:		
Cost of license.....	0.1	0.2
Cost of service.....	63.4	63.0
Research and development.....	7.6	8.7
Selling, general and administrative..	13.2	12.9
Amortization of purchased intangible assets.....	2.9	2.5
	-----	-----
	87.2	87.3
	-----	-----
Operating income.....	12.8	12.7
Interest income and other, net.....	1.2	1.7
	-----	-----
Income before income taxes.....	14.0	14.4
Income taxes.....	1.1	0.9
	-----	-----
Net income.....	12.9%	13.5%
	=====	=====

20

THREE MONTHS ENDED DECEMBER 31, 2007 AND 2006

The following is a tabular presentation of our results of operations for the three months ended December 31, 2007 compared to the three months ended December 31, 2006. Following the table is a discussion and analysis of our business and results of operations for such periods.

	THREE MONTHS ENDED DECEMBER 31,		INCREASE (DECREASE)	
	2007	2006	AMOUNT	%
-----				
(in thousands)				
-----				
Revenue:				
License.....	\$ 26,217	\$ 31,744	\$ (5,527)	(17.4)%
Service.....	716,033	659,288	56,745	8.6
	-----	-----	-----	-----
	742,250	691,032	51,218	7.4
	-----	-----	-----	-----
Operating expenses:				
Cost of license.....	774	1,069	(295)	(27.6)
Cost of service.....	470,741	435,121	35,620	8.2
Research and development.....	56,015	60,468	(4,453)	(7.4)
Selling, general and administrative.....	97,665	89,170	8,495	9.5
Amortization of purchased intangible assets.....	21,753	17,698	4,055	22.9
	-----	-----	-----	-----

Edgar Filing: AMDOCS LTD - Form 6-K

	646,948	603,526	43,422	7.2
	-----	-----	-----	
Operating income.....	95,302	87,506	7,796	8.9
Interest income and other, net.....	8,816	11,739	(2,923)	(24.9)
	-----	-----	-----	
Income before income taxes.....	104,118	99,245	4,873	4.9
Income taxes.....	8,454	5,903	2,551	43.2
	-----	-----	-----	
Net income.....	\$ 95,664	\$ 93,342	\$ 2,322	2.5%
	=====	=====	=====	

REVENUE. Total revenue increased by \$51.2 million, or 7.4%, to \$742.3 million in the three months ended December 31, 2007, from \$691.0 million in the three months ended December 31, 2006. The increase was primarily attributable to revenue from consolidation and transformation projects for Tier One customers as well as from revenue related to the expansion of our managed services activities.

License revenue in the three months ended December 31, 2007 decreased by \$5.5 million, or 17.4%, over the three months ended December 31, 2006, primarily due to timing of projects as we completed some projects and some are expected to start in the near future.

License and service revenue attributable to the sale of customer experience systems was \$672.8 million in the three months ended December 31, 2007, an increase of \$53.4 million, or 8.6%, over the three months ended December 31, 2006. The increase was primarily attributable to revenue from consolidation and transformation projects for Tier One customers as well as from revenue related to the expansion of our managed services activities. License and service revenue resulting from the sale of customer experience systems represented 90.6% and 89.6% of our total revenue in the three months ended December 31, 2007 and 2006, respectively.

License and service revenue attributable to the sale of Directory Systems was \$69.5 million in the three months ended December 31, 2007, a decrease of \$2.1 million, or 2.9%, as compared to the three months

21

ended December 31, 2006. License and service revenue from the sale of Directory Systems represented 9.4% and 10.4% of our total revenue in the three months ended December 31, 2007 and 2006, respectively. We believe that we are a leading provider of Directory Systems in most of the markets we serve.

In the three months ended December 31, 2007, revenue from customers in North America, Europe and the rest of the world accounted for 67.4%, 17.3% and 15.3%, respectively, of total revenue compared to 68.6%, 21.9% and 9.5%, respectively, in the three months ended December 31, 2006. Revenue from customers in North America increased in absolute amounts, but the increase was less than the 7.4% increase in our total revenue which resulted in a decrease in revenue from customers in North America as a percentage of total revenue. The decrease in revenue from customers in Europe was attributable partially to timing of projects as we completed some projects and some are expected to start in the near future. The increase in revenue from customers in the rest of the world in the three months ended December 31, 2007 was attributable primarily to revenue contributed in Asia Pacific, as well as to customers in emerging markets.

## Edgar Filing: AMDOCS LTD - Form 6-K

**COST OF LICENSE.** Cost of license mainly includes royalty payments to software suppliers. In the three months ended December 31, 2007 and 2006, cost of license as a percentage of license revenue was 3.0% and 3.4%, respectively.

**COST OF SERVICE.** Cost of service consists primarily of costs associated with providing services to customers, including compensation expense and costs of third-party products. The increase in cost of service in the three months ended December 31, 2007 was \$35.6 million or 8.2%, which is slightly higher than the increase in our total revenue in the three months ended December 31, 2007. As a percentage of revenue, cost of service was 63.4% in the three months ended December 31, 2007, compared to 63.0% in the three months ended December 31, 2006. Our cost of service and gross margin may vary depending on the types and geographic locations of projects that we undertake.

**RESEARCH AND DEVELOPMENT.** Research and development expense is primarily comprised of compensation expense. Research and development expense decreased by \$4.5 million, or 7.4%, in the three months ended December 31, 2007 to \$56.0 million from \$60.5 million in the three months ended December 31, 2006. Research and development expense decreased as a percentage of revenue from 8.7% in the three months ended December 31, 2006 to 7.6% in the three months ended December 31, 2007. We believe that our research and development efforts are a key element of our strategy and are essential to our success and we intend to maintain our level of commitment to research and development; the decrease in research and development expense was attributable to increased efficiency as well as to changes in the geographical mix of our research and development resources. An increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin.

**SELLING, GENERAL AND ADMINISTRATIVE.** Selling, general and administrative expense increased by \$8.5 million, or 9.5%, to \$97.7 million in the three months ended December 31, 2007, from \$89.2 million in the three months ended December 31, 2006. Selling, general and administrative expense is primarily comprised of compensation expense. The increase in selling, general and administrative expense was attributable to an overall increase in our operations.

**AMORTIZATION OF PURCHASED INTANGIBLE ASSETS.** Amortization of purchased intangible assets in the three months ended December 31, 2007 was \$21.8 million, compared to \$17.7 million in the three months ended December 31, 2006. The increase in amortization of purchased intangible assets was due to purchased intangible assets acquired in our fiscal 2006 and 2007 acquisitions.

**OPERATING INCOME.** Operating income increased by \$7.8 million, or 8.9%, in the three months ended December 31, 2007, to \$95.3 million from \$87.5 million in the three months ended December 31, 2006. Operating income as a percentage of revenue in the three months ended December 31, 2007 was at the same level as in the three months ended December 31, 2006.

**INTEREST INCOME AND OTHER, NET.** Interest income and other, net decreased by \$2.9 million to \$8.8 million in the three months ended December 31, 2007, from \$11.7 million in the three months ended December 31, 2006. The decrease in interest income and other, net, is primarily attributable to the impact of foreign

exchange loss which was partially offset by an increase in interest income



## Edgar Filing: AMDOCS LTD - Form 6-K

resulting from the increase in our cash and short-term interest-bearing investments balances.

**INCOME TAXES.** Income taxes for the three months ended December 31, 2007 were \$8.5 million on pretax income of \$104.1 million, resulting in an effective tax rate of 8.1%, compared to 5.9 % in the three months ended December 31, 2006. Of the increase in our effective tax rate, approximately 9.1% was attributable to the net changes in the Company's tax reserves and valuation allowances, and approximately 1% was attributable to the net effect of acquisition-related costs and equity-based compensation expense, which was partially offset by decrease in effective tax rate attributable to the geographical distribution of earnings from global operations. We expect that our effective tax rate for fiscal year 2008 will be between 9% and 12% on an annualized basis, compared to 10.6% in fiscal year 2007. Our effective tax rate may fluctuate between quarters as a result of discrete items that may affect a specific quarter.

**NET INCOME.** Net income was \$95.7 million in the three months ended December 31, 2007, compared to net income of \$93.3 million in the three months ended December 31, 2006. The increase in net income was attributable to the increase in our operating income offset by the decrease in interest income and other, net, and the increase of our effective tax rate.

**DILUTED EARNINGS PER SHARE.** Diluted earnings per share increased by \$0.02, or 4.8%, to \$0.44 in the three months ended December 31, 2007, from \$0.42 in the three months ended December 31, 2006. The increase in diluted earnings per share resulted primarily from the increase in net income, as well as the decrease in diluted weighted average numbers of shares outstanding.

### LIQUIDITY AND CAPITAL RESOURCES

Cash, cash equivalents and short-term interest-bearing investments totaled \$1,167.1 million as of December 31, 2007, compared to \$1,179.3 million as of September 30, 2007. The decrease was mainly attributable to \$69.3 million used to repurchase ordinary shares pursuant to our share repurchase program and to \$34.5 million of capital expenditures, partially offset by \$93.1 million in positive cash flow from operations. Net cash provided by operating activities amounted to \$93.1 million and \$99.1 million for the three months ended December 31, 2007 and 2006, respectively.

Our policy is to retain substantial cash balances in order to support our growth. We believe that our current cash balances, cash generated from operations and our current lines of credit will provide sufficient resources to meet our operational needs for at least the next fiscal year.

As of December 31, 2007, \$450.0 million and \$0.2 million aggregate principal amount of our 0.50% Convertible Senior Notes due 2024 and 2% Convertible Notes due 2008 were outstanding, respectively. As of December 31, 2007, we had available an unsecured \$500 million five-year revolving credit facility, none of which was outstanding, and which we may use for general corporate purposes, including acquisitions and repurchases of our ordinary shares that we may consider from time to time. As of December 31, 2007, we also had a \$0.9 million short-term general revolving line of credit, none of which was outstanding. In addition we had outstanding letters of credit and bank guarantees from various banks totaling \$6.9 million. As of December 31, 2007, we had outstanding short-term loans totaling \$1.9 million secured by specified pledges and guaranties.

We have contractual obligations for our convertible notes, financing arrangements, non-cancelable operating leases and purchase obligations summarized in the tabular disclosure of contractual obligations in our Annual Report on Form 20-F for our fiscal year ended September 30, 2007. Since September 30, 2007, there have been no material changes in our contractual

## Edgar Filing: AMDOCS LTD - Form 6-K

obligations other than in the ordinary course of our business.

23

Our capital expenditures were approximately \$34.5 million in the three months ended December 31, 2007. Approximately 80% of these expenditures consisted of purchases of computer equipment, and the remainder to leasehold improvements. The capital expenditures in the three months ended December 31, 2007 were mainly attributable to investments in our operating facilities and our development centers around the world. We fund our capital expenditures principally from operating cash flows. We do not anticipate any changes to this policy in the foreseeable future.

### CURRENCY FLUCTUATIONS

We manage our foreign subsidiaries as integral direct components of our operations. The U.S. dollar is our functional currency. According to the salient economic factors indicated in SFAS No.52, "Foreign Currency Translation", our cash flow, sale price, sales market, expense, financing and intercompany transactions and arrangement indicators are predominately denominated in the U.S. dollar. The operations of our foreign subsidiaries provide the same type of services with the same type of expenditure throughout the Amdocs group.

During the three months ended December 31, 2007 and 2006, approximately 70% of our revenue and approximately 50% to 60% of our operating expenses were in U.S. dollars or linked to the U.S. dollar. As a result of long-term contracts in currencies other than the U.S. dollar and more customers seeking contracts that are denominated in currencies such as the Euro, the percentage of our revenue and operating expenses in U.S. dollar or linked to the U.S. dollar may decrease slightly over time. Historically, the effect of fluctuations in currency exchange rates on our consolidated operations was not material. As more of our customers seek contracts that are denominated in currencies other than the U.S. dollar, our exposure to fluctuations in currency exchange rates could increase. In managing our foreign exchange risk, we enter from time to time into various foreign exchange hedging contracts. We do not hedge all of our exposure in currencies other than the U.S. dollar, but rather our policy is to hedge significant net exposures in the major foreign currencies in which we operate. We periodically assess the applicability of the U.S. dollar as our functional currency by reviewing the salient indicators.

24

## PART II OTHER INFORMATION

### ITEM 1. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES.

#### ISSUER PURCHASES OF EQUITY SECURITIES

##### PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table provides information about purchases by us and our affiliated purchasers during the quarter ended December 31, 2007 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

Edgar Filing: AMDOCS LTD - Form 6-K

25

Ordinary Shares

PERIOD	(A) TOTAL NUMBER OF SHARES PURCHASED	(B) AVERAGE PRICE PAID PER SHARE (2)	(C) TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	MAY Y THE
10/1/07-10/31/07.....	565,106	\$33.77	565,106	
11/1/07-11/30/07.....	997,700	\$32.85	997,700	
12/1/07-12/31/07.....	612,800	\$33.63	612,800	
Total.....	2,175,606	\$33.31	2,175,606	

(1) In August 2007, our board of directors authorized a share repurchase plan allowing the repurchase of up to \$400 million of our outstanding ordinary shares. The authorization permits us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices that we consider appropriate.

(2) The average price per share excludes broker and transaction fees.

26

ITEM 2. REPORTS ON FORM 6-K

(a) Reports on Form 6-K

The Company furnished or filed the following reports on Form 6-K during the three months ended December 31, 2007:

- (1) Form 6-K dated December 18, 2007.
- (2) Form 6-K dated December 3, 2007.
- (3) Form 6-K dated November 1, 2007.

27

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.

AMDOCS LIMITED

Edgar Filing: AMDOCS LTD - Form 6-K

/s/ Thomas G. O'Brien

-----  
Thomas G. O'Brien  
Treasurer and Secretary  
Authorized U.S. Representative

Date: February 11, 2008