AMDOCS LTD
Form 424B3
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Registration Statement No. 333-114344

PROSPECTUS

$450,000,000

AMDOCS LIMITED

0.50% Convertible Senior Notes due 2024

10,435,995 Ordinary Shares issuable upon conversion of the Notes

Amdocs Limited, a company organized under the laws of the Island of Guernsey, issued $450,000,000 aggregate principal amount of its 0.50% Convertible Senior Notes due 2024 in a private placement on March 5, 2004 to the initial purchasers. The initial purchasers resold the notes to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended. This prospectus will be used by the selling securityholders from time to time to resell their notes and any ordinary shares issuable upon conversion of the notes. We will not receive any proceeds from the sale of the notes or any ordinary shares issuable upon conversion of the notes offered by this prospectus.

The notes bear regular interest at 0.50% per annum on the principal amount from March 5, 2004. Regular interest is payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2004. The notes are unsecured and unsubordinated obligations of Amdocs Limited and will rank equal in priority with all of its other existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of its existing and future subordinated indebtedness.

Holders may convert each note for a number of ordinary shares, which we refer to as the conversion rate, as follows:

during any fiscal quarter commencing after March 31, 2004, and only during that quarter if the closing sale price of our 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 preceding fiscal quarter (initially 130% of $43.12, or $56.06),

upon the occurrence of specified credit rating events with respect to the notes;

subject to certain exceptions, during the five business day period after any five consecutive trading day period (the measurement 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 our 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 our ordinary shares was between 100% and 130% of the then current conversion price of the notes (initially, between $43.12 and $56.06),

if the notes have been called for redemption, or

upon the occurrence of specified corporate events described under Description of Notes Conversion of Notes Conversion Upon Specified Corporate Transactions.

Beginning March 20, 2009, we may redeem any of the notes at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest. Holders may require us to repurchase some or all of their notes at a repurchase price equal to 100% of their principal amount plus accrued and unpaid interest and liquidated damages, if any, on March 15 of 2009, 2014 and 2019 or at any time prior to their maturity following a designated event, as defined herein.

The initial conversion rate for the notes is 23.1911 ordinary shares per $1,000 principal amount of notes, subject to adjustment as described in this prospectus, which represents an initial conversion price of approximately $43.12 per share.

Our ordinary shares are traded on the New York Stock Exchange under the symbol DOX. On October 27, 2005, the closing sale price of our ordinary shares on the New York Stock Exchange was $25.75 per share. You are urged to obtain current market quotations for our ordinary shares.

For a more detailed description of the notes, see Description of Notes beginning on page 25.

See Risk Factors beginning on page 8 to read about factors you should consider before investing in the notes or our ordinary shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is October 31, 2005.

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We have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus. The selling securityholders are offering to sell, and seeking offers to buy, the securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the securities.

PROSPECTUS SUMMARY

This summary highlights selected information about us and the notes and is not intended to be complete. It does not contain all the information that you should consider before investing in the notes. You should read carefully this entire prospectus, including Risk Factors and our consolidated financial statements and related notes and the other documents that we incorporate by reference into this prospectus before making an investment decision.

Amdocs Limited

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 and 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 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. 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.

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

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

Provide Customers with a Broad, Integrated Suite of Products. We seek to provide our customers with a broad suite of products to 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.

We were 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 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. 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. We maintain a website at www.amdocs.com. We are not incorporating the information contained in our website as part of, or incorporating it by reference into, this prospectus.

Unless the context otherwise requires, references in this prospectus to Amdocs, we, us, and our refer to Amdocs Limited and its subsidiaries.

THE OFFERING

Issuer	Amdocs Limited, a company organized under the laws of the Island of Guernsey.
Securities Offered	$450.0 million principal amount of 0.50% Convertible Senior Notes due 2024 and 10,435,995 ordinary shares issuable upon conversion of the notes.
Maturity Date	March 15, 2024, unless earlier converted, redeemed or repurchased.
Ranking	The notes are our direct, unsecured and unsubordinated obligations and rank equal in priority with all of our other existing and future unsecured and unsubordinated indebtedness, including our 2% Convertible Notes due June 1, 2008, which we refer to as the 2% Notes, and senior in right of payment to all of our existing and future subordinated indebtedness. The notes are unsecured and, therefore, are effectively subordinated to any of our secured debt, to the extent of the assets securing such indebtedness. The notes are also structurally subordinated to the debt and other liabilities of our subsidiaries. With the exception of the 2% Notes, substantially all of the liabilities reflected on our balance sheet as of December 31, 2004 are liabilities of our subsidiaries.
Interest	0.50% per annum on the principal amount of the notes, payable semi-annually in arrears in cash on March 15 and September 15 of each year, beginning on September 15, 2004.
Conversion Rights	You may convert the notes into our ordinary shares, par value £0.01 per share, which we refer to as our ordinary shares, at a conversion rate of 23.1911 shares per $1,000 principal amount of notes (a conversion price of $43.12 per share), subject to adjustment, prior to the close of business on the final maturity date under any of the following circumstances: during any fiscal quarter commencing after March 31, 2004, and only during that fiscal quarter if the closing sale price of our 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 preceding fiscal quarter; or after the earlier of (a) the date the notes are rated by both Standard & Poor s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors (Standard & Poor s) and Moody s Investor Services and its successors (Moody s) and (b) five business days from the date the notes are issued, during any period in which the credit rating assigned to the notes by Standard & Poor s or Moody s is BB- or Ba3, respectively, or lower, or if either of these rating agencies no longer rates the notes, or if either of these rating agencies suspends or withdraws the rating assigned to the notes, or if the notes are not assigned a rating by both rating agencies; or during the five business day period after any five consecutive trading day period (the measurement 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 our ordinary shares and the number of shares issuable upon conversion of $1,000 principal amount of the notes; provided, however, you may not convert your notes (in reliance on this subsection) if on any trading day during such measurement period the closing sale price of our ordinary shares was between 100% and 130% of the then current conversion price of the notes; or
	if the notes have been called for redemption; or
	upon the occurrence of specified corporate events described under Description of Notes Conversion of Notes Conversion Upon Specified Corporate Transactions.
	You will not receive any cash payment or additional shares representing accrued and unpaid interest upon conversion of a note, except in limited circumstances. Instead, such interest, if any, will be forfeited upon conversion. Notes called for redemption may be converted until the close of business on the business day immediately preceding the redemption date, after which time your right to convert will expire unless we default in the payment of the redemption price.
Sinking Fund	None.
Optional Redemption	Prior to March 20, 2009, the notes will not be redeemable, except as described under Description of Notes Tax Redemption. On or after March 20, 2009, we may redeem any of the notes by giving you at least 30 days notice. We may redeem the notes either in whole or in part at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest and liquidated damages, if any, to, but excluding, the date of repurchase.
Designated Event	If a designated event (as described under Description of Notes Repurchase at Option of the Holder Upon a Designated Event) occurs prior to maturity, you may require us to purchase all or part of your notes at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest and liquidated damages, if any, to, but excluding, the date of repurchase.
Repurchase at the Option of the Holder	You may require us to repurchase some or all of your notes on March 15 of 2009, 2014 and 2019, at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest and liquidated damages, if any, to, but excluding, the applicable repurchase date. We may choose to pay the repurchase price in cash or ordinary shares (valued using the method set forth in Description of Notes Repurchase at Option of the Holder) or a combination of cash and ordinary shares, provided that we will pay any accrued and unpaid interest in cash.
Use of Proceeds	We will not receive any proceeds from the sale by the selling securityholders of the notes or the ordinary shares issuable upon conversion of the notes.
Registration Rights	Pursuant to a registration rights agreement, we have agreed to register the resale of the notes and the ordinary shares issuable

	upon conversion of the notes. If we fail to comply with certain of our obligations under the registration rights agreement, liquidated damages will be payable on the notes and the ordinary shares issuable upon conversion of the notes. See Description of Notes Registration Rights.
Book-entry Form	The notes have been issued in book-entry form and are represented by global certificates deposited with, or on behalf of, The Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.
Trading	The notes are new securities for which no market currently exists. While the initial purchasers have informed us that they intend to make a market in the notes, they are under no obligation to do so and may discontinue such activities at any time without notice. The notes are listed on any securities exchange or included in any automated quotation system. While the notes are expected to be designated for trading in The PORTAL Market, we cannot assure you that any active or liquid market will develop for the notes.
New York Stock Exchange Symbol for Our Ordinary Shares	DOX.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles in the United States and presented in U.S. dollars. The summary historical consolidated financial information set forth below has been derived from our historical consolidated financial statements for the periods 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. The summary historical consolidated interim financial information as of and for the nine months ended June 30, 2005 and 2004 is derived from our unaudited historical consolidated interim financial statements. The unaudited historical consolidated interim financial information reflects all adjustments, consisting of normal recurring adjustments, that we consider necessary for a fair presentation of those statements. The results for an interim period are not necessarily indicative of the results for a full fiscal year. You should read the summary historical consolidated financial information set forth below in conjunction with Operating and Financial Review and Prospects, our consolidated financial statements and related footnotes and the other financial information included in our reports filed with the Securities and Exchange Commission, referred to herein as the SEC, and incorporated by reference in this prospectus.

	Year Ended September 30,					Nine Months Ended June 30,	
	2004	**2003**	**2002**	**2001**	**2000**	**2005**	**2004**
	(In thousands, except per share data)					(Unaudited)	
Statement of Operations Data:							
Revenue	$1,773,732	$1,483,327	$1,613,565	$1,533,910	$1,118,320	$1,465,303	$1,321,277
Operating income(1)(2)(3)(4)	296,200	210,418	49,161	159,281	74,124	261,096	219,252
Net income (loss)(5)	234,860	168,883	(5,061)	66,386	5,978	220,837	173,278
Basic earnings (loss) per share	1.13	0.78	(0.02)	0.30	0.03	1.10	0.82
Diluted earnings (loss) per share	1.10	0.77	(0.02)	0.29	0.03	1.03	0.79

	As of June 30, 2005
	(unaudited) (in thousands)
Balance Sheet Data:	
Total assets	
Long-term obligations	$3,013,145
2% Convertible Notes due 2008(5)	272
0.50% Convertible Senior Notes due 2024(6)	450,000
Long-term portions of capital lease obligations	370
Shareholders equity(7)	1,575,653

(1) In fiscal 2000, we recorded acquisition-related charges of $75,617, relating to our acquisitions of International Telecommunication Data Systems, Inc. (ITDS) in November 1999 and Solect Technology Group Inc. (Solect) in April 2000, in stock-for-stock transactions. These charges included write-offs of purchased in-process research and development and other indirect acquisition-related costs. 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, 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, our 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 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. On December 20, 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 the open market or privately negotiated transactions and at times and prices we deem appropriate. In accordance with this extension, as of June 30, 2005, we repurchased approximately 3.5 million ordinary shares at an average price of $28.33 per share.

RATIO OF EARNINGS TO FIXED CHARGES

The following table presents our historical ratios of earnings to fixed charges for the periods indicated:

	Nine Months Ended June 30, 2005	Fiscal Years Ended September 30,				
		2004	2003	2002	2001	2000
Ratio(1)	31.06x	14.97x	13.49x	3.87x	9.19x	10.10x

(1) The ratio of earnings to fixed charges represents the number of times fixed charges are covered by earnings. Fixed charges means interest expense, amortized premiums, discounts and capitalized expenses related to indebtedness, and an estimate of the interest within rental expense. Earnings consist of consolidated net income from continuing operations before income taxes and fixed charges.

RISK FACTORS

You should carefully consider the following risk factors, in addition to the other information presented in this prospectus and the documents incorporated by reference in this prospectus, in evaluating our business and an investment in the notes and our ordinary shares. Any of the following risks, as well as other risks and uncertainties, could seriously harm our business and financial results and cause the value of the notes and ordinary shares issuable upon conversion of the notes to decline, which in turn could cause you to lose all or part of your investment.

Risks Related to Our Business

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. 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.

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.

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 October 27, 2005, it beneficially owned approximately 5.4% of our outstanding ordinary shares. The loss of any significant customer or a significant decrease in business from any such customer could harm our results of operations and financial condition.

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

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

Our restructurings and cost reduction measures reduced the size of our operations. On January 31, 2003, 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.

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

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

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

Claims by others that we infringe their proprietary technology could harm our business.

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

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

Product defects or software errors could adversely affect our business.

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

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

System disruptions and failures may result in customer dissatisfaction, customer loss or both, which could materially and adversely affect our reputation and business.

Our 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 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 ra