

AMDOCS LTD
Form 6-K
August 09, 2010

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

Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarter Ended June 30, 2010

Commission File Number 1-14840

AMDOCS LIMITED

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

Amdocs, Inc.

1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017

(Address of principal executive offices)

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

FORM 20-F FORM 40-F

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

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

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

YES NO

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

AMDOCS LIMITED
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
FOR THE QUARTER ENDED JUNE 30, 2010
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This report on Form 6-K shall be incorporated by reference into the Registration Statements on Form F-3 (File Nos. 333-114079 and 333-114344) and any other Registration Statement filed by the Registrant that by its terms automatically incorporates the Registrant's filings and submissions with the SEC under Sections 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934.

PART I FINANCIAL INFORMATION**Item 1. Financial Statements****AMDOCS LIMITED
CONSOLIDATED BALANCE SHEETS**

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

	June 30, 2010 (Unaudited)	As of September 30, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 671,154	\$ 728,762
Short-term interest-bearing investments	618,785	444,279
Accounts receivable, net	506,778	454,965
Deferred income taxes and taxes receivable	111,560	117,848
Prepaid expenses and other current assets	84,449	126,704
Total current assets	1,992,726	1,872,558
Equipment and leasehold improvements, net	246,728	279,659
Deferred income taxes	140,340	137,662
Goodwill	1,641,081	1,539,424
Intangible assets, net	236,129	227,337
Other noncurrent assets	313,761	271,777
Total assets	\$ 4,570,765	\$ 4,328,417
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 139,401	\$ 86,189
Accrued expenses and other current liabilities	207,154	174,341
Accrued personnel costs	191,583	154,841
Deferred revenue	167,209	186,158
Deferred income taxes and taxes payable	19,378	9,338
Total current liabilities	724,725	610,867
Deferred income taxes and taxes payable	289,430	273,110
Other noncurrent liabilities	260,829	231,387
Total liabilities	1,274,984	1,115,364
Shareholders equity:		
Preferred Shares Authorized 25,000 shares; £0.01 par value; 0 shares issued and outstanding		
Ordinary Shares Authorized 700,000 shares; £0.01 par value; 244,046 and 242,466 issued and 199,565 and 205,079 outstanding, respectively	3,955	3,930
Additional paid-in capital	2,388,418	2,334,090
Treasury stock, at cost 44,481 and 37,387 Ordinary Shares, respectively	(1,128,517)	(919,874)

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Accumulated other comprehensive (loss) income	(3,807)	8,343
Retained earnings	2,035,732	1,786,564
Total shareholders' equity	3,295,781	3,213,053
Total liabilities and shareholders' equity	\$ 4,570,765	\$ 4,328,417

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

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

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Revenue:				
License	\$ 25,592	\$ 26,075	\$ 75,691	\$ 107,879
Service	727,657	664,190	2,146,338	2,047,309
	753,249	690,265	2,222,029	2,155,188
Operating expenses:				
Cost of license	459	537	1,646	2,097
Cost of service	480,074	441,777	1,417,729	1,381,825
Research and development	52,253	51,134	153,549	160,113
Selling, general and administrative	93,446	81,732	277,054	256,305
Amortization of purchased intangible assets and other	21,748	21,839	64,506	63,594
Restructuring charges and in-process research and development				20,780
	647,980	597,019	1,914,484	1,884,714
Operating income	105,269	93,246	307,545	270,474
Interest and other (expense) income, net	(3,768)	2,514	(27,244)	(1,014)
Income before income taxes	101,501	95,760	280,301	269,460
Income taxes	9,236	10,212	31,133	29,035
Net income	\$ 92,265	\$ 85,548	\$ 249,168	\$ 240,425
Basic earnings per share (1)	\$ 0.45	\$ 0.42	\$ 1.21	\$ 1.18
Diluted earnings per share (1)	\$ 0.45	\$ 0.42	\$ 1.21	\$ 1.16
Basic weighted average number of shares outstanding (1)	203,786	203,951	205,078	203,784
Diluted weighted average number of shares outstanding (1)	205,471	204,252	206,606	209,322

(1) The basic and diluted weighted average number of shares outstanding for

the three and nine months ended June 30, 2009 have been retroactively adjusted to reflect the adoption of new earnings per share authoritative guidance requiring the inclusion of unvested share-based payment awards containing nonforfeitable rights to dividends or dividend equivalents in the calculation of basic weighted average number of shares outstanding. This adjustment reduced basic earnings per share by \$0.01 for the nine months ended June 30, 2009 and had no impact on basic and diluted earnings per share for the three months ended June 30, 2009 and on diluted earnings per share for the nine months ended June 30, 2009.

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

AMDOCS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
(dollar and share amounts in thousands)

	Ordinary Shares		Additional	Treasury	Accumulated Other Comprehensive (Loss) Income	Retained	Total
	Shares	Amount	Paid-in Capital	Stock		Earnings	Shareholders' Equity
Balance as of September 30, 2009	205,079	\$ 3,930	\$ 2,334,090	\$ (919,874)	\$ 8,343	\$ 1,786,564	\$ 3,213,053
Comprehensive income:							
Net income						249,168	249,168
Unrealized loss on foreign currency hedging contracts, net of \$(2,768) tax					(16,250)		(16,250)
Unrealized gain on short-term interest-bearing investments, net of \$100 tax					4,100		4,100
Comprehensive income							237,018
Employee stock options exercised	1,016	16	22,000				22,016
Repurchase of shares	(7,094)			(208,643)			(208,643)
Issuance of restricted stock, net of forfeitures	564	9					9
Equity-based compensation expense related to employees			32,328				32,328
Balance as of June 30, 2010	199,565	\$ 3,955	\$ 2,388,418	\$ (1,128,517)	\$ (3,807)	\$ 2,035,732	\$ 3,295,781

As of June 30, 2010 and September 30, 2009, accumulated other comprehensive (loss) income is comprised of unrealized (loss) gain on foreign currency hedging contracts, net of tax, of \$(3,314) and \$12,936, respectively, unrealized loss on short-term interest-bearing investments, net of tax, of \$(2,317) and \$(6,417), respectively, and unrealized gain on defined benefit plan, net of tax, of \$1,824.

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

AMDOCS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollar amounts in thousands)

	Nine months ended	
	June 30,	
	2010	2009
Cash Flow from Operating Activities:		
Net income	\$ 249,168	\$ 240,425
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	146,046	147,869
Loss from divestiture of a subsidiary	23,399	
In-process research and development expenses		5,640
Loss on sale of equipment	223	67
Equity-based compensation expense	32,328	33,331
Deferred income taxes	(14,431)	13,097
Gain on repurchase of convertible notes		(2,185)
Excess tax benefit from equity-based compensation	(103)	(10)
(Gain) loss from short-term interest-bearing investments	(581)	5,821
Net changes in operating assets and liabilities, net of amounts acquired:		
Accounts receivable, net	(60,923)	63,843
Prepaid expenses and other current assets	33,181	6,875
Other noncurrent assets	(23,960)	2,263
Accounts payable, accrued expenses and accrued personnel	112,705	(139,466)
Deferred revenue	22,532	8,815
Income taxes payable	16,463	(12,638)
Other noncurrent liabilities	1,513	(38,268)
Net cash provided by operating activities	537,560	335,479
Cash Flow from Investing Activities:		
Payments for purchase of equipment and leasehold improvements, net	(59,504)	(65,045)
Proceeds from sale of short-term interest-bearing investments	1,070,065	601,844
Purchase of short-term interest-bearing investments	(1,239,792)	(676,472)
Net cash paid for acquisitions	(199,496)	(61,890)
Net cash received from divestiture of a subsidiary	20,336	
Net cash used in investing activities	(408,391)	(201,563)
Cash Flow from Financing Activities:		
Borrowing under long-term financing arrangements		450,000
Payments under long-term financing arrangements		(150,000)
Redemption of convertible notes		(330,780)
Repurchase of convertible notes		(116,015)
Repurchase of shares	(208,643)	(20,014)
Payments under capital lease and short-term financing arrangements	(262)	(3,092)
Proceeds from employee stock options exercised	22,025	2,026
Excess tax benefit from equity-based compensation	103	10

Net cash used in financing activities	(186,777)	(167,865)
Net decrease in cash and cash equivalents	(57,608)	(33,949)
Cash and cash equivalents at beginning of period	728,762	718,850
Cash and cash equivalents at end of period	\$ 671,154	\$ 684,901

Supplementary Cash Flow Information

Cash paid for:

Income taxes, net of refunds	\$ 33,181	\$ 23,701
Interest	2,358	2,616

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

AMDOCS LIMITED
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Amdocs Limited (Amdocs or the Company) is a leading provider of software and services for communications, media and entertainment industry service providers. The Company and its subsidiaries operate in one segment, providing integrated products and services primarily to leading wireless, wireline, cable and satellite service providers throughout the world. The Company designs, develops, markets, supports, implements and operates customer experience systems, including revenue management, customer management, service and resource management (OSS), personalized portal and value-added services and portfolio management, as well as consulting and managed services for its customers. Amdocs also offers a full range of directory sales and publishing systems.

The Company is a Guernsey company, which directly or indirectly holds numerous wholly-owned subsidiaries around the world. The majority of the Company's customers are in North America, Europe, Latin America and the Asia-Pacific region. The Company's main production and operating facilities are located in Canada, Cyprus, India, Ireland, Israel, and the United States.

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

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

The results of operations for the interim periods presented herein are not necessarily indicative of the results to be expected for the full fiscal year. These statements do not include all information and footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with GAAP. These statements should be read in conjunction with the Company's consolidated financial statements for the fiscal year ended September 30, 2009, set forth in the Company's Annual Report on Form 20-F filed on December 7, 2009 with the U.S. Securities and Exchange Commission, or the SEC. Subsequent events were evaluated through the date these financial statements were issued.

Reclassification

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

2. Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board, or FASB, issued authoritative guidance on the consolidation of variable interest entities, which is effective for the Company beginning October 1, 2010. The new guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of control over such entities, and additional disclosures for variable interests. Based on its current operations, the Company believes that the adoption of this new guidance will not have a material impact on its financial statements.

3. Adoption of New Accounting Standards

In January 2010, the FASB issued guidance to amend the disclosure requirements of fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons for the transfers, the reasons for any transfer in or out of Level 3 of the fair value measurement hierarchy and a roll forward of activities on purchases, sales, issuances, and settlements of recurring assets and liabilities measured at Level 3 of the fair value measurement hierarchy. In addition to these new disclosure requirements the new guidance also clarifies certain existing disclosure requirements. The guidance became effective for the Company beginning January 1, 2010, except for the disclosure on the roll forward activities for Level 3 fair value measurements, which will become effective for the Company beginning October 1, 2011. The adoption of this new guidance did not have a material impact on the Company's financial statements.

In October 2009, the FASB issued authoritative guidance for revenue recognition relating to arrangements containing both hardware and software elements. Under the new guidance, tangible products that have software components that are essential to the functionality of the tangible product will no longer be within the scope of software revenue recognition guidance, and will now be subject to other relevant revenue recognition guidance. Additionally, the FASB updated its authoritative guidance for revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. The revised guidance eliminates the requirement that objective and reliable evidence of fair value exist for an undelivered item in order for a delivered item to be treated as a specific unit of accounting. In addition, the guidance modifies the methodology to allocate transaction consideration to each identified unit of accounting by allowing the use of estimated selling price, or ESP, for individual elements of an arrangement when vendor specific objective evidence, or VSOE, of fair value or third-party evidence of selling price is unavailable. This results in the elimination of the residual method of allocating revenue consideration. The Company elected to early adopt the pronouncements at the beginning of its first quarter of fiscal 2010 on a prospective basis for applicable transactions originating or materially modified after October 1, 2009. If VSOE of fair value or third-party evidence of selling price is unavailable, the Company determines ESP for the purposes of allocating the consideration to individual elements of an arrangement by considering several external and internal factors including, but not limited to, pricing practices, margin objectives, geographies in which the Company offers its services and internal costs. The determination of ESP is made through consultation with and approval by management. This guidance does not generally change the units of accounting in the Company's revenue arrangements or the methodology by which transaction consideration is allocated to the various units of accounting due to the fact that, for the majority of the Company's existing multiple deliverables arrangements, the Company allocated transaction consideration for purposes of revenue recognition to each identified unit of accounting based upon its relative fair value, determined using VSOE. The new accounting standards for revenue recognition if applied to the year ended September 30, 2009 would not have had a material impact on the Company's results of operations or financial position for that fiscal year. In addition, the adoption of the new guidance did not have a material impact on the Company's results of operations or financial position in the three and nine months ended June 30, 2010.

Effective October 1, 2009, the Company adopted the new earnings per share authoritative guidance that provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are considered participating securities. As such, they should be included in the computation of basic earnings per share, or EPS, using the two-class method. Prior-period EPS data presented have been adjusted retroactively. This adjustment reduced basic EPS by \$0.01 for the nine months ended June 30, 2009 and had no impact on basic and diluted earnings per share for the three months ended June 30, 2009 and on diluted earnings per share for the nine months ended June 30, 2009.

Effective October 1, 2009, the Company adopted the fair value measurements guidance for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value on a recurring basis (at least annually). The adoption of this guidance did not have a material impact on the Company's results of operations or financial position.

Effective October 1, 2009, the Company adopted the revised accounting guidance for business combinations. This guidance significantly changes the accounting for business combinations and establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree and recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase. Among the more significant changes, acquired in-process research and development will be capitalized and upon completion amortized over its useful life; acquisition costs will be expensed as incurred; restructuring costs will generally be expensed in periods after the acquisition date; contingent consideration will be recognized at fair value at the acquisition date with subsequent changes recognized in earnings, and reductions in deferred tax valuation allowance relating to a business acquisition will be recognized in earnings. In April 2009, the FASB issued an amendment to the revised business combination guidance regarding the accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies. The impact of this accounting guidance on the Company's results of operations or financial position will vary depending on each specific business combination. This guidance did not have a material impact on the Company's results of operations or

financial position in the three and nine months ended June 30, 2010.

Effective October 1, 2009, the Company adopted the guidance that changes the accounting and reporting for noncontrolling (minority) interests in consolidated financial statements, including the requirement to classify noncontrolling interests as a component of consolidated stockholders' equity, the elimination of minority interest accounting in results of operations and changes in the accounting for both increases and decreases in a parent's controlling ownership interest. The adoption of this guidance had no impact on the Company's consolidated results of operations or financial position.

4. Fair Value Measurement

The Company accounts for certain assets and liabilities at fair value. Fair value is the price that would be received from selling an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. The Company categorizes each of its fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of inputs that may be used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets), or other inputs that are observable (model-derived valuations in which significant inputs are observable) or can be derived principally from, or corroborated by, observable market data; and

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables present the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and September 30, 2009:

	As of June 30, 2010		
	Level 1	Level 2	Total
Available-for-sale securities:			
Money market funds	\$ 420,601	\$	\$ 420,601
U.S. government treasuries	322,818		322,818
U.S. agencies		115,499	115,499
Government guaranteed debt		146,710	146,710
Supranational and sovereign debt		32,791	32,791
Corporate bonds		60,016	60,016
Asset backed obligations		8,574	8,574
Mortgages (including agencies and corporate)		20,566	20,566
Other	10,022	5,021	15,043
Total available-for-sale securities	753,441	389,177	1,142,618
Derivative financial instruments, net		(4,404)	(4,404)
Total	\$ 753,441	\$ 384,773	\$ 1,138,214

	As of September 30, 2009		
	Level 1	Level 2	Total
Available-for-sale securities:			
Money market funds	\$ 465,249	\$	\$ 465,249
U.S. government treasuries	272,405		272,405
U.S. agencies		93,211	93,211
Government guaranteed debt		83,949	83,949
Supranational and sovereign debt		15,751	15,751

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Corporate bonds		32,130	32,130
Asset backed obligations		16,645	16,645
Mortgages (including agencies and corporate)		32,392	32,392
Other	8,000	14	8,014
Total available-for-sale securities	745,654	274,092	1,019,746
Derivative financial instruments, net		13,882	13,882
Total	\$ 745,654	\$ 287,974	\$ 1,033,628

Available for sale securities that are classified as Level 2 assets are priced using observable data that may include quoted market prices for similar instruments, market dealer quotes, market spreads, non-binding market prices that are corroborated by observable market data and other observable market information and discounted cash flow techniques. The Company's derivative instruments are classified as Level 2 as they represent foreign currency forward exchange and option contracts valued primarily based on observable inputs including forward rates and yield curves.

Fair Value of Financial Instruments

The financial instruments of the Company consist mainly of cash and cash equivalents, short-term interest-bearing investments, accounts receivable, accounts payable, foreign currency forward exchange contracts and options. The fair value of the financial instruments included in the accounts of the Company does not significantly vary from their carrying amount.

5. Available-For-Sale Securities

Available-for-sale securities consist of the following interest-bearing investments:

	Amortized Cost	As of June 30, 2010		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Money market funds	\$ 420,601	\$	\$	\$ 420,601
U.S. government treasuries	321,973	845		322,818
U.S. agencies	114,507	992		115,499
Government guaranteed debt	145,461	1,334	85	146,710
Supranational and sovereign debt	32,755	67	31	32,791
Corporate bonds	61,381	399	1,764	60,016
Asset backed obligations	9,888	34	1,348	8,574
Mortgages (including agencies and corporate)	23,296	369	3,099	20,566
Other	15,156		113	15,043
Total(1)	\$ 1,145,018	\$ 4,040	\$ 6,440	\$ 1,142,618

(1) Available-for-sale securities are classified as short-term interest-bearing investments on the Company's balance sheet, except for \$523,833 of securities with original maturities of 90 days or less which are included in cash and cash

equivalents as of
June 30, 2010.

	Amortized Cost	As of September 30, 2009		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
Money market funds	\$ 465,249	\$	\$	\$ 465,249
U.S. government treasuries	271,483	922		272,405
U.S. agencies	91,772	1,439		93,211
Government guaranteed debt	83,212	764	27	83,949
Supranational and sovereign debt	15,610	141		15,751
Corporate bonds	32,924	730	1,524	32,130
Asset backed obligations	19,630	179	3,164	16,645
Mortgages (including agencies and corporate)	38,339	552	6,499	32,392
Other	8,127		113	8,014
Total(1)	\$ 1,026,346	\$ 4,727	\$ 11,327	\$ 1,019,746

(1) Available-for-sale securities are classified as short-term interest-bearing investments on the Company's balance sheet, except for \$575,467 of securities with original maturities of 90 days or less which are included in cash and cash equivalents as of September 30, 2009.

As of June 30, 2010, the unrealized losses were primarily due to credit market conditions and interest rate movements. A significant portion of the unrealized losses has been in a continuous loss position for 12 months or greater. The Company assessed whether such unrealized losses for the investments in its portfolio were other-than-temporary. Based on this assessment, the Company recognized through earnings a credit loss of \$150 and \$641 in the three and nine months ended June 30, 2010, respectively. As of June 30, 2010, unrealized losses of \$1,872 related to other-than-temporarily impaired securities are included in accumulated other comprehensive (loss) income.

The following table presents a cumulative roll forward of credit losses recognized in earnings as of June 30, 2010:

Balance as of October 1, 2009	\$ 1,757
Credit loss on debt securities for which an other-than-temporary impairment was not previously recognized	178
Additional credit loss on debt securities for which an other-than-temporary impairment was previously recognized	463
Reductions for securities realized during the period	(796)
Balance as of June 30, 2010	\$ 1,602

As of June 30, 2010, the Company's available-for-sale securities had the following maturity dates:

	Market Value
Due within one year	\$ 817,991
Due within two years	202,487
Due within three years	77,099
Due within four years	8,235
Thereafter	36,806
Total	\$ 1,142,618

6. Derivative Financial Instruments

The Company's risk management strategy includes the use of derivative financial instruments to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. The Company does not enter into derivative transactions for trading purposes.

The Company's derivatives expose it to credit risks from possible non-performance by counterparties. The maximum amount of loss due to credit risk that the Company would incur if counterparties to the derivative financial instruments failed completely to perform according to the terms of the contracts, based on the gross fair value of the Company's derivative contracts that are favorable to the Company, was approximately \$7,136 as of June 30, 2010. The Company has limited its credit risk by entering into derivative transactions exclusively with investment-grade rated financial institutions and monitors the creditworthiness of these financial institutions on an ongoing basis.

The Company classifies cash flows from its derivative transactions as cash flows from operating activities in the consolidated statements of cash flow.

The table below presents the total volume or notional amounts of the Company's derivative instruments as of June 30, 2010. Notional values are U.S. dollar translated and calculated based on forward rates as of June 30, 2010 for forward contracts, and based on spot rates as of June 30, 2010 for options.

	Notional Value*
Foreign exchange contracts	\$ 707,340

(*)

Gross notional amounts do not quantify risk or represent assets or liabilities of the Company, but are used in the calculation of settlements under the contracts.

The Company records all derivative instruments on the balance sheet at fair value. Please see Note 4 to the consolidated financial statements. The fair value of the open foreign currency exchange contracts recorded by the Company on its consolidated balance sheets as of June 30, 2010 and September 30, 2009, as an asset or a liability is as follows:

	June 30, 2010	As of September 30, 2009
<i>Derivatives designated as hedging instruments</i>		
Prepaid expenses and other current assets	\$ 5,007	\$ 19,023
Other noncurrent assets	804	24
Accrued expenses and other current liabilities	(7,315)	(3,709)
Other noncurrent liabilities	(803)	(32)
	(2,307)	15,306
<i>Derivatives not designated as hedging instruments</i>		
Prepaid expenses and other current assets	1,325	583
Accrued expenses and other current liabilities	(3,422)	(2,007)
	(2,097)	(1,424)
Net fair value	\$ (4,404)	\$ 13,882

Cash Flow Hedges

In order to reduce the impact of changes in foreign currency exchange rates on its results, the Company enters into foreign currency exchange forward contracts and options contracts to purchase and sell foreign currencies to hedge a significant portion of its foreign currency net exposure resulting from revenue and expense transactions denominated in currencies other than the U.S. dollar. The Company designates these contracts for accounting purposes as cash flow hedges. The Company currently hedges its exposure to the variability in future cash flows for a maximum period of two years (a significant portion of the forward contracts and options outstanding as of June 30, 2010 are expected to mature within the next 12 months).

The effective portion of the gain or loss on the derivative instruments is initially recorded as a component of other comprehensive income, a separate component of shareholders' equity, and subsequently reclassified into earnings to the same line item as the related forecasted transaction and in the same period or periods during which the hedged exposure affects earnings. The cash flow hedges are evaluated for effectiveness at least quarterly. As the critical terms of the forward contract or options and the hedged transaction are matched at inception, the hedge effectiveness is assessed generally based on changes in the fair value for cash flow hedges as compared to the changes in the fair value of the cash flows associated with the underlying hedged transactions. Hedge ineffectiveness, if any, and hedge components, such as time value, excluded from assessment of effectiveness testing for hedges of estimated receipts from customers, are recognized immediately in interest and other (expense) income, net.

The effect of the Company's cash flow hedging instruments in the consolidated statement of income for the three months ended June 30, 2010 and 2009, respectively, which partially offset the foreign currency impact from the underlying exposures, is summarized as follows:

**GAINS (LOSSES) RECLASSIFIED FROM
OTHER COMPREHENSIVE INCOME
(EFFECTIVE PORTION)
Three months ended**

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	June 30, 2010	June 30, 2009
Line item in statement of income:		
Revenue	\$ (571)	\$ 549
Cost of service	1,814	(5,651)
Research and development	520	(854)
Selling general and administrative	186	(934)
Total	\$ 1,949	\$ (6,890)

The effect of the Company's cash flow hedging instruments in the consolidated statement of income for the nine months ended June 30, 2010, which partially offset the foreign currency impact from the underlying exposures, is summarized as follows:

	GAINS (LOSSES) RECLASSIFIED FROM OTHER COMPREHENSIVE INCOME (EFFECTIVE PORTION) Nine months ended June 30, 2010	
Line item in statement of income:		
Revenue	\$	(3,570)
Cost of service		7,372
Research and development		1,960
Selling general and administrative		968
Total	\$	6,730

The effect of the Company's cash flow hedging instruments in the consolidated statement of income for the six months ended June 30, 2009, which partially offset the foreign currency impact from the underlying exposures, is summarized as follows:

	GAINS (LOSSES) RECLASSIFIED FROM OTHER COMPREHENSIVE INCOME (EFFECTIVE PORTION) Six months ended June 30, 2009 *	
Line item in statement of income:		
Revenue	\$	3,589
Cost of service		(15,358)
Research and development		(2,933)
Selling general and administrative		(2,652)
Total	\$	(17,354)

* Since the adoption date of the amended guidance on disclosure about derivative instruments and hedging activities.

An aggregate gain of \$1,692 and loss of \$6,710, net of taxes, was reclassified from other comprehensive income in the three months ended June 30, 2010 and 2009, respectively. An aggregate gain of \$5,826, net of taxes, was reclassified from other comprehensive income in the nine months ended June 30, 2010. An aggregate loss of \$16,678, net of taxes, was reclassified from other comprehensive income in the six months ended June 30, 2009. The ineffective portion of the change in fair value of a cash flow hedge, including the time value portion excluded from effectiveness testing for the three and nine months ended June 30, 2010 and for the three and six months ended June 30, 2009, was not material.

As of June 30, 2010, amounts related to derivatives designated as cash flow hedges and recorded in accumulated other comprehensive loss totaled \$3,314 which will be reclassified into earnings within the next 12 months and will partially offset the foreign currency impact from the underlying exposures. The amount ultimately realized in earnings will likely differ due to future changes in foreign exchange rates. Losses from cash flow hedges recognized in other comprehensive income during the nine months ended June 30, 2010 were \$12,288, or \$10,424, net of taxes.

Cash flow hedges are required to be discontinued in the event it becomes probable that the underlying forecasted hedged transaction will not occur. The Company did not discontinue any cash flow hedges during any of the periods presented nor does the Company anticipate any such discontinuance in the normal course of business.

The activity related to the changes in net unrealized (losses) gains on cash flow hedges, net of tax, is as follows:

Net unrealized gains on cash flow hedges, net of tax, as of October 1, 2009	\$ 12,936
Changes associated with hedging transactions, net of tax \$(1,864)	(10,424)
Reclassification into earnings, net of tax \$(904)	(5,826)
Net unrealized losses on cash flow hedges, net of tax, as of June 30, 2010	\$ (3,314)

Other Risk Management Derivatives

The Company also enters into foreign currency exchange forward contracts that are not designated as hedging instruments under hedge accounting and are used to reduce the impact of foreign currency on certain balance sheet exposures and certain revenue and expense.

These instruments are generally short-term in nature, with typical maturities of less than one year, and are subject to fluctuations in foreign exchange rates.

The effect of the Company's non-designated as hedging instruments in the consolidated statement of income for the three months ended June 30, 2010 and 2009, respectively, which partially offset the foreign currency impact from the underlying exposures, is summarized as follows:

Line item in statement of income:	GAINS (LOSSES) RECOGNIZED IN INCOME	
	Three months ended	
	June 30, 2010	June 30, 2009
Revenue	\$ 1,501	\$ (2,334)
Cost of service	(2,341)	4,501
Research and development	(500)	
Selling general and administrative	(145)	788
Interest expense and other, net	7,464	(8,432)
Income taxes	466	(805)
Total	\$ 6,445	\$ (6,282)

The effect of the Company's non-designated as hedging instruments in the consolidated statement of income for the nine months ended June 30, 2010, which partially offset the foreign currency impact from the underlying exposure, is summarized as follows:

Line item in statement of income:	GAINS (LOSSES) RECOGNIZED IN INCOME	
	Nine months ended	
	June 30, 2010	
Revenue	\$ 407	
Cost of service		(1,652)
Research and development		(350)
Selling general and administrative		62
Interest expense and other, net		8,977
Income taxes		(28)
Total	\$ 7,416	

The effect of the Company's non-designated as hedging instruments in the consolidated statement of income for the six months ended June 30, 2009, which partially offset the foreign currency impact from the underlying exposure, is summarized as follows:

**GAINS (LOSSES) RECOGNIZED
IN INCOME
Six months ended**

		June 30, 2009*
Line item in statement of income:		
Revenue	\$	(2,334)
Cost of service		(916)
Research and development		(1,204)
Selling general and administrative		437
Interest expense and other, net		(5,699)
Income taxes		(385)
Total	\$	(10,101)

* Since the adoption date of the amended guidance on disclosure about derivative instruments and hedging activities.

7. Accounts Receivable, Net

Accounts receivable, net consisted of the following:

	June 30, 2010	As of September 30, 2009
Accounts receivable billed	\$ 451,088	\$ 443,094
Accounts receivable unbilled (1)	65,543	21,749
Less allowances	(9,853)	(9,878)
Accounts receivable, net	\$ 506,778	\$ 454,965

(1) The increase in accounts receivable unbilled in the nine months ended June 30, 2010, was primarily attributable to timing differences between delivery and invoicing milestones in managed services arrangements as well as in projects.

8. Comprehensive Income

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

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

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
Net income	\$ 92,265	\$ 85,548	\$ 249,168	\$ 240,425
Other comprehensive income:				
Unrealized (loss) gain on foreign currency hedging contracts, net of tax	(8,294)	19,464	(16,250)	4,852
	1,601	2,320	4,100	1,014

Unrealized gain on short-term interest-bearing investments, net of tax				
Unrealized gain on defined benefit plan, net of tax				2,391
Comprehensive income	\$ 85,572	\$ 107,332	\$ 237,018	\$ 248,682

9. Income Taxes

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

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
Current	\$ 18,889	\$ 8,399	\$ 45,671	\$ 13,602
Deferred	(9,653)	1,813	(14,538)	15,433
Income taxes	\$ 9,236	\$ 10,212	\$ 31,133	\$ 29,035

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

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
Statutory Guernsey tax rate	0%	0%	0%	0%
Foreign taxes	9	11	11	11
Effective income tax rate	9%	11%	11%	11%

As a Guernsey company subject to a corporate tax rate of zero percent, the Company's overall effective tax rate is attributable to foreign taxes.

As of June 30, 2010, deferred tax assets of \$95,838, derived primarily from net capital and operating loss carry forwards related to some of the Company's subsidiaries, were offset by valuation allowances related to the uncertainty of realizing tax benefit for such losses. Releases of the valuation allowances will be recognized through earnings.

The total amount of gross unrecognized tax benefits, which includes interest and penalties, was \$111,231 as of June 30, 2010, all of which would affect the effective tax rate if realized.

As of June 30, 2010, the Company has accrued \$14,304 in income taxes payable for interest and penalties relating to unrecognized tax benefits.

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

10. Earnings Per Share

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

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009(1)	2010	2009(1)
Numerator:				
Numerator for basic earnings per share	\$ 92,265	\$ 85,548	\$ 249,168	\$ 240,425
Effect of assumed conversion of 0.50% convertible notes				1,486
Numerator for diluted earnings per share	\$ 92,265	\$ 85,548	\$ 249,168	\$ 241,911
Denominator:				
Denominator for basic earnings per share weighted average number of shares outstanding	203,786	203,951	205,078	203,784
Effect of assumed conversion of 0.50% convertible notes	24	24	24	5,257
Effect of dilutive stock options granted	1,661	277	1,504	281
Denominator for diluted earnings per share adjusted weighted average shares and assumed conversions	205,471	204,252	206,606	209,322
Basic earnings per share	\$ 0.45	\$ 0.42	\$ 1.21	\$ 1.18
Diluted earnings per share	\$ 0.45	\$ 0.42	\$ 1.21	\$ 1.16

(1) The basic and diluted weighted average number of shares outstanding for the three and nine months ended June 30, 2009 have been retroactively adjusted to

reflect the adoption of new earnings per share authoritative guidance requiring the inclusion of unvested share-based payment awards containing nonforfeitable rights to dividends or dividend equivalents in the calculation of basic weighted average number of shares outstanding.

This adjustment reduced basic earnings per share by \$0.01 for the nine months ended June 30, 2009 and had no impact on basic and diluted earnings per share for the three months ended June 30, 2009 and on diluted earnings per share for the nine months ended June 30, 2009. See note 3 to the consolidated financial statements.

For the three and nine months ended June 30, 2010, 15,064 and 16,108 shares, respectively, were attributable to antidilutive outstanding stock options. For the three and nine months ended June 30, 2009, 21,657 and 22,024 shares, respectively, were attributable to antidilutive outstanding stock options. Shares attributable to antidilutive outstanding stock options were not included in the calculation of diluted earnings per share.

11. Repurchase of Securities

In April 2010, the Company's board of directors authorized a share repurchase plan allowing the repurchase of up to \$700,000 of its outstanding ordinary shares over the following 12 months. The authorization permits the Company to purchase its ordinary shares in open market or privately negotiated transactions at times and prices that it considers appropriate. In the third quarter of fiscal 2010, the Company repurchased 7,094 ordinary shares at an average price of \$29.39 per share (excluding broker and transaction fees). As of June 30, 2010, the Company had remaining authority to repurchase up to \$491,495 of its outstanding ordinary shares. In the fourth quarter of fiscal 2010 (through August 6, 2010), the Company repurchased approximately 4,153 ordinary shares at an average price of \$27.78 per share (excluding broker and transaction fees).

12. Financing Arrangements

In November 2007, the Company entered into an unsecured \$500,000 five-year revolving credit facility with a syndicate of banks, which is available for general corporate purposes, including acquisitions and repurchases of the Company's ordinary shares that the Company may consider from time to time. The interest rate for borrowings under the revolving credit facility is chosen at the Company's option from several pre-defined alternatives, depends on the circumstances of any advance and is based on the Company's credit ratings. As of June 30, 2010, the Company was in compliance with financial covenants under the revolving credit facility and had no outstanding borrowings under this facility.

13. Stock Option and Incentive Plan

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

The following table summarizes information about options to purchase the Company's ordinary shares, as well as changes during the nine-month period ended June 30, 2010:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding as of October 1, 2009	21,321	\$ 30.93	
Granted	4,632	27.74	
Exercised	(1,016)	21.66	
Forfeited	(2,174)	39.24	
Outstanding as of June 30, 2010	22,763	\$ 29.90	6.24
Exercisable as of June 30, 2010	13,217	\$ 32.09	4.48

The following table summarizes information relating to awards of restricted shares, as well as changes to such awards during the nine-month period ended June 30, 2010:

**Weighted
Average Grant**

	Number of Shares		Date Fair Value
Outstanding unvested shares as of October 1, 2009	1,125	\$	25.69
Granted	633		27.46
Vested	(378)		26.23
Forfeited	(67)		26.97
Outstanding unvested shares as of June 30, 2010	1,313	\$	26.32

As of June 30, 2010, there was \$49,420 of unrecognized compensation expense related to unvested stock options and unvested restricted stock awards. The Company recognizes compensation costs using the graded vesting attribution method which results in a weighted average period of approximately one year over which the unrecognized compensation expense is expected to be recognized.

Equity-based payments to employees, including grants of employee stock options, are recognized in the statements of income based on their fair values.

Employee equity-based compensation pre-tax expense for the three and nine months ended June 30, 2010 and 2009 was as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
Cost of service	\$ 4,871	\$ 6,115	\$ 14,623	\$ 16,776
Research and development	1,017	1,238	3,154	3,277
Selling, general and administrative	4,869	2,044	14,551	13,278
Total	\$ 10,757	\$ 9,397	\$ 32,328	\$ 33,331

The total income tax benefit recognized in the income statement for stock-based compensation (including restricted shares) for the three months ended June 30, 2010 and 2009 was \$1,321 and \$1,274, respectively, and for the nine months ended June 30, 2010 and 2009 was \$2,772 and \$4,324, respectively.

The Company selected the Black-Scholes option pricing model as the most appropriate fair value method for its equity-based awards and recognizes compensation costs using the graded vesting attribution method. The Black-Scholes option pricing model assumptions used are noted in the following table (all in weighted averages for options granted during the period):

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
Risk-free interest rate (1)	2.01%	2.12%	2.00%	1.93%
Expected life of stock options (2)	4.50	4.50	4.32	4.46
Expected volatility (3)	0.314	0.351	0.315	0.488
Expected dividend yield (4)	None	None	None	None
Fair value per option	\$ 8.60	\$ 6.81	\$ 7.66	\$ 7.57

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

(2) Expected life of stock options is based upon

historical
experience.

- (3) Expected volatility is based on a combination of implied volatility of the Company's traded options and historical stock price volatility (blended volatility).

- (4) Expected dividend yield is based on the Company's history and future expectation of dividend payouts.

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

14. Divestiture of a Subsidiary

In April 2010, the Company divested an 81% majority stake in Longshine, its Chinese subsidiary acquired in 2005, to a newly formed and locally-managed entity, Longshine Technology Holding, Ltd. for approximately \$26,730. The Company believes the divestiture will enable it to better focus its efforts on service provider opportunities in China with the Company's CES 8 portfolio. The Company retains a minority interest in Longshine which is recorded under other noncurrent assets using the cost method. In connection with the divestiture, during the three and nine months ended June 30, 2010, the Company recorded a loss of \$1,599 and \$23,399, respectively. The loss has been reflected in interest and other (expense) income, net, in the three and nine months ended June 30, 2010.

15. Contingencies

Legal Proceedings

The Company is involved in various legal proceedings arising in the normal course of its business. Based upon the advice of counsel, the Company does not believe that the ultimate resolution of these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company generally sells its products with a limited warranty for a period of 90 days. The Company's policy is to account for warranty costs, if needed, based on historical trends in product failure. Based on the Company's experience, only minimal warranty charges have been required and, as a result, the Company did not accrue any amounts for product warranty liability during the nine months ended June 30, 2010 and 2009.

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

Item 2. Operating and Financial Review and Prospects

Forward Looking Statements

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

Important factors that may affect these projections or expectations include, but are not limited to: changes in the overall economy; changes in competition in markets in which we operate; changes in the demand for our products and services; consolidation within the industries in which our customers operate; the loss of a significant customer; changes in the telecommunications regulatory environment; changes in technology that impact both the markets we serve and the types of products and services we offer; financial difficulties of our customers; losses of key personnel; difficulties in completing or integrating acquisitions; litigation and regulatory proceedings; and acts of war or terrorism. For a discussion of these important factors and other risks, please read the information set forth under the caption Risk Factors in our Annual Report on Form 20-F for fiscal 2009 that we filed on December 7, 2009 with the U.S. Securities and Exchange Commission.

Overview of Business and Trend Information

Amdocs is a leading provider of software and services for communications, media and entertainment industry service providers that impact the customer experience. Although our market focus has traditionally been primarily on Tier 1 and Tier 2 service providers in developed markets, we have also focused in the last several years on Tier 3 and Tier 4 providers in developed markets, and on all providers in emerging markets throughout the world.

We develop, implement and manage software and services associated with business support systems, or BSS, operational support systems, or OSS, and service delivery platforms that enable service providers to personalize customer interactions, process orders more efficiently, optimize network capacity, support new business models and manage the evolution of service providers networks. We refer to these systems collectively as customer experience systems because of the impact they have on the service providers end-user experience.

We believe the demand for our customer experience systems is driven by the need of service providers to anticipate and respond to consumer demands. In a global communications industry impacted by the move toward convergence of services and devices and increasing network capacity, consumers expect immediate and constant connectivity to personalized services, information and applications. We refer to these developments as the evolution to the Connected World.

In March 2010, we expanded our capabilities in the mobile payments domain through the acquisition of MX Telecom, a leading mobile payments and messaging aggregator with operations in Europe, the United States, and Australia. Mobile payments are important for our customers as they seek to maximize profits from content, value added services and applications. We intend to leverage this platform to expand our OpenMarket offering which enables our customers to monetize their assets in the digital world.

In established markets, service providers continue to transform their businesses as they attempt to derive revenue and profit from IP-based content services, while confronting increased competition from non-traditional competitors, including major Internet companies and handset manufacturers. In emerging markets, many startup operations are introducing communications services to markets for the first time, coping with massive scale and rapid growth; other companies are undergoing consolidations as providers with global brands seek to do business in these new geographies. Regardless of whether providers are bringing their first offerings to market, scaling for growth, consolidating systems, or transforming the way they do business, we believe they will succeed in differentiating their

offerings by delivering a customer experience that is simple, personal and valuable at every point of service. We refer to this type of customer experience as the intentional customer experience. We seek to address these market forces through a strategy of forward-looking product development and holistic, vertical integration encompassing all systems from the customer to the network.

Our goal is to supply cost-effective, scalable software products and services that provide functionality and flexibility to service providers as they and their markets grow and change.

We also offer a full range of directory systems and related services for publishers of both traditional printed Yellow Page and white page directories and electronic Internet directories, which we refer to as directory systems.

As we emerge from the recent economic crisis, we are confident in our strong competitive position and continue to experience increased demand. We have improved our operating efficiencies and cost competitiveness, yet we have continued investing in innovation, exemplified by the launch of our latest major release of our comprehensive portfolio, Amdocs CES 8, in January 2010. Amdocs CES 8 was developed to enable our customers to run leaner operations and, at the same time, prepare for the changes and opportunities that the Connected World offers, such as enabling their unique network, product and customer assets to expand into new business models. Additionally, in Amdocs CES 8 we have focused on reducing the costs associated with installation, implementation and maintenance of our systems which we believe will serve to further differentiate us in the market.

We conduct our business globally, and as a result we are subject to the effects of global economic conditions and, in particular, market conditions in the communications, media and entertainment industry. In the nine months ended June 30, 2010, customers in North America accounted for 76.2% of our revenue, while customers in Europe and the rest of the world accounted for 11.8% and 12.0%, respectively. We maintain development facilities in Cyprus, India, Ireland, Israel and the United States.

We derive our revenue principally from:

- the initial sales of licenses to use our products and related services, including modification, implementation, integration and customization services,

- managed services in our domain expertise and other related services, and

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

Revenue is recognized only when all of the following conditions have been met: (i) there is persuasive evidence of an arrangement; (ii) delivery has occurred; (iii) the fee is fixed and determinable; and (iv) collectability of the fee is reasonably assured. We usually sell our software licenses as part of an overall solution offered to a customer that combines the sale of software licenses with a broad range of services, which normally include significant customization, modification, implementation and integration. Those services are deemed essential to the software. As a result, we generally recognize initial license fee and related service revenue over the course of these long-term projects, using the percentage of completion method of accounting. Subsequent license fee revenue is recognized upon completion of specified conditions in each contract, based on a customer's subscriber or transaction volume or other measurements when greater than the level specified in the contract for the initial license fee. Revenue from software solutions that do not require significant customization, implementation and modification is recognized upon delivery. Revenue from services that do not involve significant ongoing obligations is recognized as services are rendered. In managed services contracts, we typically recognize revenue from the operation of a customer's system as services are performed based on time elapsed, output produced or volume of data processed, depending on the specific contract terms of the managed services arrangement. Typically, managed services contracts are long-term in duration and are not subject to seasonality. Revenue from ongoing support services is recognized as work is performed.

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

A significant portion of our revenue is recognized over the course of long-term projects under the percentage of completion method of accounting. The percentage of completion method requires the exercise of judgment, such as with respect to estimations of progress-to-completion, contract revenue, loss contracts and contract costs. Progress in completing such projects may significantly affect our annual and quarterly operating results.

Revenue from managed services arrangements is included in both license and service revenue and includes IT and infrastructure management, application management and ongoing support, systems modernization and consolidation,

business process operations support and end-to-end transformational business process outsourcing. Revenue generated in connection with managed services arrangements is a significant part of our business, accounting for more than 45% and approximately 40% of our total revenue in the

nine months ended June 30, 2010 and 2009, respectively and generating substantial, long-term revenue streams, cash flow and operating income. In the initial period of our managed services projects, we generally invest in modernization and consolidation of the customer's systems. Invoices are usually structured on a periodic fixed or unit charge basis. Managed services projects can be less profitable in the initial period, however, margins tend to improve over time as we derive benefit from the operational efficiencies and from changes in the geographical mix of our resources.

Recent Accounting Standards

In June 2009, the Financial Accounting Standards Board, or FASB, issued authoritative guidance on the consolidation of variable interest entities, which is effective for us beginning October 1, 2010. The new guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of control over such entities, and additional disclosures for variable interests. Based on our current operations we believe that the adoption of this new guidance will not have a material impact on our financial statements.

Adoption of New Accounting Standards

In January 2010, the FASB issued guidance to amend the disclosure requirements of fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons for the transfers, the reasons for any transfer in or out of Level 3 of the fair value measurement hierarchy and a roll forward of activities on purchases, sales, issuance, and settlements of recurring assets and liabilities measured at Level 3 of the fair value measurement hierarchy. In addition to these new disclosure requirements the new guidance also clarifies certain existing disclosure requirements. The guidance became effective for us beginning January 1, 2010, except for the disclosure on the roll forward activities for Level 3 fair value measurements, which will become effective for us beginning October 1, 2011. The adoption of this new guidance did not have a material impact on our financial statements.

In October 2009, the FASB issued authoritative guidance for revenue recognition relating to arrangements containing both hardware and software elements. Under the new guidance, tangible products that have software components that are essential to the functionality of the tangible product will no longer be within the scope of the software revenue recognition guidance, and will now be subject to other relevant revenue recognition guidance. Additionally, the FASB updated its authoritative guidance for revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. The revised guidance eliminates the requirement that objective and reliable evidence of fair value exist for an undelivered item in order for a delivered item to be treated as a specific unit of accounting. In addition, the guidance modifies the methodology to allocate transaction consideration to each identified unit of accounting by allowing the use of estimated selling price, or ESP, for individual elements of an arrangement when vendor specific objective evidence, or VSOE, of fair value or third-party evidence of selling price is unavailable. This results in the elimination of the residual method of allocating revenue consideration. We elected to early adopt the pronouncements at the beginning of our first quarter of fiscal 2010 on a prospective basis for applicable transactions originating or materially modified after October 1, 2009. If VSOE of fair value or third-party evidence of selling price is unavailable, we determine ESP for the purposes of allocating the consideration to individual elements of an arrangement by considering several external and internal factors including, but not limited to, pricing practices, margin objectives, geographies in which we offer our services and internal costs. The determination of ESP is made through consultation with and approval by our management. This guidance does not generally change the units of accounting in our revenue arrangements or the methodology by which transaction consideration is allocated to the various units of accounting due to the fact that for the majority of our existing multiple deliverables arrangements, we allocated transaction consideration for purposes of revenue recognition to each identified unit of accounting based upon its relative fair value, determined using VSOE. The new accounting standards for revenue recognition if applied to the year ended September 30, 2009 would not have had a material impact on our results of operations or financial position for that fiscal year. In addition, the adoption of the new guidance did not have a material impact on our results of operations or financial position in the three and nine months ended June 30, 2010.

Effective October 1, 2009, we adopted the new earnings per share authoritative guidance that provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are

considered participating securities. As such, they should be included in the computation of basic earnings per share, or EPS, using the two-class method. Prior-period EPS data presented have been adjusted retroactively, and this adjustment reduced basic EPS by \$0.01 for the nine months ended June 30, 2009 and had no impact on basic and diluted earnings per share for the three months ended June 30, 2009 and on diluted earnings per share for the nine months ended June 30, 2009.

Effective October 1, 2009, we adopted the fair value measurements guidance for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value on a recurring basis (at least annually). The adoption of this accounting guidance did not have a material impact on our results of operations or financial position.

Effective October 1, 2009, we adopted the revised accounting guidance for business combinations. This guidance significantly changes the accounting for business combinations and establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree and recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase. Among the more significant changes, acquired in-process research and development will be capitalized and upon completion amortized over its useful life; acquisition costs will be expensed as incurred; restructuring costs will generally be expensed in periods after the acquisition date; contingent consideration will be recognized at fair value at the acquisition date with subsequent changes recognized in earnings, and reductions in deferred tax valuation allowance relating to a business acquisition will be recognized in earnings. In April 2009, the FASB issued an amendment to the revised business combination guidance regarding the accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies. The impact of this accounting guidance on our results of operations or financial position will vary depending on each specific business combination. This guidance did not have a material impact on our results of operations or financial position in the three and nine months ended June 30, 2010.

Effective October 1, 2009, we adopted the guidance that changes the accounting and reporting for noncontrolling (minority) interests in consolidated financial statements, including the requirement to classify noncontrolling interests as a component of consolidated stockholders' equity, the elimination of minority interest accounting in results of operations and changes in the accounting for both increases and decreases in a parent's controlling ownership interest. The adoption of this accounting guidance had no impact on our consolidated results of operations and financial position.

Results of Operations

The following table sets forth for the three and nine months ended June 30, 2010 and 2009 certain items in our consolidated statements of income reflected as a percentage of total revenue:

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
Revenue:				
License	3.4%	3.8%	3.4%	5.0%
Service	96.6	96.2	96.6	95.0
	100.0	100.0	100.0	100.0
Operating expenses:				
Cost of license	0.1	0.1	0.1	0.1
Cost of service	63.7	64.0	63.8	64.1
Research and development	6.9	7.4	6.9	7.4
Selling, general and administrative	12.4	11.8	12.5	11.9
Amortization of purchased intangible assets and other	2.9	3.2	2.9	3.0
Restructuring charges, in-process research and development and other				1.0
	86.0	86.5	86.2	87.5

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Operating income	14.0	13.5	13.8	12.5
Interest and other (expense) income, net	(0.5)	0.4	(1.2)	0.0
Income before income taxes	13.5	13.9	12.6	12.5
Income taxes	1.3	1.5	1.4	1.3
Net income	12.2%	12.4%	11.2%	11.2%

Nine Months Ended June 30, 2010 and 2009

The following is a tabular presentation of our results of operations for the nine months ended June 30, 2010 compared to the nine months ended June 30, 2009. Following the table is a discussion and analysis of our business and results of operations for such periods.

	Nine months ended June 30,		Increase (Decrease)	
	2010	2009	Amount	%
	(in thousands)			
Revenue:				
License	\$ 75,691	\$ 107,879	\$ (32,188)	(29.8)%
Service	2,146,338	2,047,309	99,029	4.8
	2,222,029	2,155,188	66,841	3.1
Operating expenses:				
Cost of license	1,646	2,097	(451)	(21.5)
Cost of service	1,417,729	1,381,825	35,904	2.6
Research and development	153,549	160,113	(6,564)	(4.1)
Selling, general and administrative	277,054	256,305	20,749	8.1
Amortization of purchased intangible assets and other	64,506	63,594	912	1.4
Restructuring charges and in-process research and development		20,780	(20,780)	(100.0)
	1,914,484	1,884,714	29,770	1.6
Operating income	307,545	270,474	37,071	13.7
Interest and other expense, net	27,244	1,014	26,230	2,586.8
Income before income taxes	280,301	269,460	10,841	4.0
Income taxes	31,133	29,035	2,098	7.2
Net income	\$ 249,168	\$ 240,425	\$ 8,743	3.6%

Revenue. Total revenue increased by \$66.8 million, or 3.1%, to \$2,222.0 million in the nine months ended June 30, 2010, from \$2,155.2 million in the nine months ended June 30, 2009. The increase in revenue was primarily attributable to revenue from managed services customers and to foreign exchange impacts. The increase was partially offset by decreases in revenue related to projects.

License revenue in the nine months ended June 30, 2010 decreased by \$32.2 million, or 29.8%, to \$75.7 million, from \$107.9 million in the nine months ended June 30, 2009. License revenue declined primarily due to the completion of some projects and the impact of fewer project signings in 2009.

License and service revenue attributable to the sale of customer experience systems increased by \$43.5 million, or 2.2%, to \$2,060.4 million in the nine months ended June 30, 2010, from \$2,016.9 million, in the nine months ended June 30, 2009. License and service revenue resulting from the sale of customer experience systems represented 92.7% and 93.6% of our total revenue in the nine months ended June 30, 2010 and 2009, respectively.

License and service revenue attributable to the sale of directory systems increased by \$23.3 million, or 16.9%, to \$161.6 million in the nine months ended June 30, 2010, from \$138.3 million in the nine months ended June 30, 2009. The increase was primarily attributable to completion of major project milestones. License and service revenue from

the sale of directory systems represented 7.3% and 6.4% of our total revenue in the nine months ended June 30, 2010 and 2009, respectively.

In the nine months ended June 30, 2010, revenue from customers in North America, Europe and the rest of the world accounted for 76.2%, 11.8% and 12.0%, respectively, of total revenue compared to 75.6%, 14.0% and 10.4%, respectively, in the nine months ended June 30, 2009. The increase in revenue from customers in North America was primarily attributable to an increase in revenue from managed services customers, partially offset by decrease in projects related revenue. The decrease in revenue from customers in Europe was primarily attributable to a decline in projects related revenue. Revenue from customers in the rest of the world increased primarily due to completion of major project milestones as well as revenue contributed by customers in emerging markets.

Cost of License and Service. Cost of license includes fee and royalty payments to software suppliers. Cost of service consists primarily of costs associated with providing services to customers, including compensation expense and costs of third-party products. The increase in cost of license and service in the nine months ended June 30, 2010 was \$35.5 million, or 2.6%. As a percentage of revenue, cost of license and service was 63.9% in the nine months ended June 30, 2010, compared to 64.2% in the nine months ended June 30, 2009.

The increase in our cost of license and service was primarily attributable to project related costs as well as foreign exchange impacts partially offset by costs savings resulting from our continued efforts to improve efficiencies including expansion into lower cost jurisdictions. Our cost of service, as a percentage of revenue, in the nine months ended June 30, 2010 was positively impacted by higher margins from existing managed services arrangements. Margins from existing managed services tend to improve over time as we create cost efficiencies and improve business processes.

Research and Development. Research and development expense is primarily comprised of compensation expense. Research and development expense decreased by \$6.6 million, or 4.1%, to \$153.5 million in the nine months ended June 30, 2010, from \$160.1 million in the nine months ended June 30, 2009. Research and development expense decreased as a percentage of revenue from 7.4% in the nine months ended June 30, 2009 to 6.9% in the nine months ended June 30, 2010. The decrease was primarily a result of changes in the geographical mix of our research and development resources as well as foreign exchange impacts. Our research and development efforts are a key element of our strategy and are essential to our success, and we intend to maintain our commitment to research and development. An increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin.

Selling, General and Administrative. Selling, general and administrative expense increased by \$20.7 million, or 8.1%, to \$277.1 million in the nine months ended June 30, 2010, from \$256.3 million in the nine months ended June 30, 2009. Selling, general and administrative expense is primarily comprised of compensation expense. The increase in selling, general and administrative expense in the nine months ended June 30, 2010, was primarily attributable to selling and marketing efforts, a significant portion of which was in emerging markets.

Restructuring Charges and In-Process Research and Development. Restructuring charges and in-process research and development in the nine months ended June 30, 2009 consisted of a \$15.1 million restructuring charge related primarily to our restructuring plan in the first quarter of fiscal 2009 and a \$5.7 million charge for the write-off of purchased in-process research and development related to a small acquisition during the first quarter of fiscal 2009. Effective October 1, 2009, we adopted the revised accounting guidance for business combinations and as a result will capitalize in-process research and development in future acquisitions.

Operating Income. Operating income increased by \$37.1 million, or 13.7%, to \$307.5 million in the nine months ended June 30, 2010, from \$270.5 million in the nine months ended June 30, 2009. Operating income increased as a percentage of revenue from 12.5% in the nine months ended June 30, 2009 to 13.8% in the nine months ended June 30, 2010. The increase in operating income was primarily attributable to our continued efforts to improve efficiencies including expansion into lower cost jurisdictions, to the effect of the restructuring charges and in-process research and development charges in the nine months ended June 30, 2009, as well as to foreign exchange impacts, partially offset by project related costs and the increase in selling, general and administrative expense in the nine months ended June 30, 2010.

Interest and Other Expense, Net. Interest and other expense, net increased by \$26.2 million to \$27.2 million in the nine months ended June 30, 2010, from \$1.0 million in the nine months ended June 30, 2009. The increase in interest and other expense, net, was primarily attributable to a loss from divestiture of a Chinese subsidiary in which a majority interest was sold in April 2010. We retain a minority interest in this Chinese company.

Income Taxes. Income taxes for the nine months ended June 30, 2010 were \$31.1 million on pretax income of \$280.3 million, resulting in an effective tax rate of 11.1%, compared to 10.8% in the nine months ended June 30, 2009. Our effective tax rate may fluctuate between quarters as a result of discrete items that may affect a specific quarter.

Net Income. Net income was \$249.2 million in the nine months ended June 30, 2010, compared to \$240.4 million in the nine months ended June 30, 2009. The increase in net income was attributable mainly to the increase in operating income, partially offset by increase in interest and other expense, net.

Diluted Earnings Per Share. Diluted earnings per share increased by \$0.05, or 4.3%, to \$1.21 in the nine months ended June 30, 2010, from \$1.16 in the nine months ended June 30, 2009. The increase in diluted earnings per share primarily resulted from the increase in net income.

Three Months Ended June 30, 2010 and 2009

The following is a tabular presentation of our results of operations for the three months ended June 30, 2010 compared to the three months ended June 30, 2009. Following the table is a discussion and analysis of our business and results of operations for such periods.

	Three months ended June 30,		Increase (Decrease)	
	2010	2009	Amount	%
	(in thousands)			
Revenue:				
License	\$ 25,592	\$ 26,075	\$ (483)	(1.9)%
Service	727,657	664,190	63,467	9.6
	753,249	690,265	62,984	9.1
Operating expenses:				
Cost of license	459	537	(78)	(14.5)
Cost of service	480,074	441,777	38,297	8.7
Research and development	52,253	51,134	1,119	2.2
Selling, general and administrative	93,446	81,732	11,714	14.3
Amortization of purchased intangible assets and other	21,748	21,839	(91)	(0.4)
	647,980	597,019	50,961	8.5
Operating income	105,269	93,246	12,023	12.9
Interest and other (expense) income, net	(3,768)	2,514	(6,282)	(249.9)
Income before income taxes	101,501	95,760	5,741	6.0
Income taxes	9,236	10,212	(976)	(9.6)
Net income	\$ 92,265	\$ 85,548	\$ 6,717	7.9%

Revenue. Total revenue increased by \$63.0 million, or 9.1%, to \$753.2 million in the three months ended June 30, 2010, from \$690.3 million in the three months ended June 30, 2009. The increase in revenue was primarily attributable to revenue from managed services customers.

License and service revenue attributable to the sale of customer experience systems was \$693.0 million in the three months ended June 30, 2010, an increase of \$45.1 million, or 7.0%, over the three months ended June 30, 2009.

License and service revenue resulting from the sale of customer experience systems represented 92.0% and 93.9% of our total revenue in the three months ended June 30, 2010 and 2009, respectively.

License and service revenue from the sale of directory systems was \$60.2 million in the three months ended June 30, 2010, an increase of \$17.9 million, or 42.2%, as compared to the three months ended June 30, 2009. The increase was primarily attributable to completion of a major project milestone. License and service revenue from the sale of directory systems represented 8.0% and 6.1% of our total revenue in the three months ended June 30, 2010 and 2009, respectively.

In the three months ended June 30, 2010, revenue from customers in North America, Europe and the rest of the world accounted for 76.0%, 10.7% and 13.3%, respectively, of total revenue compared to 76.5%, 12.2% and 11.3%, respectively, in the three months ended June 30, 2009. Although, in absolute amount, revenue from customers in North America increased in the three months ended June 30, 2010, the increase was lower than the increase in total

revenue, which resulted in a slight decrease in revenue from customers in North America as a percentage of revenue. Revenue from customers in Europe, in absolute amount, was relatively stable in the three months ended June 30, 2010 compared to the three months ended June 30 2009, which, because of the increase in total revenue, resulted in a decrease in revenue from customers in Europe as a percentage of revenue. Revenue from customers in the rest of the world increased primarily due to completion of a major project milestone as well as revenue contributed by customers in emerging markets.

Cost of License and Service. Cost of license includes fee and royalty payments to software suppliers. Cost of service consists primarily of costs associated with providing services to customers, including compensation expense and costs of third-party products. The increase in cost of license and service in the three months ended June 30, 2010 was \$38.2 million, or 8.6%. As a percentage of revenue, cost of license and service was 63.8% in the three months ended June 30, 2010, compared to 64.1% in the three months ended June 30, 2009. The increase in our cost of license and service in the three months ended June 30, 2010 was primarily attributable to project related costs partially offset by costs savings resulting from our continued efforts to improve efficiencies including expansion into lower cost jurisdictions. Our cost of service, as a percentage of revenue, in the three months ended June 30, 2010 was positively impacted by higher margins from existing managed services arrangements. Margins from existing managed services tend to improve over time as we create cost efficiencies and improve business processes.

Research and Development. Research and development expense is primarily comprised of compensation expense. Research and development expense increased by \$1.1 million, or 2.2%, in the three months ended June 30, 2010 to \$52.3 million from \$51.1 million in the three months ended June 30, 2009. Research and development expense decreased as a percentage of revenue from 7.4% in the three months ended June 30, 2009 to 6.9% in the three months ended June 30, 2010.

Selling, General and Administrative. Selling, general and administrative expense increased by \$11.7 million, or 14.3%, to \$93.4 million in the three months ended June 30, 2010, from \$81.7 million in the three months ended June 30, 2009. Selling, general and administrative expense is primarily comprised of compensation expense. The increase in selling, general and administrative expense in the three months ended June 30, 2010 was primarily attributable to an increase in selling and marketing efforts, a significant portion of which was in emerging markets.

Operating Income. Operating income increased by \$12.0 million, or 12.9%, in the three months ended June 30, 2010, to \$105.3 million, or 14.0% of revenue, from \$93.2 million, or 13.5% of revenue, in the three months ended June 30, 2009. Operating income increased as a percentage of revenue from 13.5% in the three months ended June 30, 2009 to 14.0% in the three months ended June 30, 2010. The increase in operating income was primarily attributable to our continued efforts to improve efficiencies including expansion into lower cost jurisdictions, as well as to foreign exchange impacts, partially offset by project related costs and increase in selling, general and administrative expense in the three months ended June 30, 2010.

Interest and Other (Expense) Income, Net. Interest and other (expense) income, net decreased by \$6.3 million in the three months ended June 30, 2010 to an expense of \$3.8 million from income of \$2.5 million in the three months ended June 30, 2009. The decrease in interest and other (expense) income, net, is primarily attributable to foreign exchange impacts as well as to a loss from divestiture of a Chinese subsidiary in which a majority interest was sold in April 2010.

Income Taxes. Income taxes for the three months ended June 30, 2010 were \$9.2 million on pretax income of \$101.5 million, resulting in an effective tax rate of 9.1%, compared to 10.7% in the three months ended June 30, 2009. Our effective tax rate may fluctuate between quarters as a result of discrete items that may affect a specific quarter.

Net Income. Net income was \$92.3 million in the three months ended June 30, 2010, compared to net income of \$85.5 million in the three months ended June 30, 2009. The increase in net income was mainly attributable to the increase in our operating income partially offset by decrease in interest and other (expense) income, net.

Diluted Earnings Per Share. Diluted earnings per share increased by \$0.03, or 7.1% to \$0.45 in the three months ended June 30, 2010, from \$0.42 in the three months ended June 30, 2009. The increase in diluted earnings per share resulted from the increase in net income.

Liquidity and Capital Resources

Cash, cash equivalents and short-term interest-bearing investments totaled \$1,289.9 million as of June 30, 2010, compared to \$1,173.0 million as of September 30, 2009. The increase was primarily attributable to \$537.6 million in positive cash flow from operations, \$22.0 million proceeds from employee stock options exercised and \$20.3 million net cash received from divestiture of a Chinese subsidiary, partially offset by \$208.6 million used to repurchase our ordinary shares pursuant to our share repurchase program, \$199.5 million in net cash paid for acquisitions and \$59.5 million for capital expenditures. Net cash provided by operating activities amounted to \$537.6 million and \$335.5 million for the nine months ended June 30, 2010 and 2009, respectively.

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

Our interest-bearing investments are classified as available-for-sale securities. Unrealized gains or losses are reported as a separate component of accumulated other comprehensive income, net of tax. Such interest-bearing investments consist primarily of money market funds, U.S. government treasuries, U.S. agency securities, government guaranteed debt and corporate bonds. We believe we have conservative investment policy guidelines. Our interest-bearing investments are stated at fair value. Our interest-bearing investments are priced by pricing vendors and are classified as Level 1 or Level 2 investments, since these vendors either provide a quoted market price in an active market or use observable inputs. During the three and nine months ended June 30, 2010, we recognized immaterial credit loss. As of June 30, 2010, unrealized losses of \$1.9 million related to other-than-temporarily impaired securities were included in accumulated other comprehensive (loss) income. Please see Notes 4 and 5 to the consolidated financial statements.

In November 2007, we entered into an unsecured \$500 million five-year revolving credit facility with a syndicate of banks, which is available for general corporate purposes, including acquisitions and repurchases of ordinary shares that we may consider from time to time. The interest rate for borrowings under the revolving credit facility is chosen at our option from several pre-defined alternatives, depends on the circumstances of any advance and is based on our credit rating. As of June 30, 2010, we were in compliance with the financial covenants under the revolving credit facility and had no outstanding borrowings under this facility.

As of June 30, 2010, we had outstanding letters of credit and bank guarantees from various banks totaling \$76.5 million. As of June 30, 2010, we had outstanding obligations of \$0.9 million in connection with leasing arrangements.

We have contractual obligations for our non-cancelable operating leases, purchase obligations, pension funding and convertible notes summarized in the tabular disclosure of contractual obligations in our Annual Report on Form 20-F for our fiscal year ended September 30, 2009. Since September 30, 2009, there have been no material changes in our contractual obligations other than in the ordinary course of our business.

Our capital expenditures were approximately \$59.5 million in the nine months ended June 30, 2010. Approximately 80% of these expenditures consisted of purchases of computer equipment, and the remainder attributable mainly to leasehold improvements. The capital expenditures in the nine months ended June 30, 2010 were mainly attributable to investments in our operating facilities and our development centers around the world. Our policy is to fund our capital expenditures principally from operating cash flows and we do not anticipate any changes to this policy in the foreseeable future.

In April 2010, our board of directors authorized a share repurchase plan allowing the repurchase of up to \$700 million of our outstanding ordinary shares over the following 12 months. The authorization permits us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices that we consider appropriate. In the third quarter of fiscal 2010, we repurchased approximately 7.1 million ordinary shares at an average price of \$29.39 per share (excluding broker and transaction fees). As of June 30, 2010, we had remaining authority to repurchase up to \$491 million of our outstanding ordinary shares under this plan. In the fourth quarter of fiscal 2010 (through August 6, 2010), we repurchased approximately 4.2 million ordinary shares at an average price of \$27.78 per share (excluding broker and transaction fees).

Currency Fluctuations

We manage our foreign subsidiaries as integral direct components of our operations. The operations of our foreign subsidiaries provide the same type of services with the same type of expenditure throughout the Amdocs group. The U.S. dollar is our functional currency according to the salient economic factors as indicated in the authoritative guidance for foreign currency matters.

During the nine months ended June 30, 2010 and 2009, approximately 70% to 80% of our revenue and approximately 50% to 60% of our operating expenses were in U.S. dollars or linked to the U.S. dollar. If more customers will seek contracts in currencies other than the U.S. dollar and as our operational activities outside of the United States may increase, the percentage of our revenue and operating expenses in U.S. dollar or linked to the U.S.

dollar may decrease over time, which may increase our exposure to fluctuations in currency exchange rates. In managing our foreign exchange risk, we enter from time to time into various foreign exchange hedging contracts. We do not hedge all of our exposure in currencies other than the U.S. dollar, but rather our policy is to hedge significant net exposures in the major foreign currencies in which we operate. We periodically assess the applicability of the U.S. dollar as our functional currency by reviewing the salient indicators.

PART II OTHER INFORMATION**Item 1. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities****ISSUER PURCHASES OF EQUITY SECURITIES****PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

The following table provides information about purchases by us and our affiliated purchasers during the quarter ended June 30, 2010 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

Ordinary Shares

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(1)
04/1/10-04/30/10	840,000	\$ 31.66	840,000	\$ 673,405,135
05/1/10-05/31/10	3,138,236	30.42	3,138,236	577,951,922
06/1/10-06/30/10	3,115,511	27.75	3,115,511	491,495,395
Total	7,093,747	\$ 29.39	7,093,747	\$ 491,495,395

(1) In April 2010, our board of directors authorized a share repurchase plan allowing the repurchase of up to \$700 million of our outstanding ordinary shares over the following 12 months. The authorization permits us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices

that we consider appropriate. In the third quarter of fiscal 2010, we repurchased approximately 7.1 million ordinary shares at an average price of \$29.39 per share (excluding broker and transaction fees). As of June 30, 2010, we had remaining authority to repurchase up to \$491 million of our outstanding ordinary shares under this plan. In the fourth quarter of fiscal 2010 (through August 6, 2010), we repurchased approximately 4.2 million ordinary shares at an average price of \$27.78 per share (excluding broker and transaction fees).

Item 2. Reports on Form 6-K

(a) Reports on Form 6-K

The Company furnished or filed the following reports on Form 6-K during the three months ended June 30, 2010:

- (1) Form 6-K dated April 23, 2010
- (2) Form 6-K dated May 13, 2010

SIGNATURES

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

AMDOCS LIMITED

/s/ Thomas G. O Brien
Thomas G. O Brien
Treasurer and Secretary
Authorized U.S. Representative

Date: August 9, 2010

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