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AMDOCS LTD
Form 20-F
December 30, 2004

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

FORM 20-F

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

OR

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____.

COMMISSION FILE NUMBER 1-14840

AMDOCS LIMITED

(Exact name of registrant as specified in its charter)

ISLAND OF GUERNSEY

(Jurisdiction of incorporation or organization)

SUITE 5, TOWER HILL HOUSE LE BORDAGE
ST. PETER PORT, ISLAND OF GUERNSEY, GY1 3QT CHANNEL ISLANDS
AMDOCS, INC.
1390 TIMBERLAKE MANOR PARKWAY, CHESTERFIELD, MISSOURI 63017

(Address of principal executive offices)

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

TITLE OF EACH CLASS

NAME OF EXCHANGE ON WHICH REGISTERED

Ordinary Shares, par value L0.01

New York Stock Exchange

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

NONE

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

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NONE

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

Ordinary Shares, par value L0.01 201,334,057(1)
(Title of class) (Number of shares)

(1) Net of 23,613,623 shares held in treasury. Does not include (a) 25,850,798 ordinary shares reserved for issuance upon exercise of stock options granted under our stock option plan, (b) 195,680 ordinary shares reserved for issuance upon exercise of options granted by companies we have acquired, and (c) 10,435,995 ordinary shares reserved for issuance upon conversion of our 0.50% Convertible Senior Notes due 2024, and (d) 2,954 ordinary shares reserved for issuance upon conversion of our 2% Convertible Senior Notes due 2008. As of September 30, 2004, 8,476,277 ordinary shares remained available for future option grants under our stock option plan.

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

Yes [X] No []

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

Item 17 [] Item 18 [X]

AMDOCS LIMITED

FORM 20-F

ANNUAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

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

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

FORWARD LOOKING STATEMENTS

This Annual Report on Form 20-F contains forward-looking statements (within the meaning of the United States federal securities laws) that involve substantial risks and uncertainties. You can identify these forward-looking statements by words such as "expect", "anticipate", "believe", "seek", "estimate", "project", "forecast", "continue", "potential", "should", "would", "could" and "may", and other words that convey uncertainty of future events or outcome. Statements that we make in this Annual Report that are not statements of historical fact also may be forward-looking statements. Forward-looking statements are not guarantees of future performance, and involve risks, uncertainties and assumptions that may cause our actual results to differ materially from the expectations that we describe in our forward-looking statements. There may be events in the future that we are not accurately able to predict, or over which we have no control. You should not place undue reliance on forward-looking statements. We do not promise to notify you if we learn that our assumptions or projections are wrong for any reason. We disclaim any obligation to update our forward-looking statements, except where applicable law may otherwise require us to do so.

Important factors that may affect these projections or expectations include, but are not limited to: changes in the overall economy; changes in competition in markets in which we operate; changes in the demand for our products and services; consolidation within the industries in which our customers operate; the loss of a significant customer; changes in the

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telecommunications regulatory environment; changes in technology that impact both the markets we serve and the types of products and services we offer; financial difficulties of our customers; losses of key personnel; difficulties in completing or integrating acquisitions; litigation and regulatory proceedings; and acts of war or terrorism. For a discussion of these important factors, please read the information set forth below under the caption "Risk Factors".

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

SELECTED FINANCIAL DATA

Our historical consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and presented in U.S. dollars. The selected historical consolidated financial information set forth below has been derived from our historical consolidated financial statements for the years presented. Historical information as of and for the five years ended September 30, 2004 is derived from our consolidated financial statements, which have been audited by Ernst & Young LLP, our independent auditors. You should read the information presented below in conjunction with those statements.

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

	YEAR ENDED SEPTEMBER 30,				
	2004	2003	2002	2001	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS DATA:					
Revenue.....	\$1,773,732	\$1,483,327	\$1,613,565	\$1,533,910	\$1,118,320
Operating income(1) (2) (3) (4).....	296,200	210,418	49,161	159,281	74,124
Net income (loss) (5).....	234,860	168,883	(5,061)	66,386	5,978
Basic earnings (loss) per share.....	1.13	0.78	(0.02)	0.30	0.03
Diluted earnings (loss) per share.....	1.10	0.77	(0.02)	0.29	0.03
Dividends declared per share.....	--	--	--	--	--

AS OF SEPTEMBER 30,

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	2004	2003	2002	2001	2000
(IN THOUSANDS)					
BALANCE SHEET DATA:					
Total assets.....	\$2,863,884	\$2,877,517	\$2,540,094	\$2,624,436	\$1,935,085
Long term obligations					
2% Convertible Notes due June 1, 2008(5).....	272	400,454	445,054	500,000	--
0.50% Convertible Senior Notes due 2024(6).....	450,000	--	--	--	--
Long-term portion of capital lease obligations.....	4,112	23,825	15,138	24,779	23,417
Shareholders' equity(7).....	1,444,190	1,591,600	1,416,275	1,512,091	1,430,772

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	ORDINARY SHARES		ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK
	SHARES	AMOUNT		
(IN THOUSANDS)				
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY DATA:				
Balance as of September 30, 2000.....	221,165	\$3,539	\$1,784,816	\$ --
Employee stock options exercised.....	1,463	21	13,946	--
Tax benefit of stock options exercised.....	--	--	7,345	--
Stock options granted.....	--	--	183	--
Balance as of September 30, 2001.....	222,628	3,560	1,806,290	--
Employee stock options exercised.....	687	12	5,149	--
Tax benefit of stock options exercised.....	--	--	6,808	--
Expense related to vesting of stock options....	--	--	98	--
Repurchase of shares(7).....	(7,732)	--	--	(109,281)
Balance as of September 30, 2002.....	215,583	3,572	1,818,345	(109,281)
Employee stock options exercised.....	475	8	2,312	--
Tax benefit of stock options exercised.....	--	--	262	--
Expense related to vesting of stock options....	--	--	37	--
Balance as of September 30, 2003.....	216,058	3,580	1,820,956	(109,281)
Issuance of ordinary shares related to acquisition, net(8).....	561	--	747	14,392
Employee stock options exercised.....	1,157	21	12,056	--
Tax benefit of stock options exercised.....	--	--	3,094	--
Stock options granted, net of foreitures.....	--	--	749	--
Repurchase of shares(7).....	(16,442)	--	--	(407,527)
Expense related to vesting of stock options....	--	--	6	--
Balance as of September 30, 2004.....	201,334	\$3,601	\$1,837,608	\$(502,416)

(1) In fiscal 2000, we recorded acquisition-related charges of \$75,617, relating

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to our acquisitions of International Telecommunication Data Systems, Inc. ("ITDS") in November 1999 and Solect Technology Group Inc. ("Solect") in April 2000, in stock-for-stock transactions. These charges included write-offs of purchased in-process research and development and other indirect acquisition-related costs. In addition, fiscal 2000 includes \$104,268 of amortization of goodwill related to our acquisitions.

- (2) Fiscal 2001 includes \$204,566 of amortization of goodwill related to our acquisitions.
- (3) In fiscal 2002, we recorded acquisition-related charges for in-process research and development of \$17,400, relating to our November 2001 acquisition from Nortel Networks Corporation of substantially all of the assets of its Clarify business ("Clarify") for cash. We also recorded restructuring charges of \$34,230 relating to the closure of our Stamford, Connecticut data center and our cost reduction program. In addition, fiscal 2002 includes \$204,561 of amortization of goodwill related to our acquisitions.
- (4) In fiscal 2003, we recorded a restructuring charge of \$9,956 related to our cost reduction program and an acquisition-related charge of \$4,133 related to our July 2003 acquisition from Bell Canada of its 90% ownership interest in Certen Inc. ("Certen") for cash. Prior to this acquisition, we had 10% ownership interest in Certen. This charge reflects our 10% share in Certen's pre-acquisition results. Effective October 1, 2002, we adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets", and no longer amortize goodwill.
- (5) In May 2001, we issued \$500,000 aggregate principal amount of 2% Convertible Notes due June 1, 2008 (the "2% Notes"). During the first quarter of fiscal 2004, we repurchased \$5,000 aggregate principal amount of 2% Notes for an aggregate purchase price of \$4,987. During fiscal 2003 and 2002,

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we repurchased \$44,600 and \$54,946 aggregate principal amount of 2% Notes, respectively. In fiscal 2004, 2003 and 2002, we recorded gains of \$13, \$448 and \$6,012, respectively, relating to the repurchases of 2% Notes. On June 1, 2004, we purchased \$395,110 in aggregate principal amount of 2% Notes that had been tendered pursuant to the right of the holders to require us to purchase their 2% Notes on such date at a price equal to 100% of the principal amount plus accrued and unpaid interest. Of the \$344 principal amount of untendered 2% Notes, \$72 was subsequently purchased by us at a price of 100% of their principal amount and the balance remains as our outstanding obligations, in accordance with their terms.

- (6) In March 2004, we issued \$450,000 aggregate principal amount of 0.50% Convertible Senior Notes due March 15, 2024 (the "0.50% Notes").
- (7) In accordance with a share repurchase program authorized by our Board of Directors, we repurchased 4,990 ordinary shares, at an average price of \$24.82 per share, during the first quarter of fiscal 2004. In connection with our acquisition of XACCT Technologies Ltd. ("XACCT"), our Board of Directors approved the repurchase of ordinary shares to offset the dilutive effect of share issuances in the acquisition. The closing of the acquisition occurred in February 2004, and we repurchased 484 ordinary shares in February 2004, at an average price of \$27.67 per share. In connection with our issuance of the 0.50% Notes, the Board of Directors approved the repurchase of ordinary shares sold short by purchasers of the 0.50% Notes in negotiated transactions, concurrently with the sale of the 0.50% Notes, to offset the dilutive effect of the ordinary shares issuable upon conversion

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of the 0.50% Notes. The closing of the sale of the 0.50% Notes occurred in March 2004, and we repurchased 6,074 ordinary shares, for an aggregate purchase price of \$170,061, out of the 10,436 ordinary shares issuable upon conversion of the 0.50% Notes, based on a conversion rate of 23.1911 shares per \$1,000 principal amount. In July 2004, we announced that our Board of Directors had extended our share repurchase program for the additional repurchase of up to \$100,000 of our ordinary shares in open market or privately negotiated transactions and at times and prices we deem appropriate. In accordance with this extension we repurchased 4,894 ordinary shares, at an average price of \$20.40 per share.

- (8) On February 19, 2004, we acquired XACCT, a privately-held provider of mediation software to communications service providers. We acquired XACCT's outstanding shares for \$28,425, of which \$13,286 was paid in cash and the balance in 561 of the Company's ordinary shares valued at \$15,139.

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RISK FACTORS

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

Developments in the communications industry, such as the impact of general global economic conditions, continued industry consolidation, the formation of alliances among network operators and service providers, and changes in the regulatory environment have had, and could continue to have, a material adverse effect on our existing or potential customers. These conditions have reduced the high growth rates that the communications industry had previously experienced, and have caused the market value, financial results and prospects, and capital spending levels of many communications companies to decline or degrade. In recent years, the communications industry has experienced significant financial pressures that have caused many in the industry to cut expenses and limit investment in capital intensive projects and have led to numerous restructurings and bankruptcies. Recent communications company mergers may have a material adverse effect on our results of operations.

The need for communications providers to control operating expenses and capital investment budgets has resulted in slowed customer buying decisions, as well as price pressures. Due to adverse conditions in the business environment for communications companies in fiscal 2002 and fiscal 2003, our revenues declined in the second half of fiscal 2002 and continued to decline in the first quarter of fiscal 2003. As a result, we undertook restructuring programs in fiscal 2002 and fiscal 2003 to reduce costs. Although the decline in our quarterly revenue halted in the second quarter of fiscal 2003, adverse market conditions in the future could have a negative impact on our business by reducing the number of new contracts we are able to sign and the size of initial spending commitments, as well as decreasing the level of discretionary spending under contracts with existing customers. In addition, a further slowdown in the buying decisions of communications providers could extend our sales cycle period and limit our ability to forecast our flow of new contracts.

IF WE FAIL TO ADAPT TO CHANGING MARKET CONDITIONS AND CANNOT COMPETE SUCCESSFULLY WITH EXISTING OR NEW COMPETITORS, OUR BUSINESS COULD BE HARMED.

We may be unable to compete successfully with existing or new competitors. If we fail to adapt to changing market conditions and to compete successfully with established or new competitors, it could have a material adverse effect on our results of operations and financial condition. We face intense competition for the software products and services that we sell, including competition for Managed Services we provide to customers under long-term service agreements.

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These Managed Services include services, such as system modernization and consolidation, operation of data centers, ongoing support, maintenance, system modification, billing and communications facility management.

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

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

- the development by others of software that is competitive with our products and services,
- the price at which others offer competitive software and services,
- the responsiveness of our competitors to customer needs, and
- the ability of our competitors to hire, retain and motivate key personnel.

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

IF WE DO NOT CONTINUALLY ENHANCE OUR PRODUCTS AND SERVICE OFFERINGS, WE MAY HAVE DIFFICULTY RETAINING EXISTING CUSTOMERS AND ATTRACTING NEW CUSTOMERS.

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

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

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

OUR BUSINESS IS DEPENDENT ON A LIMITED NUMBER OF SIGNIFICANT CUSTOMERS, AND THE LOSS OF ANY ONE OF OUR SIGNIFICANT CUSTOMERS COULD HARM OUR RESULTS OF OPERATIONS.

Our business is dependent on a limited number of significant customers. Our three largest groups of customers are comprised of Bell Canada, Nextel Communications ("Nextel") and SBC Communications Inc. ("SBC") and certain of their subsidiaries, each of which accounted for more than 10% of our revenue in fiscal 2004. Aggregate revenue derived from the multiple business arrangements we have with our five largest customer groups accounted for approximately 61% of our revenue in fiscal 2004. SBC has historically been one of our largest shareholders, and, as of November 24, 2004, it beneficially owned approximately 6.3% of our outstanding ordinary shares. The loss of any significant customer or a significant decrease in business from any such customer could harm our results of operations and financial condition.

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

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services in amounts similar to previous years or may delay implementation of committed projects, each of which could reduce our revenues and profits.

OUR FUTURE SUCCESS WILL DEPEND ON OUR ABILITY TO DEVELOP LONG-TERM RELATIONSHIPS WITH OUR CUSTOMERS AND TO MEET THEIR EXPECTATIONS IN PROVIDING PRODUCTS AND PERFORMING SERVICES.

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

WE MAY BE EXPOSED TO THE CREDIT RISK OF CUSTOMERS THAT HAVE BEEN ADVERSELY

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AFFECTED BY WEAKENED MARKETS.

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

THE SKILLED AND HIGHLY QUALIFIED EMPLOYEES THAT WE NEED TO DEVELOP, IMPLEMENT AND MODIFY OUR SOLUTIONS MAY BE DIFFICULT TO HIRE AND RETAIN, AND IF WE ARE UNABLE TO HIRE AND RETAIN SUCH PERSONNEL, WE COULD FACE INCREASED COSTS TO RETAIN OUR SKILLED EMPLOYEES.

Our business operations depend in large part on our ability to attract, train, motivate and retain highly skilled information technology professionals, software programmers and communications engineers. In addition, our competitive success will depend on our ability to attract and retain other outstanding, highly qualified employees. Although we made reductions in our workforce in fiscal 2002 and in the first quarter of fiscal 2003, we continually need to hire sales, support, technical and other personnel. Because our software products are highly complex and are generally used by our customers to perform critical business functions, we depend heavily on skilled technology professionals. Skilled technology professionals are often in high demand and short supply. If we are unable to hire or retain qualified technology professionals to develop, implement and modify our solutions, we may be unable to meet the needs of our customers. In addition, if we were to obtain several new customers or implement several new large-scale projects in a short period of time, we may need to attract and train additional employees at a rapid rate. We may face difficulties identifying and hiring qualified personnel. Our inability to hire and retain the appropriate personnel could increase our costs of retaining skilled employees and make it difficult for us to manage our operations, to meet our commitments and to compete for new customer contracts.

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

OUR QUARTERLY OPERATING RESULTS MAY FLUCTUATE, AND A DECLINE IN REVENUE IN ANY QUARTER COULD RESULT IN LOWER PROFITABILITY FOR THAT QUARTER AND FLUCTUATIONS IN THE MARKET PRICE OF OUR ORDINARY SHARES.

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

- the size and timing of significant customer projects and license and service fees,
 - delays in or cancellations of significant projects by customers,
 - changes in operating expenses,
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- increased competition,
 - changes in our strategy,
 - personnel changes,

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- foreign currency exchange rate fluctuations, and
- general economic and political conditions.

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

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

OUR REVENUE, EARNINGS AND PROFITABILITY ARE IMPACTED BY THE LENGTH OF OUR SALES CYCLE, AND A LONGER SALES CYCLE COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Our business is directly affected by the length of our sales cycle. Information systems for communications companies are relatively complex and their purchase generally involves a significant commitment of capital, with attendant delays frequently associated with large capital expenditures and procurement procedures within an organization. The purchase of these types of products typically also requires coordination and agreement across many departments within a potential customer's organization. Delays associated with such timing factors could have a material adverse effect on our results of operations and financial condition. In periods of economic slowdown in the communications industry, our typical sales cycle lengthens, which means that the average time between our initial contact with a prospective customer and the signing of a sales contract increases. In fiscal 2002 and fiscal 2003, buying decisions of communications providers were often delayed due to adverse conditions in the business environment, and our sales cycle period lengthened as a result. The lengthening of our sales cycle could reduce growth in our revenue in the future. In addition, the lengthening of our sales cycle contributes to an increased cost of sales, thereby reducing our profitability.

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

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

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

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

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Our restructurings and cost reduction measures reduced the size of our operations. On January 31, 2003, after implementation of the second reduction in our workforce, we employed approximately 7,800 individuals in software and information technology positions, compared to approximately 9,100 on November 30, 2001. Our software and information technology workforce increased to 9,000 positions as of November 30, 2003, primarily as a result of the Certen acquisition in July 2003 and a Managed Services agreement signed in January 2003, and to 9,600 positions as of September 30, 2004. During periods of contraction, we disposed of office space and related obligations in an effort to keep pace with the changing size of our operations. These cost reduction measures included consolidating and/or relocating certain of our operations to different geographic locations. These activities could lead to difficulties and significant expenses related to subleasing or assigning any surplus space. We have accrued the estimated expenses that will result from our restructuring efforts. However, if it is determined that the amount accrued is insufficient, an additional charge could have an unfavorable impact on our consolidated financial statements in the period this was determined.

OUR INTERNATIONAL PRESENCE EXPOSES US TO RISKS ASSOCIATED WITH VARIED AND CHANGING POLITICAL, CULTURAL AND ECONOMIC CONDITIONS WORLDWIDE.

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

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

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

POLITICAL AND ECONOMIC CONDITIONS IN THE MIDDLE EAST MAY ADVERSELY AFFECT OUR BUSINESS AND OUR DEVELOPMENT FACILITY IN CYPRUS MAY BE ADVERSELY AFFECTED BY POLITICAL CONDITIONS IN THAT COUNTRY.

Of the six development centers we maintain worldwide, our largest development center is located in five different sites throughout Israel. Approximately 45% of our employees are located in Israel. As a result, we are directly influenced by the political, economic and military conditions affecting Israel and its neighboring region. Any major hostilities involving Israel could have a material adverse effect on our business. We have developed contingency plans to provide ongoing services to our customers in the event political or military conditions disrupt our normal operations. These plans include the transfer of some development operations within Israel to various of our other sites both within and outside of Israel. If we

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have to implement these plans, our operations would be disrupted and we would incur significant additional expenditures, which would adversely affect our business and results of operations.

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

In addition, our development facility in Cyprus may be adversely affected by political conditions in that country. As a result of intercommunal strife between the Greek and Turkish communities, Turkish troops invaded Cyprus in 1974 and continue to occupy approximately 40% of the island. Although Cyprus has joined the European Union, intensive discussions facilitated by the United Nations, the European Union and the United States have not resulted in an agreed-upon plan of reunification for Cyprus. Any major hostilities between Cyprus and Turkey or the failure of the parties to finalize a peaceful resolution may have a material adverse effect on our development facility in Cyprus.

OUR INTERNATIONAL OPERATIONS EXPOSE US TO RISKS ASSOCIATED WITH FLUCTUATIONS IN FOREIGN CURRENCY EXCHANGE RATES THAT COULD ADVERSELY AFFECT OUR BUSINESS.

Although approximately 45% of our employees are located in Israel and we have operations throughout the world, the majority of our revenues and costs are denominated in, or linked to, the U.S. dollar. Accordingly, we consider the U.S. dollar to be our functional currency. However, a significant portion of our operating costs is incurred outside the United States in other currencies. Therefore, fluctuations in exchange rates between the currencies in which such costs are incurred and the dollar may have a material adverse effect on our results of operations and financial condition. The cost of our operations outside of the United States, as expressed in dollars, could be adversely affected by the extent to which any increase in the rate of inflation in a

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particular country is not offset (or is offset with a time delay) by a devaluation of the local currency in relation to the dollar. As a result of this differential, from time to time we may experience increases in the costs of our operations outside the United States, as expressed in dollars, which could have a material adverse effect on our results of operations and financial condition.

In addition, a portion of our revenue (approximately 30% in fiscal 2004) is not incurred in dollars or linked to the dollar, and, therefore, fluctuations in exchange rates between the currencies in which such revenue is incurred and the dollar may have a material effect on our results of operations and financial condition. If more of our customers seek contracts that are denominated in currencies such as the Euro and not the dollar, our exposure to fluctuations in currency exchange rates could increase.

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

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

IF WE ARE UNABLE TO PROTECT OUR PROPRIETARY TECHNOLOGY FROM MISAPPROPRIATION, OUR BUSINESS MAY BE HARMED.

Any misappropriation of our technology or the development of competitive technology could seriously harm our business. We regard a substantial portion of our software products and systems as proprietary

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and rely on a combination of statutory and common law copyright, trademark, trade secret laws, customer licensing agreements, employee and third party non-disclosure agreements and other methods to protect our proprietary rights. We do not include in our software any mechanisms to prevent or inhibit unauthorized use, but we generally enter into confidentiality agreements with our employees, consultants, subcontractors, customers and potential customers and limit access to, and distribution of, our proprietary information.

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

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

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

Although we have not received any complaints from third parties alleging infringement claims, third parties could claim that our current or future products or technology infringe their proprietary rights. We expect that

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software developers will increasingly be subject to infringement claims as the number of products and competitors providing software and services to the communications industry increases and overlaps occur. Any claim of infringement by a third party could cause us to incur substantial costs defending against the claim, and could distract our management from our business. Furthermore, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from selling our products or offering our services, or prevent a customer from continuing to use our products. Any of these events could seriously harm our business.

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

PRODUCT DEFECTS OR SOFTWARE ERRORS COULD ADVERSELY AFFECT OUR BUSINESS.

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

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

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

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

Our ability to perform Managed Services depends on our ability to protect our computer systems against damage from fire, power loss, water damage, telecommunications failures, earthquake, terrorism attack, vandalism and similar unexpected adverse events. Despite our efforts to implement network security measures, our systems are also vulnerable to computer viruses, break-ins and

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similar disruptions from unauthorized tampering. We do not carry enough business interruption insurance to compensate for any significant losses that may occur as a result of any of these events.

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

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

There can be no assurance that our effective tax rate of 22% for the year ended September 30, 2004 will not change over time as a result of changes in corporate income tax rates or other changes in the tax laws of the various countries in which we operate. We have benefited or currently benefit from a variety of government programs and tax benefits that generally carry conditions that we must meet in order to be eligible to obtain any benefit.

For example, the government of Cyprus has issued a permit to our Cypriot subsidiary pursuant to which its activities are deemed to be offshore activities for Cypriot tax purposes, resulting in an effective tax rate in Cyprus of 4.25%. Our Irish subsidiary entered into an agreement with the Irish Industrial Development Agency by which it qualified for certain job creation grants and, consequently, certain of its activities were deemed to be manufacturing activities for Irish tax purposes, resulting in a corporation tax rate of 10% until December 31, 2002 with respect to such manufacturing activities. Beginning January 1, 2003, our Irish subsidiary became subject to a single corporation tax rate of 12.5%. Pursuant to recently enacted legislation, Israeli companies are generally subject to a company tax rate on taxable income of 35% for 2004, 34% for 2005, 32% for 2006 and 30% thereafter. However, certain production and development facilities of our Israeli subsidiary have been granted a status that allows for taxation at a rate of 25% or lower. The status by which these facilities enjoy reduced taxation is subject to certain time limitations.

If we fail to meet the conditions upon which certain favorable tax treatment are based, we could be required to refund tax benefits already received. Additionally, some of these programs and the related tax benefits are available to us for a limited number of years, and these benefits expire from time to time.

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

- some programs may be discontinued,
- we may be unable to meet the requirements for continuing to qualify for some programs,
- these programs and tax benefits may be unavailable at their current levels,

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

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

WE ARE CURRENTLY THE SUBJECT OF A SECURITIES EXCHANGE COMMISSION INVESTIGATION, WHICH COULD NEGATIVELY AFFECT OUR BUSINESS AND RESULTS OF OPERATIONS.

We have been informed that the Midwest Regional Office of the United States Securities and Exchange Commission (the "SEC") is conducting a private investigation into the events leading up to our announcement in June 2002 of revised projected revenue for the third and fourth quarters of fiscal 2002. The investigation appears to be focused on, but is not explicitly limited to, our forecasting beginning with our April 23, 2002 press release. Although we believe that we will be able to satisfy any concerns the SEC staff may have in this regard, we are unable to predict the duration, scope or outcome of the investigation. We are cooperating fully with the SEC staff. At a minimum, this investigation may divert the attention of our management and other resources that would otherwise be engaged in operating our business.

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

The market price of our ordinary shares has fluctuated widely and may continue to do so. During fiscal year 2004, our ordinary shares have traded as high as \$30.69 per share and as low as \$18.08 per share. Our ordinary shares traded as high as \$80.50 per share in fiscal 2001 and as low as \$5.85 per share in fiscal 2003. As of December 27, 2004, the closing price of our ordinary shares was \$26.22 per share. Many factors could cause the market price of our ordinary shares to rise and fall, including:

- market conditions in the industry and the economy as a whole,
- variations in our quarterly operating results,
- announcements of technological innovations by us or our competitors,
- introductions of new products or new pricing policies by us or our competitors,
- trends in the communications or software industries,
- acquisitions or strategic alliances by us or others in our industry,
- changes in estimates of our performance or recommendations by financial analysts, and
- political developments in the Middle East.

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

IT MAY BE DIFFICULT FOR OUR SHAREHOLDERS TO ENFORCE ANY JUDGMENT OBTAINED IN THE UNITED STATES AGAINST US OR OUR AFFILIATES.

We are incorporated under the laws of the Island of Guernsey and several of our directors and executive officers are not residents of the United States. A significant portion of our assets and the assets of those persons are located outside the United States. As a result, it may not be possible for investors to effect service of process upon us within the United States or upon such persons

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outside their jurisdiction of residence. Also, we have been advised that there is doubt as to the enforceability in Guernsey of judgments of the U.S. courts of civil liabilities predicated solely upon the laws of the United States, including the federal securities laws.

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ITEM 4. INFORMATION ON THE COMPANY

HISTORY, DEVELOPMENT AND ORGANIZATIONAL STRUCTURE OF AMDOCS

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

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

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

We have pursued acquisitions in order to offer new products or services or otherwise enhance our market position or strategic strengths. Our acquisition of ITDS in November 1999 enabled us to expand our service offerings and enhanced our ability to provide Managed Services solutions to our customers. In April 2000, we acquired Select, which enhanced our ability to serve the growing Internet Protocol ("IP") needs of our customers. The acquisition in November 2001 from Nortel Networks Corporation of substantially all of the assets of its Clarify business, which provided Customer Relationship Management ("CRM") software to communications services companies and other enterprise sectors, has positioned us as a leading provider of CRM to the communications industry and, through our addition of Clarify's CRM software to our product offerings, reinforced our leadership in delivering a comprehensive portfolio of business software applications. In July 2003, we purchased Bell Canada's 90% ownership interest in Certen, which we formed with Bell Canada in January 2001. This acquisition expanded our Managed Services offerings and positioned us as a leading provider of Managed Services to the communications industry. As a result of the acquisition, Certen is now our wholly owned subsidiary. In February 2004, we acquired XACCT, a provider of mediation software to communications service providers.

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

During fiscal 2002 and 2003, we took steps to reduce our costs and achieve increased operational efficiency. In fiscal 2002, we implemented a cost reduction program to reduce costs in response to a decline in our revenue for the third and fourth quarters of fiscal 2002. As part of this cost reduction program, we reduced our workforce by approximately 1,000 software and information technology specialists and administrative professionals and vacated facilities in different centers around the world. In an effort to achieve increased operational efficiency and to more closely monitor and reduce costs,

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in fiscal 2002 we also consolidated our Stamford, Connecticut data center into our Champaign, Illinois facility, and closed the Stamford facility. In November 2002, we announced a series of additional measures designed to reduce costs and improve productivity. As part of this plan, we reduced our workforce by approximately 400 software and information technology specialists and administrative professionals and vacated facilities in different centers around the world. In addition, we implemented other cost reduction measures, including travel cuts and reductions in other discretionary costs. As a result of these cost reduction programs, our software and information technology workforce consisted of approximately 7,800 employees as of January 31, 2003. During fiscal 2003, we increased our software and information technology workforce by approximately 1,200 employees, primarily as a result of the Certen acquisition in July 2003 and a Managed Services agreement signed with an affiliate of SBC in January 2003. As of September 30, 2004, our software and information technology workforce had increased to approximately 9,600 employees.

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Our principal capital expenditures for fiscal 2004, 2003 and 2002 have been for computer equipment, for which we spent approximately \$50.8 million, \$50.5 million and \$42.8 million, respectively. Principal capital expenditures currently in progress consist of approximately \$4.5 million for additional computer equipment, with the bulk of these expenditures for computer equipment to be located at our facilities in North America and Israel.

BUSINESS OVERVIEW

Our market focus is primarily the communications industry, and we are a leading provider of software products and services to leading communications service providers in North America, Europe and the rest of the world. We are also expanding on our experience by working with service providers in the financial services sector, since certain of the challenges faced by companies in this sector are similar to those of the communications service providers.

Our products and services help our customers move toward an integrated approach to customer management, which we refer to as "Integrated Customer Management". Our Integrated Customer Management product offerings consist primarily of billing and customer relationship management systems, which we refer to, collectively, as "Customer Care and Billing Systems", or "CC&B Systems". We refer to customer relationship management products included within CC&B Systems as "CRM" products.

Our portfolio also includes a full range of directory sales and publishing systems, which we refer to as "Directory Systems", for publishers of both traditional printed yellow page and white page directories and electronic Internet directories.

Our Integrated Customer Management systems are designed to meet the mission-critical needs of leading communications service providers throughout the entire customer lifecycle. Consequently, our portfolio includes CRM, order management, mediation, call rating, invoice calculation and preparation, bill formatting, collections, provisioning, content and partner relationship management, support solutions, customer interaction products. We support a wide range of communications services, including wireline, wireless, cable, voice, video, data, broadband, content, electronic and mobile commerce and IP-based services. We also support companies that offer multiple service packages, commonly referred to as bundled or convergent services.

Due to the complexity of our customers' projects and the expertise required for system support, we also provide information technology, or IT, services, including extensive system implementation, integration, modification, ongoing

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support, enhancement and maintenance services. In addition, we offer Managed Services, which include services, such as the operation of data centers, ongoing support, maintenance services, system modification, the provisions of billing services and communications facility management services, in all cases on either or a combination of a fixed or unit charge basis to our customers. We are also expanding to system integration and providing IT consulting services, such as profit enhancement.

Since the inception of our business in 1982, we have concentrated on providing software products and services to major communications companies. By focusing on this market, we believe that we have been able to develop the innovative products and the industry expertise, project management skills and technological competencies required for the advanced, large-scale, specifications-intensive system projects typical of leading communications providers. Our customer base includes major North American, European and other communications companies, including major wireline and wireless companies.

INDUSTRY BACKGROUND

Communications Industry

It is our view that, for close to 20 years, competition in the global communications industry has increased as a result of deregulation and the development of new service technologies. Competition in the U.S. market began to increase in 1984 when AT&T was required to divest its local telephone operations and many new operators began to enter the long distance market. The Telecommunications Act of 1996

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increased competition in the United States even further by allowing new and existing local, long distance and cable companies to offer competing services. Our experience tells us that many companies now compete by providing bundled or convergent services, offering combinations of local exchange, long distance, wireless, broadband access, content and electronic and mobile commerce services. Deregulation is also creating opportunities for new ways of doing business, such as wholesaling and reselling communications services. Privatization and deregulation continue to encourage increased competition worldwide. We believe that, as markets are opened to competition, new competitors within these markets typically compete for market share with more established carriers by offering competitive prices, introducing new features and services and being more responsive to customer needs. In parallel, the communications industry has undergone consolidation, as companies seek to broaden their global reach and expand service offerings. In addition, global expansion by multinational companies and concurrent technological advances are opening markets in less developed countries to enhanced communications services and competition.

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

Information Systems

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While the demand for products and services was negatively affected by the downturn in the communications industry during 2002 and 2003, many communications companies are seeking to upgrade their systems and install new systems that would enable them to move toward Integrated Customer Management and to offer new services. We believe that these communications companies are looking for systems that reduce IT and operational costs, enhance customer management to support customer retention, and support rapid rollout of new marketing packages and advanced data services, as well as the ability to provide customers with single-contact, single-invoice solutions for convergent or bundled services.

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

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

THE AMDOCS SOLUTIONS

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

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- Integrated Portfolio of Products. We enable our customers to achieve Integrated Customer Management by providing a portfolio of pre-integrated products that span the entire customer lifecycle. Our portfolio is designed to support Integrated Customer Management across the organization, providing a single platform for aligning business processes around the customer, linking customer-facing business processes and touch points across back-office and front-office systems. Products are pre-integrated for a seamless modular extension of our solution as a service provider moves toward achieving Integrated Customer Management and to ensure fast and reduced-cost implementations.
- Solutions Combining Products and Services. We offer our customers total solutions that combine products with a broad range of services, including customization, implementation, integration, maintenance, ongoing support and Managed Services. By providing services directly to the customer, we are able to effectively utilize our intricate technical knowledge of our Integrated Customer Management products in the overall execution of a project, helping to ensure delivery and significantly reducing project risk. Our solutions approach differs from the multi-party approach commonly used in the market, in which products developed by a software vendor are implemented by a third-party system integrator. We believe

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that our approach enhances our ability to provide our customers with timely, cost-effective, low-risk solutions at a consistent level of quality.

- **Functional and Flexible Portfolio.** Our Integrated Customer Management products are based on an open, multi-tier, client-server, rule and table-based architecture that provides the functionality, scalability, modularity and adaptability required by communications companies in today's highly competitive market. The open, standard architecture allows products to operate as standalone within existing environments. The flexibility of our Integrated Customer Management products enables our customers to achieve significant time-to-market advantages and reduce their dependence on technical and other staff.
- **Deep Industry Expertise and Highly Skilled Personnel.** We are able to offer our customers superior products and services on a worldwide basis in large part because of our highly qualified and trained technical, sales, marketing and managerial personnel. We invest significantly in the ongoing training of our personnel in key areas such as industry knowledge, software technologies and management capabilities. Primarily based on the skills and knowledge of our employees, we believe that we have developed a reputation for reliably delivering quality solutions within agreed time frames and budgets. We have a global presence and recruitment capabilities and have development centers in Canada, Cyprus, Ireland, Israel and the United States. Recently, we established a new development center in India.

BUSINESS STRATEGY

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

- **Continued Focus on the Communications Industry.** We intend to continue to concentrate our main resources and efforts on providing strategic information systems to the communications industry. This strategy has enabled us to develop the specialized industry know-how and capability necessary to deliver the technologically advanced, large-scale, specifications-intensive information systems solutions required by the leading communications companies in the wireless, wireline, cable and convergent service sectors. However, we are expanding on our experience by working with service providers in the financial services sector.
- **Target Industry Leaders.** We intend to continue to direct our marketing efforts principally toward the major communications companies. We derive a significant portion of our revenues from our customer base of major communications companies in North America, Europe and the Asia-Pacific region. We believe that the development of this premier customer base has helped position us as a market leader, while contributing to the core strength of our business. By targeting industry leaders

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that require the most sophisticated information systems solutions, we believe that we are best able to ensure that we remain at the forefront of developments in the industry.

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

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well as Managed Services to our customers.

- Provide Customers with a Broad, Integrated Suite of Products. We seek to provide our customers with a broad suite of products to help them move toward true Integrated Customer Management. For communications service providers, we seek to provide CC&B Systems across all lines of their business, such as wireline, mobile and data. This approach also means that we can support global communications service providers throughout their various international operations. We believe that our ability to provide a broad suite of products helps establish us as a strategic partner for our customers, and also provides us with multiple avenues for strengthening and expanding our ongoing customer relationships.
- Maintain and Develop Long-Term Customer Relationships. We seek to maintain and develop long-term, mutually beneficial relationships with our customers. These relationships generally involve additional product sales, as well as ongoing support, system enhancement and maintenance services. We believe that such relationships are facilitated in many cases by the mission-critical, strategic nature of the systems provided by us and by the added value we provide through our specialized skills and knowledge. In addition, our strategy is to solidify our existing customer relationships by means of long-term support and maintenance contracts.

TECHNOLOGY

We have developed core competencies in various advanced technologies that are used in our Integrated Customer Management products. By utilizing technologies such as rule and table-based design, multi-tier architecture, object-oriented techniques, data mining, web-enabling and open application program interfaces, we are able to provide communications companies with the flexibility required in a highly competitive, dynamic environment. For example, the use of rule and table-based technologies allows communications companies to rapidly implement changes to their marketing and customer service activities, such as new services, price plans, discount schemes and bill formats, without the need to modify system code. Similarly, by drawing on web-enabled, Internet technologies, we have been able to improve access to information by remote users, both internally within a communications company's organization and between the organization and its subscribers. These technologies are integrated in an open, multi-tier, service-oriented architecture. The architecture of our Integrated Customer Management product portfolio includes the key characteristics described below.

- Scalability. Our Integrated Customer Management products are designed to take full advantage of the proven scalability of the UNIX platform, allowing progressive system expansion, proportional with the customer's growth in business volumes. Using the same software, our Integrated Customer Management products can support operations for small, as well as very large service providers.
- Modularity. Our Integrated Customer Management product portfolio is comprised of sets of functional modules. Each module can be installed on an individual standalone basis, interfacing with the customer's existing systems, or as part of an integrated Amdocs system environment. This modularity provides our customers with a highly flexible and cost-effective solution that is able to incrementally expand with the customer's growing needs and capabilities. The modular approach also preserves the customer's initial investment in Integrated Customer Management products, while minimizing future disruptions and the overall cost of system implementation.
- Portability. Utilization of the UNIX platform for our Integrated

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Customer Management products ensures that our customers are able to choose from a variety of hardware vendors, including

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Hewlett-Packard, IBM and Sun Microsystems. Certain applications can also be deployed on the MVS or Windows NT platforms. The Integrated Customer Management products utilize, where applicable, Java-based design and programming to augment cross-platform portability.

PRODUCTS

Our product offerings include an extensive library of Integrated Customer Management software products that we have developed to provide comprehensive information systems functionality for communications service providers. Our Integrated Customer Management systems cover the full range of CRM, order management, mediation, real-time rating and billing, including enhanced support for a broad range of billing-related activities, content and partner relationship management, support and customer interaction products, as well as directory publishing services.

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

- Amdocs Enabler: offline and online charging products, supporting prepaid and postpaid billing, for voice and next generation services.
- Amdocs ClarifyCRM: end-to-end customer management products for all operators, providing support for managing customer relationships, including service and support, sales and ordering, and marketing and analytics.
- Order Management: a real-time ordering system with provisioning capabilities that supports all lines of businesses and enables service providers to launch new services quickly.

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

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

CC&B Systems

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

- Customer Management -- provides customer account information management and service support, including account initiation, on-line assistance in choosing a price plan, installation scheduling and complaint handling.
- Acquisition and Formatting -- provides for acquisition and formatting of the event records, which are created by usage of the communications network. The event records contain information such as the origin and destination of a telephone call and its duration.

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- Rating -- calculates charges for usage of communications services, such as postpaid and prepaid telephone calls, Internet access and data transfer. The rating module calculates the charges for each event based on the service packages and price plans applicable to each individual user.
- Billing -- provides comprehensive functionality for bill preparation (totaling of usage and other charges, application of discounts, taxes and credits) and bill production.
- Bill Formatter -- enables the flexible definition and modification of bill formats, according to user requests (e.g., to combine charges from multiple services on to a single bill or to permit certain types of charges to be highlighted).

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- Accounts Receivable and Collections -- provides comprehensive functionality for accounts receivable and collections, including invoice receipt, payment receipt, payment posting, financial reporting and automated handling of customers with outstanding debts.
- Resource Management -- manages the carrier's inventory of telephone numbers and SIM cards.
- Wireless and IP Provisioning -- manages the interface between the carrier's customer care and billing system and the network, transferring instructions regarding the provision or discontinuation of wireless and IP services to specified users.
- Partner Relationship Management -- calculates, manages and reconciles payments for intercarrier network access, including settlement of roaming charges between cellular carriers, as well as management of agreements and settlements between carriers and their business partners.
- Commerce Payments -- manages real-time payment and exchange of information between buyer and seller for next generation commerce and content transactions.
- Amdocs eCare -- enables residential and corporate customers to use the Internet to self-manage interactions with their communications service providers.

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

- Sales and Ordering Solutions -- offer comprehensive sales automation and order management products supporting the broad needs of sales professionals in sales situations. We provide a range of integrated sales automation tools enabling local and remote sales professionals to manage sales opportunities, develop quotes, forecast revenue and communicate with other sales team members. Amdocs Order Management applications help companies manage and track the ordering process from order capture and negotiation, through to provisioning and service delivery.
- Service and Support Solutions -- enable companies to maximize efficiencies in customer service organizations. Our offering includes support centers, contact centers and self-service solutions. These applications provide a unified desktop framework that allows agents to support customer care activities, including marketing, ordering, billing

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and servicing. They enhance customer service and communications to help improve customer satisfaction and retention. Amdocs Service and Support solutions provide companies a complete view of the customer by integrating incoming and outgoing customer contacts from all channels.

- Marketing and Analytics Solutions -- provide tools to analyze and optimize the key customer metrics that affect a business, including customer acquisition, retention, penetration and lifetime value. Using our products in conjunction with generally available business intelligence tools, our customers can identify usage and other behavioral trends, allowing them to take proactive measures in order to improve retention rates of their high-value customers and focus offers on their best prospective or existing customers either in real-time or using traditional outbound campaigns. As a result, communications providers can track the effectiveness of their strategies and refine them as necessary.

Our Order Management suite of products consists of modules for each of the following two main categories:

- Ordering Module -- enables service providers to quickly configure new services and offer them to their customers. To ensure maximum flexibility for new service configurations, the ordering module is supported by preconfigured ordering processes that allow an operator to quickly launch traditional services using industry best practices.
- Provisioning Module -- enables service providers to access Operational Support Systems applications, such as Network Resource Management and Work Force Management, and use them to quickly deploy new orders and services to their customers.

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Directory Publishing

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

- Sales -- addresses all aspects of managing sales to advertisers, including preparation and management of the overall sales campaign, which encompasses selecting the advertisers to be targeted, allocating the advertisers to various sales channels (such as field sales or telemarketing sales), assigning the advertisers to sales representatives, tracking advertising sales results and calculating sales commissions. These modules also provide automated support for the advertising sales representative, including laptop-based applications for use by members of the sales force in the field.
- Publishing -- supports the process of entering, proofing and extracting the telephone listing and advertising information that is to be published in the customer's yellow page or white page directory or electronic Internet directory. These modules encompass contract processing, service order processing, listing information management and directory extract in preparation for the actual production of the directory.

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- Marketing and Information Analysis -- includes corporate data warehousing techniques, online analytical processing and data mining capabilities, oriented to the specific marketing needs of the directory publisher. For example, these modules can be used to identify changed patterns of advertisement buying behavior in certain groups of customers, or to perform "what if" analyses on marketing policy parameters. These modules are also used by management to analyze the directory market and customer behavior, assisting in the planning of corporate strategy and marketing tactics.
- Prepress -- manages the production of advertisements that are to be published in a directory and also supports the fully automated pagination of yellow page and white page directories, including the generation of the final typesetting file so that printed copies of the documents can be produced.
- Customer Service -- permits online support for handling customer inquiries and resolving customer complaints, including online correction of advertising data and billing adjustments.
- Financial Management -- specifically designed for the directory publisher's billing, accounts receivable and collections functions.

SERVICES

We believe that the methodology we employ to enable Integrated Customer Management and to deliver our products and services is one of the key factors that allows us to achieve the time-frame, budget and quality objectives of our customers' projects. Our methodology incorporates rigorous focus on the people, processes and technology of an organization (program management, customer-specific solution development, implementation and integration and operation), as well as active customer participation at all stages to help prioritize and implement time-critical information system solutions that address the customer's individual needs.

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

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

Once the system becomes operational, we are generally retained by the customer to provide ongoing services, such as maintenance, enhancement design

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

As part of our effort to provide comprehensive solutions to our customers, we offer a broad suite of consulting, integration and Managed Services to support operation of our Integrated Customer Management products. These Managed Services include services, such as system modernization and consolidation, operation of data centers, ongoing support, maintenance, system modification, billing and communications facility management.

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

SALES AND MARKETING

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

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

We also interact with other third parties in our sales activities, including independent sales agents, information systems consultants engaged by our customers or prospective customers and systems integrators that provide complementary products and services to such customers. We also have value-added reseller agreements with certain hardware and database vendors.

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CUSTOMERS

Our target market is comprised of communications companies that require information systems with advanced functionality and technology. The companies in our target segment are typically market leaders. By working with such companies, we help ensure that we remain at the forefront of developments in the communications industry and that our Integrated Customer Management product offerings continue to address the market's most sophisticated needs. We have an international orientation, focusing on potential customers in the developed,

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industrialized countries in North America, Europe, Latin America and the Asia-Pacific region. We are also expanding on our experience by working with service providers in the financial services sector, since the challenges faced by companies in this sector are similar to those of the communications service providers.

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

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

Our three largest groups of customers are comprised of Bell Canada, Nextel and SBC and certain of their subsidiaries, each of which accounted for more than 10% of our revenue in fiscal 2004. Aggregate revenue derived from the multiple business arrangements we have with our five largest customer groups accounted for approximately 61% of our revenue in fiscal 2004. SBC has historically been one of our largest shareholders, and, as of November 24, 2004, it beneficially owned approximately 6.3% of our outstanding ordinary shares.

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

	2004	2003	2002
	----	----	----
North America.....	65.9%	62.0%	61.9%
Europe.....	27.1	29.8	28.9
Rest of the World.....	7.0	8.2	9.2

COMPETITION

The market for communications information systems is highly competitive and fragmented, and we expect competition to increase. We compete with many independent providers of information systems and services, including CGI Group, Convergys, CSG Systems International, Intec Telecom Systems, Portal Software, and Siebel Systems, with system integrators and providers of IT services, such as Accenture, EDS and IBM Global Services, and with internal information systems departments of large communication companies. We expect continued competition in the communications industry and the entrance of new competitors into the software information systems market in the future.

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

- offering customers a total information system from a single vendor,
- providing high quality reliable, scalable and modular products,
- effectively managing the timely implementation of products, and
- responding to customer service and support needs through a skilled professional organization.

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

EMPLOYEES

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

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

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Our research and development activities involve the development of new software architecture, modules and product offerings in response to an identified market demand, either in conjunction with a customer project or as part of our internal product development programs. We also expend additional amounts on applied research and software development activities to keep abreast of new technologies in the communications markets and to provide new and enhanced functionality to our existing product offerings. While we continue to upgrade our existing systems, in fiscal 2004 we focused significant research and development efforts on the integration between our products and a unified user interface in order to assist our customers in adopting an Integrated Customer Management strategy. As part of these efforts, we expect to launch Amdocs 6 in calendar 2005. The majority of our research and development expenditures is directed at our billing and CRM systems, and the remainder to directory, content management, mediation, order management products and self service. We believe that our research and development efforts are a crucial element of our strategy and are essential to our success.

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Our software and software systems are largely comprised of software and systems that we have developed and that we regard as proprietary. Our software and software systems are the results of long and complex development processes, and certain aspects of our products make use of readily available software components that we license from third parties. The ability to develop and use our software and software systems requires knowledge and professional experience that we believe is unique to us and would be very difficult for others to independently obtain. Our software and software systems have never been the subject

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of a material intellectual property infringement claim. We rely upon a combination of trademarks, contractual rights, trade secret law, copyrights, nondisclosure agreements and technical measures to establish and protect our proprietary rights in our products and technologies. We also enter into non-disclosure and confidentiality agreements with our customers, employees and marketing representatives and with certain contractors with access to sensitive information. Additionally, we limit customer access to the source code of our software and software systems. However, these measures taken by us may not be adequate to protect our technology from third-party infringement. In addition, our competitors may also independently develop technologies that are substantially equivalent or superior to ours.

Our technology is not dependent on patents or licenses from third parties.

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

PROPERTY, PLANTS AND EQUIPMENT

Facilities

We lease land and buildings for our executive offices, sales, marketing, administrative, development and support centers. We lease an aggregate of approximately 2,530,000 square feet worldwide, including significant leases in the United States, Israel, Canada, Cyprus, India and the United Kingdom. Our aggregate annual lease costs are approximately \$49.0 million. The following table summarizes information with respect to the principal facilities leased by us and our subsidiaries as of November 30, 2004:

LOCATION -----	AREA (SQ. FEET) -----
United States:	
Chesterfield, MO(*).....	180,000
San Jose, CA.....	129,000
Champaign, IL.....	105,000
Others(*).....	222,000

Total.....	636,000
Israel:	
Ra'anana.....	618,000
Hod-Hasharon.....	202,000
Haifa(*).....	133,000
Others.....	85,000

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Total.....	1,038,000
Canada:	
Toronto (*).....	244,000
Montreal.....	144,000
Others.....	91,000
Total.....	479,000
Cyprus (Limassol).....	103,000
India (Pune).....	114,000
United Kingdom(*).....	48,000
Rest of the world(**).....	110,000

(*) Includes space sublet to third parties.

(**) Includes Argentina, Australia, Brazil, Czech Republic, France, Germany, Greece, Hong Kong, Hungary, Indonesia, Ireland, Italy, Japan, Mexico, Poland, Russia, South Africa, Spain, Sweden, Switzerland, Thailand and The Netherlands.

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Our leases expire on various dates between 2004 and 2014, not including various options to extend lease terms.

Equipment

We develop our Integrated Customer Management products over a system of UNIX, MVS and Windows 2000/2003 servers owned or leased by us. We use a variety of software products in our development centers, including products by Microsoft, Oracle, Synscsort, CA, Merant, IBM, HP, SUN and BEA. Our data storage is based on equipment from EMC, SUN, NetApp and Hewlett-Packard. Our development servers are connected to approximately 16,000 personal computers owned or leased by us.

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

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

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

INTRODUCTION

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

- the factors that affect our business,
- our revenue and costs for the fiscal years ended September 30, 2004, 2003

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and 2002,

- the reasons why such revenue and costs were different from year to year,
- the sources of our revenue,
- how all of this affects our overall financial condition,
- our capital expenditures for the fiscal years ended September 30, 2004, 2003 and 2002, and
- the sources of our cash to pay for future capital expenditures and possible acquisitions.

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

OVERVIEW OF BUSINESS AND TREND INFORMATION

Our market focus is primarily the communications industry, and we are a leading provider of software products and services to that industry. Our Integrated Customer Management product offerings consist primarily of CC&B Systems. Our portfolio also includes a full range of Directory Systems.

Our Integrated Customer Management systems are designed to meet the mission-critical needs of leading communications service providers. We support a wide range of communications services, including wireline, wireless, voice, video, data, broadband, content, electronic and mobile commerce and IP based services. We also support companies that offer multiple service packages, commonly referred to as bundled or convergent services. Due to the complexity of our customers' projects and the expertise required for system support, we also provide extensive implementation, system integration, system customization and modification, and ongoing support including data-base management, system enhancement and maintenance

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services. In addition, we offer "Managed Services", which include services such as the operation of data centers, ongoing support, maintenance services, system modification, the provision of billing services and communications facility management services, in all cases on either or a combination of a fixed or unit charge basis to our customers.

Our business is conducted on a global basis. We maintain five development facilities located in Israel, the United States, Cyprus, Ireland and Canada. Recently, we established a new development center in India. We expect the development center in India to grow and support the overall activity of our business worldwide, at comparatively lower operating costs.

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

We derive our revenue principally from:

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

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- providing Managed Services and other related services for our solutions, and
- recurring revenue from ongoing support and maintenance provided to our customers, and from incremental license fees resulting from increases in a customer's business volume.

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) collectibility of the fee is reasonably assured. We usually sell our software licenses as part of an overall solution offered to a customer that combines the sale of software licenses with a broad range of services, which normally include significant customization, modification, implementation and integration. As a result, we generally recognize combined license and service revenue over the course of these long-term projects, using the percentage of completion method of accounting. Initial license fee revenue is recognized as work is performed, using the percentage of completion method of accounting. Subsequent license fee revenue is recognized upon completion of specified conditions in each contract, based on a customer's subscriber level or number of users when greater than the level specified in the contract for the initial license fee. Service revenue that involves significant ongoing obligations, including fees for software customization, implementation and modification, also is recognized as work is performed, under the percentage of completion method of accounting. Revenue from software solutions that do not require significant customization and modification is recognized upon delivery. In Managed Services contracts, we typically recognize revenue from the operation of a customer's system either ratably over the service period or as services are performed. Revenue from ongoing support services is recognized as work is performed. Revenue from third-party hardware sales is recognized upon delivery and installation, and revenue from third-party software sales is recognized upon delivery. Maintenance revenue is recognized ratably over the term of the maintenance agreement. As a result of a significant portion of our revenue being subject to the percentage of completion accounting method, the size and timing of customer projects and our progress in completing such projects may significantly affect our annual and quarterly operating results.

Our business is subject to the effects of general global economic conditions and, in particular, market conditions in the communications industry. As a result of the slowdown in the communications industry during fiscal years 2003 and 2002, the market value, financial results and prospects, and capital spending levels of communications companies have declined or degraded.

During fiscal 2004, several communications service providers demonstrated a greater readiness to commit to new projects. Nevertheless, during fiscal years 2003 and 2002, delays in customer buying decisions stemming from rigorous management of operating expenses and overall reductions in the capital investment budgets of many communications service providers led to fewer new contracts, as well as smaller initial spending commitments and reduced discretionary spending under contracts with certain of our customers. As a result of these market conditions, our revenue in the third quarter of fiscal 2002

decreased by more than \$75 million from the previous quarter. Revenue continued to decline in the fourth quarter of fiscal 2002 and the first quarter of fiscal 2003. During fiscal 2003, the market began to stabilize. As a result, we resumed sequential revenue growth in the second quarter of fiscal 2003. During fiscal 2003, total quarterly revenue increased by 4.6% between the first and second quarters, by 6.2% between the second and third quarters and by 9.2% between the

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third and fourth quarters, primarily as a result of new Managed Services agreements and our acquisition of Certen in the fourth quarter of fiscal 2003. While we continue to operate in a challenging environment, we believe that our market leadership, together with our expanding relationships with strategic customers and the overall improvement of market conditions, create a firm basis for growth. We expect modest growth in the first quarter of fiscal 2005 and anticipate an increase in our growth rate in the second quarter of fiscal 2005.

Our quarterly revenue for the last twelve quarters is summarized below (in millions):

	Q1	Q2	Q3	Q4
	-----	-----	-----	-----
Fiscal 2004.....	\$428.3	\$442.8	\$450.2	\$452.4
Fiscal 2003.....	\$339.4	\$355.0	\$377.2	\$411.7
Fiscal 2002.....	\$422.6	\$455.3	\$380.2	\$355.5

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

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

- the global use of communications services,
- the emergence of new communications products and services, including IP, video, broadband, data and content services and IPTV,
- technological changes, such as the introduction of wireless Internet services via GPRS and UMTS technology,
- the ongoing consolidation within the communications industry,
- the business needs of communications service providers to reduce costs and retain high value customers, and
- a shift from in-house management to vendor solutions.

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

Revenue from Managed Services arrangements is included in both license and service revenue from the sale of CC&B Systems and Directory Systems. Managed Services projects are a significant part of our business, and generate substantial, long-term revenue streams, cash flow and operating income. In the initial period of our Managed Services projects, we generally invest in modernization and consolidation of the customer's systems. Invoices are usually structured on a periodic fixed or unit charge basis. As a result, Managed Services projects can be less profitable in the initial period. Margins tend to improve over time as we benefit from the operational efficiencies provided by system modernization and consolidation. We expect that our Managed Services relationships will generate margins comparable to sales of our other products and related license and services over the entire relationships. Revenue related to Managed Services agreements in the year ended September 30, 2004 was

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approximately 40% of total revenue.

ACQUISITIONS

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

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In November 2001, we purchased from Nortel Networks Corporation substantially all of the assets of its Clarify business, a leading provider of CRM software to communications companies and other enterprise sectors. This acquisition positioned us as a leading provider of CRM software to the communications industry and, through our addition of Clarify's CRM software to our portfolio of product offerings, reinforced our leadership in delivering Integrated Customer Management software applications. This acquisition completed our CRM product suite, enabling us to deliver a pre-integrated CRM, billing and order management solution and stand-alone communications CRM offering to communications providers. Following the acquisition we integrated the Clarify sales to telecommunication customers into our overall sales efforts. Generally, we sell our ClarifyCRM products to telecommunication customers as integral parts of projects that also include license and service arrangements. Following the acquisition, we have continued to sell Clarify's CRM software to customers other than communications service providers. The total purchase price for Clarify, as of September 30, 2002, was \$212.0 million in cash, including transaction costs of \$8.3 million. The purchase price was subject to final price adjustments that were settled in October 2002 and resulted in an \$11.1 million reduction of the purchase price to \$200.9 million in the first quarter of fiscal 2003.

Our global business is providing Integrated Customer Management systems, software and services, including ClarifyCRM products. Our Integrated Customer Management systems include a portfolio of pre-integrated billing and CRM products. Such systems combine products with a broad range of services, including customization, implementation, integration, maintenance, ongoing support and Managed Services. In addition, following the Clarify acquisition, we combined our own CRM product suite with the acquired product to form our ClarifyCRM products. We also provide our customers with system interfaces, systems integration and conversion services. Therefore, we analyze our sales efforts and revenue development by customer.

In July 2003, we acquired from Bell Canada ("Bell") its 90% ownership interest in Certen, which we formed with Bell in January 2001 to provide customer care and billing solutions to Bell and a number of Bell's affiliated companies. Prior to this acquisition, we owned 10% of Certen. As a result of the acquisition, Certen is now our wholly owned subsidiary. Since Certen's inception, we have provided customer care and billing software required by Certen, including related customization, installation, maintenance and other services. This acquisition expanded our Managed Services offerings and positioned us as a major provider of Managed Services to the communications industry, and was our next logical step in the evolution of our relationship with Bell. In addition, as a result of this acquisition, we continued to develop an integrated billing platform to replace legacy systems built on a product-by-product basis. The total purchase price for the 90% ownership interest in Certen was approximately \$66.0 million in cash. In addition, we incurred transaction related costs of approximately \$3.0 million.

On February 19, 2004, we acquired XACCT, a privately-held provider of mediation software to communications service providers. We acquired XACCT's outstanding shares for approximately \$28.0 million, of which approximately \$13.0 million was paid in cash and the balance in 560,777 of our ordinary shares,

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valued at \$15.0 million. In addition, we had related transaction costs of approximately \$0.8 million. This acquisition further expands the scope of our billing capabilities in the network mediation space, enabling the collection, formatting and distribution of network usage events. With this acquisition, we achieved the capability to support end-to-end event processing, from network mediation through billing, for voice, data, content and commerce prepaid and postpaid transactions. We repurchased 484,500 of our ordinary shares in February 2004 to offset the dilutive effect of shares issued in the acquisition. The fair market value of XACCT's assets and liabilities has been included in our balance sheet and the results of XACCT's operations have been included in our consolidated statement of income, commencing on February 19, 2004.

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

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OPERATIONAL EFFICIENCY AND COST REDUCTION PROGRAMS

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

This cost reduction program is in addition to the measures implemented during the first and fourth quarters of fiscal 2002. In the fourth quarter of fiscal 2002, we recorded a charge of \$20.9 million, consisting primarily of employee separation costs in connection with the termination of employment of approximately one thousand software and information technology specialists and administrative professionals and for the write-off of leasehold improvements and the accrual of rent obligations. In the first quarter of fiscal 2002, we consolidated our Stamford, Connecticut data center into our Champaign, Illinois facility, and closed the Stamford facility. As a direct result of this closure, we recorded a restructuring charge of \$13.3 million in the first quarter of fiscal 2002, primarily for the write-off of leasehold improvements and the accrual of rent obligations, with the remainder for employee separation costs.

During the fourth quarter of fiscal 2004, we increased the accrual related to our unused facilities in Stamford, Connecticut by approximately \$4.0 million to reflect the current subleasing market in Stamford.

For more information on our operational efficiency and cost reduction programs, see Note 21 to the consolidated financial statements included in this document.

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Our research and development activities involve the development of new software architecture, modules and product offerings in response to an identified market demand, either in conjunction with a customer project or as part of our internal product development programs. We also expend additional amounts on applied research and software development activities to keep abreast of new technologies in the communications markets and to provide new and enhanced functionality to our existing product offerings. Research and development expenditures were \$126.4 million, \$119.3 million and \$124.1 million in the fiscal years ended September 30, 2004, 2003 and 2002, respectively,

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representing 7.1%, 8.0% and 7.7%, respectively, of our revenue in these fiscal years. While we continue to upgrade our existing systems, in fiscal 2004 we focused significant research and development efforts on the integration between our products and unified user interface in order to enable our customers adopting an Integrated Customer Management strategy. As part of these efforts we expect to launch Amdocs 6 in calendar 2005. The majority of our research and development expenditures is directed at our billing and CRM systems, and the remainder to directory, content management, mediation, order management products and self service. We believe that our research and development efforts are a crucial element of our strategy and are essential to our success. Although we intend to continue to devote resources to research and development as required to maintain and further strengthen our market position, our research and development budget, like all of our costs, is sensitive to our overall financial condition. A decrease in our total revenue could, in certain circumstances, lead to reductions in the levels of our research and development expenditures. In the near-term, we intend to continue to make substantial investments in our research and development activities. We believe that this ongoing investment will position us to capitalize on future potential opportunities in the communications industry.

Our software and software systems are largely comprised of software and systems that we have developed and that we regard as proprietary. Our software and software systems are the results of long and complex development processes, and certain aspects of our products make use of readily available software components that we license from third parties. The ability to develop and use our software and software systems requires knowledge and professional experience that we believe is unique to us and would be very difficult for others to independently obtain. Our software and software systems have never been the subject

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of a material intellectual property infringement claim. We rely upon a combination of trademarks, contractual rights, trade secret law, copyrights, nondisclosure agreements and technical measures to establish and protect our proprietary rights in our products and technologies. We also enter into non-disclosure and confidentiality agreements with our customers, employees and marketing representatives and with certain contractors with access to sensitive information. Additionally, we limit customer access to the source code of our software and software systems. However, these measures taken by us may not be adequate to protect our technology from third-party infringement. In addition, our competitors may also independently develop technologies that are substantially equivalent or superior to ours.

The Company's technology is not dependent on patents or licenses from third parties.

CONVERTIBLE NOTES

In May 2001, we issued \$500.0 million aggregate principal amount of 2% Notes due June 1, 2008. Pursuant to the indenture for the 2% Notes, each holder of the 2% Notes had the right to require us to repurchase on June 1, 2004 all or any part of such holder's 2% Notes at a price equal to 100% of the principal amount plus accrued and unpaid interest. Under the terms of the 2% Notes, we had the option to pay for the 2% Notes with cash, ordinary shares or a combination of cash and ordinary shares.

As of June 1, 2004, holders had tendered to us for repurchase \$395.1 million in principal amount of the \$395.5 million aggregate principal amount of 2% Notes then outstanding and we purchased the tendered 2% Notes for cash. Subsequently we purchased additional 2% Notes and as of September 30, 2004, \$0.3 million principal amount of the 2% Notes remain as our outstanding obligations,

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in accordance with their terms.

On March 5, 2004, we issued \$450.0 million aggregate principal amount of 0.50% Notes due 2024 through a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. We used approximately \$170.1 million of the net proceeds from the sale of the 0.50% Notes to repurchase approximately 6.1 million ordinary shares sold short by purchasers of the 0.50% Notes in negotiated transactions concurrently with the offering. We also used net proceeds and other cash resources to repurchase the 2% Notes tendered as of June 1, 2004.

SHARE REPURCHASE PROGRAM

In November 2003, we announced that our Board of Directors had authorized a share repurchase program of up to five million ordinary shares over the next twelve months. The authorization permitted us to purchase ordinary shares in the open market or privately negotiated transactions and at prices we deemed appropriate. We stated that one of the main purposes of the repurchase program was to offset the dilutive effect of any future share issuances, including issuances in connection with acquisitions or pursuant to employee equity plans. During the first quarter of fiscal 2004, we purchased 5.0 million of our ordinary shares under this repurchase program, at a weighted average price of \$24.82 per share.

On July 28, 2004, we announced that our Board of Directors extended the share repurchase program for the additional repurchase of up to \$100 million of our ordinary shares in the open market or privately negotiated transactions and at times and prices we deem appropriate. In accordance with this extension, we repurchased in the fourth quarter of fiscal 2004 approximately 4.9 million ordinary shares, at an average price of \$20.40 per share.

On December 20, 2004, we announced that our Board of Directors extended the share repurchase program for the additional repurchase of up to \$100 million of our ordinary shares in the open market or privately negotiated transactions and at times and prices we deem appropriate.

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OPERATING RESULTS

The following table sets forth for the fiscal years ended September 30, 2004, 2003 and 2002 certain items in our consolidated statements of operations reflected as a percentage of total revenue:

	YEAR ENDED SEPTEMBER 30,		
	2004	2003	2002
	-----	-----	-----
Revenue:			
License.....	4.3%	4.4%	9.5%
Service.....	95.7	95.6	90.5
	-----	-----	-----
	100.0	100.0	100.0
	-----	-----	-----
Operating expenses:			
Cost of license.....	0.3	0.4	0.3
Cost of service.....	63.0	61.2	57.5
Research and development.....	7.1	8.0	7.7

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Selling, general and administrative.....	11.9	13.9	13.9
Amortization of goodwill and purchased intangible assets.....	1.0	1.4	14.4
Restructuring charges, in-process research and development and other.....	--	0.9	3.2
	-----	-----	-----
	83.3	85.8	97.0
	-----	-----	-----
Operating income.....	16.7	14.2	3.0
Interest income and other, net.....	0.3	1.0	1.2
	-----	-----	-----
Income before income taxes.....	17.0	15.2	4.2
Income taxes.....	3.7	3.8	4.5
	-----	-----	-----
Net income (loss).....	13.3%	11.4%	(0.3)%
	=====	=====	=====

FISCAL YEARS ENDED SEPTEMBER 30, 2004 AND 2003

The following is a tabular presentation of our results of operations for the fiscal year ended September 30, 2004, compared to the fiscal year ended September 30, 2003. Following the table is a discussion and analysis of our business and results of operations for such years.

	YEAR ENDED SEPTEMBER 30,		INCREASE (DECREASE)	
	2004	2003	AMOUNT	%

	(IN THOUSANDS)			

Revenue:				
License.....	\$ 76,586	\$ 65,582	\$ 11,004	16.8%
Service.....	1,697,146	1,417,745	279,401	19.7
	-----	-----	-----	-----
	1,773,732	1,483,327	290,405	19.6
	-----	-----	-----	-----
Operating expenses:				
Cost of license.....	5,022	5,752	(730)	(12.7)
Cost of service.....	1,117,810	907,607	210,203	23.2
Research and development.....	126,407	119,256	7,151	6.0
Selling, general and administrative.....	210,384	206,265	4,119	2.0
Amortization of purchased intangible assets.....	17,909	19,940	(2,031)	(10.2)
Restructuring charges and other.....	--	14,089	(14,089)	(100.0)
	-----	-----	-----	-----
	1,477,532	1,272,909	204,623	16.1
	-----	-----	-----	-----
Operating income.....	296,200	210,418	85,782	40.8
Interest income and other, net.....	4,903	14,759	(9,856)	(66.8)
	-----	-----	-----	-----
Income before income taxes.....	301,103	225,177	75,926	33.7
Income taxes.....	66,243	56,294	9,949	17.7
	-----	-----	-----	-----
Net income.....	\$ 234,860	\$ 168,883	\$ 65,977	39.1
	=====	=====	=====	=====

Revenue. Total revenue increased by \$290.4 million, or 19.6%, in the year ended September 30, 2004 to \$1,773.7 million from \$1,483.3 million in fiscal

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2003. The increase in total revenue in fiscal 2004

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was due to an increase in service revenue attributable to the Managed Services agreements signed during fiscal 2003 and additional revenue resulting from our acquisition of Certen in the fourth quarter of fiscal 2003. Revenue related to Managed Services agreements was approximately 40% of total revenue. Revenue from the Managed Services agreements entered into during fiscal 2003, including the effect of the Certen acquisition, increased total revenue by approximately \$211 million in the year ended September 30, 2004.

License and service revenue from the sale of CC&B Systems was \$1,537.0 million for the year ended September 30, 2004, an increase of \$256.6 million, or 20.0%, from the year ended September 30, 2003. Approximately 60% of the increase was attributable to our acquisition of Certen in the fourth quarter of fiscal 2003, approximately \$8 million resulted from our acquisition of XACCT in February 2004 and the remainder was attributable to additional revenue from existing and new customers. License and service revenue from the sale of CC&B Systems represented 86.7% and 86.3% of our total revenue in fiscal 2004 and 2003, respectively. The demand for our CC&B Systems is primarily driven by the need for communications companies to continue to integrate their billing, CRM and order management systems into Integrated Customer Management products and services. In fiscal 2003, many communications companies reduced or delayed expenditures on system upgrades as a result of the slowdown in the communications industry. Recently, however, there has been an improvement in market conditions contributing to the increase in revenue in the year ended September 30, 2004.

License and service revenue from the sale of Directory Systems was \$236.7 million for the year ended September 30, 2004, an increase of \$33.8 million, or 16.7%, from fiscal 2003. Approximately \$62 million of the increase in Directory Systems revenue in fiscal 2004 was attributable to Managed Services agreements. This revenue was partially offset by the completion of certain implementation projects that accounted for \$27 million of revenue in the comparable period of fiscal 2003. License and service revenue from the sale of Directory Systems represented 13.3% and 13.7% of our total revenue in fiscal 2004 and 2003, respectively. We believe that we are a leading provider of Directory Systems in most of the markets we serve. We expect that our revenue from Directory Systems will remain relatively stable in fiscal 2005.

In fiscal 2004, revenue from customers in North America, Europe and the rest of the world accounted for 65.9%, 27.1% and 7.0%, respectively, of total revenue compared to 62.0%, 29.8% and 8.2%, respectively, for the year ended September 30, 2003. Approximately 85% of the increase in revenue from customers in North America was attributable to Managed Services agreements, including the acquisition of Certen, which expanded our activity and revenue from customers in North America, and approximately 15% was attributable to the expansion of relationships with existing customers in North America. The decreased contribution to revenue from customers in Europe relative to customers in North America, as a percentage of revenue, resulted from the relatively greater growth in activity from customers in North America than in Europe during fiscal 2004. Revenue from customers outside of North America and Europe, in absolute amount, was relatively stable in fiscal 2004 compared to fiscal 2003.

Cost of License. Cost of license mainly includes amortization of purchased computer software and intellectual property rights. Because such amortization is relatively stable from period to period and, absent impairment, is generally fixed in amount, an increase or decrease in license revenue will cause a significant fluctuation in cost of license as a percentage of license revenue. In fiscal 2004, cost of license, as a percentage of license revenue, was 6.6%

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compared to 8.8% in fiscal 2003.

Cost of Service. The increase in cost of service in fiscal 2004 was 23.2%, which was higher than the 19.6% increase in our total revenue in fiscal 2004, and resulted in a 1.7% decrease in our gross margin, as a percentage of revenue. Our gross margin was affected by the Managed Services agreements signed during fiscal 2003, which we expect to be less profitable in their initial period. The increase in cost of service was also attributable to the \$4.0 million increase in the accrual related mainly to our unused facilities in Stamford, Connecticut, which we made in the fourth quarter of fiscal 2004, to reflect the current subleasing market in Stamford. See the discussion above under the caption "Operational Efficiency and Cost Reduction Programs".

Research and Development. Research and development expense was primarily comprised of compensation expense attributed to research and development activities, which involve the development of

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new software modules and product offerings, either in conjunction with customer projects or as part of our internal product development program. Research and development expense increased by \$7.2 million, or 6.0%, in the year ended September 30, 2004 to \$126.4 million from \$119.3 million in fiscal 2003. Such increase in research and development expense was proportionally less than the increase in our total revenue, and decreased, as a percentage of revenue, from 8.0% of revenue in fiscal 2003 to 7.1% of revenue in fiscal 2004. While we continue to upgrade our existing systems, in fiscal 2004 we focused significant research and development efforts on the integration between our products and unified user interface in order to enable our customers to adopt Integrated Customer Management strategy. As part of these efforts we plan to launch Amdocs 6 in calendar 2005. The majority of our research and development expenditures are directed to our billing and CRM systems, and the remainder to directory, content, mediation, order management solutions and other. Although we intend to continue to devote resources to research and development, our research and development budget, like all of our costs, is sensitive to our overall financial condition. We believe that our research and development efforts are a key element of our strategy and are essential to our success. However, 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. See the discussion above under the caption "Research and Development, Patents and Licenses".

Selling, General and Administrative. Selling, general and administrative expense increased by \$4.1 million, or 2.0%, in fiscal 2004 to \$210.4 million, from \$206.3 million in fiscal 2003. Selling, general and administrative expense was primarily comprised of compensation expense. The increase in selling, general and administrative expense was attributable to the overall increase in our operations, as well as to the increase in our selling and marketing efforts, although the 2% increase was significantly less than the 19.6% increase in our total revenue, due to the impact of the cost reduction programs implemented in fiscal 2003 and 2002.

Amortization of Purchased Intangible Assets. Amortization of purchased intangible assets for the year ended September 30, 2004 was \$17.9 million, compared to \$19.9 million in fiscal 2003. The decrease in amortization of purchased intangible assets was due to purchased intangible assets that were fully amortized in fiscal 2003, which was partially offset by amortization of purchased intangible assets acquired in the Certen and XACCT acquisitions.

Restructuring Charges and Other. The restructuring charges and other in the year ended September 30, 2003 consisted of a restructuring charge of \$10.0 million related to the cost reduction program we implemented in the first

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quarter of fiscal 2003 and a \$4.1 million charge reflecting the cumulative effect, in the fourth quarter of fiscal 2003, of our 10% share in Certen's results prior to our acquisition of Certen.

Operating Income. Operating income increased by \$85.8 million, or 40.8%, in the year ended September 30, 2004, to \$296.2 million, or 16.7% of revenue, from \$210.4 million, or 14.2% of revenue, in fiscal 2003. The increase in operating income in fiscal 2004 resulted from the 19.6% increase in our total revenue, which was partially offset by the 1.7% decrease in our gross margin, as a percentage of revenue, attributable to the relatively lower gross margin of our Managed Services projects in their early stages of implementation, and to the effect of the \$14.1 million of restructuring charges and other in the year ended September 30, 2003.

Interest Income and Other, Net. Interest income and other, net decreased by \$9.9 million, or 66.8%, in fiscal 2004 to \$4.9 million from \$14.8 million in fiscal 2003. The decrease in interest income and other, net was primarily attributable to the decline in interest rates on our short-term interest-bearing investments, which resulted from our decision to shorten the duration of our investments due to volatility in the interest rate environment, and was also affected by the decrease of interest income on debentures issued by Certen to us that was eliminated as a result of the Certen acquisition. In addition, interest income and other, net decreased as a result of capital lease obligations acquired in the Certen acquisition, and, to a lesser extent, to changes in exchange rates of currencies other than the dollar. Although we hedge significant exposures in currencies other than the dollar, currency fluctuations partially affect our

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interest income and other, net. The decrease in interest income and other, net was partially offset by the net decrease in interest expense related to the repurchase of our 2% Notes in June 2004 and the issuance of the 0.50% Notes in March 2004. See the discussion above under the caption "Convertible Notes".

Income Taxes. Income taxes for fiscal 2004 were \$66.2 million on pretax income of \$301.1 million, an effective tax rate of 22% compared to 25% in fiscal 2003. Our effective tax rate is dependent on the corporate income tax rates in the various countries in which we operate and the relative magnitude of our business in those countries. The reduction in our effective tax rate in fiscal 2004 was due to our continued expansion into countries with lower income tax rates. See the discussion below under the caption "Effective Tax Rate".

Net Income. Net income was \$234.9 million in fiscal 2004, compared to a net income of \$168.9 million in fiscal 2003. The increase in net income was attributable to the 19.6% increase in our total revenue and to the effect of the \$14.1 million restructuring charges and other in the year ended September 30, 2003. The increase was partially offset by the 1.7% decrease in our gross margin, as a percentage of revenue, attributable to the relatively lower gross margin of our Managed Services projects in their early stages of implementation.

Diluted Earnings Per Share. Diluted earnings per share were \$1.10 for the year ended September 30, 2004, compared to \$0.77 in the year ended September 30, 2003.

In fiscal 2004, we purchased 16.4 million of our ordinary shares, reducing the diluted weighted average number of shares outstanding from 219.9 million in fiscal 2003 to 214.2 million in fiscal 2004.

FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002

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The following is a tabular presentation of our results of operations for the fiscal year ended September 30, 2003, compared to the fiscal year ended September 30, 2002. Following the table is a discussion and analysis of our business and results of operations for such years.

	YEAR ENDED SEPTEMBER 30,		INCREASE (DECREASE)	
	2003	2002	AMOUNT	%
(IN THOUSANDS)				
Revenue:				
License.....	\$ 65,582	\$ 153,664	\$ (88,082)	(57.3) %
Service.....	1,417,745	1,459,901	(42,156)	(2.9)
	1,483,327	1,613,565	(130,238)	(8.1)
Operating expenses:				
Cost of license.....	5,752	5,984	(232)	(3.9)
Cost of service.....	907,607	927,353	(19,746)	(2.1)
Research and development.....	119,256	124,082	(4,826)	(3.9)
Selling, general and administrative....	206,265	223,551	(17,286)	(7.7)
Amortization of goodwill and purchased intangible assets.....	19,940	231,804	(211,864)	(91.4)
Restructuring charges, in-process research and development and other...	14,089	51,630	(37,541)	(72.7)
	1,272,909	1,564,404	(291,495)	(18.6)
Operating income.....	210,418	49,161	161,257	328.0
Interest income and other, net.....	14,759	19,298	(4,539)	(23.5)
Income before income taxes.....	225,177	68,459	156,718	228.9
Income taxes.....	56,294	73,520	(17,226)	(23.4)
Net income (loss).....	\$ 168,883	\$ (5,061)	\$ 173,944	

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Revenue. Total revenue decreased by \$130.2 million, or 8.1%, in the fiscal year ended September 30, 2003 to \$1,483.3 million from \$1,613.6 million in fiscal 2002. The decrease in revenue was due to the slowdown in customer buying decisions, stemming from overall reductions in the capital investment budgets of many communications service providers.

License revenue decreased by \$88.1 million, or 57.3%, in the fiscal year ended September 30, 2003 to \$65.6 million from \$153.7 million in fiscal 2002. Service revenue decreased by \$42.2 million, or 2.9%, in the fiscal year ended September 30, 2003 to \$1,417.7 million from \$1,459.9 million in fiscal 2002. The decrease in license revenue is attributable primarily to the reduction in capital investments by our communications customers, which resulted in our obtaining fewer new contracts than in fiscal 2002 and smaller initial spending commitments under contracts with some of our customers. The significant new contracts that we did obtain in fiscal 2002 were for Managed Services arrangements, which contain only a small license revenue component. We believe that this reduction in capital spending caused our communications customers to shift from purchasing large-scale end-to-end solutions to purchasing more

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gradual side-by-side installations with fewer users or fewer modules with the possibility of extending orders in the future. In addition, the communications market environment resulted in pricing pressure, particularly with respect to license fees. The decrease in service revenue is attributable to smaller initial spending commitments by our communications customers and reduced discretionary spending under contracts with some of our customers. We did not significantly change our pricing policy for products and services and accordingly, pricing pressure resulted in fewer new customer projects.

Total quarterly revenue increased by \$15.6 million, or 4.6%, between the first and second quarters and by \$22 million, or 6.2%, between the second and third quarters. These sequential increases were as a result of new Managed Services agreements signed during fiscal 2003. In addition, total quarterly revenue increased by \$34.5 million, or 9.2%, between the third and fourth quarters, consisting of approximately \$45 million resulting from new Managed Services agreements signed during fiscal 2003 (including the effect of the Certen acquisition) in the fourth quarter of fiscal 2003, offset by a decrease in the volume of services rendered to existing customers of approximately \$10 million.

The decline in our overall revenue in fiscal 2003 was attributable to a decrease in revenue from CC&B Systems. Total CC&B Systems revenue decreased by \$159.6 million, or 11.1%, in the fiscal year ended September 30, 2003 to \$1,280.4 million from \$1,440.0 million in fiscal 2002. License and service revenue from the sale of CC&B Systems represented 86.3% and 89.2% of our total revenue in fiscal years 2003 and 2002, respectively. The demand for our CC&B Systems is primarily driven by the need for communications companies to continue to upgrade their billing, CRM and order management systems. In fiscal 2003, many communications companies reduced or delayed expenditures on system upgrades as a result of the slowdown in the communications industry. Approximately \$59.0 million of CC&B Systems revenue for fiscal 2003 was derived from customers other than communications service providers.

Revenue from Directory Systems increased by \$29.3 million, or 16.9%, in the fiscal year ended September 30, 2003 to \$202.9 million from \$173.6 million in fiscal 2002. Approximately \$47 million of the increase in Directory Systems revenue in fiscal 2003 was attributable to new Managed Services agreements, which signed during fiscal 2003. This revenue was partially offset by completion of certain implementation projects that accounted for approximately \$18 million of revenue in fiscal 2002. License and service revenue from the sale of Directory Systems represented 13.7% and 10.8% of our total revenue in fiscal years 2003 and 2002, respectively.

In fiscal 2003, revenue from customers in North America, Europe and the rest of the world accounted for 62.0%, 29.8% and 8.2% of our total revenue, respectively, compared to 61.9%, 28.9% and 9.2%, respectively, for fiscal 2002. The decrease in the absolute amount of revenue from customers in North America was attributable to a decrease in the volume of services rendered to existing customers, which was offset by a \$74 million increase from new Managed Services arrangements signed during fiscal 2003, including the Certen acquisition.

Cost of License. Cost of license mainly includes amortization of purchased computer software and intellectual property rights. Because such amortization is relatively stable from period to period and, absent

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impairment, is generally fixed in amount, an increase or decrease in license revenue will cause a significant fluctuation in cost of license as a percentage of license revenue. Cost of license for fiscal 2003 was \$5.8 million compared to \$6.0 million for fiscal 2002, or, as a percentage of license revenue, 8.8% and 3.9%, respectively.

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Cost of Service. The decrease in cost of service in fiscal 2003 was 2.1%, which was less than the 8.1% decrease in our total revenue in fiscal 2003, and resulted in a 3.8% decrease in our gross margin, as a percentage of revenue. The decrease in cost of service in fiscal 2003 is attributable to the cost reduction programs that we implemented in fiscal 2002 and in the first quarter of fiscal 2003. Although our cost of service decreased in fiscal 2003, our gross margin also decreased. The decrease in the gross margin is attributable to the decrease in license revenue of \$88.1 million and to the fact that our cost reductions were proportionally less than the decrease in our service revenue. Our gross margin was also affected by new Managed Services projects, which tend to be less profitable in their initial period. We have taken steps to decrease our costs and increase our gross margin. See the discussion above under the caption "Operational Efficiency and Cost Reduction Programs".

Research and Development. Research and development expense was primarily comprised of compensation expense attributable to research and development activities, which involve the development of new software modules and product offerings, either in conjunction with customer projects or as part of our internal product development program. Research and development expense decreased by \$4.8 million, or 3.9%, in the fiscal year ended September 30, 2003 to \$119.3 million, or 8.0% of revenue, from \$124.1 million, or 7.7% of revenue in fiscal 2002. As a result of our research and development program, in fiscal 2003 we launched major releases of our flagship products -- our billing platform, which we call Amdocs Enabler version 5, and Amdocs ClarifyCRM version 12. Enabler version 5 supports new revenue streams and business models with advanced online charging capabilities and supports multi-market/multi-national operations, all on a single platform. ClarifyCRM version 12 features advanced user interface technology that delivers real-time, relevant, and actionable customer information to the service agent's desktop, transforming the high-volume call center into a more efficient and effective multi-channel customer contact center. We focus significant development efforts on the integration between our products in order to provide Integrated Customer Management to our customers, while continuing to upgrade our existing systems. The majority of our research and development expenditures are aimed to our billing and CRM systems, and the remainder to directory, content and order management solutions. Our research and development budget, like all of our costs, is sensitive to our overall financial condition. A decrease in our total revenue could, in certain circumstances, lead to reductions in the levels of our research and development expenditures.

Selling, General and Administrative. Selling, general and administrative expense decreased by \$17.3 million, or 7.7%, in the fiscal year ended September 30, 2003 to \$206.3 million, or 13.9% of revenue, in fiscal 2003 from \$223.6 million, or 13.9% of revenue, in fiscal 2002. Selling, general and administrative expense was primarily comprised of compensation expense. The decrease in selling, general and administrative expense is attributable to the cost reduction programs that we implemented in fiscal 2002 and in the first quarter of fiscal 2003. Selling, general and administrative expense decreased in fiscal 2003 proportionally with our revenue, resulting in the same percentage of revenue as in fiscal 2002.

Amortization of Goodwill and Purchased Intangible Assets. Effective as of October 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets", and goodwill related to our acquisitions is no longer amortized. Instead, any such goodwill is subject only to periodic impairment tests. Amortization of goodwill for fiscal 2002 was \$204.6 million. Amortization of purchased intangible assets for fiscal 2003 was \$19.9 million, compared to \$27.2 million in fiscal 2002. Amortization of purchased intangible assets for fiscal 2002 included amortization of purchased intangible assets that were fully amortized in fiscal 2002.

Restructuring Charges, In-Process Research and Development and

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Other. Restructuring charges, in-process research and development and other in fiscal 2003 consisted of a restructuring charge of \$10.0 million related to the cost reduction program we implemented in the first quarter of fiscal 2003 and the cumulative effect of our 10% share in Certen's pre-acquisition results of \$4.1 million. Restructuring

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charges, in-process research and development and other in fiscal 2002 consisted of a one-time charge of \$17.4 million for write-off of purchased in-process research and development resulting from the Clarify transaction, a restructuring charge of \$13.3 million related to the consolidation of data centers and the resulting closure of our Stamford, Connecticut facility and a restructuring charge of \$20.9 million related to the cost reduction program we implemented in the fourth quarter of fiscal 2002. See the discussion above under the caption "Operational Efficiency and Cost Reduction Programs".

Operating Income. Operating income increased by \$161.3 million, or 328%, in the fiscal year ended September 30, 2003, to \$210.4 million, or 14.2% of revenue, from \$49.2 million, or 3.0% of revenue, in fiscal 2002. The increase is attributable to our adoption of SFAS No. 142, which resulted in no amortization of goodwill in fiscal 2003, which accounted for \$204.6 million in fiscal 2002.

Operating income for fiscal 2003 included amortization of purchased intangible assets of \$19.9 million, restructuring charges of \$10.0 million and the cumulative effect of our 10% share in Certen's pre-acquisition results of \$4.1 million. Operating income for fiscal 2002 included amortization of goodwill of \$204.6 million, amortization of purchased intangible assets of \$27.2 million, restructuring charges of \$34.2 million and the write-off of in-process research and development of \$17.4 million.

Interest Income and Other, Net. Interest income and other, net, decreased by \$4.5 million, or 23.5%, in the fiscal year ended September 30, 2003 to \$14.8 million from \$19.3 million in fiscal 2002. The decrease in interest income and other, net, is attributable to a decline in interest rates on our short-term interest-bearing investments which resulted in a decrease of \$4.5 million in interest income, and to the \$6.0 million gain recognized in the fourth quarter of fiscal 2002 from the repurchases of our 2% Notes that was greater than the \$0.4 million gain from our repurchases in the fourth quarter of fiscal 2003. These decreases were offset primarily by the decrease in interest expense of approximately \$4 million related to the 2% Notes that we repurchased in the fourth quarter of fiscal 2002, and by a decrease of \$1.6 million in other interest expenses.

Income Taxes. Income taxes for fiscal 2003 were \$56.3 million on pretax income of \$225.2 million, resulting in an effective tax rate of 25%. As a result of the adoption of SFAS No. 142, we no longer amortize goodwill resulting from acquisitions, thus goodwill amortization that is not tax-deductible no longer affects our effective tax rate. In fiscal 2002, income taxes were \$73.5 million on pretax income of \$68.5 million, or 107% of pretax income. This higher effective tax rate in 2002 was attributable to the fact that non-cash amortization of goodwill related to acquisitions (much of which is not tax-deductible) represented a large component of our pretax income. Excluding the effect of such non-deductible non-cash amortization of goodwill (which accounted for 89% of the effective tax rate) and offsetting such 89% by the 10% decrease in the tax rate due to the repurchase of our 2% Notes, our effective tax rate for 2002 would have been 28%. See the discussion below under the caption "Effective Tax Rate".

Net Income (Loss). Net income was \$168.9 million in fiscal 2003, compared to a net loss of \$5.1 million in fiscal 2002. Net income for fiscal 2003

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included amortization of purchased intangible assets, restructuring charges and the cumulative effect of our 10% share in Certen's pre-acquisition results. Net loss for fiscal 2002 included amortization of goodwill and purchased intangible assets, restructuring charges, the write-off of in-process research and development and the gain from the repurchase of our 2% Notes.

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Prior to fiscal 2003, goodwill was amortized using the straight-line method over its estimated period of benefit. Net income and earnings per share for fiscal 2002, adjusted to exclude amortization of goodwill and workforce-in-place, net of tax, are as follows (in millions, except per share data):

	YEAR ENDED SEPTEMBER 30, 2002 -----
Reported net loss.....	\$ (5.1)
Add back: goodwill and workforce-in-place amortization.....	204.6
Attributable tax effect.....	(2.7)

Adjusted net income.....	\$196.8
	=====
Adjusted basic earnings per share.....	\$ 0.89
	=====
Adjusted diluted earnings per share.....	\$ 0.88
	=====

Diluted Earnings (Loss) Per Share. Diluted earnings per share were \$0.77 for fiscal 2003, compared to net loss per share of \$0.02 in fiscal 2002.

LIQUIDITY AND CAPITAL RESOURCES

Cash, cash equivalents and short-term interest-bearing investments totaled \$1,190.7 million as of September 30, 2004, compared to \$1,290.9 million as of September 30, 2003. The decrease is attributable to the use of approximately \$395.1 million to repurchase the 2% Notes, the use of \$170.1 million to repurchase ordinary shares sold short by purchasers of the 0.50% Notes in negotiated transactions concurrently with the sale of the 0.50% Notes, and the use of an additional \$237.4 million to repurchase our ordinary shares pursuant to our share repurchase programs and in connection with our acquisition of XACCT, which was partially offset by the net proceeds from the issuance of \$450.0 million of the 0.50% Notes in March 2004 and positive cash flows from operations. Net cash provided by operating activities amounted to \$344.3 million for fiscal 2004 and \$391.8 million for fiscal 2003. Although net income before depreciation and amortization increased in fiscal 2004, cash flows from operations decreased, due primarily to increases in accounts receivable. We currently intend to retain our future operating cash flows to support the further expansion of our business, including investments related to new Managed Services projects and acquisitions. From time to time, we may also repurchase our shares, subject to our Board of Directors' authorization.

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

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As of September 30, 2004, we had positive working capital of \$813.5 million, compared to positive working capital of \$567.3 million as of September 30, 2003. The increase is attributable primarily to cash generated from operating activities and the net proceeds from the issuance of the 0.50% Notes, which was partially offset by use of cash to repurchase the 2% Notes and repurchase our ordinary shares.

As of September 30, 2004, \$0.3 million and \$450.0 million aggregate principal amount of our 2% Notes and 0.50% Notes were outstanding, respectively. See the discussion above under the caption "Convertible Notes".

As of September 30, 2004, we had available short-term general revolving lines of credit totaling \$31.0 million, pursuant to which \$1.0 million of loans were outstanding. In addition, as of September 30, 2004, we had outstanding letters of credit and bank guarantees from various banks totaling \$13.0 million.

As of September 30, 2004, we had outstanding long-term obligations of \$23.3 million in connection with leasing arrangements.

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The following table summarizes our contractual obligations as of September 30, 2004, and the effect such obligations are expected to have on our liquidity and cash flows in future periods (in millions):

CONTRACTUAL OBLIGATIONS	CASH PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	OVER
Convertible notes(*).....	\$460.4	\$ 2.3	\$ 7.0	\$451.1	\$
Financing arrangements.....	1.6	1.6	--	--	
Capital lease obligations.....	24.4	20.3	4.1	--	
Pension funding.....	32.6	3.4	8.6	6.3	1
Non-cancelable operating leases.....	200.0	50.5	99.1	29.2	2
	\$719.0	\$78.1	\$118.8	\$486.6	\$3
	=====	=====	=====	=====	==

(*) See the discussion above under the caption "Convertible Notes".

Our capital expenditures were approximately \$54.1 million in fiscal 2004. Approximately 85% of these expenditures consisted of purchases of computer equipment and, the remainder, leasehold improvements. We funded our capital expenditures principally from operating cash flows. We do not anticipate any changes to this policy in the foreseeable future.

NET DEFERRED TAX ASSETS

As of September 30, 2004, deferred tax assets of \$11.4 million, derived from net capital and operating loss carry forwards related to some of our subsidiaries, were offset by valuation allowances due to the uncertainty of the realizing any tax benefit for such losses. When realization of the tax benefits associated with such net capital and operating losses is deemed more likely than

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not, the valuation allowance will be released through income taxes.

In September 2003, we released \$13.3 million of valuation allowances related to deferred tax assets derived from carry-forward operating losses incurred by our Canadian subsidiary. In September 2002, we released valuation allowances related to deferred tax assets derived from carry-forward operating losses relating to losses incurred by the subsidiary prior to our acquisition of that company in April 2000, resulting in an offsetting reduction of the goodwill recorded in the acquisition of approximately \$9.0 million. The release of these valuation allowances was made based on our estimation that we will be able to realize the tax benefits associated with those net operating losses.

EFFECTIVE TAX RATE

Our effective tax rate for fiscal year 2004 was 22%, compared to 25% in fiscal 2003, due to the corporate income tax rates in the various countries in which we operate and the relative magnitude of our business in those countries.

Effective October 1, 2002, following the adoption of SFAS No. 142, we no longer amortize goodwill resulting from acquisitions. As a result, goodwill amortization that is not tax-deductible no longer affects our effective tax rate.

In fiscal 2002, our effective tax rate was 107%. This effective tax rate in 2002 was attributable to the fact that non-cash amortization of goodwill related to our acquisitions (much of which is not tax deductible) represented a large component of our pretax income. Excluding the effect of such non-deductible non-cash amortization of goodwill (which accounted for 89% of the effective tax rate) and offsetting such 89% by the 10% decrease in the tax rate due to the repurchase of our 2% Notes, our effective tax rate for 2002 would have been 28%. This high effective tax rate was also adversely affected by the revision we made in our third quarter of fiscal 2002 to our annual estimated pretax income levels.

We expect a reduction in our effective tax rate in fiscal 2005 from 22% to between 21% and 20%. The reduction is due to our continued expansion into countries with lower income tax rates.

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RECENT ACCOUNTING PRONOUNCEMENTS

The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share

In September 2004, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share" ("Issue 04-8"). Issue 04-8 addresses contingently convertible debt instruments, which are generally convertible into common shares of the issuer after the common stock price has exceeded a predetermined threshold for a specified time period. Currently, the potential dilutive effect of the conversion feature is excluded from diluted earnings per share until the market price contingency is met. Under Issue 04-8 all instruments that have embedded conversion features that are contingent on market conditions indexed to an issuer's share price should be included in diluted earnings per share computations, if dilutive, regardless of whether the market conditions have been met. The effective date of Issue 04-8 is for reporting periods ending after December 15, 2004 (first quarter of our fiscal year 2005). The consensus would be applied retroactively to instruments outstanding at the date of adoption. Diluted earnings per share of all prior periods presented for comparative purposes should be restated to conform to the consensus guidance.

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For instruments whose terms have been modified prior to the date of adoption, the consensus would apply to terms of instruments in place at the date of adoption, and diluted earnings per share for all prior periods would be restated based upon the modified terms. For instruments that have been cash settled before the date of adoption, restatement of diluted earnings per share is not required. The effect of Issue 04-8 is the increase of weighted average number of shares used for diluted earnings per share calculation by 10.4 million shares underlying our 0.50% Notes, while interest and issuance costs amortization net of tax, would be added to net income. We believe that the change in accounting rules will reduce previously reported quarterly diluted earnings per share by approximately \$0.01 per share for each of the third and fourth quarters of fiscal 2004, and by approximately \$0.02 per share for fiscal 2004.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent liabilities. On a regular basis, we evaluate and may revise our estimates. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent. Actual results could differ materially from the estimates under different assumptions or conditions.

We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. These policies require that we make estimates in the preparation of our financial statements as of a given date.

Our critical accounting policies are as follows:

- Revenue recognition and contract accounting
- Doubtful accounts
- Tax accounting
- Derivative and hedge accounting
- Goodwill
- Realizability of long-lived assets

Below, we discuss these policies further, as well as the estimates and judgments involved. We also have other key accounting policies. We believe that, compared to the critical accounting policies listed above, the other policies either do not generally require us to make estimates and judgments that are as

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difficult or as subjective, or it is less likely that they would have a material impact on our reported consolidated results of operations for a given period.

REVENUE RECOGNITION AND CONTRACT ACCOUNTING

We follow very specific and detailed guidelines, several of which are

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discussed above, in measuring revenue; however, certain judgments affect the application of our revenue recognition policy.

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 significant judgment, such as estimations of progress-to-completion, contract revenue, loss contracts and contract costs.

Our revenue recognition policy takes into consideration the creditworthiness and past transaction history of each customer in determining the probability of collection as a criterion of revenue recognition. This determination requires the exercise of judgment, which affects our revenue recognition. If we determine that collection of a fee is not reasonably assured, we defer the revenue recognition until the time collection becomes reasonably assured, which is generally upon receipt of cash.

For arrangements with multiple deliverables, we allocate revenue to each component based upon its relative fair value, which is determined in reliance on the specific objective evidence for that element. Such determination is judgmental and for most contracts is based on normal pricing and discounting practices for those elements in similar arrangements.

Revenue from third-party hardware and software sales is recorded at a gross or net amount according to certain indicators. The application of these indicators for gross and net reporting of revenue depends on the relative facts and circumstances of each sale and requires significant judgment.

See Note 2 to the consolidated financial statements included in this document for further information.

DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is for estimated losses resulting from the inability of our customers to make required payments. We evaluate accounts receivable to determine if they will ultimately be collected. In performing this evaluation, significant judgments and estimates are involved, such as past experience, credit quality of the customer, age of the receivable balance and current economic conditions that may affect a customer's ability to pay. If collection is not reasonably assured at the time the transaction is consummated, we do not recognize revenue until collection becomes reasonably assured. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The allowance for doubtful accounts is established through a charge to selling, general and administrative expenses.

TAX ACCOUNTING

As part of the process of preparing our consolidated financial statements, we are required to estimate our income tax expense in each of the jurisdictions in which we operate. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of revenue sharing and reimbursement arrangements among related entities, the process of identifying items of revenue and expenses that qualify for preferential tax treatment and segregation of foreign and domestic income and expense to avoid double taxation. This process involves us estimating our actual current tax exposure, which is accrued as taxes payable, together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting differences. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We may record a valuation allowance to reduce our deferred tax assets to the amount of

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future tax benefit that is more likely than not to be realized.

Although we believe that our estimates are reasonable and that we have considered future taxable income and ongoing prudent and feasible tax strategies in estimating our tax outcome and in assessing the

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need for the valuation allowance, there is no assurance that the final tax outcome and the valuation allowance will not be different than those which are reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision, net income and cash balances in the period in which such determination is made.

DERIVATIVE AND HEDGE ACCOUNTING

Approximately 70% of our revenue and 50% of our operating expenses are denominated in U.S. dollar or linked to the U.S. dollar. We enter into foreign exchange forward contracts to hedge a significant portion of our foreign currency exposure to minimize fluctuations in revenue and expenses. The majority of our hedging arrangements are classified as cash flow hedges. Accordingly, changes in the fair value of these forward exchange contracts are recorded in other comprehensive income. We estimate the fair value of such derivative contracts by reference to forward and spot rates quoted in active markets.

Establishing and accounting for foreign exchange contracts involve judgments, such as determining the nature of the exposure, assessing its amount and timing, and evaluating the effectiveness of the hedging arrangement.

Although we believe that our estimates are accurate and meet the requirement of hedge accounting, actual results differ from these estimates, and such difference could cause fluctuation of our recorded revenue and expenses.

GOODWILL

We follow SFAS No. 142, "Goodwill and Other Intangible Assets". Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to periodic impairment tests in accordance with the Statement. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The total purchase price of business acquisitions accounted for using the purchase method is allocated first to identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the fair value of net assets of purchased businesses is recorded as goodwill.

Effective October 1, 2002, we adopted SFAS No. 142, and we performed the transitional tests of goodwill recorded as of October 1, 2002. Thereafter, an annual impairment test will be performed in the fourth quarter of each fiscal year, or more frequently if impairment indicators are present. We operate in one operating segment, and this segment comprises our only reporting unit. In calculating the fair value of the reporting unit, we used a discounted cash flow methodology. There was no impairment of goodwill upon adoption of SFAS No. 142 and there was no impairment at the annual impairment test dates.

REALIZABILITY OF LONG-LIVED ASSETS

We are required to assess the impairment of long-lived assets, other than goodwill, tangible and intangible under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", on a periodic basis, and if events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment indicators include any significant changes in the manner

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of our use of the assets or the strategy of our overall business, significant negative industry or economic trends and significant decline in our share price for a sustained period.

Upon determination that the carrying value of a long-lived asset may not be recoverable based upon a comparison of fair value to the carrying amount of the asset, an impairment charge is recorded. We measure fair value using an undiscounted projected future cash flow.

Within the context of these critical accounting policies, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

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LITIGATION

On December 2, 2003 we announced that the United States District Court for the Eastern District of Missouri had issued an order granting our motion to dismiss the securities class action lawsuits that had been pending against us and certain of our directors and officers since June 2002. The court's order also directed that judgment be entered in our favor. On December 2, 2004, the United States Court of Appeals for the Eighth Circuit affirmed per curiam the dismissal of the complaint.

SECURITIES AND EXCHANGE COMMISSION INVESTIGATION

We have been informed that the Midwest Regional Office of the SEC is conducting a private investigation into the events leading up to our announcement in June 2002 of revised projected revenue for the third and fourth quarters of fiscal 2002. The investigation appears to be focused on, but is not explicitly limited to, our forecasting beginning with our April 23, 2002 press release. Although we believe that we will be able to satisfy any concerns the SEC staff may have in this regard, we are unable to predict the duration, scope, or outcome of the investigation. We are cooperating fully with the SEC staff.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

We rely on the executive officers of our principal operating subsidiaries to manage our business. In addition, Amdocs Management Limited, our management subsidiary, performs certain executive coordination functions for all of our operating subsidiaries.

As of November 30, 2004, our directors, senior managers and key employees upon whose work we are dependent were as follows:

NAME	AGE	POSITION
----	----	-----
Bruce K. Anderson(2) (4).....	64	Chairman of the Board, Amdocs Limited
Adrian Gardner(1) (3).....	42	Director and Chairman of the Audit Committee, Amdocs Limited
Julian A. Brodsky(3).....	71	Director, Amdocs Limited
Charles E. Foster(1) (3).....	68	Director, Amdocs Limited
James S. Kahan(2) (3) (4).....	57	Director, Amdocs Limited
John T. McLennan(1).....	59	Director, Amdocs Limited
Robert A. Minicucci(2) (4).....	52	Director, Amdocs Limited

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Simon Olswang.....	61	Director, Amdocs Limited
Mario Segal.....	57	Director, Amdocs Limited
Dov Baharav(4).....	54	Director, Amdocs Limited; President and Chief Executive Officer, Amdocs Management Limited
Eli Gelman.....	46	Director, Amdocs Limited; Executive Vice President, Amdocs Management Limited
Nehemia Lemelbaum(4).....	62	Director, Amdocs Limited; Senior Vice President, Amdocs Management Limited
Ron Moskovitz.....	41	Senior Vice President and Chief Financial Officer, Amdocs Management Limited
Harel Kodesh.....	46	Chief Products Officer, Amdocs Management Limited
Michael Matthews.....	48	Chief Marketing Officer, Amdocs Management Limited
Thomas G. O'Brien.....	44	Treasurer and Secretary, Amdocs Limited

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NAME ----	AGE ----	POSITION -----
Melinos Pissourios.....	36	Managing Director and General Manager, Amdocs Development Limited
Burt Podbere.....	38	General Manager, Amdocs Software Systems Limited

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) Member of the Nominating and Corporate Governance Committee
- (4) Member of the Executive Committee

Bruce K. Anderson has been Chairman of the Board of Directors of Amdocs since September 1997. Since August 1978, Mr. Anderson has been a general partner of Welsh, Carson, Anderson & Stowe ("WCAS"), an investment firm that specializes in the acquisition of companies in the information services, communications and health care industries. Until September 2003, investment partnerships affiliated with WCAS had been among our largest shareholders. Mr. Anderson served for nine years with Automated Data Processing, Inc. ("ADP") until his resignation as Executive Vice President and a director of ADP, and President of ADP International, effective August 1978. Mr. Anderson serves on the board of Alliance Data Systems, Inc., a publicly held company that provides transaction, credit and marketing services to large consumer based businesses, and Headstrong, Inc., a global consultancy firm.

Adrian Gardner has been a director of Amdocs since April 1998 and is Chairman of the Audit Committee. Mr. Gardner is the Chief Financial Officer and a director of ProStrakan Group, Ltd., a pharmaceuticals company based in the United Kingdom, which he joined in April 2002. Prior to joining ProStrakan, he was a Managing Director of Lazard LLC, based in London, where he worked with

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technology- and telecommunications-related companies. Prior to joining Lazard in 1989, Mr. Gardner qualified as a chartered accountant with Price Waterhouse (now PricewaterhouseCoopers). Mr. Gardner is a member of the Institute of Chartered Accountants in England & Wales.

Julian A. Brodsky has been a director of Amdocs since July 2003. Mr. Brodsky has served as a director and as Vice Chairman of Comcast Corporation for more than five years. Prior to November 2002, he served as a director and Vice Chairman of Comcast Holdings for more than five years. For five years prior to May 2004, Mr. Brodsky was Chairman of Comcast Interactive Capital, LP, a venture fund affiliated with Comcast. He is also a director of RBB Fund, Inc. and Grey Global Group.

Charles E. Foster has been a director of Amdocs since December 2001. He was Chairman of the Board of Prodigy Communications Corporation from June until November 2001. From April 1997 until June 2001, Mr. Foster served as Group President of SBC, where he was responsible, at various times, for engineering, network, centralized services, marketing and operations, information systems, procurement, treasury, international operations, wireless services, merger integration, real estate, yellow pages and cable TV operations. SBC International, Inc. ("SBCI"), a wholly owned subsidiary of SBC, is one of our largest shareholders. SBC, together with its affiliates, is a significant customer of ours. Mr. Foster is a member of the Texas Society of Professional Engineers and a director of Storage Technology Corporation, a publicly-traded company engaged in the manufacture of products for storing digital data.

James S. Kahan has been a director of Amdocs since April 1998. He has worked at SBC since 1983, and currently serves as a Senior Executive Vice President, a position he has held since 1992. SBCI, a wholly owned subsidiary of SBC, is one of our largest shareholders. SBC, together with its subsidiaries, is a significant customer of ours. Prior to joining SBC, Mr. Kahan held various positions at several telecommunications companies, including Western Electric, Bell Laboratories, South Central Bell and AT&T.

John T. McLennan has been a director of Amdocs since November 1999. From May 2000 until June 2004, he served as Vice-Chair and Chief Executive Officer of Allstream (formerly AT&T Canada). Mr. McLennan founded and was the President of Jenmark Consulting Inc. from 1997 until May 2000.

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From 1993 to 1997, Mr. McLennan served as the President and Chief Executive Officer of Bell Canada. Prior to that, he held various positions at several telecommunications companies, including BCE Mobile Communications and Cantel Inc. Mr. McLennan is also a director of Manitoba Telephone Systems, Air Canada Enterprises, Hummingbird Ltd., a Canadian publicly held company engaged in the production of enterprise management software, and of several other private software and communication companies.

Robert A. Minicucci has been a director of Amdocs since September 1997. He has been a general partner of WCAS since 1993. From 1992 to 1993, Mr. Minicucci served as Senior Vice President and Chief Financial Officer of First Data Corporation, a provider of information processing and related services for credit card and other payment transactions. From 1991 to 1992, he served as Senior Vice President and Treasurer of the American Express Company. He served for twelve years with Lehman Brothers (and its predecessors) until his resignation as a Managing Director in 1991. Mr. Minicucci is also a director of Alliance Data Systems, Inc., a publicly held company, and several private companies.

Simon Olswang has been a director of Amdocs since November 2004. He

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recently retired as Chairman of Olswang, a United Kingdom law firm he founded in 1981. In 1995 Mr. Olswang co-founded Informed Sources International Ltd, a strategic media industry consultancy in Europe and North America. Mr. Olswang is a co-founder and non-executive director of LongAcre Partners Ltd, a specialized mergers and acquisitions and advisory firm focusing on the media and entertainment industries. He is a member of the Board of Directors of The British Library and of the British Screen Advisory Council and has served as a non-executive director of a number of companies and organizations, including Aegis Group plc, The Press Association and the British Film Institute. Mr. Olswang serves as Chairman of Governors of Langdon College of Further (Special) Education in Salford, of which he is a co-founder and trustee.

Mario Segal has been a director of Amdocs since December 2001 and served as a Senior Vice President and the Chief Operating Officer of Amdocs Management Limited from 1995 until July 2002. He joined Amdocs in 1984 as Senior Vice President and was a leading member of the team that developed the ADS (NG)/Family of Products directory automation systems and the Amdocs CC&B Systems platform. Prior to joining Amdocs, Mr. Segal was an account manager for a major North American yellow pages publisher and prior thereto managed the computer department of a major Israeli insurance company, leading large-scale software development projects and strategic planning of automation systems.

Dov Baharav has been a director of Amdocs and the President and Chief Executive Officer of Amdocs Management Limited, our wholly owned subsidiary, since July 2002. Mr. Baharav has overall coordination responsibilities for the operations and activities of our operating subsidiaries. In 1991, Mr. Baharav joined Amdocs Inc., our principal wholly owned U.S. subsidiary, serving as its Vice President and then President in St. Louis, Missouri until 1995. From 1995 until July 2002, Mr. Baharav was a Senior Vice President and the Chief Financial Officer of Amdocs Management Limited. Prior to joining Amdocs, Mr. Baharav served as Chief Operating Officer of Optrotech Ltd., a publicly held company that develops, manufactures and markets electro-optical devices.

Eli Gelman has been a director of Amdocs and the Executive Vice President of Amdocs Management Limited since July 2002. Mr. Gelman has responsibility for sales, strategic alliances and corporate and business development. He has more than 27 years of experience in the software industry, including the last 16 years with Amdocs. Prior to his current position, he was a division president, where he headed our United States sales and marketing operations and helped spearhead our entry into the CC&B Systems market. Before that, Mr. Gelman was an account manager for our major European and North American installations, and has led several major software development projects. Before joining Amdocs, Mr. Gelman was involved in the development of real-time software systems for communications networks.

Nehemia Lemelbaum has been a director of Amdocs since December 2001 and is a Senior Vice President of Amdocs Management Limited. He joined Amdocs in 1985, with initial responsibility for U.S. operations. Mr. Lemelbaum led our development of graphic products for the yellow pages industry and later led our development of CC&B Systems, as well as our penetration into the CC&B Systems market. Prior to joining Amdocs, he served for nine years with Contahal Ltd., a leading Israeli software company, first as a senior consultant, and later as Managing Director. From 1967 to 1976, Mr. Lemelbaum

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was employed by the Ministry of Communications of Israel (the organization that predated Bezeq, the Israel Telecommunication Corp. Ltd.), with responsibility for computer technology in the area of business data processing.

Ron Moskowitz has been Senior Vice President and the Chief Financial Officer of Amdocs Management Limited since July 2002, and has overall

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coordination responsibility for the financial reporting of our operating subsidiaries. Mr. Moskovitz joined Amdocs in 1998 and served until July 2002 as Vice President of Finance. He has been responsible for the Company's financial organization, and was involved in Amdocs' initial public offering, merger and acquisition activities and various other financial operations. Prior to joining Amdocs, Mr. Moskovitz served in various senior financial positions with Tower Semiconductor, a publicly held semiconductor manufacturer. Mr. Moskovitz is a Certified Public Accountant (Isr) and holds an MBA degree.

Harel Kodesh has been the Chief Products Officer of Amdocs Management Limited since 2003. Mr. Kodesh oversees Amdocs' product activities and is responsible for the company's technological vision and execution. From 2000 until 2003, Mr. Kodesh served as president and chief executive officer of Wingcast LLC, a joint venture between Qualcomm Inc. and Ford Motor Company formed to offer telecommunications and other technology services for vehicles. Between 1990 and 2000, Mr. Kodesh held executive positions at Microsoft Corp., where he served from 1998 until 2000 as vice president of its information appliances division.

Michael Matthews has been with Amdocs since February 2003 and is the Chief Marketing Officer of Amdocs Management Limited. He has more than twenty-five years experience across a broad spectrum of disciplines in high technology companies. From 1999 until February 2003, he was an early investor, strategist and operating executive at Groove Networks, a privately held start-up technology company. From 1996 through 1999, Mr. Matthews was executive vice president, worldwide marketing for PLATINUM technology inc., a database management company that has since been acquired by Computer Associates International Inc. Mr. Matthews began his career in Australia selling computers for NCR Corporation and has also worked with Digital Equipment Corp. and Sterling Software Inc. as sales and marketing manager and vice president, business development, respectively. He holds a degree in Civil Engineering from the University of Queensland (Australia).

Thomas G. O'Brien has been Treasurer and Secretary of Amdocs Limited since 1998 and has held other financial management positions within Amdocs since 1995. From 1993 to 1995, Mr. O'Brien was Controller of Big River Minerals Corporation, a diversified natural resources company. From 1989 to 1993, Mr. O'Brien was the Assistant Controller for Big River Minerals Corporation. From 1983 to 1989, Mr. O'Brien was with Arthur Young and Company (now Ernst & Young LLP). Mr. O'Brien is a member of the American Institute of Certified Public Accountants.

Melinos Pissourios has been the Managing Director and General Manager of Amdocs Development Limited since April 1998. Mr. Pissourios is also the Financial Controller of Amdocs Development Limited in Cyprus. Prior to joining Amdocs, Mr. Pissourios was the Group Financial Controller at AEC Holland Group. He also worked for KPMG Peat Marwick for four years. Mr. Pissourios is a member of the Institute of Chartered Accountants of England & Wales and of the Cyprus Institute of Certified Public Accountants and he is a registered auditor in Cyprus.

Burt Podbere has been the General Manager of Amdocs Software Systems Limited in Ireland since October 2002. He joined the Amdocs group in May 2001 as the financial director of Amdocs Canada Inc. Prior to joining Amdocs, Mr. Podbere was the Canadian Group Controller at US Filter Corporation, part of the Vivendi group of companies. He also worked for Ernst & Young LLP for four years. Mr. Podbere is a member of the Canadian Institute of Chartered Accountants.

COMPENSATION

As of November 3, 2004, our directors who are not employees of the Company ("Non-Employee Directors") receive compensation for their services as directors in the form of cash and options to purchase ordinary shares. Our compensation

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policy provides that each Non-Employee Director receives an

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annual cash payment of \$30,000. Each of our Non-Employee Directors also receives an initial option grant for the purchase of 12,000 ordinary shares. Thereafter, Non-Employee Directors receive an annual option grant for the purchase of 7,500 ordinary shares, except for Non-Employee Directors who are members of our Audit Committee or Executive Committee, who receive an annual option grant for the purchase of 8,500 ordinary shares. All option grants to our Non-Employee Directors vest as to one-quarter of the shares immediately, with the remainder vesting annually in three equal installments. The exercise price of all options granted to our Non-Employee Directors is the market price of our shares on the last trading day preceding the grant date. Each Non-Employee Director receives \$1,500 per meeting of the Board of Directors and \$1,000 per meeting of a committee of the Board of Directors, except for Non-Employee Directors who are members of our Audit Committee or Executive Committee, who receive \$2,000 per meeting. We reimburse all of our directors for their reasonable travel expenses incurred in connection with attending Board or committee meetings.

During fiscal 2004, we granted options to purchase ordinary shares to certain of our Non-Employee Directors, but did not make any option grants to members of our administrative, supervisory or management bodies. We granted to nine Non-Employee Directors options to purchase an aggregate of 48,000 ordinary shares at a weighted average price of \$21.20 per share, with vesting over three year terms.

All options were granted pursuant to our 1998 Stock Option and Incentive Plan, as amended. See discussion below -- "Share Ownership -- Employee Stock Option and Incentive Plan".

A total of 18 persons who served either as directors of Amdocs or members of its administrative, supervisory or management bodies during all or part of fiscal 2004 received remuneration from Amdocs. The aggregate remuneration paid by us to such persons was approximately \$7.5 million, which includes amounts set aside or accrued to provide pension, retirement or similar benefits, but does not include amounts expended by us for automobiles made available to such persons, expenses (including business travel, professional and business association dues) or other fringe benefits. Included in this amount is remuneration to two former executive officers and one former director for the applicable portions of fiscal 2004.

BOARD PRACTICES

Our entire Board of Directors is comprised of 13 directors. Twelve directors were elected to our Board of Directors at our annual meeting of shareholders on January 23, 2003. One director resigned from our Board of Directors in August 2004 and one director was appointed to our Board of Directors effective November 2004. As permitted by our Articles of Association, the Board of Directors may fill the one remaining vacancy at any time. All directors hold office until the next annual meeting of our shareholders, which generally is in January of each calendar year, or until their respective successors are duly elected and qualified or their positions are earlier vacated by resignation or otherwise.

Executive officers of Amdocs are elected by the Board of Directors on an annual basis and serve until the next annual meeting of the Board of Directors or until their respective successors have been duly elected or qualified or their positions are earlier vacated by resignation or otherwise. The executive officers of each of the Amdocs subsidiaries are elected by the board of directors of such subsidiary on an annual basis and serve until the next annual

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meeting of such board of directors or until their respective successors have been duly elected or qualified or their positions are earlier vacated by resignation or otherwise.

Other than the employment agreements between us and the President and Chief Executive Officer of Amdocs Management Limited, and the Executive Vice President of Amdocs Management Limited, which provide for immediate cash severance upon termination of employment, there are currently no service contracts in effect between us and any of our directors providing for immediate cash severance upon termination of their employment.

BOARD COMMITTEES

Our Board of Directors has formed four committees set forth below. Members of each committee are appointed by the Board of Directors.

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The Audit Committee reviews, acts on and reports to the Board of Directors with respect to various auditing and accounting matters, including the selection of our auditors, the scope of the annual audits, fees to be paid to the auditors, the performance of our independent auditors, and assists with the Board of Directors' oversight of our accounting practices, financial statement integrity and compliance with legal and regulatory requirements. The current members of our Audit Committee are Messrs. Gardner (Chair), Foster and McLennan, all of whom are independent directors, as defined by the rules of the New York Stock Exchange, or the NYSE, and pursuant to the categorical director independence standards adopted by our Board of Directors. The Board of Directors has determined that Mr. Gardner is an "audit committee financial expert" as defined by rules promulgated by the SEC. The Audit Committee written charter is available on our website at www.amdocs.com.

The Compensation Committee discharges the responsibilities of our Board of Directors relating to the compensation of the Chief Executive Officer of Amdocs Management Limited and makes recommendations to our Board of Directors with respect to the compensation of our other executive officers. The current members of our Compensation Committee are Messrs. Anderson, Kahan and Minicucci, all of whom are independent directors, as defined by the rules of the NYSE, and pursuant to the categorical director independence standards adopted by our Board of Directors. The Compensation Committee written charter is available on our website at www.amdocs.com.

The Nominating and Corporate Governance Committee identifies individuals qualified to become members of our Board of Directors, recommends to the Board of Directors the persons to be nominated for election as directors at the annual general meeting of shareholders, develops and makes recommendations to the Board of Directors regarding our corporate governance principles and oversees the evaluations of our Board of Directors and our management. The current members of the Nominating and Corporate Governance Committee are Messrs. Brodsky, Gardner, Foster and Kahan, all of whom are independent directors, as required by the NYSE listing standards, and pursuant to the categorical director independence standards adopted by our Board of Directors. The Nominating and Corporate Governance Committee written charter is available on our website at www.amdocs.com. Additionally, the Nominating and Corporate Governance Committee, which was established in November 2004, is in the process of approving corporate governance guidelines that it expects to recommend for approval by our Board of Directors at its upcoming meetings. Upon such approval by our Board, we intend to make the corporate governance guidelines available on our website. We believe there are no significant ways that our corporate governance practices differ from those followed by U.S. domestic companies under NYSE listing standards.

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The Executive Committee has such responsibilities as may be delegated to it from time to time by the Board of Directors. The current members of our Executive Committee are Messrs. Anderson, Baharav, Kahan, Lemelbaum and Minicucci.

Our independent directors receive no compensation from the Company, except in connection with their membership on the Board of Directors and its committees as described above regarding Non-Employee Directors under "-- Compensation".

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EMPLOYEES

The following table presents the approximate number of our full-time employees as of each date indicated, by function and by geographical location:

	AS OF SEPTEMBER 30,		
	2004	2003	2002
Software and Information Technology			
Israel.....	4,100	4,100	4,100
North America.....	3,400	3,500	2,600
Rest of World.....	2,100	1,600	1,700
	9,600	9,200	8,400
Management and Administration.....	1,000	1,000	1,000
	10,600	10,200	9,400
Total employees.....	10,600	10,200	9,400

During fiscal 2002 and the first quarter of fiscal 2003, we took steps to reduce our costs and achieve increased operational efficiency, including by making reductions in our workforce. In the fourth quarter of 2002, as part of a cost reduction program, we reduced our workforce by approximately 1,000 software and information technology specialists and administrative professionals. In November 2002, we announced additional measures to reduce costs, including further reductions in our workforce of approximately 400 software and information technology specialists and administrative professionals. During fiscal 2003, as a result of our acquisition of Certen and our Managed Services agreement with SBC, we increased our workforce by approximately 1,200 employees. As of September 30, 2004, we employed on a full-time basis approximately 9,600 software and information technology specialists, engaged in research, development, maintenance and support activities, and approximately 1,000 managers and administrative professionals.

As a company with global operations, we are required to comply with various labor and immigration laws throughout the world, including laws and regulations in Australia, Brazil, Canada, Europe, Israel, Japan and the United States. Our employees in Europe are protected, in some countries, by mandatory collective bargaining agreements. To date, compliance with such laws has not been a material burden for us. As the number of our employees increases over time in particular countries, our compliance with such regulations could become more burdensome.

Our principal operating subsidiaries are not party to any collective bargaining agreements. However, our Israeli subsidiaries are subject to certain

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labor-related statutes and to certain provisions of collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordinating Bureau of Economic Organizations (including the Industrialists' Association), which are applicable to our Israeli employees by virtue of expansion orders of the Israeli Ministry of Labor and Welfare. A significant provision applicable to all employees in Israel under collective bargaining agreements and expansion orders is an adjustment of wages in relation to increases in the consumer price index, or CPI. The amount and frequency of these adjustments are modified from time to time.

Some employees in Canada have union representation. In addition, all employees in Brazil, including members of management, are represented by unions. Collective bargaining between employers and unions is mandatory, negotiated annually, and covers work conditions, including cost of living increases, minimum wages that exceed government thresholds and overtime pay.

We consider our relationship with our employees to be good and have never experienced a labor dispute, strike or work stoppage.

SHARE OWNERSHIP

SECURITY OWNERSHIP OF DIRECTORS AND SENIOR MANAGEMENT AND CERTAIN KEY EMPLOYEES

As of November 24, 2004, the aggregate number of our ordinary shares beneficially owned by our directors, senior managers and certain key employees was 20,636,098 shares. This number includes

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12,747,698 ordinary shares held by SBC, since Mr. Kahan, Senior Executive Vice President of SBC, serves on our Board of Directors, and accordingly, he may be deemed to be the beneficial owner of the shares held by SBC. Mr. Kahan disclaims beneficial ownership of such shares. Historically, this number also included shares held by WCAS, since Messrs. Anderson and Minicucci, affiliates of WCAS, serve on our Board of Directors. As of September 24, 2003, various investment partnerships affiliated with WCAS ceased to be shareholders of the Company. See "Major Shareholders and Related Party Transactions". As of November 24, 2004, other than Mr. Kahan, none of our directors, senior managers or key employees beneficially own 1% or more of our outstanding ordinary shares.

Beneficial ownership by a person, as of a particular date, assumes the exercise of all options and warrants held by such person that are currently exercisable or are exercisable within 60 days of such date.

EMPLOYEE STOCK OPTION AND INCENTIVE PLAN

Our 1998 Stock Option and Incentive Plan, as amended (the "Option Plan"), provides for the grant by Amdocs of restricted shares or stock options to our directors, employees (including officers) and consultants. The purpose of the Option Plan is to enable us to attract and retain qualified personnel and to motivate such persons by providing them with an equity participation in the Company. As of September 30, 2004, of the 38,300,000 ordinary shares available for issuance under the Option Plan, 3,972,925 ordinary shares had been issued as a result of option exercises and 8,476,277 ordinary shares remained available for future grants. As of September 30, 2004, there were outstanding options to purchase an aggregate of 25,850,798 ordinary shares at exercise prices ranging from \$0 to \$78.31 per share and no restricted shares had been awarded.

The Option Plan provides for the granting of "incentive stock options" and "non-qualified stock options" to purchase ordinary shares and/or the granting of

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rights to purchase ordinary shares on a "restricted" basis. The terms and conditions of individual grants may vary subject to the following: (i) the exercise price of incentive stock options may not be less than market value on the date of grant; (ii) the term of incentive stock options may not exceed ten years from the date of grant; and (iii) no options or awards may be granted after January 2008.

The Option Plan is administered by the Compensation Committee, which determines all the terms of the awards (subject to the above), including which employees, directors or consultants are granted awards. The Board of Directors may amend or terminate the Option Plan, provided that shareholder approval is required to increase the number of ordinary shares available under the Option Plan, to materially increase the benefits accruing to participants, to change the class of employees eligible for participation, to decrease the basis upon which the minimum exercise price of options is determined or to extend the period in which awards may be granted or to grant an option that is exercisable for more than ten years. Ordinary shares acquired upon exercise of an award are subject to certain restrictions on sale, transfer or hypothecation.

As a result of acquisitions, as of September 30, 2004, we are obligated to issue (and have reserved for issuance) an additional 195,680 ordinary shares upon exercise of options that had previously been granted under the option plans of the acquired companies (the "Predecessor Plans") and were exchanged for options to purchase our ordinary shares. These options have exercise prices ranging from \$1.87 to \$71.97 per share. No additional options have been or will be granted under the Predecessor Plans.

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ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

MAJOR SHAREHOLDERS

The following table sets forth specified information with respect to the beneficial ownership of the ordinary shares as of November 24, 2004 of (i) any person known by us to be the beneficial owner of more than 5% of our ordinary shares and (ii) all of our directors and executive officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC and, unless otherwise indicated, includes voting and investment power with respect to all ordinary shares, subject to community property laws, where applicable. The number of ordinary shares used in calculating the percentage beneficial ownership included in the table below is based on 201,946,567 ordinary shares outstanding as of November 24, 2004.

NAME AND ADDRESS -----	SHARES BENEFICIALLY OWNED -----	PERCENTAGE OWNERSHIP -----
Massachusetts Financial Services Company(1)..... 500 Boylston Street, 15th Floor Boston, Massachusetts 02116	19,406,163	9.6%
SBC Communications Inc.(2)..... 175 E. Houston Street San Antonio, Texas 78205-2233	12,747,698	6.3%
All directors and executive officers as a group (18 persons)(3).....	20,636,098	10.2%

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- (1) Based on a Form 13F filed by Massachusetts Financial Services Company ("MFS") with the SEC on November 10, 2004, as of September 30, 2004, MFS had sole voting power over 19,088,913 of our ordinary shares and no voting power over 317,250 ordinary shares. The Form 13F indicates that MFS had sole investment discretion over 19,406,163 ordinary shares.
 - (2) Based upon information provided to us by SBC, as of November 24, 2004, SBCI, a wholly owned subsidiary of SBC, held 7,551,875 of our ordinary shares, and SBC Option Delivery LLC, a majority-owned subsidiary of SBCI, held 5,195,823 of our ordinary shares. James S. Kahan, Senior Executive Vice President of SBC, serves on our Board of Directors.
 - (3) Includes ordinary shares held by SBC. See footnote 2 above. Mr. Kahan, Senior Executive Vice President of SBC, serves on the Company's Board of Directors and, accordingly, may be deemed to be the beneficial owner of the ordinary shares held by SBC. Mr. Kahan disclaims beneficial ownership of such shares. Also includes options granted to such directors and executive officers of the Company that are exercisable within 60 days of November 24, 2004. With the exception of Mr. Kahan, no individual director or executive officer may be deemed to be the beneficial owner of more than 1% of the Company's outstanding ordinary shares.

Over the last three years, our major shareholders have included our directors and executive officers as a group, SBC, WCAS, Fidelity Management and Research ("FMR"), which became a major shareholder in fiscal 2003, MFS, which became a major shareholder in September 2003, and other institutional investors. SBC's share ownership has decreased to 6.3% as of November 24, 2004 from 14.4% in November 2001. FMR ceased to be a major shareholder in fiscal 2004. Investment partnerships affiliated with WCAS, which had been major shareholders in the three fiscal years ending September 30, 2003, ceased to be shareholders of the Company in September 2003 as a result of distributions made to the partners of such investment partnerships. Southeastern Asset Management, which had been a major shareholder in fiscal 2002, ceased to be a major shareholder in June 2003. AXA Financial, which had been a major shareholder in fiscal 2001, ceased to be a major shareholder in December 2002.

As of November 24, 2004, our ordinary shares were held by 235 recordholders. Based on a review of the information provided to us by our transfer agent, 162 recordholders, holding approximately 97% of our outstanding ordinary shares, were residents of the United States.

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RELATED PARTY TRANSACTIONS

In addition to being a major shareholder, SBC, and some of its operating subsidiaries, are also significant customers of ours. During fiscal 2004, 2003 and 2002, SBC and those subsidiaries accounted for approximately 12%, 11% and 11%, respectively, of our revenue. Based on long-term agreements currently in place with certain SBC subsidiaries and the Managed Services agreement announced in January 2003 with SBC's directory operations, we expect that revenue attributable to SBC entities will remain a significant portion of our revenue in fiscal 2005. Mr. Kahan, a member of our Board of Directors, is also Senior Executive Vice President of SBC.

SBC is also a beneficial owner of companies that provide certain miscellaneous support services to us in United States.

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ITEM 8. FINANCIAL INFORMATION

FINANCIAL STATEMENTS

See "Financial Statements" for our audited Consolidated Financial Statements and Financial Statement Schedule filed as part of this Annual Report.

LEGAL PROCEEDINGS

On December 2, 2003 we announced that the United States District Court for the Eastern District of Missouri had issued an order granting our motion to dismiss the securities class action lawsuits that had been pending against us and certain of our directors and officers since June 2002. The court's order also directed that judgment be entered in our favor. On December 2, 2004, the United States Court of Appeals for the Eighth Circuit affirmed per curiam the dismissal of the complaint.

DIVIDEND POLICY

We did not pay any cash dividends on our ordinary shares in fiscal 2004, 2003 or 2002. After the payment of dividends in 1998 that followed a corporate reorganization, we decided in general to retain earnings to finance the development of our business. The payment of any future dividends will be paid by us based on conditions then existing, including our earnings, financial condition and capital requirements, as well as other conditions we deem relevant. The terms of any debt that we may incur could effectively limit our ability to pay dividends.

ITEM 9. THE OFFER AND LISTING

Our ordinary shares have been quoted on the NYSE since June 19, 1998, under the symbol "DOX". The following table sets forth the high and low reported sale prices for our ordinary shares for the periods indicated:

	HIGH -----	LOW -----
FISCAL YEAR ENDED SEPTEMBER 30		
2000.....	\$ 96.00	\$ 19.81
2001.....	\$ 80.50	\$ 25.85
2002.....	\$ 39.25	\$ 6.10
2003.....	\$ 27.25	\$ 5.85
2004.....	\$ 30.69	\$ 18.08
QUARTER		
Fiscal 2003:		
First Quarter.....	\$ 11.98	\$ 5.85
Second Quarter.....	\$ 13.95	\$ 9.86
Third Quarter.....	\$ 25.01	\$ 13.25
Fourth Quarter.....	\$ 27.25	\$ 18.55

	HIGH -----	LOW -----
Fiscal 2004:		

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First Quarter.....	\$ 27.10	\$ 18.90
Second Quarter.....	\$ 29.74	\$ 22.17
Third Quarter.....	\$ 30.69	\$ 22.65
Fourth Quarter.....	\$ 24.00	\$ 18.08
Fiscal 2005:		
First Quarter (through December 27, 2004).....	\$ 27.56	\$ 20.70
MOST RECENT SIX MONTHS		
June, 2004.....	\$ 25.95	\$ 22.65
July, 2004.....	\$ 24.00	\$ 19.75
August, 2004.....	\$ 22.40	\$ 18.08
September, 2004.....	\$ 23.20	\$ 20.01
October, 2004.....	\$ 25.40	\$ 20.70
November, 2004.....	\$ 27.25	\$ 24.25

ITEM 10. ADDITIONAL INFORMATION

MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company is registered at the Greffe (Companies Registry) in Guernsey, the Channel Islands and has been assigned company number 19528, registered office situated at Suite 5, Tower Hill House, Le Bordage, St Peter Port, Island of Guernsey, GY1 3QT, Channel Islands. The telephone number at that location is 011-44-1481-728444.

The purpose of the Company is to perform any and all corporate activities permissible under Guernsey law, as forth in detail at Clause 3(1) to (37) of the Memorandum of Association of the Company (the "Memorandum of Association").

Article 21(2) of the Amended and Restated Articles of Association of the Company (the "Articles of Association") provides that a director may vote in respect of any contract or arrangement in which such director has an interest notwithstanding such director's interest and an interested director will not be liable to the Company for any profit realized through any such contract or arrangement by reason of such director holding the office of director. Article 21 of the Articles of Association provides that the remuneration of the directors shall from time to time be determined by the Company by ordinary resolution. No provision is made in the Articles of Association for directors to vote compensation to themselves or any members of their body under any circumstances. Article 22 provides that directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and to issue securities whether outright or as security for any debt, liability or obligation of the Company for any third party. Such borrowing powers can only be altered through an amendment to the Articles of Association. Directors of the Company are not required to own shares of the Company in order to serve as directors.

The share capital of the Company is L5,750,000 divided into (i) 25,000,000 preferred shares with a par value of L0.01 per share and (ii) 550,000,000 ordinary shares with a par value of L0.01 per share, consisting of 500,000,000 voting ordinary shares and 50,000,000 non-voting ordinary shares. As of September 30, 2004, 201,334,057 ordinary shares were outstanding (net of treasury shares) and no non-voting ordinary shares or preferred shares were outstanding. The rights, preferences and restrictions attaching to each class of the shares are as follows:

PREFERRED SHARES

- Issue -- the preferred shares may be issued from time to time in one or more series of any number of shares up to the amount authorized.

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- Authorization to Issue Preferred Shares -- authority is vested in the directors from time to time to authorize the issue of one or more series of preferred shares and to provide for the designations, powers, preferences and relative participating, optional or other special rights and qualifications, limitations or restrictions thereon.
- Relative Rights -- all shares of any one series of preferred shares must be identical with each other in all respects, except that shares of any one series issued at different times may differ as to the dates from which dividends shall be cumulative.
- Liquidation -- in the event of any liquidation, dissolution or winding-up of the Company, the holders of preferred shares are entitled to preference with respect to payment and to receive payment (at the rate fixed in any resolution or resolutions adopted by the directors in such case) plus an amount equal to all dividends accumulated to the date of final distribution to such holders. The holders of preferred shares are entitled to no further payment other than that stated above. If upon any liquidation the assets of the Company are insufficient to pay in full the amount stated above then such assets shall be distributed among the holders of preferred shares.
- Voting Rights -- except as otherwise provided for by the directors upon the issue of any new series of preferred shares, the holders of preferred shares have no right or power to vote on any question or in any proceeding or to be represented at, or to receive notice of, any meeting of members.

ORDINARY SHARES AND NON-VOTING ORDINARY SHARES

Except as otherwise provided by the Memorandum of Association and Articles of Association, the ordinary shares and non-voting ordinary shares are identical and entitle holders thereof to the same rights and privileges.

- Dividends -- when and as dividends are declared on the shares of the Company the holders of voting ordinary shares and non-voting shares are entitled to share equally, share for share, in such dividends except that if dividends are declared which are payable in voting ordinary shares or non-voting ordinary shares, dividends must be declared which are payable at the same rate in both classes of shares.
- Conversion of Non-Voting Ordinary Shares into Voting Ordinary Shares -- upon the transfer of non-voting ordinary shares from the original holder thereof to any third party not affiliated with such original holder, non-voting ordinary shares are redesignated in the books of the Company as voting ordinary shares and automatically convert into the same number of voting ordinary shares.
- Liquidation -- upon any liquidation, dissolution or winding-up of the Company, the assets of the Company remaining after creditors and the holders of any preferred shares have been paid in full shall be distributed to the holders of voting ordinary shares and non-voting ordinary shares equally share for share.
- Voting Rights -- the holders of voting ordinary shares are entitled to vote on all matters to be voted on by the members, and the holders of non-voting ordinary shares are not entitled to any voting rights.
- Preferences -- the voting ordinary shares and non-voting ordinary shares are subject to all the powers, rights, privileges, preferences and

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priorities of the preferred shares as are set out in the Articles of Association.

As regards both preferred shares and voting and non-voting ordinary shares, the Company has power to purchase any of its own shares, whether or not they are redeemable and may make a payment out of capital for such purchase.

There are no provisions for a classified Board of Directors or for cumulative voting for directors.

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Article 8 of the Articles of Association provides that all or any of the rights, privileges, or conditions attached to any class or group of shares may be changed as follows:

- by an agreement between the Company and any person purporting to contract on behalf of the holders of shares of the class or group affected, provided that such agreement is ratified in writing by the holders of at least two-thirds of the issued shares of the class affected; or
- with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed by majority of three-fourths of the votes of the holders of shares of the class or group affected entitled to vote and voting in person or by attorney or proxy and passed at a separate meeting of the holders of such shares but not otherwise.

The Companies (Guernsey) Law, 1994 (the "Companies Law") provides that, where not provided for in the Articles of Association, a special resolution of the shareholders is required to alter the Articles of Association. A special resolution must be passed by not less than three-quarters of the votes recorded at a meeting called for purposes of voting on the matter. As such, the conditions set out above are as significant as the requirements of Guernsey law.

Provisions in respect of the holding of general meetings and extraordinary general meetings are set out at Articles 14, 15 and 16 of the Articles of Association. The Articles of Association provide that an annual general meeting must be held once in every calendar year (provided that not more than 15 months have elapsed since the last such meeting) at such time and place as the directors appoint and, in default, an annual general meeting may be convened by any two members holding at least 10% in the aggregate of the Company's share capital. The directors may, whenever they deem fit, convene an extraordinary general meeting, and extraordinary general meetings will also be convened on the requisition in writing of holders of at least 20% of the issued share capital of the Company carrying voting rights or, if the directors fail upon such requisition to convene such meeting within 21 days then such meeting may be convened by such holders in such manner as provided by the Companies Law. A minimum of 10 days' written notice is required in connection with an annual general meeting and a minimum of 14 days' written notice is required in connection with any other meeting. The notice shall specify the place, the day and the hour of the meeting, and in the case of any special business, the general nature of that business to such persons as are entitled by the Articles of Association to receive such notices from the Company provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in the Articles, be deemed to have been duly called if it is so agreed by all the members entitled to attend and vote thereat.

There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities.

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There are no provisions in the Memorandum of Association or Articles of Association that would have the effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company (or any of its subsidiaries).

There are no provisions in the Memorandum of Association or Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed. United States federal law, however, requires that all directors, executive officers and holders of 10% or more of the stock of a company that has a class of stock registered under the Securities Exchange Act of 1934, as amended (other than a foreign private issuer, such as Amdocs), disclose such ownership. In addition, holders of more than 5% of a registered equity security of a company (including a foreign private issuer) must disclose such ownership.

Pursuant to Article 13 of the Articles of Association, the Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution prescribes. A restructuring of the existing share capital must be done by extraordinary resolution (which requires the same vote as a special resolution), and the Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in

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accordance with Guernsey law. These provisions in relation to the alteration of the Company's capital are in accordance with but no more onerous than the Companies Law.

MATERIAL CONTRACTS

Other than the Certen acquisition transaction agreement, in the past two years we have not entered into any material contracts other than contracts entered into in the ordinary course of our business.

TAXATION

TAXATION OF THE COMPANY

The following is a summary of certain material tax considerations relating to Amdocs and our subsidiaries. To the extent that the discussion is based on tax legislation that has not been subject to judicial or administrative interpretation, there can be no assurance that the views expressed in the discussion will be accepted by the tax authorities in question. The discussion is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

General

Our effective tax rate was 22% for the year ended September 30, 2004, compared to 25% for fiscal 2003 and 107% for fiscal 2002. The high effective tax rate in fiscal 2002 was primarily attributable to amortization of goodwill related to our acquisitions, much of which is not tax deductible. Effective October 1, 2002, following the adoption of SFAS No. 142, we no longer amortize goodwill resulting from acquisitions. See the discussion above under the caption "Operating and Financial Review and prospects -- Critical Accounting Policies -- Goodwill". As a result, goodwill amortization that is not tax-deductible no longer affects our effective tax rate. In the year ended September 30, 2002 our effective tax rate was also adversely affected by the fixed non-deductible expenditures representing a larger component of our pretax

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income. Excluding the impact of the non-deductible goodwill related to our acquisitions, our effective tax rate for fiscal 2002 was 28% due to the corporate income tax rates in the various countries in which we operate and changes in the relative magnitude of our business in those countries.

We expect a reduction in our effective tax rate in fiscal 2005 from 22% to between 21% and 20%. The reduction is due to our continued expansion into countries with lower effective tax rates.

There can be no assurance that our effective tax rate will not change over time as a result of a change in corporate income tax rates or other changes in the tax laws of the various countries in which we operate. Moreover, our effective tax rate in future years may be adversely affected in the event that a tax authority challenged the manner in which items of income and expense are allocated among us and our subsidiaries. In addition, the Company and certain of our subsidiaries have been granted certain special tax benefits, discussed below, in Cyprus, Ireland and Israel. The loss of any such tax benefits could have an adverse effect on our effective tax rate.

Certain Guernsey Tax Considerations

We qualify as an exempt company (i.e., our shareholders are not Guernsey residents and we do not carry on business in Guernsey) so we generally are not subject to taxation in Guernsey.

Certain Cypriot Tax Considerations

Our Cyprus subsidiary, Amdocs Development Ltd., operates a development center. Corporations resident in Cyprus are taxed on income at 10% commencing January 1, 2003 (previously at a 25% corporate tax rate) following a new Income Tax law enacted in July 2002, introducing a number of changes to the current system in an attempt to harmonize the regulations with E.U. provisions and abandon any harmful tax practices as defined by the Organization for Economic Co-operation and Development. The Government of Cyprus had issued a permit to our Cypriot subsidiary pursuant to which the activities conducted by it were deemed to be offshore activities for the purpose of Cypriot taxation. As

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a result, our Cypriot subsidiary is subject to an effective tax rate in Cyprus of 4.25%. In order for our subsidiary to remain entitled to this reduced rate of taxation pursuant to the permit, it had to satisfy certain requirements concerning its operations in Cyprus and to undertake certain information reporting obligations to the Government of Cyprus. The new Income Tax law repealed the favorable tax provisions applicable to offshore activities subject to certain transition rules. Pursuant to the rules, our subsidiary will continue to enjoy an effective tax rate of 4.25% until December 2005 as long as certain requirements imposed by the Government of Cyprus are met. Thereafter, our subsidiary will be taxed at the 10% tax rate.

Certain Irish Tax Considerations

Our Irish subsidiary, Amdocs Software Systems Ltd., operates a development center. The corporation tax rate on its trading activities was 16% for 2002 and declined to 12.5% in 2003. The subsidiary has entered into an agreement with the Irish Industrial Development Agency pursuant to which it qualifies for certain job creation grants and, consequently, certain activities conducted by it are deemed to be manufacturing activities for the purpose of Irish taxation. As a result, the subsidiary was subject to a corporation tax rate in Ireland of 10% with respect to its manufacturing activities. This tax rate on manufacturing activities was available to our Irish subsidiary until December 31, 2002. As of January 1, 2003, our Irish subsidiary was subject to a single corporation tax

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rate of 12.5% on all of its trading and manufacturing activities.

Certain Israeli Tax Considerations

Our Israeli subsidiary, Amdocs (Israel) Limited, operates our largest development center. Discussed below are certain Israeli tax considerations relating to our Israeli subsidiary.

General Corporate Taxation in Israel. In June 2004, the Israeli parliament enacted legislation, which has gradually reduced the "Companies Tax" rates of taxable income apply to Israeli companies. According to this legislation, the Companies Tax rate on taxable income in 2004 and upcoming years will be as follows: 35% in 2004, 34% in 2005, 32% in 2006, and 30% in 2007 and thereafter. However, the effective tax rate payable by an Israeli company that derives income from an Approved Enterprise may be considerably less.

Law for the Encouragement of Capital Investments, 1959. Certain production and development facilities of our Israeli subsidiary have been granted "Approved Enterprise" status pursuant to the Law for the Encouragement of Capital Investments, 1959 (the "Investment Law"), which provides certain tax and financial benefits to investment programs that have been granted such status.

The Investment Law provides that capital investments in production facilities (or other eligible assets) may, upon application to the Israeli Investment Center, be designated as an Approved Enterprise. Each instrument of approval for an Approved Enterprise relates to a specific investment program delineated both by the financial scope of the investment, including source of funds, and by the physical characteristics of the facility or other assets. The tax benefits available under any instrument of approval relate only to taxable profits attributable to the specific investment program and are contingent upon compliance with the conditions set out in the instrument of approval.

Tax Benefits. Taxable income derived from an Approved Enterprise is subject to a reduced corporate tax rate of 25% until the earlier of:

- seven consecutive years (or ten in the case of an FIC (as defined below)) commencing in the year in which the Approved Enterprise first generates taxable income,
- twelve years from the year of commencement of production, or
- fourteen years from the year of the approval of the Approved Enterprise status.

Such income is eligible for further reductions in tax rates if we qualify as a Foreign Investors' Company ("FIC") depending on the percentage of the foreign ownership. Subject to certain conditions, an FIC is a

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company more than 25% of whose share capital (in terms of shares, rights of profits, voting and appointment of directors) and more than 25% of whose combined share and loan capital are owned by non-Israeli residents. The tax rate is 20% if the foreign investment is 49% or more but less than 74%; 15% if the foreign investment is 74% or more but less than 90%; and 10% if the foreign investment is 90% or more. The determination of foreign ownership is made on the basis of the lowest level of foreign ownership during the tax year. A company that owns an Approved Enterprise, approved after April 1, 1986, may elect to forego the entitlement to grants and apply for an alternative package of tax benefits. In addition, a company (like our Israeli subsidiary) with an enterprise outside the National Priority Regions (which is not entitled to grants) may also apply for the alternative benefits. Under the alternative

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benefits, undistributed income from the Approved Enterprise operations is fully tax exempt (a tax holiday) for a defined period. The tax holiday ranges between two to ten years from the first year of taxable income subject to the limitations as described above, depending principally upon the geographic location within Israel. On expiration of the tax holiday, the Approved Enterprise is eligible for a beneficial tax rate (25% or lower in the case of an FIC, as described above) for the remainder of the otherwise applicable period of benefits.

Our Israeli subsidiary has elected the alternative benefits with respect to its current Approved Enterprise and its enlargements, pursuant to which the Israeli subsidiary enjoys, in relation to its Approved Enterprise operations, certain tax holidays, based on the location of activities within Israel, for a period of two or ten years (and in some cases for a period of four years) and, in the case of two year tax holidays, reduced tax rates for an additional period of up to eight years. In case our Israeli subsidiary pays a dividend, at any time, out of income earned during the tax holiday period in respect of its Approved Enterprise, it will be subject, assuming that the current level of foreign investment in Amdocs is not reduced, to corporate tax at the otherwise applicable rate of 10% of the income from which such dividend has been paid and up to 25% if such foreign investments are reduced (as detailed above). This tax is in addition to the withholding tax on dividends as described below. Under an instrument of approval issued in December 1997 and relating to the current investment program of our Israeli subsidiary and to the income derived therefrom, our Israeli subsidiary is entitled to a reduced tax rate period of thirteen years (instead of the eight-year period referred to above.) The tax benefits, available with respect to an Approved Enterprise only to taxable income attributable to that specific enterprise, are given according to an allocation formula provided for in the Investment Law or in the instrument of approval, and are contingent upon the fulfillment of the conditions stipulated by the Investment Law, the regulations published thereunder and the instruments of approval for the specific investments in the Approved Enterprises. In the event our Israeli subsidiary fails to comply with these conditions, the tax and other benefits could be canceled, in whole or in part, and the subsidiary might be required to refund the amount of the canceled benefits, with the addition of CPI linkage differences and interest. We believe that the Approved Enterprise of our Israeli subsidiary substantially complies with all such conditions currently, but there can be no assurance that it will continue to do so.

From time to time, the Government of Israel considers revising the benefits available to companies under the Investment Law. The Investment Law and regulations prescribing the benefits provide for an expiration date for the grant of new benefits. The expiration date has been extended several times in the past. The expiration date currently in effect is March 31, 2005 (which may be extended by ministerial decision), and no new benefits will be granted after that date unless the expiration date is extended again. There can be no assurance that new benefits will be available after March 31, 2005 or that existing benefits will be continued in the future at their current level or at any level. The termination or substantial reduction of any of the benefits available under the Investment Law could have a material adverse effect on future investments by us in Israel (although such termination or reduction would not affect our Israeli subsidiary's existing Approved Enterprise or the related benefits).

Dividends

Dividends paid out of income derived by an Approved Enterprise during the benefit periods (or out of dividends received from a company whose income is derived by an Approved Enterprise) are subject to

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withholding tax at a reduced rate of 15% (deductible at source). In the case of companies that do not qualify as a FIC, the reduced rate of 15% is limited to dividends paid at any time up to twelve years thereafter.

TAXATION OF HOLDERS OF ORDINARY SHARES

Certain United States Federal Income Tax Considerations

The following discussion describes the material United States federal income tax consequences to the ownership or disposition of our ordinary shares to a holder that is:

- (i) an individual who is a citizen or resident of the United States;
- (ii) a corporation created or organized in, or under the laws of, the United States or of any state thereof;
- (iii) an estate, the income of which is includable in gross income for United States federal income tax purposes regardless of its source; or
- (iv) a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons has the authority to control all substantial decisions of the trust.

This summary generally considers only U.S. holders that own ordinary shares as capital assets. This summary does not discuss the United States federal income tax consequences to a holder of ordinary shares that is not a U.S. holder.

This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), current and proposed Treasury regulations promulgated thereunder, and administrative and judicial decisions as of the date hereof, all of which are subject to change, possibly on a retroactive basis. This discussion does not address all aspects of United States federal income taxation that may be relevant to a holder of ordinary shares based on such holder's particular circumstances (including potential application of the alternative minimum tax), United States federal income tax consequences to certain holders that are subject to special treatment (such as taxpayers who are broker-dealers, insurance companies, tax-exempt organizations, financial institutions, holders of securities held as part of a "straddle", "hedge" or "conversion transaction" with other investments, or holders owning directly, indirectly or by attribution at least 10% of the ordinary shares), or any aspect of state, local or non-United States tax laws. Additionally, this discussion does not consider the tax treatment of persons who hold ordinary shares through a partnership or other pass-through entity or the possible application of United States federal gift or estate taxes.

This summary is for general information only and is not binding on the Internal Revenue Service ("IRS"). There can be no assurance that the IRS will not challenge one or more of the statements made herein. U.S. holders are urged to consult their own tax advisers as to the particular tax consequences to them of owning and disposing of our ordinary shares.

Dividends. In general, a U.S. holder receiving a distribution with respect to the ordinary shares will be required to include such distribution (including the amount of foreign taxes, if any, withheld therefrom) in gross income as a taxable dividend to the extent such distribution is paid from our current or accumulated earnings and profits as determined under United States federal income tax principles. Any distributions in excess of such earnings and profits

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will first be treated, for United States federal income tax purposes, as a nontaxable return of capital to the extent of the U.S. holder's tax basis in the ordinary shares, and then, to the extent in excess of such tax basis, as gain from the sale or exchange of a capital asset. See "Disposition of Ordinary Shares" below. United States corporate shareholders will not be entitled to any deduction for distributions received as dividends on the ordinary shares.

Dividend income is generally taxed as ordinary income. However, as a result of recent United States tax legislation, a maximum United States federal income tax rate of 15% will apply to "qualified dividend

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income" received by individuals (as well as certain trusts and estates) in taxable years beginning after December 31, 2002 and before January 1, 2009, provided that certain holding period requirements are met. "Qualified dividend income" includes dividends paid on shares of United States corporations as well as dividends paid on shares of "qualified foreign corporations", including shares of a foreign corporation which are readily tradable on an established securities market in the United States. Since our ordinary shares are readily tradable on the New York Stock Exchange, we believe that dividends paid by us with respect to our ordinary shares should constitute "qualified dividend income" for United States federal income tax purposes, provided that the holding period requirements are satisfied and none of the other special exceptions applies.

The amount of foreign income taxes that may be claimed as a credit against United States federal income tax in any year is subject to certain complex limitations and restrictions, which must be determined on an individual basis by each U.S. holder. The limitations set out in the Code include, among others, rules that may limit foreign tax credits allowable with respect to specific classes of income to the United States federal income taxes otherwise payable with respect to each such class of income. Dividends paid by us generally will be foreign source "passive income" or "financial services income" for United States foreign tax credit purposes.

Disposition of Ordinary Shares. Upon the sale, exchange or other disposition of our ordinary shares, a U.S. holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized on the disposition by such U.S. holder and its tax basis in the ordinary shares. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder has held the ordinary shares for more than one year at the time of the disposition. In the case of a U.S. holder that is an individual, trust or estate, long-term capital gains realized upon a disposition of the ordinary shares after May 5, 2003 and before the end of a taxable year which begins before January 1, 2009 generally will be subject to a maximum United States federal tax income rate of 15%. Gains realized by a U.S. holder on a sale, exchange or other disposition of ordinary shares generally will be treated as United States source income for United States foreign tax credit purposes.

Information Reporting and Backup Withholding. Dividend payments with respect to the ordinary shares and proceeds from the sale, exchange or redemption of ordinary shares may be subject to information reporting to the IRS and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. Generally a U.S. holder will provide such certification on IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Amounts withheld under the backup withholding rules may be credited against a U.S. holder's tax liability, and a U.S. holder may obtain a refund of any

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excess amounts withheld under the backup withholding rules by filing the appropriate claim for a refund with the IRS.

Passive Foreign Investment Company Considerations. If, during any taxable year, 75% or more of our gross income consists of certain types of passive income, or the average value during a taxable year of passive assets (generally assets that generate passive income) is 50% or more of the average value of all of our assets, we will be treated as a "passive foreign investment company" under U.S. federal income tax law for such year and succeeding years. If we are treated as a passive foreign investment company, a U.S. holder may be subject to increased tax liability upon the sale of our ordinary shares or upon the receipt of certain distributions, unless such U.S. holder makes an election to mark our ordinary shares to market annually.

Based on an analysis of our financial position, we believe that we have not been a passive foreign investment company for U.S. federal income tax purposes for any preceding taxable year and expect that we will not become a passive foreign investment company during the current taxable year. However, because the tests for determining passive foreign investment company status are applied as of the end of each taxable year and are dependent upon a number of factors, some of which are beyond our control, including the value of our assets, based on the market price of our ordinary shares, and the amount and

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type of our gross income, we cannot assure you that we will not become a passive foreign investment company in the future or that the IRS will agree with our conclusion regarding our current passive foreign investment company status. We intend to use reasonable efforts to avoid becoming a passive foreign investment company.

Rules relating to a passive foreign investment company are very complex. U.S. holders should consult their own tax advisors regarding the U.S. federal income tax considerations discussed above and the applicability of passive foreign investment company rules to their investments in our ordinary shares.

Certain Guernsey Tax Considerations

Under the laws of Guernsey as currently in effect, a holder of our ordinary shares who is not a resident of Guernsey and who does not carry on business in Guernsey through a permanent establishment situated there is exempt from Guernsey income tax on dividends paid with respect to the ordinary shares and is not liable for Guernsey income tax on gains realized on sale or disposition of such ordinary shares. In addition, Guernsey does not impose a withholding tax on dividends paid by us to the holders of our ordinary shares.

There are no capital gains, gift or inheritance taxes levied by Guernsey, and the ordinary shares generally are not subject to any transfer taxes, stamp duties or similar charges on issuance or transfer.

DOCUMENTS ON DISPLAY

We are subject to the reporting requirements of foreign private issuers under the U.S. Securities Exchange Act of 1934. Pursuant to the Exchange Act, we file reports with the SEC, including this Annual Report on Form 20-F. We also submit reports to the SEC, including Reports of Foreign Private Issuers on Form 6-K. You may read and copy such reports at the SEC's public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. Such reports are also available to the public on the SEC's website at www.sec.gov. Some of this information may also be found on our website at www.amdocs.com.

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You may request copies of our reports, at no cost, by writing to or telephoning us as follows:

Amdocs, Inc.
1390 Timberlake Manor Parkway
Chesterfield, Missouri 63017
Telephone: (314) 212-8328

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

CURRENCY FLUCTUATIONS

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

During fiscal 2004, our revenue and operating expenses in U.S. dollar or linked to the U.S. dollar decreased compared to fiscal 2003, from 80% to 70% and from 60% to 50%, respectively, primarily as a result of the acquisition of Certen Inc., the majority of whose business is in Canadian dollars. As a result of long-term contracts in currencies other than the U.S. dollar and more customers seeking contracts that are denominated in currencies such as the Euro, we expect that the percentage of our revenue and operating expenses in U.S. dollar or linked to the U.S. dollar will decrease slightly over time. Historically, the effect of fluctuations in currency exchange rates has had a minimal impact on our consolidated operations. As more of our customers seek contracts that are denominated in currencies other than the

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

FOREIGN CURRENCY RISK

We enter into foreign exchange forward contracts to hedge most of our foreign currency exposure. We use such contracts to hedge exposure to changes in foreign currency exchange rates associated with revenue denominated in a foreign currency, primarily British pounds, Canadian dollars and the Euro, and anticipated costs to be incurred in a foreign currency, primarily Australian dollars, Canadian dollars and Israeli shekels. We also use forward contracts to hedge the impact of the variability in exchange rates on certain accounts receivables, denominated primarily in British pounds and the Euro. We seek to minimize the risk that the anticipated cash flow from sales of our products and services and cash flow required for our expenses denominated in a currency other than our functional currency will be affected by changes in exchange rates. See Note 22 to our consolidated financial statements. The following table summarizes our foreign currency forward exchange agreements as of September 30, 2004. All the forward contracts are expected to mature during fiscal 2005 or during fiscal 2006. The table below (all dollar amounts in millions) presents the notional amounts and fair value of the total derivative instruments as of September 30, 2004. Notional values are calculated based on forward rates as of September 30,

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2004, U.S. dollar translated.

	AS OF SEPTEMBER 30, 2004		
	NOTIONAL AMOUNT TRANSLATED TO U.S. DOLLAR(*)	FAIR VALUE OF DERIVATIVES	
	CONTRACTS MATURING DURING FISCAL		
	2005	2006	
Revenue.....	\$ 49.0	\$37.7	\$ (4.4)
Costs.....	(142.8)	(0.6)	2.5
Balance sheet items.....	1.0	--	(0.2)
	-----	-----	-----
	\$ (92.8)	\$37.1	\$ (2.1)
	=====	=====	=====

(*) Positive notional amounts represent forward contracts to sell foreign currency. Negative notional amounts represent forward contracts to buy foreign currency.

INTEREST RATE RISK

Our interest expenses and income are sensitive to changes in interest rates, as all of our cash reserves and some of our borrowings, other than the 0.50% Notes and 2% Notes, are subject to interest rate changes. Excess liquidity is invested in short-term interest-bearing investments. Such short-term interest-bearing investments consist primarily of commercial paper, Treasury notes, Federal agency securities, corporate bonds, corporate backed obligations and mortgages, and currently bear minimal interest rate risk. As of September 30, 2004, we had \$1.0 million of outstanding borrowings under our revolving lines of credit or our short-term credit facilities. As of September 30, 2004, we had outstanding long-term lease obligations of \$23.3 million and a financing arrangement of \$0.6 million, which in the aggregate bear minimal interest rate risk.

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ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable

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ITEM 15. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer of Amdocs Management Limited, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2004. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer of Amdocs Management Limited concluded that, as of September 30, 2004, the Company's disclosure controls and procedures were (1) designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Chief Executive Officer and the Chief Financial Officer of Amdocs Management Limited by others within those entities, particularly during the period in which this Annual Report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended September 30, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that the Company has at least one audit committee financial expert, Adrian Gardner, serving on its Audit Committee.

ITEM 16B. CODE OF ETHICS AND BUSINESS CONDUCT

Our Board of Directors has adopted a Code of Ethics and Business Conduct that sets forth legal and ethical standards of conduct for directors and employees, including executive officers, of the Company, our subsidiaries and other business entities controlled by us worldwide.

Our Code of Ethics and Business Conduct is available on our website at www.amdocs.com, or you may request a copy of our code of ethics, at no cost, by writing to or telephoning us as follows:

Amdocs, Inc.
1390 Timberlake Manor Parkway
Chesterfield, Missouri 63017
Telephone: (314) 212-8328

We intend to post on our website all disclosures that are required by law or NYSE rules concerning any amendments to, or waivers from, any provision of the code.

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ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

During each of the last two fiscal years, Ernst & Young LLP has acted as the Company's independent auditors.

AUDIT FEES

Ernst & Young billed the Company approximately \$2.6 million for audit

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services for fiscal 2004, including fees associated with the annual audit and reviews of the Company's quarterly financial results submitted on Form 6-K, consultations on various accounting issues and performance of local statutory audits. Ernst & Young billed the Company approximately \$1.85 million for audit services for fiscal 2003.

AUDIT-RELATED FEES

Ernst & Young billed the Company approximately \$1.2 million for audit-related services for fiscal 2004. Audit-related services principally include due diligence examinations, SAS 70 report issuances, assistance with the requirements of the Sarbanes-Oxley Act of 2002 and related SEC regulations, attestation services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards. Ernst & Young billed the Company approximately \$0.8 million for audit-related services for fiscal 2003.

TAX FEES

Ernst & Young billed the Company approximately \$1.8 million for tax advice, including fees associated with tax compliance, tax advice and tax planning services for fiscal 2004. Ernst & Young billed the Company approximately \$1.3 million for tax advice in fiscal 2003.

ALL OTHER FEES

Ernst & Young did not bill the Company for services other than Audit Fees, Audit-Related Fees and Tax Fees described above for fiscal 2004. Ernst & Young billed the Company approximately \$0.1 million for services other than Audit Fees, Audit-Related Fees and Tax Fees described above for fiscal 2003. In fiscal 2003, such other services included human resource consulting.

PRE-APPROVAL POLICIES FOR NON-AUDIT SERVICES

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by the Company's independent auditors. These policies generally provide that the Company will not engage its independent auditors to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to the pre-approval procedure described below.

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to the Company by its independent auditors during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount. In fiscal 2004, the Company's Audit Committee approved all of the services provided by Ernst & Young.

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ITEM 16D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. 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 fiscal year ended September 30, 2004 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

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Ordinary Shares

PERIOD	(A) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED	(B) AVERAGE PRICE PAID PER SHARE (OR UNIT)	(C) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	(D) MAXIMUM NUMBER APPROXIMATE D OF SHARES (OR MAY YET BE PUR THE PLANS OR P
10/01/03-10/31/03.....	--	\$ --	--	
11/01/03-11/30/03.....	460,100	24.49	460,100	
12/01/03-12/31/03.....	4,529,800	24.86	4,529,800	
01/01/04-01/31/04.....	--	--	--	
02/01/04-02/29/04.....	484,500 (3)	27.67	484,500 (3)	
03/01/04-03/31/04.....	6,073,600 (4)	28.00	6,073,600 (4)	
04/01/04-04/30/04.....	--	--	--	
05/01/04-05/31/04.....	--	--	--	
06/01/04-06/30/04.....	--	--	--	
07/01/04-07/31/04.....	1,437,000	21.68	1,437,000	10,100 and \$6
08/01/04-08/31/04.....	2,588,300	19.49	2,588,300	10,100 and \$1
09/01/04-09/30/04.....	868,600	21.11	868,600	
Total.....	16,441,900 =====	24.77	16,441,900 =====	

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- (1) On November 5, 2003, the Company announced that its board of directors had authorized a share repurchase program of up to five million ordinary shares during fiscal 2004. The authorization permits the Company to purchase ordinary shares in open market or privately negotiated transactions and at prices the Company deems appropriate. The Company stated that one of the main purposes of the repurchase program was to offset the dilutive effect of any future share issuances, including issuances pursuant to employee equity plans or in connection with acquisitions.
 - (2) On July 28, 2004, the Company announced that its board of directors had extended the Company's share repurchase program by authorizing the repurchase of up to \$100.0 million of its outstanding ordinary shares. The authorization permits the Company to purchase its ordinary shares in open market or privately negotiated transactions at times and prices considered appropriate by the Company.
 - (3) In connection with the Company's acquisition of XACCT, the board of directors approved the repurchase of ordinary shares to offset the dilutive effect of share issuances in the acquisition. The closing of the acquisition occurred in February 2004, and the Company repurchased through open market purchases 484,500 ordinary shares in February 2004. No additional share repurchases are authorized in connection with the acquisition.
 - (4) In connection with the Company's issuance of the 0.50% Notes, the board of directors approved the repurchase of ordinary shares sold short by purchasers of the 0.50% Notes in negotiated transactions, concurrently with the sale of the notes, to offset the dilutive effect of the ordinary shares issuable

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upon conversion of the 0.50% Notes. The closing of the sale of the 0.50% Notes occurred in March 2004, and the Company repurchased 6,073,600 ordinary shares, out of the 10,435,995 ordinary shares issuable upon conversion of the 0.50% Notes, based on a conversion rate of 23.1911 shares per \$1,000 principal amount.

Convertible Notes

PERIOD	(A) TOTAL PRINCIPAL AMOUNT OF CONVERTIBLE NOTES PURCHASED	(B) AVERAGE PRICE PAID PER \$1,000 PRINCIPAL AMOUNT OF CONVERTIBLE NOTES	(C) TOTAL NUMBER OF PRINCIPAL AMOUNT OF CONVERTIBLE NOTES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	MAX (OR DOLL PRINCI CONVE THAT PURCHA PLANS
10/01/03-10/31/03.....	\$ --	\$ --	\$ --	\$4
11/01/03-11/30/03.....	--	--	--	4
12/01/03-12/31/03.....	5,000,000	998.75	5,000,000	3
01/01/04-01/31/04.....	--	--	--	3
02/01/04-02/29/04.....	--	--	--	3
03/01/04-03/31/04.....	--	--	--	3
04/01/04-04/30/04.....	--	--	--	3
05/01/04-05/31/04.....	--	--	--	3
06/01/04-06/30/04.....	395,110,000 (2)	1,000.00	395,110,000 (2)	
07/01/04-07/31/04.....	72,000	995.00	72,000	
08/01/04-08/31/04.....	--	--	--	
09/01/04-09/30/04.....	--	--	--	
Total.....	\$400,182,000 =====	999.98	\$400,182,000 =====	

- (1) In July 2002, the Company's board of directors authorized the Company to repurchase the 2% Notes, in such amounts, at such prices and at such times considered appropriate.
- (2) On June 1, 2004, the Company completed a cash offer for the 2% Notes. Pursuant to the indenture for the 2% Notes, each holder of the 2% Notes had the right to require the Company to repurchase on June 1, 2004 all or any part of such holder's notes at a price equal to 100% of the principal amount plus accrued and unpaid interest. Under the terms of the 2% Notes, the Company had the option to pay for the 2% Notes with cash, ordinary shares, or a combination of cash and ordinary shares. The Company elected to pay for the 2% Notes solely with cash. The Company accepted for payment \$395.1 million principal amount of 2% Notes surrendered for repurchase pursuant to the offer. The untendered 2% Notes remain as the Company's obligations due June 1, 2008, in accordance with their terms.

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PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

FINANCIAL STATEMENTS AND SCHEDULE

The following Financial Statements and Financial Statement Schedule of Amdocs Limited, with respect to financial results for the fiscal years ended September 30, 2004, 2003 and 2002, are included at the end of this Annual Report:

AUDITED FINANCIAL STATEMENTS OF AMDOCS LIMITED

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of September 30, 2004 and 2003

Consolidated Statements of Operations for the years ended September 30, 2004, 2003 and 2002

Consolidated Statements of Changes in Shareholders' Equity for the years ended September 30, 2004, 2003 and 2002

Consolidated Statements of Cash Flows for the years ended September 30, 2004, 2003 and 2002

Notes to Consolidated Financial Statements

FINANCIAL STATEMENT SCHEDULE OF AMDOCS LIMITED

Valuation and Qualifying Accounts

ITEM 19. EXHIBITS

The exhibits listed on the Exhibit Index hereof are filed herewith in response to this Item.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Amdocs Limited

/s/ THOMAS G. O'BRIEN

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

Date: December 30, 2004

EXHIBIT INDEX

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EXHIBIT NO. -----	DESCRIPTION -----
1.	Memorandum and Articles of Association of Amdocs Limited (incorporated by reference to Exhibits 3.1 and 3.2 to Amdocs' Registration Statement on Form F-1 dated June 19, 1998; Registration No. 333-8826)
2.a.1	Indenture dated May 30, 2001 between Amdocs and United States Trust Company of New York (incorporated by reference to Exhibit 4.1 to Amdocs' Form 6-K dated May 31, 2001)
2.a.2	Registration Rights Agreement dated May 30, 2001 between Amdocs and Goldman, Sachs & Co. (incorporated by reference to Exhibit 4.2 to Amdocs' Form 6-K dated May 31, 2001)
2.a.3	Indenture, dated March 5, 2004, between Amdocs Limited and The Bank of New York, as trustee, for 0.50% Convertible Senior Notes due 2024 (incorporated by reference to Exhibit 99.1 to Amdocs' Report on Form 6-K, filed March 5, 2004)
2.a.4	Registration Rights Agreement, dated March 5, 2004, among Amdocs Limited and Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co. and Merrill Lynch, Pierce Fenner & Smith Incorporated (incorporated by reference to Exhibit 99.2 to Amdocs' Report on Form 6-K, filed March 5, 2004)
4.a.1	Agreement and Plan of Merger dated as of September 3, 1999 among Amdocs Limited, Ivan Acquisition Corp. and International Telecommunication Data Systems, Inc. (incorporated by reference to Exhibit 2.1 to Amdocs' Current Report on Form 6-K dated September 10, 1999)
4.a.2	Combination Agreement dated as of February 28, 2000 among Amdocs Limited, Solect Technology Group Inc., Amdocs (Denmark) ApS. and Amdocs Holdings ULC (incorporated by reference to Exhibit 2.1 to Amdocs' Current Report on Form 6-K dated March 3, 2000)
4.a.3	Acquisition Agreement dated as of October 1, 2001, between Amdocs Limited and Nortel Networks Corporation. (incorporated by reference to Exhibit 2.1 to Amdocs' Current Report on Form 6-K dated October 10, 2001)
4.a.4	Share Purchase Agreement dated as of May 28, 2003 between Amdocs Holdings ULC and Bell Canada (incorporated by reference to Exhibit 99.1 to Amdocs' Amendment No. 1 to Registration Statement on Form F-3, dated September 21, 2004, Registration No. 333-114344).
4.b.1	Information Technology Services Agreement between Amdocs, Inc. and SBC Services, Inc. dated January 9, 2003 (confidential material has been redacted and complete exhibits have been separately filed with the Securities and Exchange Commission) (incorporated by reference to Exhibit 4.b.1 to Amdocs' Annual Report on Form 20-F for the fiscal year ended September 30, 2003)
4.b.2	Master Agreement for Software and Services between Amdocs, Inc. and SBC Operations, Inc., effective July 7, 1998 (confidential material has been redacted and complete exhibits have been separately filed with the Securities and Exchange Commission) (incorporated by reference to Exhibit 10.13 to Amdocs' Amendment No. 1 to Registration Statement on Form F-1, dated May 21, 1999, Registration No. 333-75151)
4.b.3	Software Master Agreement between Amdocs Software Systems Limited and SBC Services, Inc., effective December 10, 2003 (confidential material has been redacted and complete

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exhibits have been separately filed with the Securities and Exchange Commission) (incorporated by reference to Exhibit 99.2 to Amdocs' Amendment No. 1 to Registration Statement on Form F-3, dated September 21, 2004, Registration No. 333-114344)

- 4.b.4 Agreement between Amdocs Inc. and SBC Services, Inc. for Software and Professional Services, effective August 7, 2003 (confidential material has been redacted and complete exhibits have been separately filed with the Securities and Exchange Commission) (incorporated by reference to Exhibit 99.3 to Amdocs' Amendment No. 1 to Registration Statement on Form F-3, dated September 21, 2004, Registration No. 333-114344)
- 4.b.5 Customer Care and Billing Services Agreement, between Nextel Finance Company and Amdocs Software Systems Limited, dated as of January 1, 2000, as amended (confidential material has been redacted and complete exhibits have been separately filed with the Securities and Exchange Commission) (incorporated by reference to Exhibit 99.1 to Amdocs' Current Report on Form 6-K dated September 30, 2004)

EXHIBIT NO. -----	DESCRIPTION -----
4.b.6	Further Amended and Restated Master Outsourcing Services Agreement, between Bell Canada and Certen Inc., dated as of July 1, 2003 (confidential material has been redacted and complete exhibits have been separately filed with the Securities and Exchange Commission) (incorporated by reference to Exhibit 99.1 to Amdocs' Current Report on Form 6-K dated October 1, 2004)
4.c.1	Amdocs Limited 1998 Stock Option and Incentive Plan, as amended January 24, 2001 (incorporated by reference to Exhibit 4 to Amdocs' Registration Statement on Form S-8 dated April 6, 2001; Registration No. 333-58454)
8	Subsidiaries of Amdocs Limited
12.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)
12.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)
13.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350
13.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350
14.1	Consent of Ernst & Young LLP

AMDOCS LIMITED
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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Amdocs Limited

We have audited the accompanying consolidated balance sheets of Amdocs Limited as of September 30, 2004 and 2003, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2004. Our audits also included the financial statement schedule listed in the Index at Item 18 of Part III. These financial statements and the schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amdocs Limited at September 30, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the accompanying consolidated financial statements, effective October 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

/s/ ERNST & YOUNG LLP

New York, New York
October 28, 2004

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AMDOCS LIMITED

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	AS OF SEPTEMBER 30,	
	2004	2003
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 550,352	\$ 847,600
Short-term interest-bearing investments.....	640,347	443,292
Accounts receivable, net.....	254,779	198,274
Deferred income taxes and taxes receivable.....	62,284	60,868
Prepaid expenses and other current assets.....	80,229	85,902
	-----	-----
TOTAL CURRENT ASSETS.....	1,587,991	1,635,936
Equipment, vehicles and leasehold improvements, net.....	181,121	203,467
Deferred income taxes.....	113,589	105,943
Goodwill.....	806,874	797,134
Intangible assets, net.....	47,512	58,841
Other noncurrent assets.....	126,797	76,196
	-----	-----
TOTAL ASSETS.....	\$2,863,884	\$2,877,517
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable.....	\$ 104,415	\$ 101,116
Accrued expenses and other current liabilities.....	137,664	123,223
Accrued personnel costs.....	124,284	106,857
2% Convertible notes.....	--	400,454
Short-term portion of financing arrangements.....	1,604	2,179
Deferred revenue.....	223,122	174,616
Short-term portion of capital lease obligations.....	19,706	27,140
Deferred income taxes and taxes payable.....	163,648	133,002
	-----	-----
TOTAL CURRENT LIABILITIES.....	774,443	1,068,587
Convertible notes.....	450,272	--
Deferred income taxes.....	40,530	44,835
Noncurrent liabilities and other.....	154,449	172,495
	-----	-----
TOTAL LIABILITIES.....	1,419,694	1,285,917
	-----	-----
SHAREHOLDERS' EQUITY:		
Preferred Shares -- Authorized 25,000 shares; L0.01 par value; 0 shares issued and outstanding.....	--	--
Ordinary Shares -- Authorized 550,000 shares; L0.01 par value; 224,947 and 223,790 issued and 201,334 and 216,058 outstanding, in 2004 and 2003, respectively....	3,601	3,580
Additional paid-in capital.....	1,837,608	1,820,956
Treasury stock, at cost -- 23,613 and 7,732 Ordinary Shares, in 2004 and 2003, respectively.....	(502,416)	(109,281)
Accumulated other comprehensive (loss) income.....	(1,919)	3,715
Unearned compensation.....	(174)	--
Retained earnings (accumulated deficit).....	107,490	(127,370)
	-----	-----

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TOTAL SHAREHOLDERS' EQUITY.....	1,444,190	1,591,600
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$2,863,884	\$2,877,517
	=====	=====

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

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AMDOCS LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED SEPTEMBER 30,		
	2004	2003	2002
	-----	-----	-----
REVENUE:			
License(*).....	\$ 76,586	\$ 65,582	\$ 153,664
Service(*).....	1,697,146	1,417,745	1,459,901
	-----	-----	-----
	1,773,732	1,483,327	1,613,565
	-----	-----	-----
OPERATING EXPENSES:			
Cost of license.....	5,022	5,752	5,984
Cost of service(*).....	1,117,810	907,607	927,353
Research and development.....	126,407	119,256	124,082
Selling, general and administrative(*).....	210,384	206,265	223,551
Amortization of goodwill and purchased intangible assets.....	17,909	19,940	231,804
Restructuring charges, in-process research and development and other.....	--	14,089	51,630
	-----	-----	-----
	1,477,532	1,272,909	1,564,404
	-----	-----	-----
Operating income.....	296,200	210,418	49,161
Interest income and other, net(*).....	4,903	14,759	19,298
	-----	-----	-----
Income before income taxes.....	301,103	225,177	68,459
Income taxes.....	66,243	56,294	73,520
	-----	-----	-----
NET INCOME (LOSS).....	\$ 234,860	\$ 168,883	\$ (5,061)
	=====	=====	=====
BASIC EARNINGS (LOSS) PER SHARE.....	\$ 1.13	\$ 0.78	\$ (0.02)
	=====	=====	=====
DILUTED EARNINGS (LOSS) PER SHARE.....	\$ 1.10	\$ 0.77	\$ (0.02)
	=====	=====	=====
BASIC WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING.....	208,726	215,849	220,361
	=====	=====	=====
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING....	214,197	219,876	220,361
	=====	=====	=====

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(*) See Note 4.

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

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AMDOCS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(IN THOUSANDS)

	ORDINARY SHARES		ADDITIONAL	TREASURY	ACCUMULATED
	SHARES	AMOUNT	PAID-IN	STOCK	OTHER
	-----	-----	CAPITAL	-----	COMPREHENSIVE
	-----	-----	-----	-----	(LOSS) INCOME
	-----	-----	-----	-----	-----
BALANCE AS OF OCTOBER 1, 2001.....	222,628	\$3,560	\$1,806,290	\$ --	\$ (6,382)
Comprehensive income:					
Net loss.....	--	--	--	--	--
Unrealized gain on foreign currency hedging contracts, net of \$1,357 tax.....	--	--	--	--	2,682
Unrealized gain on cash equivalents and short-term interest-bearing investments, net of \$1,336 tax.....	--	--	--	--	3,592
Comprehensive income.....					
Employee stock options exercised...	687	12	5,149	--	--
Tax benefit of stock options exercised.....	--	--	6,808	--	--
Expense related to vesting of stock options.....	--	--	98	--	--
Repurchase of shares.....	(7,732)	--	--	(109,281)	--
Amortization of unearned compensation.....	--	--	--	--	--
	-----	-----	-----	-----	-----
BALANCE AS OF SEPTEMBER 30, 2002...	215,583	3,572	1,818,345	(109,281)	(108)
Comprehensive income:					
Net income.....	--	--	--	--	--
Unrealized gain on foreign currency hedging contracts, net of \$3,258 tax.....	--	--	--	--	8,903
Unrealized loss on cash equivalents and short-term interest-bearing investments, net of \$(1,977) tax.....	--	--	--	--	(5,080)
Comprehensive income.....					
Employee stock options exercised...	475	8	2,312	--	--
Tax benefit of stock options exercised.....	--	--	262	--	--
Expense related to vesting of stock options.....	--	--	37	--	--
	-----	-----	-----	-----	-----
BALANCE AS OF SEPTEMBER 30, 2003...	216,058	3,580	1,820,956	(109,281)	3,715
Comprehensive income:					
Net income.....	--	--	--	--	--
Unrealized loss on foreign currency hedging contracts, net					

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of \$(1,575) tax.....	--	--	--	--	(4,915)
Unrealized loss on short-term interest-bearing investments, net of \$(204) tax.....	--	--	--	--	(719)
Comprehensive income.....					
Employee stock options exercised...	1,157	21	12,056	--	--
Tax benefit of stock options exercised.....	--	--	3,094	--	--
Repurchase of shares.....	(16,442)	--	--	(407,527)	--
Issuance of Ordinary Shares related to acquisition, net.....	561	--	747	14,392	--
Stock options granted, net of forfeitures.....	--	--	749	--	--
Amortization of unearned compensation.....	--	--	--	--	--
Expense related to vesting of stock options.....	--	--	6	--	--
	-----	-----	-----	-----	-----
BALANCE AS OF SEPTEMBER 30, 2004...	201,334	\$3,601	\$1,837,608	\$(502,416)	\$(1,919)
	=====	=====	=====	=====	=====

TOTAL
SHAREHOLDERS'
EQUITY

BALANCE AS OF OCTOBER 1, 2001.....	\$1,512,091
Comprehensive income:	
Net loss.....	(5,061)
Unrealized gain on foreign currency hedging contracts, net of \$1,357 tax.....	2,682
Unrealized gain on cash equivalents and short-term interest-bearing investments, net of \$1,336 tax.....	3,592

Comprehensive income.....	1,213

Employee stock options exercised...	5,161
Tax benefit of stock options exercised.....	6,808
Expense related to vesting of stock options.....	98
Repurchase of shares.....	(109,281)
Amortization of unearned compensation.....	185

BALANCE AS OF SEPTEMBER 30, 2002...	1,416,275
Comprehensive income:	
Net income.....	168,883
Unrealized gain on foreign currency hedging contracts, net of \$3,258 tax.....	8,903
Unrealized loss on cash equivalents and short-term interest-bearing investments, net of \$(1,977) tax.....	(5,080)

Comprehensive income.....	172,706

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Employee stock options exercised...	2,320
Tax benefit of stock options exercised.....	262
Expense related to vesting of stock options.....	37

BALANCE AS OF SEPTEMBER 30, 2003...	1,591,600
Comprehensive income:	
Net income.....	234,860
Unrealized loss on foreign currency hedging contracts, net of \$(1,575) tax.....	(4,915)
Unrealized loss on short-term interest-bearing investments, net of \$(204) tax.....	(719)

Comprehensive income.....	229,226

Employee stock options exercised...	12,077
Tax benefit of stock options exercised.....	3,094
Repurchase of shares.....	(407,527)
Issuance of Ordinary Shares related to acquisition, net.....	15,139
Stock options granted, net of forfeitures.....	--
Amortization of unearned compensation.....	575
Expense related to vesting of stock options.....	6

BALANCE AS OF SEPTEMBER 30, 2004...	\$1,444,190
=====	

As of September 30, 2004, 2003 and 2002, accumulated other comprehensive (loss) income is comprised of unrealized (loss) gain on derivatives, net of tax, of \$(1,232), \$3,683 and \$(5,220) and unrealized (loss) gain on cash equivalents and short-term interest-bearing investments, net of tax, of \$(687), \$32 and \$5,112, as of September 30, 2004, 2003 and 2002, respectively.

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

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AMDOCS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED SEPTEMBER 30,		
	2004	2003	2002
	-----	-----	-----
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income (loss).....	\$ 234,860	\$ 168,883	\$ (5,061)

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Reconciliation of net income (loss) to net cash provided			
by operating activities:			
Depreciation and amortization.....	100,877	97,452	309,821
Adjustment to the basis of investments.....	--	--	5,500
In-process research and development expenses and other.....	--	4,133	17,400
(Gain) loss on sale of equipment.....	(1,436)	396	549
Gain on repurchase of 2% convertible notes.....	(13)	(448)	(6,012)
Deferred income taxes.....	(11,272)	4,001	(1,665)
Tax benefit of stock options exercised.....	3,094	262	6,808
Realized gain from short-term interest-bearing investments.....	1,863	2,802	--
Unrealized other comprehensive income.....	--	--	8,967
Net changes in operating assets and liabilities, net of amounts acquired:			
Accounts receivable.....	(53,723)	58,485	97,055
Prepaid expenses and other current assets.....	1,856	2,278	(22,992)
Other noncurrent assets.....	(44,401)	(26,882)	(9,875)
Accounts payable and accrued expenses.....	31,697	429	(2,461)
Deferred revenue.....	46,713	53,294	(21,253)
Income taxes payable.....	33,773	21,854	(4,798)
Noncurrent liabilities and other.....	516	4,892	40,293
	-----	-----	-----
Net cash provided by operating activities.....	344,404	391,831	412,276
	-----	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from sale of equipment, vehicles and leasehold improvements.....	4,431	2,532	1,795
Payments for purchase of equipment, vehicles and leasehold improvements.....	(54,148)	(62,410)	(58,562)
Purchase of short-term interest-bearing investments.....	(1,325,383)	(1,065,236)	--
Proceeds from sale of short-term interest-bearing investments.....	1,125,538	1,193,248	--
Purchase of short-term interest-bearing investments, net.....	--	--	(344,095)
Investment in noncurrent assets.....	--	--	(39,584)
Net cash paid for in acquisitions.....	(10,651)	(30,980)	(213,180)
	-----	-----	-----
Net cash (used in) provided by investing activities.....	(260,213)	37,154	(653,626)
	-----	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from employee stock options exercised.....	12,077	2,320	5,161
Repurchase of shares.....	(407,527)	--	(109,281)
Redemption of 2% convertible notes.....	(395,110)	--	--
Repurchase of 2% convertible notes.....	(5,059)	(44,153)	(48,934)
Net proceeds from issue of long-term 0.50% convertible notes.....	441,610	--	--
Borrowings under financing arrangements.....	987	3,345	--
Principal payments under financing arrangements.....	(2,213)	(595)	--
Proceeds from sale-leaseback transaction.....	--	8,076	--
Principal payments on capital lease obligations.....	(26,204)	(17,033)	(11,939)
	-----	-----	-----
Net cash used in financing activities.....	(381,439)	(48,040)	(164,993)
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents....	(297,248)	380,945	(406,343)
Cash and cash equivalents at beginning of year.....	847,600	466,655	872,998
	-----	-----	-----
Cash and cash equivalents at end of year.....	\$ 550,352	\$ 847,600	\$ 466,655
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial

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statements.

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AMDOCS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS -- (CONTINUED)

	YEAR ENDED SEPTEMBER 30,		
	2004	2003	2002
SUPPLEMENTARY CASH FLOW INFORMATION			
Interest and Income Taxes Paid			
Cash paid for:			
Income taxes, net of refunds.....	\$35,677	\$30,823	\$75,371
Interest.....	11,940	9,690	11,221

NON-CASH INVESTING AND FINANCING ACTIVITIES

Capital lease obligations of \$2,245 were incurred during the year ended September 30, 2002, when the Company (as defined below) entered into lease agreements for vehicles.

In the year ended September 30, 2004, the Company issued 561 Ordinary Shares in connection with the acquisition of XACCT (as defined below) valued at \$15,139. See Note 3.

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

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
SEPTEMBER 30, 2004

NOTE 1 -- NATURE OF ENTITY

Amdocs Limited (the "Company") is a leading provider of software products and services to the communications industry. The Company and its subsidiaries operate in one operating segment, providing integrated customer management systems and related services. The Company designs, develops, markets, supports, operates and provides Managed Services for information system solutions primarily to leading communications companies throughout the world.

The Company is a Guernsey corporation, which directly or indirectly holds several wholly owned subsidiaries in the Asia-Pacific region, Europe, Israel, Latin America and North America. 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 Israel, the United States (U.S.), Cyprus, Canada and Ireland. Recently, the Company established a new development center in India.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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BASIS OF PRESENTATION

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles.

CONSOLIDATION

The financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

FUNCTIONAL CURRENCY

The Company manages its foreign subsidiaries as integral direct components of its operations. According to the salient economic factors indicated in Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation", the Company's cash flow, sale price, sales market, expense, financing and intercompany transactions and arrangement indicators are denominated in the U.S. dollar. The operations of the Company's foreign subsidiaries provide the same type of services with the same type of expenditures throughout the Amdocs group. Accordingly, the Company has determined that its functional currency is the U.S. dollar. The Company periodically assesses the applicability of the U.S. dollar as the Company's functional currency by reviewing the salient indicators.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and interest-bearing investments with insignificant interest rate risk and original maturities of 90 days or less.

INVESTMENTS

The Company classifies all of its short-term interest-bearing investments as available-for-sale securities. Such short-term interest-bearing investments consist primarily of commercial paper, Treasury notes, Federal agency securities, corporate bonds, corporate backed obligations and mortgages, which are stated at market value. Unrealized gains and losses are comprised of the difference between market value and amortized costs of such securities and are reflected, net of tax, as "accumulated other comprehensive income (loss)" in shareholders' equity. Realized gains and losses on short-term interest-bearing

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

investments are included in earnings and are derived using the specific identification method for determining the cost of securities.

From time to time the Company also makes certain investments in non-publicly traded companies. Such investments are included in other noncurrent assets in the Company's consolidated balance sheet and are generally carried at cost. The Company monitors such investments for impairment and makes appropriate reductions in carrying values if necessary.

In fiscal 2002, the Company recorded pretax charges of \$5,500 to adjust the carrying value of two investments, accounted for by the Company under the cost method. The declines in the fair values of the investments were judged to be

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other than temporary and, therefore, the cost basis was written down. The write-downs were taken due to the severe financial difficulties the individual companies were facing, combined with a lack of earnings potential and other going concern issues in accordance with Staff Accounting Bulletin ("SAB") 59, "Accounting for Noncurrent Marketable Equity Securities". Further, the fair value of each investee had been substantially less than the cost of the investment and the Company's management did not expect a recovery in fair value. Some of the companies have ceased operations and the others have minimal operations. All of the companies were small privately-held companies that had prospects for developing technology that might be of interest to the Company. As of September 30, 2004 and 2003, as a result of the acquisition of Certen Inc. and the adjustments described above, all of the Company's remaining cost method investments are presented at nil fair value.

EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS

Equipment, vehicles and leasehold improvements are stated at cost. Assets under capital leases are recorded at the present value of the future minimum lease payments at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which ranges from 2 to 10 years and includes the amortization of assets under capitalized leases. Leasehold improvements are amortized over the shorter of the estimated useful lives or the term of the related lease. Management reviews property and equipment and other long-lived assets on a periodic basis to determine whether events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

GOODWILL AND OTHER INTANGIBLE ASSETS

The Company follows SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to periodic impairment tests in accordance with the Statement. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. Other intangible assets will continue to be amortized over their useful lives. According to SFAS No. 141's new definition of intangible assets, workforce-in-place was reclassified to goodwill.

The total purchase price of business acquisitions accounted for using the purchase method is allocated first to identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the fair value of net assets of purchased businesses is recorded as goodwill. Goodwill associated with acquisitions completed prior to July 1, 2001 was amortized on a straight-line basis over its estimated useful life. Commencing October 1, 2002 goodwill is no longer amortized, but is subject to periodical impairment tests. See Note 8.

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

Other intangible assets consist primarily of purchased computer software, intellectual property rights, core technology and customer arrangements.

Intellectual property rights, purchased computer software and core technology acquired by the Company are amortized over their estimated useful lives on a straight-line basis. Workforce-in-place acquired by the Company was

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amortized over its estimated useful life on a straight-line basis through fiscal 2002. Commencing October 1, 2002, workforce-in-place is considered goodwill and no longer is amortized. See Note 8.

Some of acquired customer arrangements are amortized over their estimated useful lives based on the pro-rata amount of the future revenue expected to be realized from the customer arrangements. This accounting policy results in accelerated amortization of such customer arrangements as compared to the straight-line method. All other acquired customer arrangements are amortized over their estimated useful lives on a straight-line basis.

LONG-LIVED ASSETS

The Company considers whether there are indicators of impairment that would require the comparison of the estimated net realizable value of intangible assets with finite lives, equipment, leasehold improvements and vehicles and other long-lived assets, using an undiscounted cash flow analysis, to their carrying value under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Any impairment would be recognized when the fair market value of such long-lived assets is less than their carrying value. During the year ended September 30, 2004 the Company identified and recognized an impairment charge (included in cost of service) of \$2,785 related to software technology that the Company had no future use for, and therefore was abandoned.

COMPREHENSIVE INCOME (LOSS)

The Company accounts for comprehensive income under the provisions of SFAS No. 130, "Reporting Comprehensive Income", which established standards for the reporting and display of comprehensive income and its components. Comprehensive income (loss) 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.

CONVERTIBLE NOTES

Accrued interest on the Company's convertible notes is included in "accrued expenses and other current liabilities". The Company amortizes the issuance costs related to the convertible notes on a straight-line basis over the term of the convertible notes. Gain or loss on repurchase of convertible notes represents the difference between the principal amount and the purchase price. Such gains, aggregating \$13, \$448 and \$6,012, are included in "interest income and other, net" in fiscal 2004, 2003 and 2002, respectively. The amortized issuance cost calculated on a pro-rata basis, related to the repurchased 2% convertible notes, is included in "interest income and other, net".

TREASURY STOCK

The Company repurchases its Ordinary Shares from time to time on the open market and holds such shares as treasury stock. The Company presents the cost to repurchase treasury stock as a reduction of shareholders' equity.

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

INCOME TAXES

The Company records deferred income taxes to reflect the net tax effects of

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temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Deferred taxes are computed based on tax rates anticipated to be in effect (under applicable laws at the time the financial statements are prepared) when the deferred taxes are expected to be paid or realized. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Company is able to realize their benefit, or that future deductibility is uncertain. In the event that a valuation allowance relating to a business acquisition is subsequently reduced, the adjustment will reduce the original amount allocated to goodwill.

Deferred tax liabilities and assets are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting, or according to the expected reversal dates of the specific temporary differences if not related to an asset or liability for financial reporting, and also include anticipated withholding taxes due on subsidiaries' earnings when paid as dividends to the Company.

REVENUE RECOGNITION

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) collectibility of the fee is reasonably assured. The Company usually sells its software licenses as part of an overall solution offered to a customer that combines the sale of software licenses with a broad range of services, which normally include significant customization, modification, implementation and integration. As a result, combined license and service revenue generally is recognized over the course of these long-term projects, using the percentage of completion method of accounting in conformity with Accounting Research Bulletin ("ARB") No. 45, "Long Term Construction-Type Contracts", Statement of Position ("SOP") 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts" and SOP 97-2, "Software Revenue Recognition". Losses are recognized on contracts in the period in which the loss is identified in accordance with SOP 81-1.

Initial license fee for software revenue is recognized as work is performed, under 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 level or number of users when greater than the level specified in the contract for the initial license fee.

Service revenue that involves significant ongoing obligations, including fees for software customization, implementation and modification as part of a long-term contract is recognized as work is performed, under the percentage of completion method of accounting. In cases where extended payment terms exist, license and related customization fees are recognized when payments are due, in accordance with SOP 97-2. Revenue from software solutions that do not require significant customization and modification is recognized upon delivery or as services are provided, in accordance with SAB 104, "Revenue Recognition" and SOP 97-2. The Company complies with Emerging Issues Task Force ("EITF") 03-05, "Applicability of AICPA SOP 97-2 to Non-Software Deliverables in an Arrangement Containing More Than Incidental Software".

In Managed Services contracts, revenue from the operation of a customer's system is recognized either ratably over the service period or as services are performed. Revenue from ongoing support services is recognized as work is performed.

Revenue from third-party hardware sales is recognized upon delivery and installation, and revenue from third-party software sales is recognized upon delivery. Revenue from third-party hardware and software sales is recorded

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according to the criteria established in EITF 99-19, "Recording Revenue Gross

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

as a Principal versus Net as an Agent" and SAB 104. Revenue is recorded at gross amount for transactions in which the Company is the primary obligor under the arrangement and/or possesses other attributes such as pricing and supplier selection latitude. In specific circumstances where the Company does not meet the above criteria, particularly when the contract stipulates that the Company is not the primary obligor, the Company recognizes revenue on a net basis.

Maintenance revenue is recognized ratably over the term of the maintenance agreement, which in most cases is one year or less.

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

Many of the Company's agreements include multiple deliverables. For these multiple element arrangements, the fair value of each component is determined based on specific objective evidence for that element and revenue is allocated to each component based upon its fair value. The revenue associated with each element is recognized using the respective methodology discussed above. The Company uses the residual method in accordance with SOP 97-2 and EITF 00-21, "Revenue Arrangements with Multiple Deliverables", in multiple element arrangements that include license for the sale of software solutions that do not require significant customization and modification and first year maintenance to determine the appropriate value for the license component.

In circumstances where the Company enters into a contract with a customer for the provision of Managed Services for a defined period of time, the Company defers, in accordance with SAB 104, certain costs incurred by the Company at the inception of the contract. These costs include costs associated with migration of data and the establishment of software interfaces. The deferred costs are amortized on a straight-line basis over the life of the respective customer contract. Revenue associated with these capitalized costs is deferred and is recognized over the life of the respective customer contract.

In cases where extended payment terms exist and revenue is deferred until payments are due, related costs are capitalized as contract costs and recognized as revenue is recognized.

Deferred revenue represents billings to customers for licenses, services and third-party products for which revenue has not been recognized. Unbilled accounts receivable include all amounts that had not been billed as of the balance sheet date due to contractual or other arrangements with customers. Allowances that are netted against accounts receivable represent amounts provided for accounts for which their collectibility is not reasonably assured.

Included in service revenue are sales of third-party products. Revenue from sales of such products includes third-party computer hardware and computer software products and was less than 10% of total revenue in each of fiscal 2004, 2003 and 2002.

COST OF LICENSE AND COST OF SERVICE

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Cost of license and cost of service consist of all costs associated with providing services to customers, including identified losses on contracts and warranty expense. Estimated losses on contracts are recognized in the period in which the loss is identified in accordance with SOP 81-1. Estimated costs related to warranty obligations are initially provided at the time the product is delivered and are revised to reflect subsequent changes in circumstances and estimates. Cost of license includes royalty payments to software suppliers, amortization of purchased computer software and intellectual property rights.

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

Cost of service also includes costs of third-party products associated with reselling third-party computer hardware and software products to customers, when revenue from third-party products is recorded at the gross amount. Customers purchasing third-party products from the Company generally do so in conjunction with the purchase of services.

RESEARCH AND DEVELOPMENT

Research and development expenditures consist of costs incurred in the development of new software modules and product offerings, either in conjunction with customer projects or as part of the Company's internal product development programs. Research and development costs, which are incurred in conjunction with a customer project, are expensed as incurred.

Based on the Company's product development process, technological feasibility, as defined in SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed", is established upon completion of a detailed program design or, in the absence thereof, completion of a working model. Costs incurred by the Company after achieving technological feasibility and before the product is ready for customer release have been insignificant.

EMPLOYEE BENEFIT PLANS

The Company maintains a non-contributory defined benefit plan for one of its Canadian subsidiaries that provides for pensions for substantially all of that subsidiary's employees based on length of service and rate of pay. Additionally, the Company provides to these employees other retirement benefits such as certain health care and life insurance benefits on retirement and various disability plans, workers' compensation and medical benefits to former or inactive employees, their beneficiaries and covered dependants, after employment but before retirement, under specified circumstances.

The Company accrues its obligations to these employees under employee benefit plans and the related costs net of returns on plan assets. Pension expense and other retirement benefits earned by employees are actuarially determined using the projected benefit method pro-rated on service and based on management's best estimates of expected plan investments performance, salary escalation, retirement ages of employees and expected health care costs.

The fair value of the employee benefit plans' assets is based on market values. The plan assets are valued at market value for the purpose of calculating the expected return on plan assets and the amortization of experience gains and losses. Past service costs, which may arise from plan amendments, are amortized on a straight-line basis over the average remaining service period of the employees active at the date of amendment. The excess of

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the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the market-related value of plan assets is amortized over the average remaining service period of active employees.

STOCK-BASED COMPENSATION

The Company follows Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations in accounting for its employee stock options. Pursuant to these accounting standards, the Company records deferred compensation for share options granted to employees at the date of grant based on the difference between the exercise price of the options and the market value of the underlying shares at that date. Deferred compensation is amortized to compensation expense over the vesting period of the underlying options in accordance with the accelerated expense attribution method. No compensation expense is recorded for stock options that are granted to employees and directors at an exercise price equal to the fair market value of the Ordinary Shares at the time of the

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

grant. Compensation expenses that are deductible in a tax return in a period different from the one in which they are reported as expenses in measuring net income are temporary differences that result in deferred taxes. To the extent that compensation is not recorded for stock-based compensation, the benefit of the related tax deduction is recorded as an increase to additional paid-in capital in the period of the tax reduction.

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure -- an Amendment of FASB Statement No. 123". SFAS No. 148 amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require more prominent disclosures in both annual and interim financial statements regarding the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

As presented below, the Company determined pro forma net income (loss) and earnings (loss) per share information as if the fair value method described in SFAS No. 123, as amended by SFAS No. 148, had been applied to its employee stock-based compensation. The Company utilized the Black-Scholes option-pricing model to estimate fair value, which is one of several methods that can be used under SFAS No. 123. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected share price volatility. The Company's options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimates.

The fair value of options granted was estimated at the date of grant using the Black-Scholes pricing model with the following assumptions for the presented periods (all in weighted averages):

YEAR ENDED SEPTEMBER 30,

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	2004	2003	2002
Risk-free interest rate.....	3.12%	2.70%	2.85%
Expected life of options.....	4.49	2.93	2.94
Expected annual volatility.....	0.687	0.568	0.756
Expected dividend yield.....	None	None	None
Fair value per option.....	\$12.62	\$ 5.08	\$10.72

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
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The following table sets forth the pro forma effect of applying SFAS No. 123 on net income (loss) and earnings (loss) per share for the presented periods:

	YEAR ENDED SEPTEMBER 30,		
	2004	2003	2002
Net income (loss), as reported.....	\$234,860	\$168,883	\$ (5,061)
Add: Stock-based compensation expense included in net income (loss), net of related tax effects.....	453	1,153	204
Less: Total stock-based compensation expense determined under fair value method for all awards, net of related tax effects.....	(35,989)	(59,947)	(101,231)
Pro forma net income (loss).....	\$199,324	\$110,089	\$ (106,088)
Basic earnings (loss) per share:			
As reported.....	\$ 1.13	\$ 0.78	\$ (0.02)
Pro forma.....	\$ 0.95	\$ 0.51	\$ (0.48)
Diluted earnings (loss) per share:			
As reported.....	\$ 1.10	\$ 0.77	\$ (0.02)
Pro forma.....	\$ 0.93	\$ 0.50	\$ (0.48)

The pro forma results for fiscal years 2003 and 2002 have been revised due to a correction of the stock-based employee expense amounts for such years. These corrections resulted in a decrease in pro forma net income of \$35,255 in fiscal 2003, and in an increase in pro forma net loss of \$6,653 in fiscal 2002 from amounts previously reported, and a decrease in pro forma diluted earnings per share of \$0.17 in fiscal 2003, and an increase in pro forma diluted loss per share of \$0.03 in fiscal 2002 from amounts previously reported.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial instruments of the Company consist mainly of cash and cash

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equivalents, short-term interest-bearing investments, accounts receivable, accounts payable, short-term financing arrangements, forward exchange contracts, lease obligations and convertible notes. In view of their nature, the fair value of the financial instruments, excluding the convertible notes (for which the fair value as of September 30, 2004 is approximately \$406,000), included in the accounts of the Company does not significantly vary from their carrying amount. The fair values of the Company's foreign currency exchange contracts are estimated based on quoted market prices of comparable contracts.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents, short-term interest-bearing investments and trade receivables. The Company invests its excess cash primarily in highly liquid U.S. dollar-denominated securities with major U.S. institutions. The Company does not expect any credit losses with respect to these items.

The Company's revenue is generated primarily in North America and Europe. To a lesser extent, revenue is generated in the Asia-Pacific region and Latin America. Most customers are among the largest communications and directory publishing companies in the world (or are owned by them). The Company's business is subject to the effects of general global economic conditions and, in particular, market

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

conditions in the communications industry. The Company performs ongoing credit analyses of its customer base and generally does not require collateral. The allowance for doubtful accounts is for estimated losses resulting from the inability of the Company's customers to make required payments. The Company evaluates accounts receivable to determine if they will ultimately be collected. In performing this evaluation, significant judgments and estimates are involved, such as past experience, credit quality of the customer, age of the receivable balance and current economic conditions that may affect a customer's ability to pay. As of September 30, 2004, the Company had no customers that had accounts receivable balances of more than 10% of total accounts receivable. As of September 30, 2003, the Company had two customers that had accounts receivable balances of more than 10% of total accounts receivable, aggregating 27.4% (16.7% and 10.7%).

EARNINGS PER SHARE

The Company accounts for earnings per share based on SFAS No. 128, "Earnings per Share". SFAS No. 128 requires companies to compute earnings per share under two different methods, basic and diluted earnings per share, and to disclose the methodology used for the calculations. Basic earnings per share are calculated using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of shares outstanding and the effect of dilutive outstanding stock options using the treasury stock method and the effect of dilutive outstanding convertible notes using the if-converted method.

DERIVATIVES AND HEDGING

The Company accounts for derivatives and hedging based on SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended and

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related Interpretations. SFAS No. 133 requires the Company to recognize all derivatives on the balance sheet at fair value. If a derivative meets the definition of a hedge and is so designated, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is recognized in earnings.

GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES

The Company follows FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN No. 45"). FIN No. 45 requires that, at the inception of certain types of guarantees, the guarantor must disclose and recognize a liability for the fair value of the obligation it assumes under the guarantee. See Note 15.

GAINS AND LOSSES FROM EXTINGUISHMENT OF DEBT

The Company follows SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS No. 145 eliminates previous requirements to classify gains and losses from extinguishment of debt as extraordinary items in earnings. The Company adopted SFAS No. 145 in the fourth quarter of fiscal 2002 in connection with the gains related to the repurchases of its convertible notes. See Note 12.

RECLASSIFICATIONS

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

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
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ADOPTION OF NEW ACCOUNTING STANDARDS

SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits", requires additional disclosures about assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other post-retirement benefit plans. The provisions of this Statement are effective for fiscal years ending after December 15, 2003. The Company adopted the disclosure provisions in fiscal 2004.

RECENT ACCOUNTING PRONOUNCEMENTS

The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share

In September 2004, the EITF reached a consensus on EITF Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share" ("Issue 04-8"). Issue 04-8 relates to contingently convertible debt instruments, which are generally convertible into common shares of the issuer after the common stock price has exceeded a predetermined threshold for a specified time period (market price trigger). Currently, the potential dilutive effect of the conversion feature is excluded from diluted earnings per share until the market price contingency is met. Under Issue 04-8 all instruments that have embedded conversion features that are contingent on market conditions

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indexed to an issuer's share price should be included in diluted earnings per share computations, if dilutive, regardless of whether the market conditions have been met. The effective date of Issue 04-8 is for reporting periods ending after December 15, 2004 (first quarter of the Company's fiscal 2005). The consensus would be applied retroactively to instruments outstanding at the date of adoption. Diluted earnings per share of all prior periods presented for comparative purposes should be restated to conform to the consensus guidance. For instruments whose terms have been modified prior to the date of adoption, the consensus would apply to terms of instruments in place at the date of adoption, and diluted earnings per share for all prior periods would be restated based upon the modified terms. For instruments that have been cash settled before the date of adoption, restatement of diluted earnings per share is not required. The Company believes that the change in accounting rules will reduce previously reported quarterly diluted earnings per share by approximately \$0.01 per share for each of the third and fourth quarters of fiscal 2004, and by approximately \$0.02 per share for fiscal 2004.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 -- ACQUISITIONS

CLARIFY

In November 2001, the Company purchased from Nortel Networks Corporation substantially all of the assets of its Clarify business ("Clarify"), a leading provider of Customer Relationship Management ("CRM") software to communications companies and other enterprise sectors. The aggregate initial purchase price for Clarify as of September 30, 2002 was \$212,000 in cash, including transaction costs of \$8,250. The purchase price was subject to final price adjustments that were settled in October 2002 and resulted in an \$11,111 reduction of the purchase price to \$200,889 in the first quarter of fiscal 2003. The acquisition was accounted for as a business combination using the purchase method of accounting, as

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

required by SFAS No. 141. The fair market value of Clarify's assets and liabilities has been included in the Company's consolidated balance sheet and the results of Clarify's operations are included in the Company's consolidated statements of operations, commencing on November 29, 2001. The Company obtained a valuation of the intangible assets acquired in the Clarify transaction. The value of acquired technology included both existing technology and in-process research and development. The valuation of these items was made by applying the income forecast method, which considered the present value of cash flows by product lines. Of the \$65,600 of acquired identifiable intangible assets, \$17,400 was assigned to in-process research and development and was written-off as of the closing date of the acquisition, in accordance with FASB Interpretation No. 4, "Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method". The fair value assigned to core technology was \$13,400 and was amortized over two years commencing on

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November 29, 2001. The fair value assigned to customer arrangements was \$34,800 and is being amortized over three years commencing on November 29, 2001. The excess of the purchase price over the fair value of the net assets acquired, or goodwill, following the settlement was \$147,734, of which \$141,345 is tax deductible. The goodwill is accounted for under SFAS No. 142. In accordance with SFAS No. 142, goodwill from acquisitions after June 30, 2001 is no longer amortized, but is subject to periodic impairment tests. As a result, goodwill associated with the acquisition of Clarify is not amortized.

The following is the final allocation of the purchase price and deferred tax liability:

Net liabilities acquired.....	\$ (9,574)
Core technology.....	13,400
Customer arrangements.....	34,800
In-process research and development.....	17,400
Deferred tax liability.....	(2,871)
Goodwill.....	147,734

	\$200,889
	=====

CERTEN

In July 2003, the Company acquired from Bell Canada ("Bell") its 90% ownership interest in Certen Inc. ("Certen", which was renamed Amdocs Canada Managed Services, Inc.) for approximately \$66,000 in cash. In addition, the Company had related transaction costs of approximately \$3,000. The Company and Bell formed Certen in January 2001 to provide customer care and billing solutions to Bell and a number of Bell's affiliated companies. Prior to this acquisition, the Company owned 10% of Certen and Bell's ownership interest in Certen was 90%. As a result of the acquisition, Certen is now a wholly owned subsidiary of the Company. Since Certen's inception, the Company has provided customer care and billing software required by Certen, including related customization, installation, maintenance and other services. This acquisition expanded the Company's Managed Services offerings and positioned it as a major provider of Managed Services to the communications industry, and was its next logical step in the evolution of its relationship with Bell. In addition, as a result of this acquisition, the Company continued to develop an integrated billing platform to replace legacy systems built on a product-by-product basis. Following the acquisition, Certen continues to provide Managed Services to Bell as it did prior to the acquisition. The Company has a major billing operations Managed Services agreement with Bell through December 2010.

The acquisition was accounted for using the purchase method of accounting, as required by SFAS No. 141. The fair market value of Certen's assets and liabilities has been included in the Company's consolidated balance sheet and the results of Certen's operations are included in the Company's consolidated statements of operations, commencing on July 2, 2003. The Company obtained a

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
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valuation of the intangible assets acquired in the Certen transaction. The total purchase price was allocated to Certen's assets and liabilities, including

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identifiable intangible, based on their respective estimated fair values, on the date the transaction was consummated. Because the Company had a preexisting right to utilize the Amdocs billing software and customization prior to the acquisition, there was minimal incremental value to the Company in acquiring the software that was licensed to and customized for Certen. The value of the acquired customer arrangement was made by applying the income forecast method. The value assigned to the customer arrangement was \$36,385 and is being amortized over seven and half years commencing on July 2, 2003 (the remaining life of the Managed Services agreement). The excess of the purchase price over the fair value of the net assets and identifiable intangible acquired, or goodwill, was \$101,081, which is not tax deductible. The goodwill is accounted for under SFAS No. 142. In accordance with SFAS No. 142, goodwill from acquisitions after June 30, 2001 is no longer amortized, but is subject to periodic impairment tests. As a result, goodwill associated with the acquisition of Certen is not amortized. In addition, deferred taxes were recognized for the difference between the book and tax basis of certain assets and liabilities.

Prior to the Company's acquisition of Bell's ownership interest in Certen, the Company accounted for its investment in Certen under the cost method for its 10% ownership. In the fourth quarter of 2003, the Company recognized its 10% share in Certen's results prior to the acquisition. The Company's share in Certen's pre-acquisition results was a charge of \$4,133, and is included in "restructuring charges, in-process research and development and other" for the year ended September 30, 2003.

The following is the final allocation of the purchase price and deferred taxes:

Purchase price.....	\$ 65,887
Transaction costs.....	2,925

Total purchase price.....	68,812
Write-off of deferred revenue and allowance on Amdocs books, net of tax.....	(33,666)

Net amount for purchase price allocation.....	\$ 35,146
	=====

Allocation of purchase price:

90% tangible assets acquired, net of capitalized Amdocs system on Certen's books.....	\$ 80,929
90% liabilities assumed.....	(241,460)

Net tangible assets.....	(160,531)
Customer arrangement.....	36,385
Adjustment to fair value of pension and other post-employment benefit liabilities.....	(12,605)
EITF 95-3 and other liabilities.....	(2,857)
Deferred taxes resulting from the difference between the assigned value of certain assets and liabilities and their respective tax bases.....	73,673

Net fair value of tangible assets acquired.....	(65,935)
Goodwill.....	101,081

	\$ 35,146

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=====

Set forth below is the unaudited pro forma revenue, operating income (loss), net income (loss) and per share figures for the years ended September 30, 2003 and 2002, as if Clarify had been acquired as of

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

October 1, 2000 and as if Certen had been acquired as of October 1, 2001, excluding the write-off of purchased in-process research and development:

	YEAR ENDED SEPTEMBER 30,	
	2003	2002
Revenue.....	\$1,621,957	\$1,774,678
Operating income (loss).....	188,468	(6,231)
Net income (loss).....	150,224	(44,679)
Basic earnings (loss) per share.....	0.70	(0.20)
Diluted earnings (loss) per share.....	0.68	(0.20)

As a result of SFAS No. 142, goodwill associated with acquisitions completed after June 30, 2001 is not amortized and, accordingly, the pro forma information above reflects no amortization of goodwill related to the Clarify and Certen acquisitions.

XACCT

On February 19, 2004, the Company acquired XACCT Technologies Ltd. ("XACCT"), a privately-held provider of mediation software to communications service providers. The Company acquired XACCT's outstanding shares for \$28,425, of which \$13,286 was paid in cash and the balance in 561 of the Company's Ordinary Shares. In addition, the Company had related transaction costs of approximately \$750. This acquisition further expands the scope of the Company's billing capabilities in the network mediation space, enabling the collection, formatting and distribution of network usage events. With this acquisition, the Company achieves the capability to support end-to-end event processing, from network mediation through billing, for voice, data, content and commerce prepaid and postpaid transactions. The Company repurchased 484 Ordinary Shares in February 2004 to offset the dilutive effect of shares issued in the acquisition. The fair market value of XACCT's assets and liabilities has been included in the Company's balance sheet and the results of XACCT's operations have been included in the Company's consolidated statement of income, commencing on February 19, 2004. The excess of the purchase price over the fair value of the net assets acquired, or goodwill, was \$13,455, which is not tax deductible. The goodwill is accounted for under SFAS No. 142. In accordance with SFAS No. 142, goodwill from acquisitions after June 30, 2001 is no longer amortized, but is subject to periodic impairment tests. As a result, goodwill associated with the acquisition of XACCT is not amortized.

In addition, the Company granted XACCT's key employees an aggregate of 35 options with no exercise price, which vest over eighteen months. In accordance

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with APB 25, the Company recorded deferred compensation, net of forfeitures, of \$749, which is amortized over the vesting period in accordance with the accelerated expense attribution method.

The following is the preliminary allocation of the purchase price and deferred tax assets:

Net assets acquired.....	\$	584
Technology.....		9,209
Customer arrangements.....		1,064
Deferred tax assets.....		4,863
Goodwill.....		13,455

		\$29,175
		=====

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

Pro forma information on the Company's consolidated results of operations for the years ended September 30, 2004, 2003 and 2002 to reflect the XACCT acquisition is not presented, as its results of operations during such years are not material to the Company's consolidated results of operations.

NOTE 4 -- RELATED PARTY TRANSACTIONS

The financial information presented below includes transactions with SBC Communications, Inc. ("SBC") through December 31, 2002 and Certen, prior to the Company's acquisition of the remaining 90% of Certen in July 2003. As a result of the Certen acquisition, Certen is a wholly owned subsidiary of the Company, and ceased to be a related party as of July 2, 2003, according to SFAS No. 57, "Related Party Disclosures". In addition, during the quarter ended December 31, 2002, SBC ceased to be a principal shareholder of the Company, according to SFAS No. 57, and thus is no longer a related party.

The Company had licensed software and provided computer systems integration and related services to affiliates of SBC and to Certen. The following related party revenue is included in the consolidated statements of operations:

	YEAR ENDED SEPTEMBER 30,	
	2003	2002
	-----	-----
Revenue:		
License.....	\$ 3,827	\$ 30,551
Service.....	84,122	314,341

The following related party expenses are included in the consolidated statements of operations:

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	YEAR ENDED SEPTEMBER 30,	
	2003	2002
Operating expenses(1):		
Cost of service.....	\$ --	\$2,642
Selling, general and administrative.....	--	336
Interest income and other, net(2).....	1,662	1,886

(1) The Company leased office space on a month-to-month basis and purchased other miscellaneous support services from affiliates of SBC.

(2) Represents interest and exchange rate differences, net of hedging, on the convertible debentures of Certen for the year ended September 30, 2002, and for the year ended September 30, 2003 only through the acquisition date, July 2, 2003. Absent hedging, these amounts would be \$9,344 and \$1,402 for the years ended September 30, 2003 and 2002, respectively.

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 5 -- SHORT-TERM INTEREST-BEARING INVESTMENTS

Short-term interest-bearing investments consist of the following:

	AMORTIZED COST AS OF SEPTEMBER 30,		MARKET VALUE AS OF SEPTEMBER 30,	
	2004	2003	2004	2003
Federal agencies.....	\$ 51,572	\$ 50,371	\$ 51,476	\$ 50,403
U.S. government treasuries.....	51,242	23,373	50,872	23,674
Corporate backed obligations.....	224,859	197,243	224,612	197,157
Corporate bonds.....	130,103	64,153	130,096	64,151
Mortgages (including government and corporate).....	67,272	44,743	67,117	44,724
Commercial paper/CD.....	35,500	35,643	35,496	35,457
Private placement.....	80,680	26,219	80,678	26,225
Municipal bonds.....	--	1,501	--	1,501
	641,228	443,246	640,347	443,292
Allowance for unrealized (loss) gain.....	(881)	46	--	--
Total.....	\$640,347	\$443,292	\$640,347	\$443,292

As of September 30, 2004, short-term interest-bearing investments had the following maturity dates:

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	MARKET VALUE -----
2005.....	\$ 96,432
2006.....	124,058
2007.....	127,909
2008.....	57,663
2009.....	50,093
Thereafter.....	184,192

	\$640,347
	=====

NOTE 6 -- ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following:

	AS OF SEPTEMBER 30, -----	
	2004	2003
	-----	-----
Accounts receivable --billed.....	\$242,254	\$200,220
Accounts receivable --unbilled.....	24,696	16,072
Less --allowances.....	(12,171)	(18,018)
	-----	-----
Accounts receivable, net.....	\$254,779	\$198,274
	=====	=====

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 7 -- EQUIPMENT, VEHICLES AND LEASEHOLD IMPROVEMENTS, NET

Components of equipment, vehicles and leasehold improvements, net are:

	AS OF SEPTEMBER 30, -----	
	2004	2003
	-----	-----
Computer equipment.....	\$355,143	\$311,319
Vehicles furnished to employees.....	35,817	50,080
Leasehold improvements.....	57,769	49,834
Furniture and fixtures.....	41,368	40,109
	-----	-----
	490,097	451,342
Less accumulated depreciation.....	308,976	247,875

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-----	-----
\$181,121	\$203,467
=====	=====

The Company has entered into various arrangements for the leasing of vehicles for periods of five years, carrying interest rates of LIBOR plus a margin ranging 0.5% to 0.9% (between 2.52% to 2.92% as of September 30, 2004). Vehicles under capital lease arrangements had a cost of \$30,021 and \$43,918 with related accumulated depreciation of \$22,542 and \$26,121 as of September 30, 2004 and 2003, respectively. As a result of the Certen acquisition, the Company assumed various arrangements for the leasing of computer equipment (hardware and software) for remaining periods of two to three years, denominated in Canadian dollars with interest rates ranging between 5.16% to 11.7%. Computer equipment under capital lease arrangements had a cost of \$48,203 with related accumulated depreciation of \$14,013 and \$2,111 as of September 30, 2004 and 2003, respectively.

The Company has accounted for these as capital leases and amortization costs have been included in depreciation expense. Total depreciation expense on equipment, vehicles and leasehold improvements for fiscal years 2004, 2003 and 2002, was \$73,619, \$69,560 and \$66,621, respectively.

Capital lease payments, excluding interest, due over the remaining lease terms are as follows:

FOR THE YEARS ENDED SEPTEMBER 30,

2005.....	\$19,262
2006.....	3,987
2007.....	89

	\$23,338
	=====

The above capital lease payments do not reflect a liability of \$480, reflecting adjustment to fair value, resulting from the final valuation of capital lease agreements assumed in the acquisition of Certen. This adjustment will be amortized over the life of the lease.

As of September 30, 2004, \$7,227 of the above capital lease payments is guaranteed by Bell until payment is made in full.

The above capital lease payments include a sale-leaseback transaction that was recognized on Certen's books as of the acquisition date. The proceeds for this transaction were received after the acquisition date, and are reflected in the consolidated cash flow statement for fiscal 2003 as "proceeds from sale-leaseback transaction".

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 8 -- GOODWILL AND OTHER INTANGIBLE ASSETS, NET

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Effective October 1, 2002 the Company adopted SFAS No. 142, and the Company performed the transitional tests of goodwill recorded as of October 1, 2002. Thereafter, an annual impairment test will be performed in the fourth quarter of each fiscal year, or more frequently if impairment indicators are present. As discussed in Note 1, the Company and its subsidiaries operate in one operating segment, and this segment comprises its only reporting unit. In calculating the fair value of the reporting unit, the Company used a discounted cash flow methodology. There was no impairment of goodwill upon adoption of SFAS No. 142 and there was no impairment at the annual impairment test dates.

Prior to fiscal 2003, goodwill and workforce-in-place were amortized using the straight-line method over their estimated period of benefit. Net loss and loss per share for fiscal 2002 adjusted to exclude amortization of goodwill and workforce-in-place, net of tax, are as follows:

	YEAR ENDED SEPTEMBER 30, 2002 -----
Reported net loss.....	\$ (5,061)
Add back: goodwill and workforce-in-place amortizations.....	204,561
Attributable tax effect.....	(2,717)

Adjusted net income.....	\$196,783
	=====
Adjusted basic earnings per share.....	\$ 0.89
	=====
Adjusted diluted earnings per share.....	\$ 0.88
	=====

The following table presents details of the Company's total goodwill:

As of September 30, 2002.....	\$705,862
Decrease in Clarify goodwill as a result of a purchase price settlement (see Note 3).....	(13,524)
Goodwill resulted from Certen acquisition (see Note 3).....	104,796

As of September 30, 2003.....	797,134
Decrease in Certen goodwill as a result of a purchase price allocation adjustment (see Note 3).....	(3,715)
Goodwill resulted from XACCT acquisition (see Note 3).....	13,455

As of September 30, 2004.....	\$806,874
	=====

The following table presents details of amortization expense of purchased intangible assets as reported in the consolidated statements of operations:

YEAR ENDED SEPTEMBER 30,		
2004	2003	2002
-----	-----	-----

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Cost of license.....	\$ 3,878	\$ 4,075	\$ 3,550
Cost of service.....	2,785	--	--
Amortization of purchased intangible assets.....	17,909	19,940	27,243
	-----	-----	-----
Total.....	\$24,572	\$24,015	\$30,793
	=====	=====	=====

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table presents details of the Company's total purchased intangible assets:

	ESTIMATED USEFUL LIFE (IN YEARS)	GROSS	ACCUMULATED AMORTIZATION	NET
	-----	-----	-----	-----
SEPTEMBER 30, 2004				
Core technology.....	2-3	\$ 53,744	\$ (46,326)	\$ 7,418
Customer arrangements.....	2-7.5	74,107	(41,655)	32,452
Intellectual property rights and purchased computer software.....	3-10	51,996	(44,354)	7,642
		-----	-----	-----
Total.....		\$179,847	\$ (132,335)	\$47,512
		=====	=====	=====
SEPTEMBER 30, 2003				
Core technology.....	2-3	\$ 44,535	\$ (43,418)	\$ 1,117
Customer arrangements.....	3-7.5	70,073	(26,653)	43,420
Intellectual property rights and purchased computer software.....	3-10	51,996	(37,692)	14,304
		-----	-----	-----
Total.....		\$166,604	\$ (107,763)	\$58,841
		=====	=====	=====

The estimated future amortization expense of purchased intangible assets as of September 30, 2004 is as follows:

	AMOUNT

FISCAL YEAR:	
2005.....	\$12,574
2006.....	10,639
2007.....	8,532
2008.....	4,851
2009.....	4,851
Thereafter.....	6,065

NOTE 9 -- OTHER NONCURRENT ASSETS

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Other noncurrent assets consist of the following:

	AS OF SEPTEMBER 30,	
	2004	2003
Funded employee benefit costs(1).....	\$ 54,591	\$49,020
Managed services costs(2).....	49,582	15,916
Convertible notes issuance cost, net.....	7,406	2,096
Restricted cash and cash equivalents(3).....	275	234
Other.....	14,943	8,930
	-----	-----
	\$126,797	\$76,196
	=====	=====

(1) See Note 16.

(2) See Note 2.

(3) The Company is required to maintain restricted cash and cash equivalents balances relating to letters of credit and bank guarantees.

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 10 -- INCOME TAXES

The provision for income taxes consists of the following:

	YEAR ENDED SEPTEMBER 30,		
	2004	2003	2002
Current.....	\$72,588	\$52,293	\$75,185
Deferred.....	(6,345)	4,001	(1,665)
	-----	-----	-----
	\$66,243	\$56,294	\$73,520
	=====	=====	=====

All income taxes are from continuing operations reported by the Company in the applicable taxing jurisdiction. Income taxes also include anticipated withholding taxes due on subsidiaries' earnings when paid as dividends to the Company.

Deferred income taxes are comprised of the following components:

AS OF SEPTEMBER 30,

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	2004	2003
Deferred tax assets:		
Deferred revenue.....	\$ 36,869	\$ 27,056
Accrued employee costs.....	29,473	26,333
Equipment, vehicles and leasehold improvements, net...	49,436	47,932
Intangible assets, computer software and intellectual property.....	13,738	15,052
Net operating loss carry forwards.....	27,945	13,629
Other.....	24,826	23,061
Valuation allowances.....	(11,424)	--
Total deferred tax assets.....	170,863	153,063
Deferred tax liabilities:		
Anticipated withholdings on subsidiaries' earnings....	(38,973)	(43,046)
Equipment, vehicles and leasehold improvements, net...	(9,832)	(6,634)
Intangible assets, computer software and intellectual property.....	(29,157)	(28,563)
Other.....	(8,134)	(14,867)
Total deferred tax liabilities.....	(86,096)	(93,110)
Net deferred tax assets.....	\$ 84,767	\$ 59,953

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

The effective income tax rate varied from the statutory Guernsey tax rate as follows:

	YEAR ENDED SEPTEMBER 30,		
	2004	2003	2002
Statutory Guernsey tax rate.....	20%	20%	20%
Guernsey tax-exempt status.....	(20)	(20)	(20)
Foreign taxes.....	20	30	28
Valuation allowance.....	2	(5)	--
Income tax rate before effect of acquisition-related costs, restructuring charges and gains from the repurchases of convertible notes.....	22	25	28
Effect of:			
Acquisition-related costs.....	--	--	59
Restructuring charges.....	--	--	30
Gains from the repurchases of convertible notes.....	--	--	(10)
	22%	25%	107%

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As a Guernsey company with tax-exempt status, the Company's overall effective tax rate is attributable solely to foreign taxes. Effective October 1, 2002, the Company adopted SFAS No. 142. As a result, the Company no longer amortizes goodwill, the majority of which is not tax-deductible. Therefore, this non tax-deductible item did not negatively impact the Company's effective tax rate in fiscal years 2004 and 2003.

The high effective tax rate in the year ended September 30, 2002 was primarily attributable to amortization of goodwill related to the Company's acquisitions, much of which was not tax deductible. In the year ended September 30, 2002 the Company's effective tax rate was also adversely affected by the fixed non-deductible expenditures representing a larger component of the Company's pretax income.

During fiscal 2004, the Company recognized deferred tax assets of \$11,424 derived from net capital and operating loss carry forwards related to certain of its subsidiaries. The expiration of these losses carry forwards is unlimited. Given the uncertainty of the realization of these assets through future taxable earnings, a valuation allowance of \$11,424 was recorded as of September 30, 2004.

As of September 30, 2003, the Company estimated that operating losses related to its Canadian subsidiary would be realized through future taxable earnings. As a result, related valuation allowance of \$13,282 was released through the income tax provision. The decrease in the Company's effective tax rate following the release of the valuation allowance was reflected in the Company's results of operations. As of September 30, 2002, the Company estimated that operating losses incurred by the subsidiary prior to the Company's acquisition of that company in April 2000 would be realized through future taxable earnings. As a result, the related valuation allowance of \$8,957 was released as an offsetting reduction of the goodwill recorded in that transaction. As of September 30, 2004 and 2003, there was no valuation allowance balance related to the Canadian subsidiary. The valuation allowance related to the Company's Canadian subsidiary was changed during fiscal 2003 due to changes in timing differences prior to the Company's conclusion that the operating losses related to this subsidiary would be realized through future taxable earnings.

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 11 -- FINANCING ARRANGEMENTS

SHORT-TERM

The Company's financing transactions are described below:

As of September 30, 2004, the Company had available short-term general revolving lines of credit totaling \$31,000. As of September 30, 2004, the outstanding balance under these credit lines was \$987. The cost of maintaining these revolving lines of credit was insignificant.

In addition, as of September 30, 2004, the Company had outstanding letters of credit and bank guarantees of \$12,956. These were mostly supported by a combination of the credit facilities and restricted cash balances that the Company maintains with various banks. See Note 9.

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LONG-TERM

Following the Company's acquisition of Certen (see Note 3), the Company assumed a loan bearing an annual interest rate of 7.53% and denominated in Canadian dollars. The principal of \$617 and interest is payable in quarterly installments and matures in fiscal 2005.

NOTE 12 -- CONVERTIBLE NOTES

In May 2001 the Company issued \$500,000 aggregate principal amount of 2% Convertible Notes due June 1, 2008 (the "2% Notes"). The Company is obligated to pay interest on the 2% Notes semi-annually on June 1 and December 1 of each year. The 2% Notes are senior unsecured obligations of the Company and rank equal in right of payment with all of existing and future senior unsecured indebtedness of the Company. The 2% Notes are convertible, at the option of the holders at any time before the maturity date, into Ordinary Shares of the Company at a conversion rate of 10.8587 shares per one thousand dollars principal amount, representing a conversion price of approximately \$92.09 per share. The 2% Notes are subject to redemption at any time on or after June 1, 2006, in whole or in part, at the option of the Company, at a redemption price of 100% of the principal amount plus accrued and unpaid interest. The 2% Notes are subject to repurchase, at the holders' option, on June 1, 2004 and June 1, 2006, at a repurchase price equal to 100% of the principal amount plus accrued and unpaid interest, if any, on such repurchase date.

During the first quarter of 2004, the Company repurchased \$5,000 aggregate principal amount of the 2% Notes for an aggregate purchase price of \$4,987, and during the fourth quarter of 2004 and subsequent to the redemption on June 1, 2004, the Company repurchased \$72 aggregate principal amount of the 2% Notes for an aggregate purchase price of \$72. During the fourth quarter of fiscal 2003, the Company repurchased \$44,600 aggregate principal amount of the 2% Notes at an average price of \$990 per \$1,000 principal amount, resulting in a gain of \$448. During the fourth quarter of fiscal 2002, the Company repurchased \$54,946 aggregate principal amount of the 2% Notes at an average price of \$890 per \$1,000 principal amount, resulting in a gain of \$6,012. See Note 14. The Company funded these repurchases, and intends to fund any future repurchases, with available funds. As of June 1, 2004 holders had tendered to the Company for repurchase \$395,110 principal amount of 2% Notes of the \$395,454 then outstanding, and we purchased the tendered 2% Notes for cash. Subsequently, we purchased additional 2% Notes and as of September 30, 2004, \$272 principal amount of 2% Notes remain as obligations of the Company, due June 1, 2008, in accordance with their terms. As of September 30, 2004, the remaining 2% Notes are presented as noncurrent liabilities under "Convertible notes". As of September 30, 2003, the 2% Notes were presented as current liabilities.

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

In March 2004, the Company issued \$450,000 aggregate principal amount of 0.50% Convertible Senior Notes due 2024 (the "0.50% Notes") through a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The Company is obligated to pay interest on the 0.50% Notes semi-annually on March 15 and September 15 of each year. The 0.50% Notes are senior unsecured obligations of the Company and rank equal in right of payment with all existing and future senior unsecured indebtedness of the Company. The 0.50% Notes are convertible, at the option of the holders at any time before the maturity date, into Ordinary Shares of the Company at a conversion rate of

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23.1911 shares per one thousand dollars principal amount, representing a conversion price of approximately \$43.12 per share, as follows: (i) during any fiscal quarter commencing after March 31, 2004, and only during that quarter if the closing sale price of the Company's Ordinary Shares exceeds 130% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the proceeding fiscal quarter (initially 130% of \$43.12, or \$56.06); (ii) upon the occurrence of specified credit rating events with respect to the notes; (iii) subject to certain exceptions, during the five business day period after any five consecutive trading day period in which the trading price per note for each day of that measurement period was less than 98% of the product of the closing sale price of the Company's Ordinary Shares and the conversion rate; provided, however, holders may not convert their notes (in reliance on this subsection) if on any trading day during such measurement period the closing sale price of the Company's Ordinary Shares was between 100% and 130% of the then current conversion price of the notes (initially, between \$43.12 and \$56.06); (iv) if the notes have been called for redemption, or (v) upon the occurrence of specified corporate events. The 0.50% Notes are subject to redemption at any time on or after March 20, 2009, in whole or in part, at the option of the Company, at a redemption price of 100% of the principal amount plus accrued and unpaid interest, if any, on such redemption date. The 0.50% Notes are subject to repurchase, at the holders' option, on March 15, 2009, 2014 and 2019, at a repurchase price equal to 100% of the principal amount plus accrued and unpaid interest, if any, on such repurchase date ("Put Rights"). The Company may choose to pay the repurchase price in cash, Ordinary Shares or a combination of cash and Ordinary Shares. Recently, the FASB issued an exposure draft that would amend SFAS No. 128 to require that if a convertible financial instrument has an option to settle a required redemption in cash or shares, the assumption is the option would be settled in shares and therefore the "if converted" method should be applied based on the current share price and not according to the conversion price (the current accounting guidelines) when computing diluted earnings per share. Subsequent to the balance sheet date the Board of Directors has authorized the Company to amend the 0.50% Notes by waiving its right to a share settlement upon exercise of Put Rights and committing to a cash settlement. If the Company amends the 0.50% Notes as authorized by its Board of Directors, then the expected new accounting rule would have no impact on the Company's consolidated financial results.

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 13 -- NONCURRENT LIABILITIES AND OTHER

Noncurrent liabilities and other consist of the following:

	AS OF SEPTEMBER 30,	
	2004	2003
Accrued employees costs.....	\$ 82,478	\$ 75,654
Accrued pension liability(1).....	21,255	16,372
Noncurrent customer advances.....	26,281	34,725
Long-term portion of capital lease obligations.....	4,112	23,825
Accrued lease obligations.....	10,835	10,235
Other.....	9,488	11,684

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\$154,449 \$172,495
 =====

 (1) See Note 16.

NOTE 14 -- INTEREST INCOME AND OTHER, NET

Interest income and other, net consists of the following:

	YEAR ENDED SEPTEMBER 30,		
	2004	2003	2002
	-----	-----	-----
Interest income.....	\$ 17,941	\$ 26,580	\$ 31,856
Interest expense.....	(12,867)	(11,425)	(16,004)
Gain from repurchase of 2% Notes(1).....	13	448	6,012
Other, net.....	(184)	(844)	(2,566)
	-----	-----	-----
	\$ 4,903	\$ 14,759	\$ 19,298
	=====	=====	=====

 (1) See Note 12.

NOTE 15 -- CONTINGENCIES

COMMITMENTS

The Company leases office space under non-cancelable operating leases in various countries in which it does business. Future minimum non-cancelable lease payments required after October 1, 2004 are as follows:

FOR THE YEARS ENDED SEPTEMBER 30,

2005.....	\$ 46,061
2006.....	40,142
2007.....	29,979
2008.....	19,252
2009.....	14,730
Thereafter.....	35,641

	\$185,805
	=====

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 (DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

Future minimum non-cancelable lease payments, as stated above, do not

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reflect committed future sublease income of \$6,846, \$5,688, \$4,606, \$2,786, \$1,968 and \$5,461 for the years ended September 30, 2005, 2006, 2007, 2008, 2009 and thereafter, respectively. Of the \$158,450 net operating leases, net of \$27,355 of sublease income, \$10,280 has been included in accrued restructuring charges as of September 30, 2004.

Rent expense, including accruals for future lease losses, was approximately \$43,505, \$33,039 and \$39,141 for fiscal 2004, 2003 and 2002, respectively.

The Company leases vehicles under operating leases. Future minimum non-cancelable lease payments required after October 1, 2004 are as follows:

FOR THE YEARS ENDED SEPTEMBER 30,

2005.....	\$ 4,365
2006.....	3,985
2007.....	3,985
2008.....	1,804

	\$14,139
	=====

LITIGATION

On December 2, 2003 the Company announced that the United States District Court for the Eastern District of Missouri had issued an order granting the Company's motion to dismiss the securities class action lawsuits that had been pending against the Company and certain of its directors and officers since June 2002. The court's order also directed that judgment be entered in the Company's favor. On December 2, 2004, the United States Court of Appeals for the Eighth Circuit affirmed per curiam the dismissal of the complaint.

OTHER LEGAL PROCEEDINGS

The Company is involved in various other 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.

SECURITIES AND EXCHANGE COMMISSION INVESTIGATION

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

GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES

The Company is a party to an agreement entered into prior to December 31, 2002 that includes an indemnification of one of its customers for any withholding tax that might be required under the customer's local tax laws from certain payments made to the Company under this agreement. The

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
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indemnification under this agreement expires in December 2005. As of September 30, 2004 and September 30, 2003, the maximum potential amount of the Company's future exposure under this guarantee pursuant to FIN No. 45 was \$4,717.

The Company generally sells its ClarifyCRM products with a limited warranty for a period of 90 days. The Company's policy is to accrue for warranty costs, if needed, based on historical trends in product failure. Based on the Company's experience, only minimal warranty services have been required and, as a result, the Company did not accrue any amounts for product warranty liability during fiscal years 2004 and 2003.

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 only minimal costs as a result of such obligations and has not accrued any liabilities related to such indemnification in its consolidated financial statements.

NOTE 16 -- EMPLOYEE BENEFITS

The Company accrues severance pay for the employees of its Israeli operations in accordance with Israeli law and certain employment procedures on the basis of the latest monthly salary paid to these employees and the length of time that they have worked for the Israeli operations. The severance pay liability, which is included in noncurrent liabilities and other, is partially funded by amounts on deposit with insurance companies, which are included in other noncurrent assets. Severance expenses were approximately \$15,363, \$15,036 and \$9,953 for fiscal 2004, 2003 and 2002, respectively.

The Company sponsors defined contribution plans covering certain employees in the U.S., U.K. and Canada. The plans provide for Company matching contributions based upon a percentage of the employees' voluntary contributions. The Company's contributions in fiscal 2004, 2003 and 2002 under such plans were not significant.

Following the Company's acquisition of Certen (see Note 3) and commencing on the acquisition date, July 2, 2003, the Company maintains non-contributory defined benefit plans that provide for pension, other retirement and post employment benefits for Certen employees based on length of service and rate of pay. The measurement date for the pension plan was September 30, 2003 and the measurement date for the other benefits was December 31, 2003.

COMPONENTS OF NET BENEFIT PLANS COST

The net periodic benefit cost for the year ended September 30, 2004, related to pension and other benefits were as follows:

	PENSION BENEFITS -----	OTHER BENEFITS -----
Service costs.....	\$ 1,967	\$373
Interest on benefit obligations.....	2,676	386

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Expected return on plan assets.....	(2,200)	--
	-----	----
	\$ 2,443	\$759
	=====	=====

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

The net periodic benefit cost for the year ended September 30, 2003 (commencing July 2, 2003), related to pension and other benefits were as follows:

	PENSION BENEFITS	OTHER BENEFITS
	-----	-----
Service costs.....	\$ 493	\$ 90
Interest on benefit obligations.....	564	98
Expected return on plan assets.....	(409)	--
	-----	----
	\$ 648	\$188
	=====	=====

COMPONENTS OF ACCRUED BENEFIT LIABILITY

The following table sets forth changes in the fair value of plan assets, benefit obligations and the funded status of the plans:

	PENSION BENEFITS	OTHER BENEFITS
	-----	-----
CHANGE IN PLAN ASSETS:		
Fair value of plan assets as of September 30, 2003.....	\$ 27,971	\$ --
Actual return on plan assets.....	3,077	--
Foreign exchange gain.....	1,735	--
Employer contribution.....	2,208	8
Benefits paid.....	(949)	(8)
	-----	-----
FAIR VALUE OF PLAN ASSETS AS OF SEPTEMBER 30, 2004.....	34,042	--
	-----	-----
CHANGE IN BENEFIT OBLIGATIONS:		
Benefit obligations as of September 30, 2003.....	(38,294)	(5,426)
Service costs.....	(1,967)	(373)
Interest on benefit obligations.....	(2,676)	(386)
Actuarial losses.....	(2,446)	(248)
Special termination costs.....	(2,209)	(360)
Foreign exchange loss.....	(3,108)	(449)
Benefits paid.....	949	8
	-----	-----
BENEFIT OBLIGATIONS AS OF SEPTEMBER 30, 2004.....	(49,751)	(7,234)
	-----	-----

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FUNDED STATUS-PLAN DEFICIT AS OF SEPTEMBER 30, 2004.....	(15,709)	(7,234)
Unrecognized actuarial net losses.....	(1,077)	(257)
	-----	-----
ACCRUED BENEFIT COSTS AS OF SEPTEMBER 30, 2004.....	\$ (14,632)	\$ (6,977)
	=====	=====
ACCRUED BENEFIT COSTS INCLUDED IN ACCRUED PERSONNEL COSTS.....	\$ (354)	\$ --
	=====	=====
ACCRUED BENEFIT COSTS INCLUDED IN NONCURRENT LIABILITIES AND OTHER.....	\$ (14,278)	\$ (6,977)
	=====	=====

As of September 30, 2004, the accumulated benefit obligation for the pension plan was \$41,097, and \$6,824 for the other benefits.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table sets forth the funded status of the plans as of September 30, 2003:

	PENSION BENEFITS	OTHER BENEFITS
	-----	-----
CHANGE IN PLAN ASSETS:		
Fair value of plan assets in acquisition acquired.....	\$ 27,060	\$ --
Actual return on plan assets.....	1,032	--
Foreign exchange loss.....	(107)	--
Benefits paid.....	(14)	--
	-----	-----
FAIR VALUE OF PLAN ASSETS AS OF SEPTEMBER 30, 2003.....	27,971	--
	-----	-----
CHANGE IN BENEFIT OBLIGATIONS:		
Benefit obligations assumed in acquisition.....	(37,400)	(5,262)
Service costs.....	(493)	(90)
Interest on benefit obligations.....	(564)	(98)
Foreign exchange gain.....	149	24
Benefits paid.....	14	--
	-----	-----
BENEFIT OBLIGATIONS AS OF SEPTEMBER 30, 2003.....	(38,294)	(5,426)
	-----	-----
FUNDED STATUS-PLAN DEFICIT AS OF SEPTEMBER 30, 2003.....	(10,323)	(5,426)
Unrecognized actuarial net gain.....	623	--
	-----	-----
ACCRUED BENEFIT COSTS AS OF SEPTEMBER 30, 2003.....	\$ (10,946)	\$ (5,426)
	=====	=====

SIGNIFICANT ASSUMPTIONS

The significant assumptions adopted in measuring the Canadian subsidiary's accrued benefit obligations and the net periodic benefit cost were as follows:

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	2004	2003
	----	----
AS OF SEPTEMBER 30:		
ACCRUED BENEFIT OBLIGATIONS		
Weighted average discount rate, end of year.....	6.25%	6.50%
Weighted average rate of compensation increase, end of year.....	3.50	3.50
FOR THE YEAR ENDED SEPTEMBER 30:		
NET PERIODIC BENEFIT COST		
Weighted average discount rate, end of preceding year.....	6.50%	n/a(1)
Weighted average expected long-term rate of return on plan assets, end of preceding year.....	7.50	n/a(1)
Weighted average rate of compensation increase, end of preceding year.....	3.50	n/a(1)

(1) The plans commenced following the Company's acquisition of Certen on July 2, 2003; therefore there is no data for this time period.

The expected future rate of return assumption is based on the target asset allocation policy and the expected future rates of return on these assets.

For measurement purposes, a 4.5% annual rate of increase in the per capita cost of covered health care benefits (the health care cost trend rate) was assumed for the year ended September 30, 2004, except

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
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for the cost of medication, which was assumed to increase at an annual rate of 10.5% for 2004. This rate was assumed to gradually decline to 4.5% by 2010 and remain stable thereafter.

A 1% change in the assumed health care cost trend rates would have the following effect as of September 30, 2004:

	1% INCREASE	1% DECREASE
	-----	-----
Effect on other benefits -- total service and interest cost.....	\$ 102	\$ (82)
Effect on other benefits -- accrued benefit obligations.....	1,116	(878)

PENSION PLAN ASSETS

The following table sets forth the allocation of the pension plan assets as of September 30, 2004 and 2003, the target allocation for 2005 and the expected long-term rate of return by asset class. The fair value of the plan assets was \$34,042 as of September 30, 2004 and \$27,971 as of September 30, 2003.

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ASSET CATEGORY	TARGET	PERCENTAGE		WEIGHTED-
	ALLOCATION	OF PLAN		AVERAGE
		ASSETS AS OF		LONG-TERM
		SEPTEMBER 30,		RATE OF RETURN
	2005	2004	2003	2004
Equity securities.....	45%-65%	57%	56%	9.0%
Debt securities.....	35-55	43	44	5.5
		---	---	
Total.....		100%	100%	7.5
		===	===	

Plan assets consist primarily of Canadian and other equities, government and corporate bonds, debentures and secured mortgages, which are held in units of the BCE Master Trust Fund, a Trust established by Bell. The investment strategy is to maintain an asset allocation that is diversified between multiple different asset classes, and between multiple managers within each asset class, in order to minimize the risk of large losses and to maximize the long-term risk-adjusted rate of return.

PROJECTED CASH FLOWS

The Company is responsible for adequately funding the pension plan. Contributions by the Company are based on various generally accepted actuarial methods and reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits. The Company contributed \$2,208 to the pension plan in 2004 which was the minimum contribution required by law. Because the Company does not fund the other employee future benefit plan, the total payments of \$8 paid in 2004 represents payments made to beneficiaries under this plan. The following table sets forth the Company's estimates for future minimum contributions to the pension plan and for benefit payments under the other benefit plan.

FOR THE YEARS ENDED SEPTEMBER 30,	PENSION	OTHER
	BENEFITS	BENEFITS
2005.....	\$ 3,285	\$ 89
2006.....	2,628	109
2007.....	2,725	121
2008.....	2,836	136
2009.....	2,950	155
2010 - 2014.....	16,236	1,266
	-----	-----
Total.....	\$30,660	\$1,876
	=====	=====

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
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NOTE 17 -- CAPITAL TRANSACTIONS

The following are details of the Ordinary Shares issued and outstanding:

	AS OF SEPTEMBER 30,	
	2004	2003
	-----	-----
Voting Ordinary Shares issued.....	224,947	223,790
Less -- treasury stock.....	(23,613)	(7,732)
	-----	-----
Ordinary Shares outstanding.....	201,334	216,058
	=====	=====

The Company's capital transactions are described below:

Total proceeds from the exercise of employee stock options amounted to \$12,077, \$2,320 and \$5,161 in fiscal 2004, 2003 and 2002, respectively.

During fiscal 2002, the Company repurchased 7,732 Ordinary Shares, at an average price of \$14.13 per share pursuant to a share repurchase program.

On November 5, 2003, the Company announced that its Board of Directors had authorized a share repurchase program of up to 5,000 Ordinary Shares over the next twelve months. The authorization permitted the Company to purchase Ordinary Shares in open market or privately negotiated transactions and at prices the Company deems appropriate. The Company stated that one of the main purposes of the repurchase program was to offset the dilutive effect of any future share issuances, including issuances pursuant to employee equity plans or in connection with acquisitions. During the first quarter of fiscal 2004, the Company repurchased 4,990 Ordinary Shares under this repurchase program, for an aggregate purchase price of \$123,993.

In connection with the Company's acquisition of XACCT (see Note 3), the Company's Board of Directors approved the repurchase of Ordinary Shares to offset the dilutive effect of share issuances in the acquisition. The closing of the acquisition occurred in February 2004, and the Company repurchased 484 Ordinary Shares in February 2004 for an aggregate purchase price of \$13,417.

In connection with the Company's issuance of the 0.50% Notes (see Note 12), the Board of Directors approved the repurchase of Ordinary Shares sold short by purchasers of the 0.50% Notes in negotiated transactions, concurrently with the sale of the notes, to offset the dilutive effect of the Ordinary Shares issuable upon conversion of the 0.50% Notes. The closing of the sale of the 0.50% Notes occurred in March 2004, and the Company repurchased 6,074 Ordinary Shares, for an aggregate purchase price of \$170,061, out of the 10,436 Ordinary Shares issuable upon conversion of the 0.50% Notes, based on a conversion rate of 23.1911 shares per \$1,000 principal amount.

On July 28, 2004, the Company announced that its Board of Directors extended the share repurchase program for the additional repurchase of up to \$100,000 of its Ordinary Shares in open market or privately negotiated transactions and at times and prices the Company deems appropriate. In accordance with this extension, the Company repurchased 4,894 Ordinary Shares, at an average price of \$20.40 per share.

The Company funded these repurchases, and intends to fund any future

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repurchases, with available funds.

NOTE 18 -- STOCK OPTION AND INCENTIVE PLAN

In January 1998, the Company first adopted, and in each of January 1999, January 2000, January 2001 and January 2004, the Company has amended, the Amdocs Limited 1998 Stock Option and Incentive Plan (the "Plan"). Under the provisions of the Plan, 38,300 Ordinary Shares were authorized to

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

be granted to officers, directors, employees and consultants. Such options fully vest over a period of up to seven years and have a term of ten years.

The following table summarizes information about share options, as well as changes during the years ended September 30, 2004, 2003 and 2002:

	NUMBER OF SHARE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Outstanding as of October 1, 2001.....	14,151.2	\$38.89
Granted.....	16,648.5	23.88
Exercised.....	(688.9)	7.49
Forfeited.....	(2,418.8)	44.02

Outstanding as of September 30, 2002.....	27,692.0	30.30
Granted.....	3,151.2	10.49
Exercised.....	(474.5)	4.89
Forfeited.....	(4,803.0)	37.16

Outstanding as of September 30, 2003.....	25,565.7	27.04
Granted.....	4,177.2	22.07
Exercised.....	(1,156.5)	10.44
Forfeited.....	(2,539.9)	30.89

Outstanding as of September 30, 2004.....	26,046.5	26.61
	=====	

As of September 30, 2004, 8,476.3 Ordinary Shares remained available for grant pursuant to the Plan.

The following table summarizes information about share options outstanding as of September 30, 2004:

	OUTSTANDING		EXERCISABLE
	-----		-----
	WEIGHTED AVERAGE REMAINING	WEIGHTED AVERAGE	
	-----		-----

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EXERCISE PRICE	NUMBER OUTSTANDING	CONTRACTUAL LIFE (IN YEARS)	EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$ 0 - 3.01	472.4	3.93	\$ 1.86	462.7	\$ 1.90
6.40 - 18.60	8,138.2	7.88	9.99	2,796.5	9.59
19.21 - 28.60	6,510.1	7.84	24.56	1,827.2	25.92
30.94 - 31.90	4,694.6	7.20	31.01	3,851.9	31.01
33.07 - 45.07	3,198.3	6.27	38.30	2,483.7	38.16
47.90 - 65.01	2,535.3	5.96	58.36	2,184.7	58.13
66.25 - 78.31	497.6	5.83	70.23	476.4	70.10

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
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NOTE 19 -- EARNINGS (LOSS) PER SHARE

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

	YEAR ENDED SEPTEMBER 30,		
	2004	2003	2002
Numerator:			
Net income (loss).....	\$234,860	\$168,883	\$ (5,061)
Denominator:			
Denominator for basic earnings (loss) per share -- weighted average number of shares outstanding(1).....	208,726	215,849	220,361
Effect of dilutive stock options granted(2).....	5,471	4,027	--
Denominator for dilutive earnings (loss) per share -- adjusted weighted average shares and assumed conversions(1).....	214,197	219,876	220,361
Basic earnings (loss) per share.....	\$ 1.13	\$ 0.78	\$ (0.02)
Diluted earnings (loss) per share.....	\$ 1.10	\$ 0.77	\$ (0.02)

(1) The weighted average number of shares outstanding includes exchangeable shares issued to shareholders of Amdocs Canada, Inc. (formerly Solect Technology Group Inc. ("Solect")) pursuant to the Company's acquisition of Solect in April 2000, which were exchangeable for the Company's Ordinary Shares on a one-for-one basis. As of September 30, 2003, none of the exchangeable shares remained outstanding.

(2) Due to net loss, 2,201 anti-dilutive securities are excluded from the

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computation of diluted average number of shares outstanding in the year ended September 30, 2002.

The effect of the 2% Notes issued by the Company in May 2001 on diluted earnings (loss) per share was anti-dilutive for the years ended September 30, 2004, 2003 and 2002, and therefore was not included in the calculation above. The effect of the 0.50% Notes issued by the Company in March 2004 on diluted earnings per share was not included in the above calculation due to the conditions on their conversion. The weighted average effect of the repurchase of Ordinary Shares by the Company has been included in the calculation of basic earnings (loss) per share. See Note 17.

NOTE 20 -- SEGMENT INFORMATION AND SALES TO SIGNIFICANT CUSTOMERS

The Company and its subsidiaries operate in one operating segment, providing business support systems and related services primarily for the communications industry.

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED) (DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

GEOGRAPHIC INFORMATION

The following is a summary of revenue and long-lived assets by geographic area. Revenue is attributed to geographic region based on the location of the customers.

	YEAR ENDED SEPTEMBER 30,		
	2004	2003	2002
REVENUE			
United States.....	\$ 824,931	\$ 732,400	\$ 817,728
Canada.....	333,898	183,973	178,240
Europe.....	480,177	442,673	466,098
Rest of the world.....	134,726	124,281	151,499
Total.....	\$1,773,732	\$1,483,327	\$1,613,565

	AS OF SEPTEMBER 30,		
	2004	2003	2002
LONG-LIVED ASSETS			
United States(1).....	\$ 340,090	\$ 308,959	\$ 302,950
Canada(2).....	668,806	686,748	539,832
Rest of the world.....	98,817	90,911	138,334
Total.....	\$1,107,713	\$1,086,618	\$ 981,116

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- (1) Primarily goodwill, computer software and hardware.
 (2) Primarily goodwill.

REVENUE AND CUSTOMER INFORMATION

Customer care and billing, customer relationship management or CRM, and order management systems (collectively, "CC&B") include systems for wireline, wireless, voice, video, data, broadband, content, electronic and mobile commerce and IP services. Directory includes directory sales and publishing systems for publishers of both traditional printed yellow pages and white pages directories and electronic Internet directories.

	YEAR ENDED SEPTEMBER 30,		
	2004	2003	2002
CC&B.....	\$1,536,993	\$1,280,430	\$1,439,980
Directory.....	236,739	202,897	173,585
Total.....	\$1,773,732	\$1,483,327	\$1,613,565

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
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SALES TO SIGNIFICANT CUSTOMERS

The following table summarizes the percentage of sales to significant customers groups (when they exceed 10 percent of total revenue for the year).

	YEAR ENDED SEPTEMBER 30,		
	2004	2003	2002
Customer 1.....	18%	11%	(*)%
Customer 2.....	14	15	12
Customer 3.....	12	11	11
Customer 4.....	(*)	(*)	10

 (*) Less than 10 percent of total revenue

NOTE 21 -- OPERATIONAL EFFICIENCY AND COST REDUCTION PROGRAMS

Fiscal Year Ended September 30, 2003

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In the first quarter of fiscal 2003, the Company implemented a series of measures designed to reduce costs and improve productivity, with targeted quarterly savings of approximately \$8,000. As part of this plan, the Company reduced its workforce by approximately 400 employees, representing approximately 4% of the Company's worldwide workforce of 9,000 full-time employees, vacated facilities in different centers around the world and implemented other cost reduction measures, including travel cuts and reduction in other discretionary costs.

The restructuring charge associated with these actions and recorded in the first quarter of fiscal 2003 was \$9,956. Approximately \$5,923 of the total charge was paid in cash as of September 30, 2004. The remaining facility related costs, are expected to be paid out through June 2008.

Details of \$9,956 Restructuring Charge:

The Company recorded a charge of \$4,011 related to employee separation costs in connection with the termination of employment of software information technology specialists and administrative professionals from various locations around the world. The Company recorded a charge of \$4,022 related to facilities, representing rent obligations relating to vacated facilities in Raanana, Israel and St. Louis, Missouri. The Company also recorded a provision of \$1,829 for asset write-offs, principally for leasehold improvements in Raanana, Israel and St. Louis, Missouri that were abandoned.

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The first quarter of fiscal 2003 restructuring charge is comprised of the following as of September 30, 2004:

	EMPLOYEE SEPARATION COSTS	FACILITIES	ASSET WRITE-OFFS	OTHER	TOTAL
	-----	-----	-----	-----	-----
Balance as of October 1, 2002.....	\$ --	\$ --	\$ --	\$ --	\$ --
Charges.....	4,011	4,022	1,829	94	9,956
Cash payments.....	(3,890)	(467)	--	(94)	(4,451)
Non cash.....	--	--	(1,829)	--	(1,829)
Adjustments(1).....	38	(453)	--	--	(415)
	-----	-----	-----	-----	-----
Balance as of September 30, 2003.....	159	3,102	--	--	3,261
Cash payments.....	(167)	(1,305)	--	--	(1,472)
Adjustments.....	8	--	--	--	8
	-----	-----	-----	-----	-----
Balance as of September 30, 2004.....	\$ --	\$ 1,797	\$ --	\$ --	\$ 1,797
	=====	=====	=====	=====	=====

(1) Reflects differences in foreign exchange rates from balances paid in currencies other than the U.S. dollar of \$81 that were credited to "interest income and other, net" and adjustments of \$334 due to changes in previous estimates. These adjustments resulted in a decrease of restructuring

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liabilities related to facilities of \$453 and an increase of restructuring liabilities related to employee separation costs of \$119. The net amount was credited to "cost of service" and "selling, general and administrative" expenses in the year ended September 30, 2003.

The financial savings of these actions, of approximately \$8,000 quarterly commencing in the second quarter of 2003, is reflected as a reduction in operating expense. These cost savings may not be permanent as increased activity levels resulting from, among other factors, acquisitions, Managed Services agreements and increased revenue, may require an increase in headcount and other increased spending.

Fiscal Year Ended September 30, 2002

In the fourth quarter of fiscal 2002, the Company implemented a cost reduction program targeted to reduce costs by approximately \$30,000 quarterly in response to a decline of the forecasted revenue for the third and fourth quarters of fiscal 2002. The decline resulted from, among other factors, slowdowns in customer buying decisions in the third quarter of fiscal 2002, stemming from overall reductions in the capital investment budgets of many communications service providers, leading to fewer new contracts than expected, as well as from smaller than expected initial spending commitments and reduced discretionary spending under contracts with some customers.

The restructuring charge associated with these actions and recorded in the fourth quarter of fiscal 2002 was \$20,919. Approximately \$17,063 of the total charge was paid in cash as of September 30, 2004. The remaining facility related costs, are expected to be paid out through April 2012.

Details of \$20,919 Restructuring Charge:

The Company recorded a charge of \$11,353 related to employee separation costs in connection with the termination of employment of approximately 1,000 employees, representing approximately 10% of the Company's worldwide workforce of 9,900 full-time employees. The actual number of employees terminated approximated original estimates. There was not a single group of employees or business function that was solely impacted by these measures; instead it impacted information technology specialists and administration professionals across a broad range of functions according to the areas with reduced activities. The Company recorded a charge of \$7,880 related to facilities, representing rent obligations

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relating to vacated facilities in various locations in Canada, Israel and the United States. The Company also recorded a provision of \$1,584 for asset write-offs, principally for leasehold improvements in Canada, Israel and the United States that were abandoned.

The fourth quarter of fiscal 2002 restructuring charge is comprised of the following as of September 30, 2004:

EMPLOYEE SEPARATION COSTS	FACILITIES	ASSET WRITE-OFFS	OTHER	TOTAL
---------------------------------	------------	---------------------	-------	-------

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Balance as of October 1, 2001.....	\$ --	\$ --	\$ --	\$ --	\$ --
Charges.....	11,353	7,880	1,584	102	20,919
Cash payments.....	(8,053)	(456)	--	(57)	(8,566)
Non cash.....	--	--	(1,584)	--	(1,584)
Balance as of September 30, 2002.....	3,300	7,424	--	45	10,769
Cash payments.....	(3,240)	(4,082)	--	(45)	(7,367)
Adjustments(1).....	22	(148)	--	--	(126)
Balance as of September 30, 2003.....	82	3,194	--	--	3,276
Cash payments.....	--	(1,130)	--	--	(1,130)
Adjustments(2).....	(82)	601	--	--	519
Balance as of September 30, 2004.....	\$ --	\$ 2,665	\$ --	\$ --	\$ 2,665

(1) Reflects differences in foreign exchange rates from balances paid in currencies other than the U.S. dollar of \$21 that were credited to "interest income and other, net" and adjustments of \$105 due to changes in previous estimates. These adjustments resulted in a decrease of restructuring liabilities related to facilities of \$148 and an increase of restructuring liabilities related to employee separation costs of \$43. The net amount was credited to "cost of service" and "selling, general and administrative" expenses in the year ended September 30, 2003.

(2) Reflects differences in foreign exchange rates from balances paid in currencies other than the U.S. dollar of \$71 that were charged to "interest income and other, net" and adjustments of \$448 due to changes in previous estimates. These adjustments resulted in an increase of restructuring liabilities related to facilities of \$513 and a decrease of restructuring liabilities related to employee separation costs of \$65. The net amount was credited to "cost of service" and "selling, general and administrative" expenses in the year ended September 30, 2004.

The financial savings of these actions of approximately \$30,000 quarterly commencing in the first quarter of fiscal 2003 is reflected as a reduction in operating expense. These cost savings may not be permanent as increased activity levels resulting from, among other factors, acquisitions, Managed Services agreements and increased revenue, may require an increase in headcount and other increased spending.

In the first quarter of fiscal 2002, as part of a plan to achieve increased operational efficiency and to more closely monitor and reduce costs, the Company consolidated its Stamford, Connecticut data center into its Champaign, Illinois facility and closed the Stamford facility.

The restructuring charge associated with this action and recorded in the first quarter of fiscal 2002 was \$13,311. Approximately \$7,108 of the total charge was paid in cash as of September 30, 2004. The remainder of the charge, comprised of facility related costs, is expected to be paid out through August 2008.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

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Details of \$13,311 Restructuring Charge:

Approximately \$6,255 of the total restructuring charge related to facilities and represented rent obligations outstanding for the Stamford site. Approximately \$4,126 of the total restructuring charge related to the write-off of leasehold improvements at the Stamford site that were abandoned. The Company also recorded a provision of \$2,530 related to employee separation costs in connection with the termination of employment of 166 employees.

The restructuring charge related to the consolidation of the Stamford and Champaign facilities is comprised of the following as of September 30, 2004:

	EMPLOYEE SEPARATION COSTS	FACILITIES	ASSET WRITE-OFFS	OTHER	TOTAL
	-----	-----	-----	-----	-----
Balance as of October 1, 2001.....	\$ --	\$ --	\$ --	\$ --	\$ --
Charges.....	2,530	6,255	4,126	400	13,311
Cash payments.....	(2,473)	(2,592)	--	(5)	(5,070)
Non cash.....	--	--	(4,126)	--	(4,126)
	-----	-----	-----	-----	-----
Balance as of September 30, 2002.....	57	3,663	--	395	4,115
Cash payments.....	--	(785)	--	(141)	(926)
Adjustments(1).....	(57)	(168)	--	(254)	(479)
	-----	-----	-----	-----	-----
Balance as of September 30, 2003.....	--	2,710	--	--	2,710
Cash payments.....	--	(1,112)	--	--	(1,112)
Adjustments(2).....	--	4,220	--	--	4,220
	-----	-----	-----	-----	-----
Balance as of September 30, 2004.....	\$ --	\$ 5,818	\$ --	\$ --	\$ 5,818
	=====	=====	=====	=====	=====

(1) Reflects adjustments of \$479 due to changes in previous estimates. These adjustments resulted in a decrease of restructuring liabilities related to facilities of \$168, a decrease of restructuring liabilities related to employee separation costs of \$57 and a decrease in other related costs of \$254. The net amount was credited to "cost of service" and "selling, general and administrative" expenses in the year ended September 30, 2003.

(2) Reflects adjustments of \$4,220 due to changes in previous estimates. These adjustments resulted in an increase of restructuring liabilities related to facilities of \$4,220, which was charged to "cost of service" and "selling, general and administrative" expenses in the year ended September 30, 2004.

The operating costs related to the Stamford site that were eliminated were approximately \$8,500 in its last quarter of activity.

Actual future cash requirements may differ materially from the accrual as of September 30, 2004, particularly if actual sublease income differs significantly from current estimates.

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

NOTE 22 -- FINANCIAL INSTRUMENTS

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The Company enters into forward contracts to purchase and sell foreign currencies to reduce the exposure associated with revenue denominated in a foreign currency and exposure associated with anticipated expenses (primarily personnel costs), in non-U.S. dollar-based currencies and designates these as cash flow hedges. The Company also may enter into forward contracts to sell foreign currency in order to hedge its exposure associated with some firm commitments from customers in non-U.S. dollar-based

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
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currencies and designates these for accounting purposes as fair value hedges. As of September 30, 2004 and 2003, the Company had no outstanding fair value hedges. The derivative financial instruments are afforded hedge accounting because they are effective in managing foreign exchange risks and are appropriately assigned to the underlying exposures. The Company does not engage in currency speculation. The Company currently enters into forward exchange contracts exclusively with major financial institutions. Forward contracts, which are not designated as hedging instruments under SFAS No. 133, are used to offset the effect of exchange rates on certain assets and liabilities. The Company currently hedges its exposure to the variability in future cash flows for a maximum period of three years.

The hedges are evaluated for effectiveness at least quarterly. As the critical terms of the forward contract and the hedged transaction are matched at inception, the hedge effectiveness is assessed generally based on changes in forward rates for cash flow hedges as compared to the changes in the fair value of the cash flows associated with the underlying hedged transactions. The effective portion of the change in the fair value of forward exchange contracts, which are classified as cash flow hedges, is recorded as comprehensive income until the underlying transaction is recognized in earnings. For fair value hedges, changes in the fair value of forward exchange contracts offset the change in the fair value of the hedged item to the extent of the arrangement's effectiveness. Any residual change in fair value of the forward contracts, such as time value, excluded from effectiveness testing for hedges of estimated receipts from customers, is recognized immediately in "interest income and other, net". Hedge ineffectiveness, if any, is also included in current period in earnings in "interest income and other, net".

The Company discontinues hedge accounting for a forward contract when (1) it is determined that the derivative is no longer effective in offsetting changes in the fair value of cash flows of hedged item; (2) the derivative matures or is terminated; (3) it is determined that the forecasted hedged transaction will no longer occur; (4) a hedged firm commitment no longer meets the definition of a firm commitment; or (5) management decides to remove the designation of the derivative as a hedging instrument.

When hedge accounting is discontinued, and if the derivative remains outstanding, the Company will record the derivative at its fair value on the consolidated balance sheet, recognizing changes in the fair value in current period earnings in "interest income and other, net". When the Company discontinues hedge accounting because it is no longer probable that the forecasted transaction will occur, the gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings in "interest income and other, net".

The fair value of the open contracts recorded by the Company in its consolidated balance sheets as an asset or a liability is as follows:

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	AS OF SEPTEMBER 30,	
	2004	2003
	-----	-----
Prepaid expenses and other current assets.....	\$ 2,529	\$ 7,447
Accrued expenses and other current liabilities.....	(2,465)	(2,138)
Noncurrent liabilities and other.....	(2,200)	--
	-----	-----
Net fair value.....	\$ (2,136)	\$ 5,309
	=====	=====

All forward contracts outstanding as of September 30, 2004 are expected to mature within the next two years.

During fiscal years 2004, 2003 and 2002, the gains or losses recognized in earnings for hedge ineffectiveness, excluding the time value portion excluded from effectiveness testing, were not material. During fiscal years 2004, 2003 and 2002, the Company recognized losses of \$0, \$143 and \$0, respectively,

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLAR AND SHARE AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

for a hedged firm commitment that no longer qualified as a fair value hedge. During fiscal years 2004, 2003 and 2002, the Company recognized losses of \$1,189, \$16 and \$25, respectively, resulting from hedged forecasted cash flows that no longer qualified as cash flow hedges. All of the above gains or losses are included in "interest income and other, net".

Derivatives gains and losses, that are included in other comprehensive income (loss), are reclassified into earnings at the time the forecasted revenue or expenses are recognized. The Company estimates that a \$213 net gain related to forward contracts that is included in other comprehensive income as of September 30, 2004 will be reclassified into earnings within the next twelve months. The amount ultimately realized in earnings will likely differ due to future changes in foreign exchange rates.

NOTE 23 -- SELECTED QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following are details of the unaudited quarterly results of operations for the three months ended:

	SEPTEMBER 30,	JUNE 30,	MARCH 31,	DECEMBER
	-----	-----	-----	-----
2004				
Revenue.....	\$452,455	\$450,224	\$442,758	\$428,2
Operating income.....	76,948	76,699	75,584	66,9
Net income.....	61,582	59,920	60,290	53,0
Basic earnings per share.....	0.30	0.29	0.29	0.
Diluted earnings per share.....	0.30	0.28	0.28	0.
2003(1)				

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Revenue.....	\$411,759	\$377,168	\$355,014	\$339,3
Operating income.....	56,167	59,982	56,314	37,9
Net income.....	43,871	47,438	45,375	32,1
Basic earnings per share.....	0.20	0.22	0.21	0.
Diluted earnings per share.....	0.20	0.21	0.21	0.

(1) In fiscal 2003, the fiscal quarter ended December 31, 2002 included a restructuring charge of \$9,956, and the fiscal quarter ended September 30, 2003 included a charge related to the Company's 10% share in Certen's pre-acquisition results of \$4,133.

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AMDOCS LIMITED
FINANCIAL STATEMENT SCHEDULE
VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

	ACCOUNTS RECEIVABLE ALLOWANCES	VALUATION ALLOWANCES ON NET DEFERRED TAX ASSETS
	-----	-----
Balance as of October 1, 2001.....	\$ 4,118	\$ 27,907
Additions:		
Charged to costs and expenses.....	--	--
Charged to revenue.....	9,082	--
Charged to other accounts.....	13,777 (1)	--
Deductions.....	(737)	(17,203)
	-----	-----
Balance as of September 30, 2002.....	26,240	10,704
Additions:		
Charged to costs and expenses.....	--	--
Charged to revenue.....	17,585	--
Charged to other accounts.....	--	2,578 (2)
Deductions.....	(25,807) (3)	(13,282) (4)
	-----	-----
Balance as of September 30, 2003.....	18,018	--
Additions:		
Charged to costs and expenses.....	--	8,076 (5)
Charged to revenue.....	2,881	--
Charged to other accounts.....	4,176	3,348
Deductions.....	(12,905)	--
	-----	-----
Balance as of September 30, 2004.....	\$ 12,171	\$ 11,424
	=====	=====

(1) Includes accounts receivable allowance of \$13,777 acquired as part of the acquisition of Clarify.

(2) Includes valuation allowances on net deferred tax assets incurred during fiscal 2003.

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- (3) Includes accounts receivable allowance eliminated as a result of the acquisition of Certen and write-off of accounts receivable previously reserved.
- (4) Release of valuation allowance.
- (5) Valuation allowances on deferred tax assets incurred during fiscal 2004.

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