AMDOCS LTD
Form 20-F
December 24, 2003

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

FORM 20-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

OR

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

FOR THE TRANSITION PERIOD FROM ________ TO ________.

COMMISSION FILE NUMBER 1-14840

AMDOCS LIMITED

(Exact name of registrant as specified in its charter)

ISLAND OF GUERNSEY

(Jurisdiction of incorporation or organization)

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)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EXCHANGE ON WHICH REGISTERED
Ordinary Shares, par value L0.01	New York Stock Exchange

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

NONE

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

NONE

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report.

Ordinary Shares, par value L0.01	216,057,098(1)
(Title of class)	(Number of shares)

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(1) Net of 7,732,500 shares held in treasury. Does not include (a) 25,314,760 ordinary shares reserved for issuance upon exercise of options granted under our stock option plan, (b) 250,930 ordinary shares reserved for issuance upon exercise of options granted by companies we have acquired, and (c) 4,348,410 ordinary shares reserved for issuance upon conversion of our 2% Convertible Notes due June 1, 2008. As of September 30, 2003, 4,126,299 ordinary shares remained available for future option grants under our stock option plan.

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X]   No [ ]

Indicate by check mark which financial statement item the registrant has selected to follow.

Item 17 [ ]   Item 18 [X]

AMDOCS LIMITED

FORM 20-F

ANNUAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

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PART I

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PART III

Unless the context otherwise requires, all references in this Annual Report on Form 20-F to "Amdocs", "we", "our", "us" and the "Company" refer to Amdocs Limited and its consolidated subsidiaries and their respective predecessors. Our consolidated financial statements are prepared in accordance with U.S. GAAP and are expressed in U.S. dollars. References to "dollars" or "$" are to U.S. dollars. Our fiscal year ends on September 30 of each year. References to any specific financial year refer to the year ended September 30 of the calendar year specified.

We own or have rights to trademarks or trade names that we use in conjunction with the sale of our products and services, including, without limitation, each of the following: Amdocs(TM), Ensemble(TM), AmdocsEnabler(TM) and Clarify(TM).

FORWARD LOOKING STATEMENTS

This Annual Report on Form 20-F 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 Annual Report 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, please read the information set forth below under the caption "Risk Factors".

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

SELECTED FINANCIAL DATA

Our historical consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and presented in U.S. dollars. The selected historical consolidated financial information set forth below has been derived from our historical consolidated financial statements for the years presented. Historical information as of and for the five years ended September 30, 2003 is derived from our consolidated financial statements, which have been audited by Ernst & Young LLP, our independent auditors. You should read the information presented below in conjunction with those statements.

The information presented below is qualified by the more detailed historical consolidated financial statements, the notes thereto and the discussion under "Operating and Financial Review and Prospects" included elsewhere in this Annual Report.

	YEAR ENDED SEPTEMBER 30,				
	2003	2002	2001	2000	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS DATA:					
Revenue..........................	$1,483,327	$1,613,565	$1,533,910	$1,118,320	$626,855
Operating income(1)(2)(3).........	210,418	49,161	159,281	74,124	146,998
Net income (loss)(1)(2)(3)(4).....	168,883	(5,061)	66,386	5,978	98,543
Basic earnings (loss) per share...	0.78	(0.02)	0.30	0.03	0.50
Diluted earnings (loss) per share.........................	0.77	(0.02)	0.29	0.03	0.49
Dividends declared per share......	--	--	--	--	--

	AS OF SEPTEMBER 30,				
	2003	2002	2001	2000	1999

		(IN THOUSANDS)			
BALANCE SHEET DATA:					
Total assets	$2,877,517	$2,540,094	$2,624,436	$1,935,085	$430,011
Long term obligations					
2% Convertible Notes due June 1, 2008(4)	400,454	445,054	500,000	--	--
Long-term portion of capital lease obligations	23,825	15,138	24,779	23,417	17,148
Shareholders' equity(5)(6)	1,591,600	1,416,275	1,512,091	1,430,772	123,737

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	ORDINARY SHARES		ADDITIONAL PAID-IN	
	SHARES	AMOUNT	CAPITAL	TREASURY STOCK
		(IN THOUSANDS)		
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY DATA:				
Balance as of September 30, 1999	198,800	$3,181	$ 489,099	$ --
Issuance of ordinary shares related to acquisitions, net(5)	20,307	325	1,263,330	--
Employee stock options exercised	2,058	33	21,327	--
Tax benefit of stock options exercised	--	--	10,825	--
Stock options granted	--	--	235	--
Balance as of September 30, 2000	221,165	3,539	1,784,816	--
Employee stock options exercised	1,463	21	13,946	--
Tax benefit of stock options exercised	--	--	7,345	--
Stock options granted	--	--	183	--
Balance as of September 30, 2001	222,628	3,560	1,806,290	--
Employee stock options exercised	687	12	5,149	--
Tax benefit of stock options exercised	--	--	6,808	--
Expense related to vesting of stock options	--	--	98	--
Repurchase of shares(6)	(7,732)	--	--	(109,281)
Balance as of September 30, 2002	215,583	3,572	1,818,345	(109,281)
Employee stock options exercised	475	8	2,312	--
Tax benefit of stock options exercised	--	--	262	--
Expense related to vesting of stock options	--	--	37	--
Balance as of September 30, 2003	216,058	$3,580	$1,820,956	$(109,281)

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(1) In fiscal 2000, we recorded acquisition-related charges of $75,617, relating to our acquisitions of International Telecommunication Data Systems, Inc. ("ITDS") in November 1999 and Solect Technology Group Inc. ("Solect") in April 2000, in stock-for-stock transactions. These charges included write-offs of purchased in-process research and development and other indirect acquisition-related costs.

(2) In fiscal 2002, we recorded acquisition-related charges for in-process

research and development of $17,400, relating to our November 2001 acquisition from Nortel Networks Corporation of substantially all of the assets of its Clarify business ("Clarify") for cash. We also recorded restructuring charges of $34,230 relating to the closure of our Stamford, Connecticut data center and our cost reduction program.

(3) In the first quarter of fiscal 2003, we recorded a restructuring charge of $9,956 related to our cost reduction program. In the fourth quarter of fiscal 2003, we recorded an acquisition-related charge of $4,133 related to our July 2003 acquisition from Bell Canada of its 90% ownership interest in Certen Inc. ("Certen") for cash. Prior to this acquisition, we had 10% ownership interest in Certen. This charge reflects our 10% share in Certen's pre-acquisition results.

(4) In May 2001, we issued $500,000 aggregate principal amount of our 2% Convertible Notes dues June 1, 2008 (the "Notes"). On July 23, 2002, our Board of Directors authorized us to repurchase Notes in such amounts, at such prices and at such times considered appropriate. During the fourth quarter of fiscal 2003, we repurchased $44,600 aggregate principal amount of Notes, at an average price of 99% of the principal amount. During fiscal 2002, we repurchased $54,946 aggregate principal amount of Notes, at an average price of 89% of the principal amount. In fiscal 2003 and 2002, we recorded gains of $448 and $6,012, respectively, relating to the repurchases of the Notes. As of September 30, 2003, $400,454 aggregate principal amount of Notes was outstanding. As of that date, the aggregate principal amount of Notes outstanding is presented as a current liability, due to the holders' option to require us to repurchase the Notes on June 1, 2004.

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(5) In addition, options to purchase an aggregate of 2,757 ordinary shares were issued in exchange for employee options in connection with the Solect and ITDS acquisitions.

(6) On November 6, 2001, our Board of Directors approved a twelve-month share repurchase program and authorized us to repurchase our ordinary shares. During fiscal 2002, we repurchased 7,732 ordinary shares, at an average price of $14.13 per share. During fiscal 2003, we did not repurchase any ordinary shares. On November 5, 2003, our Board of Directors approved an additional twelve-month share repurchase program. In accordance with this program, as of December 22, 2003, we had repurchased an additional 4,990 ordinary shares, at an average price of $24.82 per share.

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RISK FACTORS

WE ARE EXPOSED TO GENERAL GLOBAL ECONOMIC AND MARKET CONDITIONS, PARTICULARLY THOSE IMPACTING THE COMMUNICATIONS INDUSTRY.

Developments in the communications industry, such as the impact of general global economic conditions, continued industry consolidation, the formation of alliances among network operators and service providers, and changes in the regulatory environment have had, and could continue to have, a material adverse effect on our existing or potential customers. These conditions have reduced the high growth rates that the communications industry had previously experienced, and have caused the market value, financial results and prospects, and capital spending levels of many communications companies to decline or degrade. The need for communications providers to control operating expenses and capital investment budgets has resulted in slowed customer buying decisions, as well as price pressures. Adverse conditions in the business environment for communications companies have had, and could continue to have, a negative impact on our business by reducing the number of new contracts we are able to sign and the size of initial spending commitments, as well as decreasing the level of discretionary spending under contracts with existing customers.

IF WE CANNOT COMPETE SUCCESSFULLY WITH EXISTING OR NEW COMPETITORS, OUR BUSINESS COULD BE HARMED.

We may be unable to compete successfully with existing or new competitors. If we fail to adapt to changing market conditions and to compete successfully with established or new competitors, it could have a material adverse effect on our results of operations and financial condition. We face intense competition for the software products and services that we sell, including competition for Managed Services we provide to customers under long-term service agreements. These Managed Services include a combination of services, such as system modernization and consolidation, management and operation of data centers, purchase and management of related hardware assets, billing operations and application support.

The market for communications information systems is highly competitive and fragmented, and we expect competition to increase. We compete with independent providers of information systems and services and with the in-house software departments of communications companies. Our competitors include firms that provide comprehensive information systems and Managed Services solutions, software vendors that sell products for particular aspects of a total information system, software vendors that specialize in systems for particular communications services such as Internet and wireless services, systems integrators, service bureaus and companies that offer software systems in combination with the sale of network equipment.

We believe that our ability to compete depends on a number of factors, including:

- the development by others of software that is competitive with our products and services,

- the price at which others offer competitive software and services,

- the responsiveness of our competitors to customer needs, and

- the ability of our competitors to hire, retain and motivate key personnel.

We compete with a number of companies that have long operating histories, large customer bases, substantial financial, technical, sales, marketing and other resources, and strong name recognition. Current and potential competitors have established, and may establish in the future, cooperative relationships among themselves or with third parties to increase their ability to address the needs of our prospective customers. In addition, our competitors have acquired, and may continue to acquire in the future, companies that may enhance their market offerings. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share. As a result, our competitors may be able to adapt more quickly than us to new or emerging technologies and changes in customer requirements, and may be able to devote greater resources to the promotion and sale of their products. We cannot assure you that we will be able to compete successfully with existing or new competitors. Failure by us to adapt to changing market conditions and to compete successfully with established or new competitors may have a material adverse effect on our results of operations and financial condition.

WE MUST CONTINUALLY ENHANCE OUR PRODUCTS TO REMAIN COMPETITIVE.

We believe that our future success will depend, to a significant extent, upon our ability to enhance our existing products and to introduce new products and features to meet the requirements of our customers in a rapidly developing and evolving market. We are currently devoting significant resources to refining and expanding our base software modules and to developing Integrated Customer Management products that operate in state-of-the-art computing environments. Our present or future products may not satisfy the evolving needs of the communications industry. If we are unable to anticipate or respond adequately to such needs, due to resource, technological or other constraints, our business and results of operations could be harmed.

WE MAY SEEK TO ACQUIRE COMPANIES OR TECHNOLOGIES, WHICH COULD DISRUPT OUR ONGOING BUSINESS, DISTRACT OUR MANAGEMENT AND EMPLOYEES AND ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

We may acquire companies where we believe we can acquire new products or services or otherwise enhance our market position or strategic strengths. We cannot assure you that suitable acquisition candidates can be found, that acquisitions can be consummated on favorable terms or that we will be able to complete otherwise favorable acquisitions because of antitrust or other regulatory concerns. If we do complete acquisitions, we cannot assure you that they will ultimately enhance our products or strengthen our competitive position. In addition, any acquisitions that we make could lead to difficulties in integrating personnel and operations from the acquired businesses and in retaining and motivating key personnel from these businesses. Acquisitions may disrupt our ongoing operations, divert management from day-to-day responsibilities, increase our expenses and harm our results of operations or financial condition.

OUR BUSINESS IS HIGHLY DEPENDENT ON A LIMITED NUMBER OF SIGNIFICANT CUSTOMERS.

Our business is highly dependent on a limited number of significant customers. Our three largest groups of customers are comprised of Nextel Communications, Inc. ("Nextel"), SBC Communications Inc. ("SBC") and Bell Canada and certain of their subsidiaries. In fiscal 2003, Nextel and its subsidiaries accounted for approximately 15% of our revenue, and each of SBC and Bell Canada and their subsidiaries accounted for approximately 11%. Aggregate revenue derived from the multiple business arrangements we have with each of our five largest customer groups, including Nextel, SBC and Bell Canada, accounted for approximately 55% of our revenue in fiscal 2003. SBC has historically been one of our largest shareholders, and, as of November 28, 2003, it beneficially owned approximately 9.4% of our outstanding ordinary shares. The loss of any significant customer or a significant decrease in business from any such customer could harm our results of operations and financial condition.

Although we have received a substantial portion of our revenue from recurring business with established customers, most of our major customers do not have any obligation to purchase additional products or services from us and generally have already acquired fully paid licenses to their installed systems. Therefore, our customers may not continue to purchase new systems, system enhancements or services in amounts similar to previous years or may delay implementation of committed projects.

OUR FUTURE SUCCESS WILL DEPEND ON OUR ABILITY TO DEVELOP LONG-TERM RELATIONSHIPS WITH OUR CUSTOMERS.

We believe that our future success will depend to a significant extent on our ability to develop long-term relationships with successful network operators and service providers with the financial and other resources required to invest in significant ongoing Integrated Customer Management systems. If we are unable to develop new customer relationships, our business will be harmed. In addition, our business and results of operations depend in part on our ability to provide high quality services to customers that have already implemented our products. If we are unable to meet customers' expectations in providing products or performing services, our business and results of operations could be harmed.

WE MAY BE EXPOSED TO THE CREDIT RISK OF CUSTOMERS THAT HAVE BEEN ADVERSELY AFFECTED BY WEAKENED MARKETS.

We typically sell our software and related services as part of long-term projects. During the life of a project, a customer's budgeting constraints can impact the scope of a project and the customer's ability to make required payments. In addition, the creditworthiness of our customers may deteriorate over time, and we can be adversely affected by bankruptcies or other business failures.

WE MAY NEED TO USE A SIGNIFICANT AMOUNT OF OUR CASH AND/OR ISSUE A SIGNIFICANT NUMBER OF OUR ORDINARY SHARES IF WE ARE REQUIRED TO REPURCHASE OUR 2% CONVERTIBLE NOTES DUE 2008.

Holders of our 2% Convertible Notes due 2008 (the "Notes") may require us to repurchase all or any of their Notes as early as June 1, 2004 at a repurchase price equal to 100% of the principal amount plus accrued and unpaid interest, if any. The Notes are convertible into our ordinary shares at a conversion rate of 10.8587 shares per $1,000 principal amount, representing a conversion price of approximately $92.09 per share. As of December 1, 2003, the closing price of our stock on the New York Stock Exchange ("NYSE") was $26.04. Because the conversion price of the Notes is significantly higher than the current market price of the ordinary shares, it is likely that the holders of the Notes will require us to repurchase their Notes on June 1, 2004.

We may choose to pay the repurchase price for the Notes in cash, ordinary shares or a combination of cash and ordinary shares. As of September 30, 2003, $400.5 million aggregate principal amount of the Notes was outstanding. If we repurchase the Notes using cash, it would significantly reduce the amount of cash and cash equivalents on our consolidated balance sheet. If we repurchase the Notes using shares, it could involve the issuance of a significant number of our ordinary shares. If we repurchased all of the Notes using only ordinary shares, we could be required to issue over 15.3 million ordinary shares, based on the closing price of the ordinary shares on the NYSE on December 1, 2003. If we repurchased all or part of the Notes using ordinary shares, it could cause the trading price of the ordinary shares to decline.

THE SKILLED AND HIGHLY QUALIFIED EMPLOYEES THAT WE NEED MAY BE DIFFICULT TO HIRE AND RETAIN.

Our business operations depend in large part on our ability to attract, train, motivate and retain highly skilled information technology professionals, software programmers and communications engineers. In addition, our competitive success will depend on our ability to attract and retain other outstanding, highly qualified employees. We continually need to hire sales, support, technical and other personnel. We may face difficulties identifying and hiring qualified personnel and may be unable to retain employees with the skills and experience that we require. Our inability to hire and retain the appropriate personnel could make it difficult for us to manage our operations and to compete for new customer contracts.

Our success will also depend, to a certain extent, upon the continued active participation of a relatively small group of senior management personnel. The loss of the services of all or some of these executives could harm our business.

OUR QUARTERLY OPERATING RESULTS MAY FLUCTUATE.

We have experienced fluctuations in our quarterly operating results and anticipate that such movement may continue and could intensify. Fluctuations may result from many factors, including:

- the size and timing of significant customer projects and license fees,

- delays in or cancellations of significant projects by customers,

- changes in operating expenses,

- increased competition,

- changes in our strategy,

- personnel changes,

- foreign currency exchange rate fluctuations, and

- general economic and political conditions.

Generally, our license fee revenue and our service fee revenue relating to customization and modification are recognized as work is performed, using percentage of completion accounting. Given our reliance on a limited number of significant customers, our quarterly results may be significantly affected by the size and timing of customer projects and our progress in completing such projects.

We believe that the placement of customer orders may be concentrated in specific quarterly periods due to the time requirements and budgetary constraints of our customers. Although we recognize revenue as projects progress, progress may vary significantly from project to project, and we believe that variations in quarterly revenue are sometimes attributable to the timing of initial order placements. Due to the relatively fixed nature of certain of our costs, a decline of revenue in any quarter would result in lower profitability for that quarter.

OUR BUSINESS IS IMPACTED BY THE LENGTH OF OUR SALES CYCLE.

Our business is directly affected by the length of our sales cycle. Information systems for communications companies are relatively complex and their purchase generally involves a significant commitment of capital, with attendant delays frequently associated with large capital expenditures and procurement procedures within an organization. The purchase of these types of products typically also requires coordination and agreement across many departments within a potential customer's organization. Delays associated with such timing factors could have a material adverse effect on our results of operations and financial condition. In periods of economic slowdown in the communications industry, our typical sales cycle lengthens, which means that the average time between our initial contact with a prospective customer and the signing of a sales contract increases. The lengthening of our sales cycle could reduce growth in our revenue in the future. In addition, the lengthening of our sales cycle contributes to an increased cost of sales, thereby reducing our profitability.

IF THE MARKET FOR OUR PRODUCTS DETERIORATES, WE MAY INCUR ADDITIONAL RESTRUCTURING CHARGES.

In an effort to implement long-term cost reduction measures, we reduced our workforce in the fourth quarter of fiscal 2002 and in the first quarter of fiscal 2003 and reallocated certain personnel among different areas of our operations. A reduction in personnel can result in significant severance, administrative and legal expenses and may also adversely affect or delay various sales, marketing and product development programs and activities. Depending on market conditions in the communications industry and our business and financial needs, we may be forced to implement additional restructuring plans to further reduce our costs, which could result in additional restructuring charges. Additional restructuring charges could have a material adverse effect on our financial results.

IF WE FAIL TO SUCCESSFULLY PLAN AND MANAGE CHANGES IN THE SIZE OF OUR OPERATIONS OUR BUSINESS WILL SUFFER.

Over the last several years, we have both grown and contracted our operations in order to profitably offer our products and services in a rapidly changing market. If we are unable to manage these changes and plan and manage any future changes in the size and scope of our operations, our business will suffer.

Our restructurings and cost reduction measures reduced the size of our operations. On January 31, 2003, we employed approximately 7,800 individuals in software and information technology positions, compared to approximately 9,100 on November 30, 2001. Our software and information technology workforce increased to 9,000 positions as of November 30, 2003, primarily as a result of the Certen acquisition in July 2003 and a Managed Services agreement signed in January 2003. During periods of contraction, we disposed of office space and related obligations in an effort to keep pace with the changing size of our operations. Our recent cost reduction measures included consolidating and/or relocating certain of our operations to different geographic locations. These activities could lead to difficulties and significant expenses related to subleasing or assigning any surplus space. We have accrued the estimated expenses

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that will result from our restructuring efforts. However, if it is determined that the amount accrued is insufficient, an additional charge could have an unfavorable impact on our consolidated financial statements in the period this was determined.

OUR INTERNATIONAL PRESENCE CREATES SPECIAL RISKS.

We are affected by risks associated with conducting business internationally. We maintain development facilities in Israel, the United States, Cyprus, Ireland and Canada, operate a support center in Brazil and have operations in North America, Europe, Latin America and the Asia-Pacific region. Although a majority of our revenue is derived from customers in North America and Europe, we obtain significant revenue from customers in the Asia-Pacific region and Latin America. Our strategy is to continue to broaden our North American and European customer base and to expand into new international markets. Conducting business internationally exposes us to certain risks inherent in doing business in international markets, including:

- lack of acceptance of non-localized products,

- legal and cultural differences in the conduct of business,
- difficulties in staffing and managing foreign operations,
- longer payment cycles,
- difficulties in collecting accounts receivable and withholding taxes that limit the repatriation of earnings,
- trade barriers,
- immigration regulations that limit our ability to deploy our employees,
- political instability, and
- variations in effective income tax rates among countries where we conduct business.

One or more of these factors could have a material adverse effect on our international operations, which could harm our results of operations and financial condition.

POLITICAL AND ECONOMIC CONDITIONS IN THE MIDDLE EAST MAY ADVERSELY AFFECT OUR BUSINESS.

Of the five development centers we maintain worldwide, our largest development center is located in five different sites throughout Israel. Approximately half of our employees are located in Israel. As a result, we are directly influenced by the political, economic and military conditions affecting Israel and its neighboring region. Any major hostilities involving Israel could have a material adverse effect on our business. We have developed contingency plans to provide ongoing services to our customers in the event political or military conditions disrupt our normal operations. These plans include the transfer of some development operations within Israel to various of our other sites both within and outside of Israel. If we have to implement these plans, our operations would be disrupted and we would incur significant additional expenditures, which would adversely affect our business and results of operations.

While Israel has entered into peace agreements with both Egypt and Jordan, Israel has not entered into peace arrangements with any other neighboring countries. Over the past three years there has been a significant deterioration in Israel's relationship with the Palestinian Authority and a related increase in violence. Efforts to resolve the problem have failed to result in an agreeable solution. Continued violence between the Palestinian community and Israel may have a material adverse effect on our business. Further deterioration of relations with the Palestinian Authority might require more military reserve service by some of our employees, which may have a material adverse effect on our business.

In addition, our development facility in Cyprus may be adversely affected by political conditions in that country. As a result of intercommunal strife between the Greek and Turkish communities, Turkish troops invaded Cyprus in 1974 and continue to occupy approximately 40% of the island. Efforts to resolve

the problem have not yet resulted in an agreement. Cyprus is scheduled to join the European Union ("E.U.") on May 1, 2004. The Greek and Turkish communities recently undertook a series of intensive discussions facilitated by the United Nations ("U.N."), the E.U. and the United States, in an effort to reach an agreement before the entry of Cyprus to the E.U. The Turkish community rejected the resulting U.N.-brokered peace plan. Any major hostilities between Cyprus and Turkey or the failure of the parties to reach a peaceful resolution may have a material adverse effect on our development facility in Cyprus.

FLUCTUATIONS IN FOREIGN CURRENCY EXCHANGE RATES COULD ADVERSELY AFFECT OUR BUSINESS.

A significant portion of our operating costs is incurred outside the United States. Therefore, fluctuations in exchange rates between the currencies in which such costs are incurred and the dollar may have a material adverse effect on our results of operations and financial condition. The cost of our operations outside of the United States, as expressed in dollars, could be adversely affected by the extent to which any increase in the rate of inflation in a particular country is not offset (or is offset with a time delay) by a devaluation of the local currency in relation to the dollar. As a result of this differential, from time to time we may experience increases in the costs of our operations outside the United States, as expressed in dollars, which could have a material adverse effect on our results of operations and financial condition.

In addition, a portion of our revenue (approximately 20% in fiscal 2003) is not incurred in dollars or linked to the dollar, and, therefore, fluctuations in exchange rates between the currencies in which such revenue is incurred and the dollar may have a material effect on our results of operations and financial condition. If more of our customers seek contracts that are denominated in currencies such as the euro and not the dollar, our exposure to fluctuations in currency exchange rates could increase.

Generally, the effects of fluctuations in foreign currency exchange rates are mitigated by the fact that the majority of our revenue and operating costs is in dollars or linked to the dollar and we generally hedge our currency exposure on both a short-term and long-term basis with respect to expected revenue and operating costs. However, we cannot assure you that we will be able to effectively limit all of our exposure to currency exchange rate fluctuations.

The imposition of exchange or price controls or other restrictions on the conversion of foreign currencies could also have a material adverse effect on our business, results of operations and financial condition.

WE MAY BE UNABLE TO PROTECT OUR PROPRIETARY TECHNOLOGY.

Any misappropriation of our technology or the development of competitive technology could seriously harm our business. We regard a substantial portion of our software products and systems as proprietary and rely on a combination of statutory and common law copyright, trademark, trade secret laws, customer licensing agreements, employee and third party non-disclosure agreements and other methods to protect our proprietary rights. We do not include in our software any mechanisms to prevent or inhibit unauthorized use, but we generally enter into confidentiality agreements with our employees, consultants, subcontractors, customers and potential customers and limit access to, and distribution of, our proprietary information.

The steps we have taken to protect our proprietary rights may be inadequate. If so, we might not be able to prevent others from using what we regard as our technology to compete with us. Existing trade secret, copyright and trademark laws offer only limited protection. In addition, the laws of some foreign countries do not protect our proprietary technology or allow enforcement of confidentiality covenants to the same extent as the laws of the United States. There is also the risk that other companies could independently develop similar or superior technology without violating our proprietary rights.

If we have to resort to legal proceedings to enforce our intellectual property rights, the proceedings could be burdensome, protracted and expensive and could involve a high degree of risk.

CLAIMS BY OTHERS THAT WE INFRINGE THEIR PROPRIETARY TECHNOLOGY COULD HARM OUR BUSINESS.

Although we have not received any complaints from third parties alleging infringement claims, third parties could claim that our current or future products or technology infringe their proprietary rights. We expect that software developers will increasingly be subject to infringement claims as the number of products and competitors providing software and services to the communications industry increases and overlaps occur. Any claim of infringement by a third party could cause us to incur substantial costs defending against the claim, and could distract our management from our business. Furthermore, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from selling our products or offering our services, or prevent a customer from continuing to use our products. Any of these events could seriously harm our business.

If anyone asserts a claim against us relating to proprietary technology or information, while we might seek to license their intellectual property, we might not be able to obtain a license on commercially reasonable terms or on any terms. In addition, any efforts to develop non-infringing technology could be unsuccessful. Our failure to obtain the necessary licenses or other rights or to develop non-infringing technology could prevent us from selling our products and could therefore seriously harm our business.

PRODUCT DEFECTS OR SOFTWARE ERRORS COULD ADVERSELY AFFECT OUR BUSINESS.

Design defects or software errors may cause delays in product introductions or damage customer satisfaction and may have a material adverse effect on our business, results of operations and financial condition. Our software products are highly complex and may, from time to time, contain design defects or software errors that may be difficult to detect and correct.

Because our products are generally used by our customers to perform critical business functions, design defects, software errors, misuse of our products, incorrect data from external sources or other potential problems within or out of our control may arise from the use of our products, and may result in financial or other damages to our customers, for which we may be held responsible. Although we have license agreements with our customers that contain provisions designed to limit our exposure to potential claims and liabilities arising from customer problems, these provisions may not effectively protect us against such claims in all cases and in all jurisdictions. In addition, as a result of business and other considerations, we may undertake to compensate our customers for damages caused to them arising from the use of our products, even if our liability is limited by a license or other agreement. Claims and liabilities arising from customer problems could also damage our reputation, adversely affecting our business, results of operations and financial condition and the ability to obtain "Errors and Omissions" insurance.

SYSTEM DISRUPTIONS AND FAILURES MAY RESULT IN CUSTOMER DISSATISFACTION, CUSTOMER LOSS OR BOTH, WHICH COULD MATERIALLY AND ADVERSELY AFFECT OUR REPUTATION AND BUSINESS.

Our Integrated Customer Management systems are an integral part of our customers' business operations. The continued and uninterrupted performance of these systems by our customers is critical to our success. Customers may become dissatisfied by any system failure that interrupts our ability to provide services to them. Sustained or repeated system failures would reduce the attractiveness of our services significantly, and could result in decreased demand for our products and services.

Our Managed Services include a combination of services, such as system modernization and consolidation, management and operation of data centers, purchase and management of related hardware assets, billing operations and application support. Our ability to perform Managed Services depends on our ability to protect our computer systems against damage from fire, power loss, water damage, telecommunications failures, earthquake, terrorism attack, vandalism and similar unexpected adverse events. Despite our efforts to implement network security measures, our systems are also vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering. We do not carry enough

business interruption insurance to compensate for any significant losses that may occur as a result of any of these events.

We have experienced systems outages and service interruptions in the past. We expect to experience additional outages in the future. To date, these outages have not had a material adverse effect on us. However, in the future, a prolonged system-wide outage or frequent outages could cause harm to our reputation and could cause our customers to make claims against us for damages allegedly resulting from an outage or interruption. Any damage or failure that interrupts or delays our operations could result in material harm to our business and expose us to material liabilities.

THE TERMINATION OR REDUCTION OF CERTAIN GOVERNMENT PROGRAMS AND TAX BENEFITS COULD ADVERSELY AFFECT OUR OVERALL EFFECTIVE TAX RATE.

We have benefited or currently benefit from a variety of government programs and tax benefits, including programs and benefits in Israel, Cyprus and Ireland. Generally, these programs contain conditions that we must meet in order to be eligible to obtain any benefit. If we fail to meet these conditions we could be required to refund tax benefits already received. Additionally, some of these programs and the related tax benefits are available to us for a limited number of years, and these benefits expire from time to time.

Any of the following could have a material effect on our overall effective tax rate:

- some programs may be discontinued,

- we may be unable to meet the requirements for continuing to qualify for some programs,

- these programs and tax benefits may be unavailable at their current levels,

- upon expiration of a particular benefit, we may not be eligible to participate in a new program or qualify for a new tax benefit that would offset the loss of the expiring tax benefit, or

- we may be required to refund previously recognized tax benefits if we are found to be in violation of the stipulated conditions.

WE ARE CURRENTLY A PARTY TO SECURITIES LITIGATION CLASS ACTION LAWSUITS AND A SECURITIES EXCHANGE COMMISSION INVESTIGATION, WHICH COULD NEGATIVELY AFFECT OUR BUSINESS AND RESULTS OF OPERATIONS.

Beginning in June 2002, a number of complaints were filed by holders of the Company's ordinary shares against the Company and certain of its officers and directors in the United States District Court for the Eastern District of Missouri and the Southern District of New York. The cases were transferred to and consolidated in the Eastern District of Missouri. The consolidated amended complaint filed in the action alleged that the Company and the individual defendants had made false or misleading statements about the Company's business and future prospects during a putative class period between July 18, 2000 and June 20, 2002. On December 1, 2003, the court issued an order granting the Company's motion to dismiss the securities class action lawsuits and directing that judgment be entered in favor of the defendants. Under the Federal rules the plaintiffs have a period of 30 days in which to appeal the court's decision. The litigation has been, and, if the plaintiffs pursue an appeal, may continue to be, time-consuming and costly and could divert the attention of our management personnel. These lawsuits or any future lawsuits filed against us could harm our business.

In addition, the Company has been informed that the Midwest Regional Office of the United States Securities and Exchange Commission (the "SEC") is conducting a private investigation into the events leading up to the Company's announcement in June 2002 of revised projected revenue for the third and fourth quarters of fiscal 2002. The investigation appears to be focused on, but is not explicitly limited to, the Company's forecasting beginning with its April 23, 2002 press release. Although the Company believes that it will be able to satisfy any concerns the SEC staff may have in this regard, the Company is unable to predict the duration, scope or outcome of the investigation. The Company is cooperating fully with the

SEC staff. At a minimum, this investigation may divert the attention of our management and other resources that would otherwise be engaged in operating our business.

THE MARKET PRICE OF OUR ORDINARY SHARES HAS AND MAY CONTINUE TO FLUCTUATE WIDELY.

The market price of our ordinary shares has fluctuated widely and may continue to do so. During fiscal year 2003, our ordinary shares traded as high as $27.25 per share and as low as $5.85 per share. Our ordinary shares traded as high as $39.25 per share and as low as $6.10 per share in fiscal 2002 and as high as $80.50 per share and as low as $25.85 per share in fiscal 2001. As of December 1, 2003, the closing price of our ordinary shares was $26.04 per share. Many factors could cause the market price of our ordinary shares to rise and fall, including:

- market conditions in the industry and the economy as a whole,

- variations in our quarterly operating results,

- announcements of technological innovations by us or our competitors,

- introductions of new products or new pricing policies by us or our competitors,

- trends in the communications or software industries,

- acquisitions or strategic alliances by us or others in our industry,

- changes in estimates of our performance or recommendations by financial analysts, and

- political developments in the Middle East.

In addition, the stock market often experiences significant price and volume fluctuations. These fluctuations particularly affect the market prices of the securities of many high technology companies. These broad market fluctuations could adversely affect the market price of our ordinary shares.

ITEM 4. INFORMATION ON THE COMPANY

HISTORY, DEVELOPMENT AND ORGANIZATIONAL STRUCTURE OF AMDOCS

Amdocs Limited was organized under the laws of the Island of Guernsey in 1988. Since 1995, Amdocs Limited has been a holding company for the various subsidiaries that conduct our business on a worldwide basis. Our global business is providing Integrated Customer Management systems, including software and services, to major communications companies in North America, Europe and the rest of the world. Our registered office is located in Suite 5, Tower Hill House Le Bordage, St. Peter Port, Island of Guernsey, GY1 3QT Channel Islands, and the telephone number at that location is 011-44-1481-728444.

In the United States, our main sales and development center is located in St. Louis, Missouri. The executive offices of our principal subsidiary in the United States are located at 1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017, and the telephone number at that location is (314) 212-8328.

Our subsidiaries are organized under and subject to the laws of several countries. Our principal operating subsidiaries are located in Canada, Cyprus, Ireland, Israel, the United Kingdom and the United States.

We have pursued acquisitions in order to offer new products or services or otherwise enhance our market position or strategic strengths. Our acquisition of ITDS in November 1999 enabled us to expand our service offerings and enhanced our ability to provide Managed Services solutions to our customers. In April 2000, we acquired Solect, which enhanced our ability to serve the growing Internet Protocol ("IP") needs of our customers. The acquisition in November 2001 from Nortel Networks Corporation of substantially all of the assets of its Clarify business, which provided Customer Relationship Management ("CRM") software to communications companies and other enterprise sectors, has positioned us as a leading provider of CRM to the communications industry and, through our addition of Clarify's CRM software to our product offerings, reinforced our leadership in delivering a comprehensive portfolio of

business software applications. In July 2003, we purchased Bell Canada's 90% ownership interest in Certen, which we formed with Bell Canada in January 2001. This acquisition expanded our Managed Services offerings and positioned us as a leading provider of Managed Services to the communications industry. As a result of the acquisition, Certen is now our wholly owned subsidiary.

In the future, we may consider, as part of our strategy, additional acquisitions and other initiatives in order to offer new products or services or otherwise enhance our market position or strategic strengths.

During fiscal 2003 and 2002, we took steps to reduce our costs and achieve increased operational efficiency. In fiscal 2002, we implemented a cost reduction program to reduce costs in response to a decline in our revenue for the third and fourth quarters of fiscal 2002. As part of this cost reduction program, we reduced our workforce by approximately 1,000 software and information technology specialists and administrative professionals and vacated facilities in different centers around the world. In an effort to achieve increased operational efficiency and to more closely monitor and reduce costs, in fiscal 2002 we also consolidated our Stamford, Connecticut data center into our Champaign, Illinois facility, and closed the Stamford facility. In November 2002, we announced a series of additional measures designed to reduce costs and improve productivity. As part of this plan, we reduced our workforce by approximately 400 software and information technology specialists and administrative professionals and vacated facilities in different centers around the world. In addition, we implemented other cost reduction measures, including travel cuts and reductions in other discretionary costs. As a result of these cost reduction programs, our software and information technology workforce consisted of approximately 7,800 employees as of January 31, 2003. Primarily as a result of the Certen acquisition in July 2003 and a Managed Services agreement signed with an affiliate of SBC in January 2003, we increased our software and information technology workforce by approximately 1,200 employees. Our total software and information technology workforce subsequently increased to approximately 9,000 employees as of November 30, 2003.

Our principal capital expenditures for fiscal 2003, 2002 and 2001 have been for computer equipment, for which we spent approximately $50.5 million, $42.8 million and $62.0 million, respectively. Principal capital expenditures currently in progress consist of approximately $6.5 million for additional computer equipment, with the bulk of these expenditures for computer equipment to be located at our facilities in North America and Israel.

BUSINESS OVERVIEW

Our market focus is primarily the communications industry, and we are a leading provider of software products and services to major communications companies in North America, Europe and the rest of the world. Our products and services provide an integrated approach to customer management, which we refer to as "Integrated Customer Management". Our Integrated Customer Management product offerings consist primarily of billing and customer relationship management systems, which we refer to, collectively, as "Customer Care and Billing Systems", or "CC&B Systems". We refer to customer relationship management products included within CC&B Systems as "CRM" products. Our portfolio also includes a full range of directory sales and publishing systems, which we refer to as "Directory Systems", for publishers of both traditional printed yellow page and white page directories and electronic Internet directories.

Our Integrated Customer Management systems are designed to meet the mission-critical needs of leading communications service providers, which include CRM, order management, call rating, invoice calculation and preparation, bill formatting, collections, partner relationship management and directory publishing services. We support a wide range of communications services, including wireline, wireless, voice, data, broadband, content, electronic and mobile commerce and IP based services. We also support companies that offer multiple service packages, commonly referred to as bundled or convergent services. Due to the complexity of our customers' projects and the expertise required for system support, we also provide extensive system implementation, integration, modification, ongoing support, enhancement and maintenance services. In addition, we offer Managed Services, which include a combination of services, such as system modernization and consolidation, management and operation of data centers, purchase and

management of related hardware assets, billing operations and application support, in all cases on either or a combination of a fixed or unit charge basis to our customers.

Since the inception of our business in 1982, we have concentrated on providing software products and services to major communications companies. By focusing on this market, we believe that we have been able to develop the innovative products and the industry expertise, project management skills and technological competencies required for the advanced, large-scale, specifications-intensive system projects typical of leading communications providers. Our customer base includes major North American, European and other communications companies, including major wireline companies (such as Bell Canada, SBC, Telefonica and Deutsche Telekom) and wireless companies (such as Nextel, Cingular Wireless, Vodafone Group and T-Mobile).

INDUSTRY BACKGROUND

Communications Industry

For close to 20 years, competition in the global communications industry has increased as a result of deregulation and the development of new service technologies. Competition in the U.S. market began to increase in 1984 when AT&T was required to divest its local telephone operations and many new operators began to enter the long distance market. The Telecommunications Act of 1996 increased competition in the United States even further by allowing new and existing local, long distance and cable companies to offer competing services. Many companies now compete by providing bundled or convergent services, offering combinations of local exchange, long distance, wireless, broadband access, content and electronic and mobile commerce services. Deregulation is also creating opportunities for new ways of doing business, such as wholesaling and reselling communications services. Privatization and deregulation continue to encourage increased competition worldwide. As markets are opened to competition, new competitors within these markets typically compete for market share with more established carriers by offering competitive prices, introducing new features and services and being more responsive to customer needs. In parallel, the communications industry has undergone consolidation as companies seek to broaden their global reach and expand service offerings. In addition, global expansion by multinational companies and concurrent technological advances are opening markets in less developed countries to enhanced communications services and competition.

In recent years, there has also been a large increase of new communications technologies, including ATM, IP, xDSL, WiFi, utilization of cable television infrastructure to provide Internet services, GPRS (General Packet Radio Services), UMTS (Universal Mobile Telecommunications System), WAP (Wireless Application Protocol) for wireless Internet, and intelligent networks. Additionally, the directory publishing industry, which is currently dominated by communications companies that are owned by or affiliated with the public telecommunications carriers, is experiencing significant changes due to the introduction of new technologies and distribution platforms, especially Internet directories.

Recent market conditions in the communications industry have reduced the high growth that the communications industry had experienced earlier in its history. As a result, the market value, financial results and prospects and capital spending levels of many communications companies have declined or degraded. If these market conditions deteriorate further, we and other vendors to the communications industry could be adversely affected.

Information Systems

While the demand for Integrated Customer Management systems has decreased as a result of the downturn in the communications industry, many communications companies, even in the current business environment, are seeking to improve their systems. These communications companies are looking for systems that reduce IT and operational costs, enhance customer management to support customer retention, and support rapid rollout of new marketing packages and advanced data services, as well as the ability to provide customers with single-contact, single-invoice solutions for convergent or bundled services.

As a result, communications companies require information systems that provide the level of integration, flexibility and scalability they need to improve operational efficiency and to differentiate themselves from their competitors in an increasingly competitive marketplace. To save scarce capital and operating expenditure resources, some carriers are investing in pre-configured open-architecture software products, which require limited customization, rather than highly customized solutions.

In order to implement efficient, flexible, cost-effective information systems on a timely basis, many new and existing communications companies are looking to buy CC&B Systems from external vendors, rather than developing new systems with internal resources. Moreover, as many communications companies strive to become more consumer-oriented, they are concentrating their efforts and internal resources on servicing customers and expanding their service offerings, and many are turning to third-party vendors for their information systems. These factors create significant opportunities for vendors of CC&B Systems and providers of Managed Services, such as Amdocs.

THE AMDOCS SOLUTION

We believe that our total solutions orientation, product-driven approach and commitment to and support of quality personnel permit us to offer our customers effective products and services that are both highly innovative and reliable. We believe that our success derives from a combination of the following factors that differentiate us from most of our competitors.

- Integrated Portfolio of Products. We offer our customers Integrated Customer Management by providing a portfolio of pre-integrated billing and CRM products. This approach is designed to help communications service providers link customer-facing business processes and touch points across back-office and front-office systems. We believe that our Integrated Customer Management portfolio of products helps providers to profitably and effectively manage their customers, while also reducing project risk and cost.

- Integrated Products and Services Solution. We offer our customers total solutions that combine products with a broad range of services, including customization, implementation, integration, maintenance, ongoing support and Managed Services. By providing services directly to the customer, we are able to effectively utilize our intricate technical knowledge of our Integrated Customer Management products in the overall execution of a project, helping to ensure delivery and significantly reducing project risk. Our total solutions approach differs from the multi-party approach commonly used in the market, in which products developed by a software vendor are implemented by a third-party system integrator. We believe that our approach enhances our ability to provide our customers with timely, cost-effective, low-risk solutions at a consistent level of quality.

- Functional and Flexible Integrated Customer Management Products. Our Integrated Customer Management products are based on an open, multi-tier, client-server, rule and table-based architecture that provides the functionality, scalability, modularity and adaptability required by communications companies in today's highly competitive market. The flexibility of our Integrated Customer Management products enables our customers to achieve significant time-to-market advantages and reduce their dependence on technical and other staff.

- Highly Skilled Personnel. We are able to offer our customers superior products and services on a worldwide basis in large part because of our highly qualified and trained technical, sales, marketing and managerial personnel. We invest significantly in the ongoing training of our personnel in key areas such as industry knowledge, software technologies and management capabilities. Primarily based on the skills and knowledge of our employees, we believe that we have developed a reputation for reliably delivering quality solutions within agreed time frames and budgets. We have global recruitment capabilities and have development centers in Israel, the United States, Cyprus, Ireland and Canada.

BUSINESS STRATEGY

Our goal is to provide advanced information technology software products and related customer service and support to the world's leading communications companies. We seek to accomplish our goal by pursuing the strategies described below.

- Continued Focus on the Communications Industry. We intend to continue to concentrate our main resources and efforts on providing strategic information systems to the communications industry. This strategy has enabled us to develop the specialized industry know-how and capability necessary to deliver the technologically advanced, large-scale, specifications-intensive information systems solutions required by the leading communications companies in the wireless, wireline and convergent service sectors.

- Target Industry Leaders. We intend to continue to direct our marketing efforts principally towards the major communications companies. Our customer base includes major communications companies in North America (including SBC, Verizon and Nextel), Europe (including Deutsche Telekom (Germany), BT (UK), Vodafone Group (UK) and Telefonica (Spain)) and the Asia-Pacific region (Telstra (Australia)). We believe that the development of this premier customer base has helped position us as a market leader, while contributing to the core strength of our business. By targeting industry leaders that require the most sophisticated information systems solutions, we believe that we are best able to ensure that we remain at the forefront of developments in the industry.

- Deliver Integrated Products and Services Solutions. Our strategy is to provide customers with total systems solutions consisting of our Integrated Customer Management products and our specialized services. By leveraging our product and industry knowledge, we believe that we can provide more effective system integration and implementation services as well as Managed Services to our customers.

- Provide Customers with a Broad, Integrated Suite of Products. We seek to provide our customers with a broad suite of products to meet all their Integrated Customer Management needs. For communications service providers, we seek to provide CC&B Systems across all lines of their business, such as wireline, mobile and data. This approach also means that we can support global communications service providers throughout their various international operations. We believe that our ability to provide a broad suite of products helps establish us as a strategic partner for our customers, and also provides us with multiple avenues for strengthening and expanding our ongoing customer relationships.

- Maintain and Develop Long-Term Customer Relationships. We seek to maintain and develop long-term, mutually beneficial relationships with our customers. These relationships generally involve additional product sales, as well as ongoing support, system enhancement and maintenance services. We believe that such relationships are facilitated in many cases by the mission-critical strategic nature of the systems provided by us and by the added value we provide through our specialized skills and knowledge. In addition, our strategy is to solidify our existing customer relationships by means of long-term support and maintenance contracts.

TECHNOLOGY

We have developed core competencies in various advanced technologies that are used in our Integrated Customer Management products. By utilizing technologies such as rule and table-based design, multi-tier architecture, object-oriented techniques, data mining, web-enabling and open application program interfaces, we are able to provide communications companies with the flexibility required in a highly competitive, dynamic environment. For example, the use of rule and table-based technologies allows communications companies to rapidly implement changes to their marketing and customer service activities, such as new services, price plans, discount schemes and bill formats, without the need to modify system code. Similarly, by drawing on web-enabled, Internet technologies, we have been able to improve

access to information by remote users, both internally within a communications company's organization and between the organization and its subscribers. These technologies are integrated in an open, multi-tier, service-oriented architecture. The architecture of our Integrated Customer Management products includes the key characteristics described below.

- Scalability. Our Integrated Customer Management products are designed to take full advantage of the proven scalability of the UNIX platform, allowing progressive system expansion, proportional with the customer's growth in business volumes. Using the same software, our Integrated Customer Management products can support operations for small as well as very large service providers.

- Modularity. Our Integrated Customer Management products are comprised of sets of functional modules. Each module can be installed on an individual stand-alone basis, interfacing with the customer's existing systems, or as part of an integrated Amdocs system environment. This modularity provides our customers with a highly flexible and cost-effective solution that is able to incrementally expand with the customer's growing needs and capabilities. The modular approach also preserves the customer's initial investment in Integrated Customer Management products, while minimizing future disruptions and the overall cost of system implementation.

- Portability. Utilization of the UNIX platform for our Integrated Customer Management products ensures that our customers are able to choose from a variety of hardware vendors, including Hewlett Packard, IBM and Sun Microsystems. Certain applications can also be deployed on the MVS or Windows NT platforms. The Integrated Customer Management products utilize, where applicable, Java-based design and programming to augment cross-platform portability.

PRODUCTS

Our product offerings include an extensive library of Integrated Customer Management software products that we have developed to provide comprehensive information systems functionality for communications service providers. Our Integrated Customer Management systems cover the full range of CRM, order management, call rating, invoice calculation and preparation, bill formatting, collections, partner relationship management and directory publishing services.

We configure individual Integrated Customer Management modules into families of products, which serve as marketing packages oriented to the needs of specific customer segments. We provide our main CC&B Systems offering in a number of versions to serve the different needs of communications operators in the various network and business segments, such as wireline, wireless, broadband and electronic and mobile commerce. Our main packages include:

- Amdocs Enabler: offline and online charging products, supporting prepaid and postpaid billing, for voice and next generation services.

- Amdocs ClarifyCRM: end-to-end customer management products for all operators, providing support for managing customer relationships, including service and support, sales and ordering, and marketing and analytics.

We also offer our new generation, or NG, line of ADS (NG)/Family of Products that provides comprehensive support for directory publishing operations.

Each individual module from the product families can be installed as an independent stand-alone application, interfacing with the customer's legacy and third-party systems, or as part of an integrated Amdocs solution.

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CC&B Systems

Our CC&B suite of products consists of modules for each of the following key application areas:

- Customer Management -- provides customer account information management and service support, including account initiation, on-line assistance in choosing a price plan, installation scheduling and complaint handling.

- Acquisition and Formatting -- provides for acquisition and formatting of the event records, which are created by usage of the communications network. The event records contain information such as the origin and destination of a telephone call and its duration.

- Rating -- calculates charges for usage of communications services, such as postpaid and prepaid telephone calls, Internet access and data transfer. The rating module calculates the charges for each event based on the service packages and price plans applicable to each individual user.

- Billing -- provides comprehensive functionality for bill preparation (totaling of usage and other charges, application of discounts, taxes and credits) and bill production.

- Bill Formatter -- enables the flexible definition and modification of bill formats, according to user requests (e.g., to combine charges from multiple services onto a single bill or to permit certain types of charges to be highlighted).

- Accounts Receivable and Collections -- provides comprehensive functionality for accounts receivable and collections, including invoice receipt, payment receipt, payment posting, financial reporting and automated handling of customers with outstanding debts.

- Resource Management -- manages the carrier's inventory of telephone numbers and SIM cards.

- Wireless and IP Provisioning -- manages the interface between the carrier's customer care and billing system and the network, transferring instructions regarding the provision or discontinuation of wireless and IP services to specified users.

- Partner Relationship Management -- calculates, manages and reconciles payments for intercarrier network access, including settlement of roaming charges between cellular carriers, as well as management of agreements and settlements between carriers and their business partners.

- Commerce Payments -- manages real-time payment and exchange of information between buyer and seller for next generation commerce and content transactions.

Our ClarifyCRM suite of products consists of modules for each of the following three main categories:

- Sales and Ordering Solutions -- offer comprehensive sales automation and order management products supporting the broad needs of sales professionals in sales situations. We provide a range of integrated sales automation tools enabling local and remote sales professionals to manage sales opportunities, develop quotes, forecast revenue and communicate with other sales team members. Amdocs Order Management applications help companies manage and track the ordering process from order capture and negotiation, through to provisioning and service delivery.

- Service and Support Solutions -- enable companies to maximize efficiencies in customer service organizations. Our offering includes support centers, contact centers and self-service solutions. These applications provide a unified desktop framework that allows agents to support customer care activities, including marketing, ordering, billing and servicing. They enhance customer service and communications to help improve customer satisfaction and retention. Amdocs Service and Support solutions provide companies a complete view of the customer by integrating incoming and outgoing customer contacts from all channels.

- Marketing and Analytics Solutions -- provide an integrated suite of marketing and analytic applications focused on optimizing the key customer metrics that affect a business, including

customer acquisition, retention, penetration and lifetime value. Our products help companies identify customer behavioral trends and allow our customers to take proactive measures in order to improve retention rates of their high-value customers and focus offers on their best prospective or existing customers either in real-time or using traditional outbound campaigns. Using our products, communications providers can track the effectiveness their strategies and refine them as necessary.

Directory Publishing

Our main Directory Systems product offering is the ADS(NG)/Family of Products. These products provide comprehensive support for yellow page and white page directory sales and publishing operations, as well as for Internet directories and catalogs, including fully integrated electronic commerce capabilities. These systems support large directory publishing operations that employ a local sales force numbering thousands of representatives, serve customer bases of hundreds of thousands of businesses and publish hundreds of different directories each year. The directory line of products comprises a series of modules, including:

- Sales -- addresses all aspects of managing sales to advertisers, including preparation and management of the overall sales campaign, which encompasses selecting the advertisers to be targeted, allocating the advertisers to various sales channels (such as field sales or telemarketing sales), assigning the advertisers to sales representatives, tracking advertising sales results and calculating sales commissions. These modules also provide automated support for the advertising sales representative, including laptop-based applications for use by members of the sales force in the field.

- Publishing -- supports the process of entering, proofing and extracting the telephone listing and advertising information that is to be published in the customer's yellow page or white page directory or electronic Internet directory. These modules encompass contract processing, service order processing, listing information management and directory extract in preparation for the actual production of the directory.

- Marketing and Information Analysis -- includes corporate data warehousing techniques, online analytical processing and data mining capabilities, oriented to the specific marketing needs of the directory publisher. For example, these modules can be used to identify changed patterns of advertisement buying behavior in certain groups of customers, or to perform "what if" analyses on marketing policy parameters. These modules are also used by management to analyze the directory market and customer behavior, assisting in the planning of corporate strategy and marketing tactics.

- Prepress -- manages the production of advertisements that are to be published in a directory and also supports the fully automated pagination of yellow page and white page directories, including the generation of the final typesetting file so that printed copies of the documents can be produced.

- Customer Service -- permits online support for handling customer inquiries and resolving customer complaints, including online correction of advertising data and billing adjustments.

- Financial Management -- specifically designed for the directory publisher's billing, accounts receivable and collections functions.

SERVICES

We believe that the methodology we employ to deliver Integrated Customer Management products is one of the key factors that enables us to achieve the time-frame, budget and quality objectives of our customers' projects. Our methodology emphasizes rigorous project management, customization, solutions implementation and integration planning, as well as active customer participation at all stages to help prioritize and implement time-critical information system solutions that address the customer's individual needs.

The extent of services provided varies from customer to customer. Some communications service providers prefer a highly customized approach, with extensive modifications to the Integrated Customer Management products and a significant level of ongoing support. In recent years, more of our customers have chosen to implement standard, pre-configured products with limited customization and less ongoing support. We have invested considerable research and development efforts in upgrading our applications suite to address this market requirement.

The process of customizing a system involves creating tailored Integrated Customer Management products to address a customer's specific technical and business requirements. System implementation and integration activities are conducted by joint teams from Amdocs and the customer in parallel with the customization effort. Implementation and integration activities include project management, development of training methods and procedures, design of work flows, hardware planning and installation, network and system design and installation, system conversion and documentation. In most cases, the role of Amdocs personnel is to provide support services to the customer's own implementation and integration team, which has primary responsibility for the task. Customers sometimes require turnkey solutions, in which case we are able to provide full system implementation and integration services.

Once the system becomes operational, we are generally retained by the customer to provide ongoing services such as maintenance, enhancement design and development, and operational support. For substantially all of our customers, the implementation and integration of an initial Integrated Customer Management system has been followed by the sale of additional systems and modules. In recent years, we have established long-term maintenance and support contracts with a number of our customers. These contracts have generally involved an expansion in the scope of support provided, while also ensuring a recurring source of revenue to us.

As part of our effort to provide comprehensive solutions to our customers, we offer Managed Services to support operation of our Integrated Customer Management products. These Managed Services include a combination of services, such as system modernization and consolidation, management and operation of data centers, purchase and management of related hardware assets, billing operations and application support.

Our business is conducted on a global basis. We maintain five development facilities located in Israel, the United States, Cyprus, Ireland and Canada, operate a support center located in Brazil and have operations in North America, Europe, Latin America and the Asia-Pacific region. Support for implementation and integration activities is typically performed at the customer site. Once the system is operational or in production, we provide ongoing support and maintenance through a combination of remote support from the development centers and local support at the customer site.

SALES AND MARKETING

Our sales and marketing activities are primarily directed at major communications companies. As a result of the strategic importance of our information systems to the operations of such companies, a number of constituencies within a customer's organization are typically involved in purchase decisions, including senior management, information systems personnel and user groups such as the finance and marketing departments.

We maintain sales offices in the United States, the United Kingdom and several other countries. Our sales activities are supported by marketing efforts, including marketing communications, product management, market research and strategic alliances. The management of our operating subsidiaries is closely involved in establishing sales policies and overseeing sales activities. Management's role includes the setting of priorities among the multiple sales opportunities available at any point in time. Management is also responsible for allocating sufficient resources to each project to meet our quality standards while also adhering to the project's cost and schedule parameters.

We also interact with other third parties in our sales activities, including independent sales agents, information systems consultants engaged by our customers or prospective customers and systems

integrators that provide complementary products and services to such customers. We also have value-added reseller agreements with certain hardware and database vendors.

CUSTOMERS

Our target market is comprised of communications companies that require information systems with advanced functionality and technology. The companies in our target segment are typically market leaders. By working with such companies, we help ensure that we remain at the forefront of developments in the communications industry and that our Integrated Customer Management product offerings continue to address the market's most sophisticated needs. We have an international orientation, focusing on potential customers in the developed, industrialized countries in North America, Europe, Latin America and the Asia-Pacific region. In addition, we offer CRM applications to selected customers and segments outside of the communications industry.

Our customers include global communications leaders, as well as other leading network operators and service providers and directory publishers in the United States and around the world. Our customers include:

BCP	SBC
Bell Canada	Sprint PCS
BT	Telefonica
Cingular Wireless	Telstra
Deutsche Telekom	Telus
Dex Media	T-Mobile
Far EasTone	Verizon
Group Cegetel	Vimplecom
Netcom	Vodafone Group
Nextel	Western Wireless
Rogers AT&T	

Our single largest customer group is Nextel and its subsidiaries, which accounted for, in the aggregate, approximately 15%, 12% and 10% of our revenue in fiscal 2003, 2002 and 2001, respectively. Our next largest group of customers is SBC and its subsidiaries. Substantially all of our work for SBC is conducted directly with SBC's operating subsidiaries, such as Cingular Wireless, Southwestern Bell Yellow Pages, Southwestern Bell Communications Services and Southwestern Bell Telephone Company. These SBC relationships accounted for, in the aggregate, approximately 11%, 11% and 13% of our total revenue in fiscal 2003, 2002 and 2001, respectively. SBC, through its subsidiaries, has historically been one of our largest shareholders. As of November 28, 2003, SBC beneficially owned approximately 9.4% of our outstanding ordinary shares. Our third largest customer group is Bell Canada and its subsidiaries, which accounted for, in the aggregate, approximately 11%, 9% and 6% of our revenue in fiscal 2003, 2002 and 2001, respectively.

Aggregate revenue derived from the multiple business arrangements we have with each of our five largest customers and their subsidiaries, including Nextel, SBC and Bell Canada (and their subsidiaries), accounted for approximately 55%, 49% and 49% of our revenue in fiscal 2003, 2002 and 2001, respectively.

The following is a summary of revenue by geographic area. Revenue is attributed to geographic region based on the location of the customer:

	2003	2002	2001
North America	62.0%	61.9%	53.8%
Europe	29.8	28.9	35.8
Rest of the World	8.2	9.2	10.4

COMPETITION

The market for communications information systems is highly competitive and fragmented, and we expect competition to increase. We compete with many independent providers of information systems and services, including American Management Systems, Convergys, CSG Systems International, Portal Software, Saville Systems (a subsidiary of ADC Telecommunications), SchlumbergerSema Group and Siebel Systems, with system integrators and providers of Managed Services solutions, such as EDS, and with internal information systems departments of large communication companies. We expect continued competition in the communications industry and the entrance of new competitors into the software information systems market in the future.

We believe that we are able to differentiate ourselves from the competition by, among other things:

- offering customers a total information system from a single vendor,

- providing high quality reliable, scalable products,

- effectively managing the timely implementation of products, and

- responding to customer service and support needs through a skilled professional organization.

We compete with a number of companies that have long operating histories, large customer bases, substantial financial, technical, sales, marketing and other resources, and strong name recognition. Current and potential competitors have established, and may establish in the future, cooperative relationships among themselves or with third parties to increase their ability to address the needs of our prospective customers. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share. As a result, our competitors may be able to adapt more quickly than we can to new or emerging technologies and changes in customer requirements, or to devote greater resources to the promotion and sale of their products. There can be no assurance that we will be able to compete successfully with existing or new competitors. Failure by us to adapt to changing market conditions and to compete successfully with established or new competitors may have a material adverse effect on our results of operations and financial condition.

EMPLOYEES

We invest significant resources in training, retention and motivation of high quality personnel. Training programs cover areas such as technology, applications, development methodology, project methodology, programming standards, industry background and management development. Our management development scheme is reinforced by a divisional structure, which provides opportunities for talented managers to gain experience in general management roles at the division level. We also invest considerable resources in personnel motivation, including providing various incentive plans for sales staff and high quality employees. Our future success depends in large part upon our continuing ability to attract and retain highly qualified managerial, technical, sales and marketing personnel.

See "Directors, Senior Management and Employees -- Employees" for further details regarding our employees and our relationships with them.

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Our research and development activities involve the development of new software modules and product offerings in response to an identified market demand, either in conjunction with a customer project or as part of our internal product development programs. We also expend additional amounts on applied research and software development activities to keep abreast of new technologies in the communications markets and to provide new and enhanced functionality to our existing product offerings. We believe that our research and development efforts are a key element of our strategy and are essential to our success.

We regard significant portions of our software products and systems as proprietary. We rely on a combination of statutory and common law copyright, trademark and trade secret laws, customer licensing

agreements, employee and third-party nondisclosure agreements and other methods to protect our proprietary rights.

See the discussion under "Operating and Financial Review and Prospects -- Research and Development, Patents and Licenses".

PROPERTY, PLANTS AND EQUIPMENT

Facilities

We lease land and buildings for our executive offices, sales, marketing, administrative, development and support centers. We lease an aggregate of approximately 2,300,000 square feet worldwide, including significant leases in the United States, Israel, Canada, Cyprus and the United Kingdom. Our aggregate annual lease costs are approximately $48.0 million. The following table summarizes information with respect to the principal facilities leased by us and our subsidiaries as of November 30, 2003:

LOCATION	AREA (SQ. FEET)

United States:	
Chesterfield, MO(*)	180,000
San Jose, CA	129,000
Champaign, IL	105,000
Others(*)	163,000
Total	577,000
Israel:	
Ra'anana	512,000
Hod-Hasharon	201,000
Haifa(*)	121,000
Others	72,000
Total	906,000
Canada:	
Toronto(*)	334,000
Others	168,000
Total	502,000
Cyprus (Limassol)	96,000
United Kingdom (London) (*)	59,000
Rest of the world (**)	126,000

(*) Includes space sublet to third parties.

(**) Includes Argentina, Australia, Brazil, Czech Republic, Denmark, France, Germany, Hong Kong, Hungary, Ireland, Italy, Japan, Poland, South Africa, Spain, Thailand and The Netherlands.

Our leases expire on various dates between 2003 and 2012, not including various options to extend lease terms.

Equipment

We develop our Integrated Customer Management products over a system of UNIX, MVS and Windows NT/2000 servers owned or leased by us. We use a variety of software products in our development centers, including products by Microsoft, Oracle, Synscsort, CA, Merant, IBM, HP and

BEA. Our data storage is based on equipment from EMC, SUN, NetApp and Hewlett-Packard. Our development servers are connected to approximately 14,000 personal computers owned or leased by us.

Automatic tape libraries provide full and incremental backups of the data used in and generated by our business. The backup tapes are kept on-site and off-site, as appropriate, to ensure security and integrity, and are used as part of our disaster recovery plan. The distributed development sites that we operate worldwide are connected by a high-speed redundant wide area network ("WAN"), using telecommunication equipment manufactured by, among others, Cisco and Nortel.

The distributed development sites that we operate worldwide are also connected by a high speed WAN.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

INTRODUCTION

In this section, we discuss the general financial condition and the results of operations for Amdocs Limited and its subsidiaries including:

- the factors that affect our business,

- our revenue and costs for the fiscal years ended September 30, 2003, 2002 and 2001,

- the reasons why such revenue and costs were different from year to year,

- the sources of our revenue,

- how all of this affects our overall financial condition,

- our expenditures for the fiscal years ended September 30, 2003, 2002 and 2001, and

- the sources of our cash to pay for future capital expenditures and possible acquisitions.

In this section, we also analyze and explain the annual changes in the specific line items in our consolidated statements of operations. You should read this section in conjunction with our consolidated financial statements and the notes thereto, which follow.

OVERVIEW OF BUSINESS AND TREND INFORMATION

Our market focus is primarily the communications industry, and we are a leading provider of software products and services to major communications companies in North America, Europe and the rest of the world. Our Integrated Customer Management product offerings consist primarily of billing and customer relationship management systems. Our portfolio of products also includes a full range of Directory Systems, consisting of directory sales and publishing systems, for publishers of both traditional printed yellow page and white page directories and electronic Internet directories.

Our Integrated Customer Management systems are designed to meet the mission-critical needs of leading communications service providers. We support a wide range of communications services, including wireline, wireless, voice, data, broadband, content, electronic and mobile commerce and IP based services. We also support companies that offer bundled or convergent service packages. Due to the complexity of our customers' projects and the expertise required for system support, we also provide extensive implementation, system integration, system modification, ongoing support, system enhancement and maintenance services. In addition, we offer Managed Services, which include a combination of services, such as system modernization and consolidation, management and operation of data centers, purchase and management of related hardware assets, billing operations and application support, in all cases on either or a combination of a fixed or unit charge basis to our customers.

As part of our strategy, we may pursue acquisitions and other initiatives in order to offer new products or services or otherwise enhance our market position or strategic strengths. See the discussion below under the caption "Acquisitions".

We derive our revenue principally from:

- the initial sales of our products and related services, including license fees and modification, implementation and integration services,

- providing Managed Services and other related services for our solutions, and

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

We usually sell our software as part of an overall solution offered to a customer, in which significant modification is normally required. As a result, we generally recognize revenue over the course of these long-term projects. 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. 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. In Managed Services contracts, we typically recognize revenue from the operation of a customer's system either ratably over the service period or as services are performed. Revenue from ongoing support services is recognized as work is performed. Revenue from third-party hardware and software sales is recognized upon delivery and installation. 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.

Our business is subject to the effects of general global economic conditions and, in particular, market conditions in the communications industry. As a result of the slowdown in the communications industry, the market value, financial results and prospects, and capital spending levels of communications companies have declined or degraded.

The challenging environment in the communications industry has significantly impacted our business. Delays in customer buying decisions stemming from rigorous management of operating expenses and overall reductions in the capital investment budgets of many communications service providers have led to fewer new contracts, as well as smaller initial spending commitments and reduced discretionary spending under contracts with some of our customers. Our revenue for the fiscal year ended September 30, 2003 decreased by $130.2 million, or 8.1%, from fiscal 2002. We continue to encounter delays in obtaining commitments from customers. However, there have been increasing signs of stabilization in the market. During fiscal 2003, total quarterly revenue increased by 4.6% between the first and second quarters, by 6.2% between the second and third quarters and by 9.2% between the third and fourth quarters, primarily as a result of new Managed Services agreements and our acquisition of Certen in the fourth quarter of fiscal 2003. Despite continued uncertain conditions in the communications industry, we believe that we will be able to achieve modest sequential growth in revenue and earnings in the coming quarters.

Due to our heavy dependence on the communications industry, we can be adversely affected by consolidations of service providers and by bankruptcies or other business failures in that industry. The potential loss of a customer due to consolidation or failures in the communications industry could harm our business and might have a material adverse effect on our consolidated operating results and financial condition.

Total license and service revenue for the fiscal year ended September 30, 2003 was $1,483.3 million, compared to $1,613.6 million in fiscal 2002 and $1,533.9 million in fiscal 2001.

License and service fees from the sale of CC&B Systems amounted to $1,280.4 million in the fiscal year ended September 30, 2003, compared to $1,440.0 million in fiscal 2002 and $1,379.7 million in fiscal 2001. In fiscal 2003, license and service fees from the sale of CC&B Systems represented 86.3% of our total revenue, compared to 89.2% in fiscal 2002 and 89.9% in fiscal 2001.

We believe that we are a leading global provider of CC&B Systems. We provide a broad set of billing and CRM products, with proven functionality and scalability, accompanied by a comprehensive range of support services.

We believe that demand for our CC&B Systems is driven by, among other key factors:

- the global penetration of communications service providers,

- the emergence of new communications products and services, especially IP, data and content services,

- technological changes, such as the introduction of wireless Internet services via GPRS (General Packet Radio Services) and UMTS (Universal Mobile Telecommunications System) technology,

- the ongoing consolidation within the communications industry,

- the business needs of communications service providers to reduce costs and retain high value customers, and

- a shift from in-house management to vendor solutions.

We also believe that additional drivers of demand are the continuing trend for communications service providers to offer their subscribers multiple service packages, commonly referred to as bundled or convergent services (combinations of voice, broadband, electronic and mobile commerce and IP services), and the ability of our CC&B Systems to improve productivity.

License and service fees from the sale of Directory Systems amounted to $202.9 million in the fiscal year ended September 30, 2003, compared to $173.6 million in fiscal 2002 and $154.2 million in fiscal 2001. In fiscal 2003, license and service fees from the sale of Directory Systems represented 13.7% of our total revenue, compared to 10.8% in fiscal 2002 and 10.1% in fiscal 2001.

We believe that we are a leading provider of Directory Systems in most of the markets that we serve. As a result of new agreements announced in 2003, we expect that our revenue from Directory Systems will remain relatively stable in fiscal 2004.

License and service revenue from the sale of CC&B Systems and Directory Systems includes revenue from Managed Services arrangements. Managed Services projects are a significant part of our business, and generate 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 typically improve over time as we benefit from the operational efficiencies provided by system modernization and consolidation. We expect that our Managed Services relationships will generate margins comparable to sales of our other products and related license and services over the entire relationships.

OPERATIONAL EFFICIENCY AND COST REDUCTION PROGRAMS

In the first quarter of fiscal 2003, we announced a series of measures designed to reduce costs and improve productivity and recorded a charge of $10.0 million, consisting primarily of employee separation costs in connection with the termination of employment of approximately 400 software and information technology specialists and administrative professionals and for the write-off of leasehold improvements and rent obligations. The employee terminations occurred at various locations around the world. In addition, we implemented other cost reduction measures, including travel cuts and reductions in other discretionary costs.

This cost reduction program is in addition to the measures implemented during the first and fourth quarters of fiscal 2002. In the fourth quarter of fiscal 2002, we recorded a charge of $20.9 million, consisting primarily of employee separation costs in connection with the termination of employment of approximately 1,000 software and information technology specialists and administrative professionals and

for the write-off of leasehold improvements and rent obligations. In the first quarter of fiscal 2002, we consolidated our Stamford, Connecticut data center into our Champaign, Illinois facility, and closed the Stamford facility. As a direct result of this closure, we recorded a restructuring charge of $13.3 million in the first quarter of fiscal 2002, primarily for the write-off of leasehold improvements and rent obligations, with the remainder for employee separation costs.

All of these charges are included in "restructuring charges, in-process research and development and other" for the years ended September 30, 2003 and 2002.

ACQUISITIONS

As part of our strategy, we may pursue acquisitions in order to offer new products or services or otherwise enhance our market position or strategic strengths.

On November 28, 2001, we purchased from Nortel Networks Corporation substantially all of the assets of its Clarify business, a leading provider of CRM software to communications companies and other enterprise sectors. This acquisition positioned us as a leading provider of CRM software to the communications industry and, through our addition of Clarify's CRM software to our portfolio of product offerings, reinforced our leadership in delivering Integrated Customer Management software applications. Following the acquisition, we have continued to sell Clarify's CRM software to customers other than communications service providers. The total purchase price for Clarify, as of September 30, 2002, was $212.0 million in cash, including transaction costs of $8.3 million. The purchase price was subject to final price adjustments that were settled in October 2002 and resulted in an $11.1 million reduction of the purchase price to $200.9 million in the first quarter of fiscal 2003.

We accounted for the Clarify acquisition using the purchase method of accounting. We have included the fair market value of the assets and liabilities acquired in our consolidated balance sheet and the results of operations for Clarify in our consolidated statements of operations as of the closing date of the acquisition. We obtained a valuation of the intangible assets acquired and the acquired technology, including both existing technology and in-process research and development. The valuation of these items was estimated by applying the income forecast method, which considered the present value of cash flows by product lines. We amortized the fair value of existing technology products over two years, commencing as of the closing date of the acquisition. We charged as an expense in-process research and development immediately following the completion of the acquisition in accordance with the Financial Accounting Standards Board ("FASB") Interpretation No. 4, "Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method", because the technology had not reached technological feasibility and had no alternative use. As of the closing date of the acquisition, we commenced amortization of the fair value of customer arrangements over three years.

On July 2, 2003, we acquired from Bell Canada its 90% ownership interest in Certen, which we formed with Bell Canada in January 2001 to provide customer care and billing solutions to Bell Canada and a number of Bell Canada's affiliated companies. This acquisition expanded our Managed Services offerings and positioned us as a leading provider of Managed Services to the communications industry. Prior to this acquisition, we owned 10% of Certen. As a result of the acquisition, Certen is now our wholly owned subsidiary. Since Certen's inception, we have provided customer care and billing software required by Certen, including related customization, installation, maintenance and other services. We now have a major billing operations Managed Services agreement with Bell Canada through December 2010. The total purchase price for Certen was approximately $66.0 million in cash. In addition, we incurred transaction related costs of approximately $5.0 million.

We accounted for the Certen acquisition using the purchase method of accounting. We have included the fair market value of the assets and liabilities acquired in this transaction in our consolidated balance sheet and the results of operations for Certen in our consolidated statement of operations as of the closing date of the acquisition. We are in the process of obtaining a valuation of the intangible assets acquired. A final determination of purchase accounting adjustments will be made following the completion of the valuation. The total purchase price is being allocated to Certen's assets and liabilities, including the

identifiable intangibles, based on their respective estimated fair values, on the date the transaction was consummated. We allocated to goodwill the excess of the purchase price over the fair value of the net assets acquired, including the identifiable intangibles. In addition, deferred taxes were recognized for the difference between the book and tax basis of certain assets and liabilities, including the acquired identifiable intangibles. We are amortizing the fair value of the customer arrangement over seven and half years commencing on the closing date of the acquisition (the remaining life of the Managed Services agreement).

The excess of the purchase price over the fair value of the net assets acquired, including the identifiable intangibles, constitutes goodwill. According to the transition provisions of Statements of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", goodwill for acquisitions completed subsequent to June 30, 2001 is not amortized and goodwill for acquisitions completed prior to June 30, 2001 is amortized only through September 30, 2002. See the discussion below under the caption "Adoption of New Accounting Standards". In accordance with these provisions, the goodwill relating to the Clarify and Certen acquisitions has not been amortized.

For more information on our acquisitions, see Note 3 to the consolidated financial statements included in this document.

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Our research and development activities involve the development of new software modules and product offerings in response to an identified market demand, either in conjunction with a customer project or as part of our internal product development programs. We also expend additional amounts on applied research and software development activities to keep abreast of new technologies in the communications markets and to provide new and enhanced functionality to our existing product offerings. Research and development expenditures were $119.3 million, $124.1 million and $105.8 million in the fiscal years ended September 30, 2003, 2002 and 2001, respectively, representing 8.0%, 7.7% and 6.9%, respectively, of our revenue in these fiscal years. We believe that our research and development efforts are a key element of our strategy and are essential to our success. Although we intend to continue to devote resources to research and development as required to maintain and further strengthen our market position, our research and development budget, like all of our costs, is sensitive to our overall financial condition. A decrease in our total revenue could, in certain circumstances, lead to reductions in the levels of our research and development expenditures. In the near-term, we intend to continue to make substantial investments in our research and development activities. We believe that this ongoing investment will position us to capitalize on future potential opportunities in the communications industry.

We regard significant portions of our software products and systems as proprietary. We rely on a combination of statutory and common law copyright, trademark and trade secret laws, customer licensing agreements, employee and third-party nondisclosure agreements and other methods to protect our proprietary rights. We generally enter into confidentiality agreements with our employees, consultants, subcontractors, customers and potential customers and limit access to, and distribution of, our proprietary information. We believe that the sophistication and complexity of our Integrated Customer Management offerings make it very difficult to copy such information or to subject such information to unauthorized use. We maintain sole ownership of our software products.

CONVERTIBLE NOTES

In May 2001, we issued $500.0 million aggregate principal amount of 2% Convertible Notes due June 1, 2008. We are obligated to pay interest on the Notes semi-annually on June 1 and December 1 of each year. The Notes are senior unsecured obligations and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The Notes are convertible, at the option of the holders at any time before the maturity date, into our ordinary shares at a conversion rate of 10.8587 shares per $1,000 principal amount of Notes, representing a conversion price of approximately $92.09 per share. The Notes are subject to redemption at any time on or after June 1, 2006, in whole or in part, at our option, at

a redemption price of 100% of the principal amount plus accrued and unpaid interest. The Notes are subject to repurchase, at the holder's option, on June 1, 2004 and June 1, 2006, at a repurchase price equal to 100% of the principal amount plus accrued and unpaid interest, if any, on such repurchase dates. Due to the high conversion price for the Notes, it is likely that the holders of the Notes will require us to redeem their Notes on June 1, 2004. We may choose to pay the repurchase price in cash, ordinary shares or a combination of cash and ordinary shares.

On July 23, 2002, our Board of Directors authorized us to repurchase Notes, in such amounts, at such prices and at such times considered appropriate. Such repurchases may be made on the open market, in privately negotiated transactions or otherwise, in accordance with any applicable laws and the terms of the Notes. In the fourth quarter of fiscal 2003, we repurchased $44.6 million aggregate principal amount of the Notes, at an average price of $990 per $1,000 principal amount. In the fourth quarter of fiscal 2002, we repurchased $54.9 million aggregate principal amount of the Notes, at an average price of $890 per $1,000 principal amount. We funded these repurchases, and intend to fund any future repurchases, with available funds. As of September 30, 2003, $400.5 million aggregate principal amount of the Notes was outstanding.

SHARE REPURCHASE PROGRAM

On November 5, 2003, we announced that our Board of Directors had authorized a share repurchase program of up to five million ordinary shares over the next twelve months. The authorization permits us to purchase ordinary shares in open market or privately negotiated transactions and at prices we deem appropriate. We stated that one of the main purposes of the repurchase program was to offset the dilutive effect of any future share issuances, including issuances in connection with acquisitions or pursuant to employee equity plans. In accordance with this program, as of December 22, 2003, we had repurchased approximately 5.0 million ordinary shares, at an average price of $24.82 per share. Pursuant to a previous share repurchase program, in fiscal 2002 we purchased 7.7 million of our ordinary shares at a weighted average price of $14.13 per share.

ADJUSTMENT TO THE BASIS OF INVESTMENTS

We recorded pretax charges of $5.5 million and $6.8 million in fiscal 2002 and fiscal 2001, respectively, to adjust the carrying value of certain investments accounted for by us under the cost method. Following these adjustments and the Certen transaction, we had no investments accounted for under the cost method as of September 30, 2003, with a carrying value other than zero.

OPERATING RESULTS

The following table sets forth for the fiscal years ended September 30, 2003, 2002 and 2001 certain items in our consolidated statements of operations reflected as a percentage of total revenue:

	YEAR ENDED SEPTEMBER 30,		
	2003	2002	2001
Revenue:			
License	4.4%	9.5%	11.2%
Service	95.6	90.5	88.8
	100.0	100.0	100.0
Operating expenses:			
Cost of license	0.4	0.3	0.4
Cost of service	61.2	57.5	55.3

Research and development	8.0	7.7	6.9
Selling, general and administrative	13.9	13.9	12.7
Amortization of goodwill and purchased intangible assets	1.4	14.4	14.3
Restructuring charges, in-process research and development and other	0.9	3.2	--
	85.8	97.0	89.6
Operating income	14.2	3.0	10.4
Interest income and other, net	1.0	1.2	1.4