AMDOCS LTD
Form 6-K
August 11, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16 OF
THE SECURITIES EXCHANGE ACT OF 1934
For the Quarter Ended June 30, 2008
Commission File Number 1-14840
AMDOCS LIMITED

Suite 5, Tower Hill House Le Bordage
St. Peter Port, Island of Guernsey, GY1 3QT Channel Islands
Amdocs, Inc.
1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017
(Address of principal executive offices)

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

FORM 20-F þ FORM 40-F o

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): o

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): o

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 o NO þ

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, 2008
INDEX

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)

	As of	
	June 30, 2008 (Unaudited)	September 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 687,233	$ 615,501
Short-term interest-bearing investments	493,172	563,779
Accounts receivable, net	588,667	473,847
Deferred income taxes and taxes receivable	98,605	117,623
Prepaid expenses and other current assets	104,050	98,746
Total current assets	1,971,727	1,869,496
Equipment, vehicles and leasehold improvements, net	304,146	283,839
Deferred income taxes	200,947	192,761
Goodwill	1,505,505	1,489,132
Intangible assets, net	289,388	303,456
Other noncurrent assets	292,278	206,666
Total assets	$ 4,563,991	$ 4,345,350
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 182,361	$ 192,395
Accrued expenses and other current liabilities	206,796	222,616
Accrued personnel costs	195,267	177,926
Short-term portion of financing arrangements	2,033	2,055
Deferred revenue	188,336	174,526
Deferred income taxes and taxes payable	39,591	205,960
Total current liabilities	814,384	975,478
Convertible notes	450,000	450,000
Deferred income taxes and taxes payable	271,028	122,983
Noncurrent liabilities and other	229,210	196,646
Total liabilities	1,764,622	1,745,107
Shareholders equity:		

Preferred Shares Authorized 25,000 shares; £0.01 par value; 0 shares issued and outstanding		
Ordinary Shares Authorized 550,000 shares; £0.01 par value; 240,490 and 238,312 issued and 206,551 and 209,762 outstanding, respectively	3,893	3,850
Additional paid-in capital	2,247,281	2,168,234
Treasury stock, at cost 33,939 and 28,550 Ordinary Shares, respectively	(824,568)	(652,229)
Accumulated other comprehensive (loss) income	(3,131)	689
Retained earnings	1,375,894	1,079,699
Total shareholders equity	2,799,369	2,600,243
Total liabilities and shareholders equity	$ 4,563,991	$ 4,345,350

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

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

	Three months ended June 30,		Nine months ended June 30,	
	2008	**2007**	**2008**	**2007**
Revenue:				
License	$ 35,244	$ 43,821	$ 93,570	$ 113,091
Service	785,044	668,270	2,243,249	1,996,393
	820,288	712,091	2,336,819	2,109,484
Operating expenses:				
Cost of license	555	960	2,267	3,045
Cost of service	528,437	448,795	1,493,134	1,330,776
Research and development	56,137	56,727	168,240	174,929
Selling, general and administrative	104,632	94,445	300,963	274,895
Amortization of purchased intangible assets	22,796	19,175	66,302	55,785
Restructuring charges, in-process research and development and other	1,780		1,780	6,761
	714,337	620,102	2,032,686	1,846,191
Operating income	105,951	91,989	304,133	263,293
Interest income and other, net	6,159	14,290	23,797	36,928
Income before income taxes	112,110	106,279	327,930	300,221
Income taxes	11,438	18,098	31,735	31,527
Net income	$ 100,672	$ 88,181	$ 296,195	$ 268,694
Basic earnings per share	$ 0.49	$ 0.42	$ 1.43	$ 1.30
Diluted earnings per share	$ 0.46	$ 0.40	$ 1.36	$ 1.22
Basic weighted average number of shares outstanding	206,329	208,262	207,069	207,332
Diluted weighted average number of shares outstanding	219,120	223,775	220,315	222,997

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

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

	Ordinary Shares		Additional Paid-in	Treasury	Accumulated Other Comprehensive (Loss)	Retained	Total Shareholders
	Shares	Amount	Capital	Stock	Income	Earnings	Equity
Balance as of September 30, 2007	209,762	$ 3,850	$ 2,168,234	$ (652,229)	$ 689	$ 1,079,699	$ 2,600,243
Comprehensive income:							
Net income						296,195	296,195
Unrealized gain on foreign currency hedging contracts, net of $2,784 tax					2,604		2,604
Unrealized loss on short-term interest-bearing investments, net of $(272) tax					(6,424)		(6,424)
Comprehensive income							292,375
Employee stock options exercised	1,707	34	33,712				33,746
Repurchase of shares	(5,389)			(172,339)			(172,339)
Issuance of restricted stock, net of forfeitures	471	9					9
Tax benefit of stock options exercised			1,625				1,625
Equity-based compensation expense related to employees			43,710				43,710
Balance as of June 30, 2008	206,551	$ 3,893	$ 2,247,281	$ (824,568)	$ (3,131)	$ 1,375,894	$ 2,799,369

As of June 30, 2008 and September 30, 2007, accumulated other comprehensive (loss) income is comprised of unrealized gain (loss) on foreign currency hedging contracts, net of tax, of $2,025 and $(579), respectively, unrealized (loss) gain on cash equivalents and short-term interest-bearing investments, net of tax, of $(5,883) and $541, respectively and adjustment to accumulated other comprehensive income upon adoption of statement 158, net of tax, of $727.

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

AMDOCS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(dollar amounts in thousands)

	Nine months ended June 30, 2008	Nine months ended June 30, 2007
Cash Flow from Operating Activities:		
Net income	$ 296,195	$ 268,694
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	143,978	120,581
In-process research and development and other	1,780	750
Gain on sale of equipment	(55)	(973)
Equity-based compensation expense	43,710	39,970
Deferred income taxes	6,378	(17,779)
Excess tax benefit from equity-based compensation	(209)	(437)
Loss (gain) from short-term interest-bearing investments	1,771	(2,084)
Net changes in operating assets and liabilities, net of amounts acquired:		
Accounts receivable	(148,472)	(67,938)
Prepaid expenses and other current assets	8,166	(16)
Other noncurrent assets	(40,420)	(14,517)
Accounts payable and accrued expenses	(20,728)	(7,950)
Deferred revenue	12,283	(12,667)
Income taxes payable	(25,429)	6,200
Noncurrent liabilities and other	26,590	4,929
Net cash provided by operating activities	305,538	316,763
Cash Flow from Investing Activities:		
Proceeds from sale of equipment, vehicles and leasehold improvements	1,103	3,184
Payments for purchase of equipment, vehicles and leasehold improvements	(101,530)	(126,259)
Proceeds from sale of short-term interest-bearing investments	575,602	628,167
Purchase of short-term interest-bearing investments	(513,462)	(782,333)
Net cash paid for acquisitions	(56,970)	(81,751)
Net cash used in investing activities	(95,257)	(358,992)
Cash Flow from Financing Activities:		
Proceeds from employee stock options exercised	33,755	58,273
Excess tax benefit from equity-based compensation	209	437
Repurchase of shares	(172,339)	
Redemption of convertible notes upon maturity	(174)	
Principal payments on capital lease obligations		(25)
Net cash (used in) provided by financing activities	(138,549)	58,685

Net increase in cash and cash equivalents	71,732	16,456
Cash and cash equivalents at beginning of period	615,501	607,187
Cash and cash equivalents at end of period	$ 687,233	$ 623,643
Supplementary Cash Flow Information		
Cash paid for:		
Income taxes, net of refunds	$ 40,402	$ 35,016
Interest	3,585	2,601

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

AMDOCS LIMITED
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollar and share amounts in thousands, except per share data)

1. Basis of Presentation

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

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

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

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

Reclassification

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

2. Recent Accounting Pronouncements

In June 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1). According to FSP EITF 03-6-1, unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are considered participating securities under Statement of Financial Accounting Standards No. 128, Earnings per Share. As such, they should be included in the computation of basic earnings per share (EPS) using the two-class method. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, as well as interim periods within those years. Once effective, all prior-period EPS data presented must be adjusted retrospectively. The Company is currently evaluating the effect that adopting the provisions of FSP EITF 03-6-1 will have on its consolidated results of operations, and it currently expects that the effect will not be material.

In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 applies to all derivative instruments and nonderivative instruments that are designated and qualify as hedging instruments and related hedged items accounted for under FASB Statement No. 133, Accounting for

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

Derivative Instruments and Hedging Activities (SFAS 133). SFAS 161 requires entities to provide greater transparency through additional disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, results of operations, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Although SFAS 161 requires the Company to make additional disclosures, it does not affect the underlying accounting policy or the application thereof.

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

In December 2007, the FASB issued Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (SFAS 160). SFAS 160 changes the accounting for noncontrolling (minority) interests in consolidated financial statements including the requirements to classify noncontrolling interests as a component of consolidated shareholders equity, the elimination of minority interest accounting in results of operations and changes in the accounting for both increases and decreases in a parent s controlling ownership interest. SFAS 160 is effective for fiscal years beginning after December 15, 2008, and early adoption is prohibited. The Company is currently evaluating the effect that the application of SFAS 160 will have on its consolidated results of operations and financial condition.

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

In September 2006, the FASB issued SFAS 157 which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position No. SFAS 157-2, Effective Date of FASB Statement No. 157, which provides a one year deferral of the effective date of SFAS 157 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 Company is currently evaluating the effect that the application of SFAS 157 will have on its consolidated results of operations and financial condition.

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

3. Adoption of New Accounting Standard

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

4. Accounts Receivable, Net

Accounts receivable, net consists of the following:

	June 30, 2008	As of September 30, 2007
Accounts receivable billed	$ 592,222	$ 457,393
Accounts receivable unbilled	35,744	43,870
Less allowances	(39,299)	(27,416)
Accounts receivable, net	$ 588,667	$ 473,847

5. Comprehensive Income

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

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

	Three months ended June 30,		Nine months ended June 30,	
	2008	2007	2008	2007
Net income	$ 100,672	$ 88,181	$ 296,195	$ 268,694
Other comprehensive income:				
Unrealized (loss) gain on foreign currency hedging contracts, net of tax	(4,812)	(11,330)	2,604	(9,831)
Unrealized loss on short-term interest-bearing investments, net of tax	(4,890)	(816)	(6,424)	(401)
Comprehensive income	$ 90,970	$ 76,035	$ 292,375	$ 258,462

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

6. Income Taxes

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

	Three months ended June 30,		Nine months ended June 30,	
	2008	**2007**	**2008**	**2007**
Current	$ 1,160	$ 27,567	$ 26,511	$ 50,735
Deferred	10,278	(9,469)	5,224	(19,208)
	$ 11,438	$ 18,098	$ 31,735	$ 31,527

The 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,	
	2008	**2007**	**2008**	**2007**
Statutory Guernsey tax rate	0%	20%	0%	20%
Guernsey tax-exempt status		(20)		(20)
Foreign taxes	10	17	10	11
	10%	17%	10%	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. Tax legislation recently enacted in Guernsey with effect from January 1, 2008 repealed the exemption that the Company previously utilized, and subjects the Company to a corporate tax rate of zero percent, which has not affected the Company s overall effective tax rate.

As of June 30, 2008, deferred tax assets of $58,628, derived from net capital and operating loss carry forwards related to some of the Company s subsidiaries, were offset by valuation allowances related to the uncertainty of realizing tax benefit for such losses. When realization of the tax benefits associated with such net capital and operating losses is deemed more likely than not, the valuation allowance will be released through income taxes or through goodwill when it relates to a business combination.

During the quarter ended June 30, 2008, the Company recorded valuation allowances against certain carry forward losses partially in connection with a business combination.

During the quarter ended June 30, 2008, the Company recorded a deferred tax asset for carry forward losses relating to one of its subsidiaries as the statute of limitation related to the fiscal years in which these losses had occurred lapsed. This deferred tax asset was partially offset by a valuation allowance.

During the quarter ended June 30, 2007, the Company released certain valuation allowances in connection with the Company s estimation that carry forward losses related to one of its subsidiaries would be realized through future taxable earnings. The decrease in the valuation allowance was partially offset by an increase in tax reserves to this same subsidiary.

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

The total amount of unrecognized tax benefits, which includes interest and penalties, was $87,033 as of June 30, 2008, of which $82,774 would affect the effective tax rate if realized. As a result of settlements of certain tax matters during the three and nine months ended June 30, 2008, the amount of gross unrecognized tax benefits was reduced by approximately $29,106 and $40,856, respectively, (including interest), of which $8,497 and $13,185 respectively was recorded as tax payable.

The Company s policy of including interest and penalties related to income taxes, including unrecognized tax benefits, within the provision for income taxes on the consolidated statements of income did not change as a result of implementing FIN 48. As of the date of adoption of FIN 48, the Company had accrued $17,530 in income taxes payable for interest and penalties relating to unrecognized tax benefits. As of June 30, 2008, the Company has accrued $14,164 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.

AMDOCS LIMITED
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollar and share amounts in thousands, except per share data)

7. Earnings Per Share

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