IDT CORP
Form 10-K
October 14, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual report pursuant to section 13 or 15(d) of the securities exchange act of 1934 for the fiscal year ended July 31, 2014, or

Transition report pursuant to section 13 or 15(d) of the securities exchange act of 1934.

Commission File Number: 1-16371

IDT Corporation

(Exact name of registrant as specified in its charter)

Delaware	**22-3415036**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

520 Broad Street, Newark, New Jersey 07102

(Address of principal executive offices, zip code)

(973) 438-1000

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Class B common stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, based on the adjusted closing price on January 31, 2014 (the last business day of the registrant's most recently completed second fiscal quarter) of the Class B common stock of $16.49 per share, as reported on the New York Stock Exchange, was approximately $304.0 million.

As of October 6, 2014, the registrant had outstanding 21,663,733 shares of Class B common stock and 1,574,326 shares of Class A common stock. Excluded from these numbers are 2,933,795 shares of Class B common stock and 1,698,000 shares of Class A common stock held in treasury by IDT Corporation.

DOCUMENTS INCORPORATED BY REFERENCE

The definitive proxy statement relating to the registrant's Annual Meeting of Stockholders, to be held December 15, 2014, is incorporated by reference into Part III of this Form 10-K to the extent described therein.

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IDT Corporation

Annual Report on Form 10-K

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Part I

As used in this Annual Report, unless the context otherwise requires, the terms the "Company," "IDT," "we," "us," and "our" refer to IDT Corporation, a Delaware corporation, its predecessor, International Discount Telecommunications, Corp., a New York corporation, and its subsidiaries, collectively. Each reference to a fiscal year in this Annual Report refers to the fiscal year ending in the calendar year indicated (for example, fiscal 2014 refers to the fiscal year ended July 31, 2014).

Item 1. Business.

OVERVIEW

IDT is a multinational holding company with operations primarily in the telecommunications and payments industries.

We have three reportable business segments, Telecom Platform Services, Consumer Phone Services, and Zedge Holdings, Inc., or Zedge. Telecom Platform Services provides retail telecommunications and payment offerings as well as wholesale international long distance traffic termination. Consumer Phone Services provides consumer local and long distance services in certain U.S. states. Telecom Platform Services and Consumer Phone Services comprise our IDT Telecom division. Zedge owns and operates a popular online platform for mobile phone consumers interested in obtaining free, high-quality games, apps, and mobile phone customization including ringtones, wallpapers, and notification sounds. Operating segments not reportable individually are included in All Other. All Other includes Fabrix Systems Ltd., or Fabrix, a software development company offering a cloud-based scale-out storage and computing platform optimized for big data, virtualization and media storage, processing and delivery. We sold Fabrix in October 2014. All Other also includes our real estate holdings and other, smaller businesses.

Financial information by segment is presented under the heading "Business Segment Information" in the Notes to our Consolidated Financial Statements in this Annual Report.

Our headquarters are located at 520 Broad Street, Newark, New Jersey 07102. We lease space at 550 Broad Street, Newark, New Jersey and most of the Company's employees work from this location. The main telephone number at our headquarters is (973) 438-1000 and our web site is www.idt.net.

We make available free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports, and all beneficial ownership reports on Forms 3, 4 and 5 filed by directors, officers and beneficial owners of more than 10% of our equity through the investor relations page of our web site (www.idt.net/ir) as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission. Our web site also contains information not incorporated into this Annual Report on Form 10-K or our other filings with the Securities and Exchange Commission.

KEY EVENTS IN OUR HISTORY

1990 –Howard Jonas, our founder, launched International Discount Telephone to provide international call re-originations services.

1995 – We begin selling wholesale termination services to other long distance carriers by leveraging our access to favorable international telephone rates generated by our retail calling traffic.

1996 – We successfully complete an initial public offering of our common stock.

1997 – We began marketing prepaid calling cards to provide convenient and affordable international long distance calls primarily to immigrant communities.

2000 – We complete the sale of a stake in our Net2Phone subsidiary, a pioneer in the development and commercialization of voice over Internet protocol, or VoIP, technologies and services, to AT&T for approximately $1.1 billion in cash.

2001 – Our common stock is listed on the New York Stock Exchange, or NYSE.

2003 – We begin offering local and long distance calling services to residential customers.

2004 – We launch a retail energy business to provide electricity and natural gas to residential and small business customers in New York.

2006 – We sell our Russian telecom business, Corbina, for $129.9 million in cash.

2006 – We launch a regulated issuing bank based in Gibraltar.

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2007 – We complete the sale of IDT Entertainment to Liberty Media for (i) 14.9 million shares of our Class B common stock, (ii) Liberty Media's approximate 4.8% interest in IDT Telecom, (iii) $220.0 million in cash, net of certain working capital adjustments, (iv) the repayment of $58.7 million of IDT Entertainment's intercompany indebtedness payable to us and (v) the assumption of all of IDT Entertainment's existing indebtedness.

2007 – We sell our United Kingdom-based consumer phone service for approximately $46.3 million of cash and stock.

2007 – We purchase majority interests in both Fabrix and Zedge.

2008 – We enter the oil and gas exploration business with acquisition of E.G.L. Oil Shale and are granted a license to explore for oil shale in Israel.

2009 – We spin-off our CTM Media Holdings subsidiary to stockholders. CTM Media Holdings is traded on the over-the-counter market with the ticker symbol "CTMMA".

2009 – We launch Boss Revolution PIN-less, a pay-as-you-go international calling service. Boss Revolution has since become our flagship brand, and the Boss Revolution platform has been expanded to include payment offerings.

2011 – We spin-off our Genie Energy Ltd. subsidiary, which holds our retail energy and oil and gas exploration businesses, to stockholders. Genie Energy is listed on the NYSE with the ticker symbol "GNE".

2013 – We spin-off our Straight Path Communications, Inc., subsidiary to stockholders. Straight Path Communications is listed on the NYSE MKT with the ticker symbol "STRP".

2013 – We introduce the Boss Revolution mobile app for Android and iOS.

2013 – We launch an international money transfer service on the Boss Revolution platform in select states. The service offers Boss Revolution customers a convenient, affordable means to send cash from the United States to friends and family overseas.

2014- We sell our 78% stake in Fabrix to Telefonaktiebolget LM Ericsson (publ), or Ericsson, for $73 million as part of Ericsson's purchase of Fabrix for $95 million.

DIVIDENDS

We have paid dividends to the holders of our Class A and Class B common stock since fiscal 2011. During fiscal 2014, we paid aggregate dividends of $0.59 per share, or $13.6 million, on our Class A common stock and Class B common stock as detailed below. In fiscal 2013, we paid aggregate dividends of $0.75 per share on our Class A common stock and Class B common stock, or $17.1 million in total.

On September 10, 2013, we paid a special cash dividend of $0.08 per share;

On January 7, 2014, we paid an ordinary cash dividend of $0.17 per share for the first quarter of fiscal 2014;

On March 28, 2014, we paid an ordinary cash dividend of $0.17 per share for the second quarter of fiscal 2014; and

On June 27, 2014, we paid an ordinary cash dividend of $0.17 per share for the third quarter of fiscal 2014.

On October 3, 2014, we paid a dividend of $0.17 per share for the fourth quarter of fiscal 2014 to holders of record of our Class A common stock and Class B common stock as of the close of business on September 29, 2014.

We expect to continue paying a regular quarterly dividend commensurate with our cash generation and financial resources, business outlook and growth strategy.

OUR STRATEGY

History and Background

Since our founding, we have focused on value creation by leveraging potentially disruptive telecommunications technologies to challenge entrenched business models. Outside of our core business, we have sought to select and incubate promising early stage businesses for eventual sale or spin-off to our stockholders.

In 2007 and 2008, in response to a long-term, industry-wide decline in the sale of prepaid, disposable calling cards, which was our dominant offering at the time, we initiated a fundamental restructuring of our businesses. We subsequently sold or spun-off most of our non-core businesses and assets, right-sized corporate overhead, reduced network costs at IDT Telecom, and streamlined our internal decision making processes.

Since the successful implementation of this restructuring program, we have been intensely focused on the growth and profitability of our core telecommunications businesses while retaining majority stakes in our two most promising non-core businesses, Fabrix and Zedge.

On October 8, 2014, we completed the sale of our interests in Fabrix to Ericsson. The final sale price for 100% of the shares in Fabrix was $95 million in cash, excluding transaction costs and working capital and other adjustments. We owned approximately 78% of Fabrix on a fully diluted basis. Our share of the sale price, net of transaction costs, is expected to be approximately $73 million in cash. We and the other shareholders have placed $13 million of our proceeds in escrow for the resolution of post-closing claims that may arise. Any unclaimed escrow balance will be released in two tranches over a period of 18 months.

Within IDT Telecom, we have focused on reducing the cost of our infrastructure and leveraging our VoIP expertise to develop new products and services. We also sharpened our retail focus to provide high-quality and cost-effective communications and payment services to foreign-born consumers. This is a rapidly growing demographic and a historically underserved market that includes significant numbers of unbanked and under-banked consumers.

In 2009, we launched Boss Revolution PIN-less, a pay-as-you-go international long distance voice service. The service grew rapidly and eventually overtook sales of our traditional, disposable prepaid calling cards. We believe that Boss Revolution PIN-less has become the nation’s leading pay-as-you-go international calling service. More recently, we have begun to develop and introduce complementary payment services over the Boss Revolution platform, including international and domestic airtime top-up, gift cards, domestic bill payment and, in 2013, an international money transfer service. These additions represent significant milestones toward our goal of offering a comprehensive suite of voice and payment products under a single, global brand and platform targeted to under-banked, foreign-born consumers.

To simplify the Boss Revolution PIN-less calling experience and expand its reach, we introduced our Boss Revolution app in 2013. The app is free to the consumer and is distributed through both the iTunes and Google Play stores. In 2014, we deployed the Boss Revolution app for retailers. The app for retailers enables a qualified individual in the United States with an Android or iOS smartphone to become a potential Boss Revolution retailer and to manage their Boss Revolution account virtually anywhere, anytime.

Leveraging the high volumes of traffic to certain overseas destinations generated by our retail business, we have long been an important player in the global wholesale telecommunications market, carrying and terminating international calling traffic on behalf of other telecoms and call aggregators. More recently, we have maintained our leadership in the wholesale market by leveraging VoIP technology and broadening our offerings with different levels of service quality.

We believe that the restructuring of our business combined with a growth strategy at IDT Telecom that includes a tight focus on the needs of our target market and the successful introduction of innovative products has resulted in significant revenue growth and improving profitability in recent years.

Current Strategy

In our core telecom and payments business, we seek to maintain steady, positive cash flows to support our dividend policy and to fund growth initiatives. Outside of our core business, we sold Fabrix in October 2014, and Zedge is pursuing market opportunities funded primarily from its current operations. We will opportunistically seek to realize stockholder value from our interests in businesses through a sale, spin-off, or other strategic action as warranted by market conditions.

IDT Telecom

We are pursuing growth opportunities at IDT Telecom in both the retail and wholesale sides of our business. Our retail communications business continues to focus on the Boss Revolution platform - expanding its network of retailers and its brand equity nationwide to grow our customer base, while developing and deploying additional synergistic calling and payment services to meet the needs of our target market. Our wholesale termination services business is focused on expanding the scope of services we provide within customers' value chains.

IDT Telecom is pursuing a multi-pronged growth strategy that includes:

utilizing our direct and indirect sales force to recruit additional retailers to deepen market penetration in foreign-born communities, especially outside of IDT's traditional geographic strongholds in the Northeastern United States and Florida;

continuing to develop, deploy and promote new payment and value transfer services to broaden Boss Revolution's portfolio of offerings for foreign-born and under-banked populations;

further expanding our platforms and leveraging mobile apps to enhance, deepen and improve the direct-to-consumer and retail channel experiences; and

leveraging carrier relationships and our portfolio of domestic retail offerings to drive white-label sales to carriers, resellers and other telecommunications providers overseas.

Zedge

Zedge's growth initiatives are focused on three "U"s - Users, Usage and Ubiquity.

Users - Driving organic user growth with the introduction of new features, localization / new market entry, app store optimization and brand awareness.

Usage - Increasing user engagement, which we believe to be a strong proxy for revenue expansion. To this end, in fiscal 2015, Zedge plans on releasing several important product enhancements including social features and new content channels as well as utilize marketing automation tools.

Ubiquity - Entering new app stores and developing apps for new operating systems to achieve critical mass and drive customer demand. Zedge's app is currently available on Android, iOS and Windows Mobile.

IDT TELECOM

IDT Telecom is comprised of two reportable segments, Telecom Platform Services and Consumer Phone Service. Since our inception, we have derived the majority of our revenues and operating expenses from IDT Telecom's businesses. In fiscal 2014, IDT Telecom had revenues of $1,626.6 million, representing 98.5% of our total consolidated revenues from continuing operations, and income from operations of $46.9 million, as compared with revenues of $1,602.6 million and income from operations of $50.5 million in fiscal 2013.

TELECOM PLATFORM SERVICES

Our Telecom Platform Services segment, which represented 99.3% and 99.1% of IDT Telecom's total revenues in fiscal 2014 and fiscal 2013, respectively, markets and distributes multiple communications and payment services across four broad business verticals:

Retail Communications provides international long-distance calling products primarily to foreign-born communities worldwide, with its core markets in the United States;

Wholesale Termination Services is a global telecom carrier, terminating international long distance calls around the world for Tier 1 fixed line and mobile network operators, as well as other service providers;

Payment Services provides payment offerings, including international airtime top-up and international money transfer sold over our Boss Revolution platform; and

Hosted Platform Solutions provides customized communications services that leverage our proprietary networks, platforms and/or technology to cable companies and other service providers.

During fiscal 2014, our Telecom Platform Services segment generated $1,615.6 million in revenues worldwide and income from operations of $45.1 million, as compared with revenues of $1,588.1 million and income from operations of $48.7 million in fiscal 2013.

Retail Communications

Retail Communications’ revenue was $695.8 million in fiscal 2014 compared to $656.7 million in fiscal 2013 (43.1% and 41.3% of Telecom Platform Services’ revenue in fiscal 2014 and fiscal 2013, respectively).

The majority of Retail Communications’ sales are generated by the Boss Revolution PIN-less international calling service. Other smaller lines of business contribute to Retail Communications sales including (1) traditional, disposable prepaid calling cards sold under a variety of brand names, (2) private label and IDT branded prepaid calling cards sold to large retailers, medium sized retail chains (e.g. supermarkets, drug stores), and smaller grocery stores and bodegas, and (3) our PennyTalk international calling service. Revenues generated by sales of Boss Revolution payment offerings including airtime top-up and international money transfer are reflected in the Payment Services vertical discussed below.

Boss Revolution PIN-less allows users to call their families and friends overseas without the need to enter a personal identification number, or PIN. To place a call, a customer must first establish a Boss Revolution prepaid account. Boss Revolution customers can access our network by first dialing a local access or toll-free number. Our platform recognizes the user’s network-provided automatic number identification (ANI) and seamlessly links each call to the corresponding Boss Revolution account. Callers then enter their destination phone numbers. The dialing process is automated to provide one-touch dialing in the Boss Revolution mobile app. Boss Revolution debits customers’ account balances for completed calls at a fixed rate per minute. In contrast to many competitors, Boss Revolution does not charge connection fees, other usage or breakage fees, and consequently account balances never expire. Boss Revolution rates vary by the destination country that is being called. Rates are published on the Boss Revolution consumer website and within the Boss Revolution mobile app.

Customers can add to, or top-up, their account balance at any Boss Revolution retailer using cash or a credit card. Customers with a credit or debit card can also add to their account balance directly by phone, online through the Boss Revolution consumer web site (www.bossrevolution.com), or through the Boss Revolution mobile app.

In the United States, we distribute many of our retail products through our network of distributors that, either directly or through sub-distributors, sells to retail locations. In addition, our internal sales force sells Boss Revolution platform products directly to retailers. We also sell Boss Revolution online directly to the consumer, while the Boss Revolution mobile app is available for download through both the iTunes and Google Play stores. Distributors, our internal sales people and retailers typically receive commissions based on the revenue generated by each transaction.

The Boss Revolution retailer portal enables retailers to sign up new customers and add funds to customer accounts. The Boss Revolution retailer portal also provides a direct, real-time interface with our retailers, resulting in a cost-effective and adaptable distribution model that we believe can rapidly respond to changes in the business environment.

The Boss Revolution platform allows us to target and promote services to both customers and retailers, and to introduce and cross-sell new offerings. For example, the successful launches of international and domestic airtime top-up over the Boss Revolution platform leveraged our existing capabilities and distribution network to expand the scope of services we provide to our customers.

In the United States, the Boss Revolution brand is supported by national, regional and local marketing programs that include television and radio advertising, online advertising, print media, and grass roots marketing at community and sporting events. In addition, we work closely with distributors and retailers on in-store promotional programs and events.

Retail Communications' sales have traditionally been strongest in the Northeastern United States and in Florida because of our extensive local distribution network and the large immigrant population. In addition to these geographic areas, we continue to grow distributor relationships and sell directly to retailers in other areas of the United States, including the Southwest and West Coast, where we historically did not have a strong market presence.

Outside of the United States, we are incrementally expanding the geographic footprint of our Boss Revolution platform including retailer portals, mobile apps, and direct-to-consumer web sites. In fiscal 2012, we launched Boss Revolution in the United Kingdom and Spain. During fiscal 2013, we expanded Boss Revolution's footprint to Germany and three markets in the Asia-Pacific region—Australia, Hong Kong and Singapore. In 2014, we launched Boss Revolution in Canada. Nevertheless, the vast majority of Boss Revolution and Retail Communications' other sales are generated in the United States. We also sell other prepaid retail calling services in Europe, Latin America and

Asia, as discussed in detail in the International Operations section below.

Wholesale Termination Services

Wholesale Termination Services' revenue was $672.3 million in fiscal 2014 compared to $687.9 million in fiscal 2013 (41.6% and 43.3% of Telecom Platform Services' revenue in fiscal 2014 and fiscal 2013, respectively).

Wholesale Termination Services terminates international telecommunications traffic in more than 170 countries around the world. Our customers include IDT's Retail Communications business, major and niche carriers around the globe, operators, and other service providers such as call aggregators. For many of these customers, particularly the major carriers, we engage in buy-sell relationships, terminating their customers' traffic in exchange for terminating our wholesale and retail traffic with their customers.

We offer competitively priced international termination rates at several quality levels. We are able to offer competitively priced termination services in part because of the large volumes of originating minutes generated by our retail communications business, our global platform powered by proprietary software, our team of professional and experienced account managers, and an extensive network of interconnects around the globe.

During fiscal 2014, IDT Telecom terminated 29.6 billion minutes compared to 32.7 billion minutes in fiscal 2013, making us one of the largest carriers of long distance minutes worldwide. Wholesale Termination Services accounted for 19.2 billion minutes and 22.4 billion minutes of the total IDT Telecom minutes in fiscal 2014 and fiscal 2013, respectively.

IDT Telecom has a significant number of direct connections to Tier 1 providers outside the United States, particularly Tier 1 providers in Latin America, Asia, Africa, Europe and the Middle East. Tier 1 providers are the largest recognized licensed carriers in a country. Direct connections improve the quality of the telephone calls and reduce the cost, thereby enabling us to generate more traffic with higher margins to the associated foreign locales. We also have direct relationships with mobile network operators, reflecting their growing share of the voice traffic market.

Termination rates charged by Tier 1 and other providers on international long distance traffic have been declining for many years. Nevertheless, termination rates charged to us by individual Tier 1 carriers and mobile operators can be volatile. Termination price volatility on heavily trafficked routes can significantly impact our minutes of use and wholesale revenues. However, because of the small margins on these routes, the resulting change in the Wholesale Termination Services business's underlying profitability is often not material.

In addition to offering competitive rates to our carrier customers, we emphasize our ability to offer the high-quality connections that these providers often require. To that end, we offer higher-priced services in which we provide higher-quality connections, based upon a set of predetermined quality of service criteria. These services meet a growing need for higher-quality connections for some of our customers who provide services to high-value, quality-conscious retail customers. As of July 31, 2014, Wholesale Termination Services had more than 600 customers. IDT Telecom has over 550 carrier relationships globally.

Wholesale Termination Services' revenue is generated by sales to both postpaid and prepaid customers. Postpaid customers typically include Tier 1 carriers and our most credit worthy customers. Prepaid customers are typically smaller telecommunication companies and mobile network operators, as well as independent call aggregators.

Payment Services

Payment Services' revenue was $202.5 million in fiscal 2014 compared to $193.5 million in fiscal 2013 (12.5% and 12.2% of Telecom Platform Services' revenue in fiscal 2014 and fiscal 2013, respectively).

The majority of Payment Services' revenue is generated by international airtime top-up. Other products and services in this vertical include domestic airtime top-up, gift cards sold in the United States and Europe, domestic bill pay service and our recently launched international money transfer service. Payment Services also includes reloadable prepaid debit cards marketed in Europe and Bank Identification Number (BIN) sponsorship services offered by our Gibraltar-based bank, IDT Financial Services Limited. Payment Services' offerings leverage our platform capabilities, our distribution reach into foreign-born communities and our global reach to provide simple, convenient and affordable offerings, many over the Boss Revolution platform.

Our international airtime top-up products enable customers to purchase minutes for a prepaid mobile telephone in another country. They are sold both over our Boss Revolution payment platform and in hard card format. Our international airtime top-up offerings are focused on geographic corridors, such as the United States to Central America, that tend to generate high volumes of business, and are part of a comprehensive product offering that includes product, marketing and distribution focused on those corridors.

We believe that international remittances are a significant economic activity among our target market of foreign-born residents and other under-banked communities. To serve that market, we began to roll-out an international money transfer service over our Boss Revolution platform in 2014. Prior to launch, we obtained the requisite licenses including those required by nearly every state, formalized relationships with national and local banks in the United States, developed a compliance operation to comply with applicable anti-money laundering laws and regulations, and assembled a disbursement network of banks, retailers and other points of payment presence overseas where recipients can collect their transferred funds. Our international money transfer service is offered over the Boss Revolution platform, and like other payment services, utilizes our retail network and associated ability to serve unbanked customers. However, we expect that only a limited number of Boss Revolution retailers in the United States will eventually qualify to process international money transfer transactions.

Revenues from international money transfer are derived from a per-transaction fee charged to the customer and from foreign exchange differentials. Although we offer lower promotional rates from time to time, including as an incentive for customers to try the service, the standard industry rates are eight to ten dollars per transaction, which is what we generally charge. Transaction costs include commissions paid to the retailer or seller, payment to the disbursing agent, banking, compliance, and foreign currency exchange costs.

Hosted Platform Solutions

Hosted Platform Solutions' revenue was $45.0 million in fiscal 2014 compared to $50.0 million in fiscal 2013 (2.8% and 3.2% of Telecom Platform Services' revenue in fiscal 2014 and fiscal 2013, respectively).

Hosted Platform Solutions provides customized communications services that leverage our proprietary networks, platforms and/or technology to cable companies and other service providers. The majority of Hosted Platform Solutions' revenue is generated by our cable telephony business, which is in harvest mode.

International Operations

In Europe, we market our Retail Communications products in the United Kingdom, the Netherlands, Spain, Germany, Belgium, Italy, Luxembourg, Sweden, Switzerland, Denmark, Norway, and Austria, seeking to capitalize on the demographic opportunity presented by immigration from outside of Europe to these developed nations. Because the immigrant market is fragmented, and due to the large number of markets in which we compete, we offer over 600 different prepaid calling cards in Europe. We also market our Payment Services products in the United Kingdom.

We maintain our European corporate, Retail Communications and Wholesale Termination Services operations in London, England. We also operate satellite offices in Germany, Belgium, Spain and Greece.

We also provide wholesale termination services to international telecom companies, including foreign state-owned or state-sanctioned telephone companies and Tier-1 carriers, new and emerging telephone companies, and value-added service providers.

Our European operations, including Wholesale Termination Services and Retail Communications, generated $360 million of revenues in fiscal 2014, a 43.9% increase from the $250.3 million of revenues generated during fiscal 2013. Our European operations' revenues constituted 22.1% of IDT Telecom's revenues from continuing operations in fiscal 2014, as compared to 15.6% in fiscal 2013.

In Asia, we sell Retail Communications products in Hong Kong, Singapore, Australia, Japan, Korea, Malaysia and Taiwan. Our operations in Asia also include Wholesale Termination Services. In Hong Kong, we are one of the top providers of prepaid calling services to the Filipino and Indonesian populations, the two largest overseas worker segments. In addition, in Singapore, our Retail Communications products are a market leader to the Indian populations, which is the largest ethnic segment in Singapore, as well as the large Indonesian population. In fiscal 2014, IDT Telecom generated $61.3 million in revenues from our operations in the Asia Pacific region compared to $93.7 million in fiscal 2013.

In Latin America, we market Retail Communications products in Argentina, Brazil, Peru, Chile, and Uruguay. In addition, we offer post-paid phone services in Brazil to consumers and small businesses. We maintain Latin American headquarters in Buenos Aires, Argentina. In fiscal 2014, IDT Telecom generated $22.6 million in revenues from the sale of Retail Communications products in Latin America compared to $29.8 million in fiscal 2013.

Sales, Marketing and Distribution

In the United States, we distribute Retail Communications and Payment Services products, including Boss Revolution PIN-less, domestic and international airtime top-up offerings, and prepaid calling cards primarily to retail outlets through our network of distributors or through our internal sales force. In addition, our white label calling cards as well as our IDT-branded calling cards are also marketed to retail chains and outlets through our internal sales force, and from time to time we may utilize third-party agents or brokers to acquire accounts. We also market prepaid offerings, including Boss Revolution PIN-less and domestic and international airtime top-up, direct to the consumer via online channels including the Boss Revolution consumer website (bossrevolution.com) and mobile apps for Apple iOS and Android.

In Europe and Asia, we sell our prepaid calling cards including both white label and IDT-branded calling cards through independent distributors and our internal sales force. Additionally, we sell Boss Revolution PIN-less and domestic and international airtime top-up in select European and Asia Pacific markets both through retail distribution and directly to the consumer. In Asia, we sell postpaid services direct to consumers and small businesses. Wholesale Termination Services are marketed and sold through our internal wholesale sales team.

Telecommunications Network Infrastructure

IDT Telecom operates a global voice and data network to provide an array of telecommunications and payment services to our customers worldwide using a combination of proprietary and third-party applications. Proprietary applications include call routing and rating, customer provisioning, call management, product web pages, calling card features, and payment services features. Proprietary applications provide the flexibility to adapt to evolving marketplace demands without waiting for third-party software releases, and often provide advantages in capability or cost over commercially available alternatives.

The IDT Telecom core voice network utilizes Internet Protocol, or IP, and is interconnected through gateways to time-division multiplexing, or TDM, networks worldwide. This hybrid IP/TDM capability allows IDT Telecom to interface with carriers using the lowest cost technology protocol available. To support its global reach, IDT Telecom operates voice switches and/or points of presence in the United States, Europe, South America, Asia and Australia. IDT Telecom receives and terminates voice traffic from every country in the world, including cellular, landline and satellite calls through direct interconnects. The network includes data centers located in the United States, United Kingdom and Hong Kong with smaller points of presence in other countries. It is monitored and operated on a continual basis by our Network Operations Centers in the United States.

CONSUMER PHONE SERVICES

Our Consumer Phone Services segment generated revenues of $11.0 million and income from operations of $1.8 million in fiscal 2014, as compared to revenues of $14.5 million and income from operations of $1.8 million in fiscal 2013. Consumer Phone Services' revenues declined 24.1% and 24.8% in fiscal 2014 and fiscal 2013, respectively, when compared to the prior fiscal years. We continued to operate the business in harvest mode—maximizing revenue from current customers while maintaining expenses at the minimum levels essential to operate the business. This strategy has been in effect since calendar 2005 when the Federal Communications Commission, or FCC, decided to terminate the UNE-P pricing regime, which resulted in significantly inferior economics in the operating model for this business. We expect the Consumer Phone Services' customer base and revenues will continue to decline in fiscal 2015.

We currently provide our bundled local/long distance phone service in 11 states, marketed under the brand name IDT America. Our bundled local/long distance service, offered predominantly to residential customers, includes unlimited local, regional toll and domestic long distance calling and popular calling features. A second plan is available, providing unlimited local service with our long distance included for as low as 3.9 cents per minute. With either plan, competitive international rates and/or additional features can be added for additional monthly fees. We also offer stand-alone long distance service throughout the United States.

As of July 31, 2014, we had approximately 6,200 active customers for our bundled local/long distance plans and approximately 28,500 customers for our long distance-only plans, compared to 7,800 and 35,700 customers, respectively, on July 31, 2013. Our highest customer concentrations are in large urban areas, with the greatest number of customers located in New York, New Jersey, Pennsylvania and Massachusetts.

ZEDGE

Zedge owns and operates a popular online platform for mobile phone consumers interested in obtaining free, high-quality games, apps, and mobile phone customization including ringtones, wallpapers, and notification sounds. We believe that Zedge's popularity stems from its ability to select and present content in a customized and personally relevant manner. To this end, we have invested heavily in developing a proprietary, machine-learning-based, behavioral recommendation engine, tasked with discovering and packaging the content in an easy, fast, attractive and self-intuitive fashion. As a result of Zedge's large, active user base, it is able to offer advertisers, game developers, musicians and artists a scalable, non-incentivized, user acquisition platform with global reach.

Users access Zedge through smartphone apps, which are available in all of the Google Play, iTunes and the Windows Phone stores, or through feature phones or Zedge's website. Zedge has grown its user base without any material investment in marketing, user acquisition or advertising. We believe that consumer growth stems from the demand for, and popularity of, the content offerings, the quality of the recommendations and the commitment to providing an exceptional user experience. As of July 31, 2014, the Zedge smartphone app surpassed 110 million installations. The Android app has averaged among the top 20 most popular apps in the Google Play store for the last four years and we believe it has been installed on approximately 20% of all Android handsets in the United States.

Zedge's app is primarily used by customers in North America and Europe, typically in the 18 to 34 age bracket and represent an almost equal gender breakout. The web users of Zedge are concentrated in the emerging markets are also young and skew male.

Zedge rolled out its Android app in late 2009 with content channels dedicated to ringtones, wallpapers and notification sounds. In April 2012, Zedge expanded its Android offering by introducing two new channels - mobile games and live-wallpapers. In late 2012, Zedge launched a limited version of its smartphone iOS app featuring wallpapers and in late 2013 Zedge expanded it iOS offering by including ringtones. Zedge also maintains a web presence primarily frequented by feature phone users. We expect that web traffic will continue to decline as smartphones' market share increases and users access Zedge via smartphone apps.

The ringtone and wallpaper content library is comprised of millions of user-generated content submissions that are uploaded from our website while the mobile games catalogue is curated from the Google Play store.

Zedge developed a proprietary technology platform that is centered on content management and discovery, web and app development, data mining and analytics, machine learning, mobile content/device compatibility, advertising and reporting. From an end user's perspective, the platform minimizes response latency and maximizes content relevancy. Zedge's architecture contains a fully redundant production environment that can tolerate multiple server failures with minimal end-user disruption. In addition, it utilizes a variety of hosted services including cloud computing and outsourced datacenter management in order to scale efficiently and competitively. We believe that this technology mix optimizes functionality, scalability, flexibility performance, cost and ease of use.

Zedge's revenues are generated from offering direct advertisers, advertising networks, game publishers and marketers exposure to the customer base via advertising inventory that is sold on the smartphone app and website. We believe that advertisers are attracted to Zedge due to its growing user base, demographics, non-incentivized, user acquisition platform focused on mobile games and personalization content discovery, ability in optimizing ad inventory performance and direct distribution relationships with many leading mobile game publishers. During fiscal 2014, Zedge generated revenues of $6.5 million compared to $5.8 million in fiscal year 2013. Approximately $6.0 million, or 92%, of fiscal 2014 revenues were generated from advertising inventory on mobile devices compared to $4.7 million, or 80%, in fiscal 2013. Zedge's income from operations in both fiscal 2014 and fiscal 2013 was $0.3 million.

We currently own approximately 83% (69% on a fully diluted basis) of Zedge. We are considering strategic options for Zedge, including, amongst others, a spin-off as a separate company, a sponsored spin-off, adding a strategic partner or a sale.

ALL OTHER

Operating segments that are not reportable individually are included in All Other. All Other included Fabrix, a software development company offering a cloud-based scale-out storage and computing platform optimized for big data, virtualization and media storage, processing and delivery. All Other also includes our real estate holdings, and other, smaller businesses.

During fiscal 2014, All Other generated $18.4 million in revenues and loss from operations of $2.0 million, as compared with revenues of $12.2 million and loss from operations of $7.4 million in fiscal 2013.

Fabrix

Prior to its sale in October 2014, Fabrix was our majority-owned venture that developed and licensed a proprietary video software platform optimized for cost effective cloud-based video storage, high throughput streaming and intelligent content distribution. This software was marketed to cable and telecommunications operators, Internet service providers and web-based video portals that require deep video storage capabilities or offer unicast television applications including video-on-demand, multi-screen delivery, cloud storage, time/place shifting and remote DVR storage capabilities. Fabrix's grid-based solution runs on commercial off-the-shelf servers enabling service providers to deploy the latest computing technology innovations. Fabrix leverages strategic partnerships with leading equipment manufacturers and system integrators who resell the Fabrix platform to service providers worldwide.

Fabrix's technology has been selected by over 15 leading North American and European multi-system operators to power their video service offerings. In 2010, Fabrix successfully deployed its software to empower a US tier-1 operator's cloud-based DVR. The operator has periodically purchased additional licenses as it continues to roll out its offering system-wide. In 2011, a North American tier-1 operator licensed Fabrix software for its deep video storage product. In the third quarter of fiscal 2013, Fabrix commenced software deliveries to a major European operator, and subsequently made additional sales to cable and telecom operators in Europe.

Fabrix typically generated cash from the initial licensing of its software, from maintenance during the life of the licensing agreement, and from any subsequent license renewals. Fabrix generally recognized revenue for its software licenses and support from the date on which delivered orders were accepted by the customer over the term of the related software support agreements.

During fiscal 2014, Fabrix generated $16.6 million in revenues and a loss from operations of $0.7 million, as compared with revenues of $10.6 million and a loss from operations of $1.4 million in fiscal 2013. In fiscal 2014 and fiscal 2013, Fabrix received cash from sales of $13.4 million and $16.0 million, respectively.

COMPETITION

IDT Telecom

Telecom Platform Services

Retail Communications

Within Retail Communications, the growth of Boss Revolution PIN-less sales since its launch in 2009 has substantially replaced revenues from sales of our traditional disposable calling cards.

Like all international calling services, our Boss Revolution PIN-less service is subject to fierce competition, and we do not expect to continue to grow revenues and margins without a successful strategy and sound execution. While virtually any company offering retail voice services is a competitor of ours, we face particularly strong competition from Tier 1 telecom operators who offer flat rate international calling plans, other PIN-less prepaid voice offerings, prepaid calling card providers, mobile virtual network operators (or MVNOs) with aggressive international rate plans, and VoIP and other “over the top” (or OTT) service providers. Outside the United States, we also compete with large foreign state-owned or state sanctioned telephone companies.

In our view, our ability to compete successfully against these operators depends on several factors. Our interconnect and termination agreements, network infrastructure and least-cost-routing system enable us to offer low-cost, high quality services. Our extensive distribution and retail networks provide us with a strong presence in communities of foreign born residents, a significant portion of which purchase our services with cash. Our Boss Revolution brand is often highly visible in these communities and has a reputation for quality service and competitive, transparent pricing. Finally, we also offer synergistic payment services over the Boss Revolution platform that customers can conveniently access from their accounts. In our view, these factors represent competitive advantages.

However, some of our competitors have significantly greater financial resources and name recognition, and are capable of providing comparable service levels and pricing through established brands. Consequently, our ability to maintain and/or to capture additional market share will remain dependent upon our ability to continue to provide competitively priced services, expand our distribution and retail networks, improve our ability to reach and sell to customers through mobile devices, develop successful new products and services to fit the evolving needs of our customers, and continue to build the brand equity of Boss Revolution.

Wholesale Termination Services

The wholesale carrier industry has numerous entities competing for the same customers, primarily based on price, products and quality of service.

In our Wholesale Termination Services business, we participate in a global market place with:

interexchange carriers and other long distance resellers and providers, including large carriers such as AT&T and Verizon;

historically state-owned or state-sanctioned telephone companies such as Telefonica, France Telecom and KDDI;

on-line, spot-market trading exchanges for voice minutes;

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- OTT internet telephony providers;
- other VoIP providers;
- other providers of international long distance services; and
- alliances between large multinational carriers that provide wholesale carrier services.

Our Wholesale Termination Services business derives a competitive advantage from several inter-related factors: our Retail Communications business generates large volumes of originating minutes, which represents a desirable, tradable asset that helps us win return traffic and obtain beneficial pricing which we can offer in the wholesale arena; the proprietary technologies powering our wholesale platform and in particular, the software that drives voice over internet protocols enables us to scale up at a lower cost than many of our competitors; our professional and experienced account management; and our extensive network of interconnects around the globe, with the ability to connect in whatever format (IP or TDM) that is most feasible. In aggregate, these factors provide us with a competitive advantage over some participants on certain routes.

Payment Services

The major competitors to Payment Services' international airtime top-up offerings include:

- international mobile operators, who seek to control more of their own distribution channel or create their own products that are directly competitive to international airtime top-up;
- other distributors, who develop a more comprehensive product offering than our international airtime top-up offerings or aggressively discount their product offerings that are similar to our international airtime top-up offerings; and
- international money transfer services that target foreign born communities in the United States.

Consumer Phone Services

We offer long distance phone services to residential and business customers in the United States. We also offer local and long distance phone services bundled for a flat monthly rate in 11 states. The U.S. consumer phone services industry is characterized by intense competition, with numerous providers competing for a declining number of wireline customers, leading to a high churn rate because customers frequently change providers in response to offers of lower rates or promotional incentives.

The regional bell operating companies, or RBOCs, remain our primary competitors in the local exchange market. We are also competing with providers offering communications service over broadband connections using VoIP technology, such as cable companies and independent VoIP providers. Companies also provide voice telephony services over broadband Internet connections, allowing users of these Internet services, such as Vonage and Skype, to obtain communications services without subscribing to a conventional telephone line. Mobile wireless companies are deploying wireless technology as a substitute for traditional wireline local telephones. Electric utilities have existing assets (in the form of “last mile” connections to the customer’s premises), very large back-office support organizations and access to low-cost capital that could allow them to enter a telecommunications market rapidly and accelerate network development.

Due to changes in the U.S. regulatory environment that affected our cost of provisioning bundled local/long distance phone services and increased competition, we ceased marketing activities for this service, and as a result, our Consumer Phone Services business has declined significantly.

Zedge

Zedge faces competition in various forms. Ringtones and wallpapers are a commodity and many smaller apps and websites offer both free and paid ringtones and wallpapers. Zedge faces competition from apps that offer mobile customization content, a wide variety of smaller personalization content providers and app discovery services. We believe that Zedge has a competitive advantage due to its large user base, modular approach to providing customization content, large catalogue of content, its proprietary recommendation engine, its market ranking and its longevity. Zedge is unaware of any service that maintains a content library as extensive as Zedge’s library, or curates the content in such a relevant and easy to use fashion.

REGULATION

The following summary of regulatory developments and legislation is intended to describe what we believe to be the most important, but not all, current and proposed international, federal, state and local laws, regulations, orders and legislation that are likely to materially affect us.

Regulation of Telecom in the United States

Telecommunications services are subject to extensive government regulation at both the federal and state levels in the United States. Any violations of the regulations may subject us to enforcement actions, including interest and penalties. The FCC has jurisdiction over all telecommunications common carriers to the extent they provide interstate or international communications services. Each state regulatory commission has jurisdiction over the same carriers with respect to their provision of local and intrastate communications services. Local governments often indirectly regulate aspects of our communications business by imposing zoning requirements, taxes, permit or right-of-way procedures or franchise fees. Significant changes to the applicable laws or regulations imposed by any of these regulators could have a material adverse effect on our business, operating results and financial condition.

Regulation of Telecom by the Federal Communications Commission

The FCC has jurisdiction over all U.S. telecommunications service providers to the extent they provide interstate or international communications services, including the use of local networks to originate or terminate such services.

Universal Service and Other Regulatory Fees and Charges

In 1997, the FCC issued an order, referred to as the Universal Service Order that requires all telecommunications carriers providing interstate telecommunications services to contribute to universal service support programs administered by the FCC (known as the Universal Service Fund). In addition, beginning in October 2006, interconnected VoIP providers, such as our subsidiary Net2Phone, are required to contribute to the Universal Service Fund. These periodic contributions are currently assessed based on a percentage of each contributor's interstate and international end user telecommunications revenues reported to the FCC. We also contribute to several other regulatory funds and programs, most notably Telecommunications Relay Service, FCC Regulatory Fees, and Local Number Portability (collectively, the Other Funds). We and most of our competitors pass through Universal Service Fund and Other Funds contributions as part of the price of our services, either as part of the base rate or, to the extent allowed, as a separate surcharge on customer bills. Due to the manner in which these contributions are calculated, we cannot be assured that we fully recover from our customers all of our contributions. In addition, based on the nature of our current business, we receive certain exemptions from federal Universal Service Fund contributions. Changes in our business could eliminate our ability to qualify for some or all of these exemptions. As a result, our ability to pursue certain new business opportunities in the future may be constrained in order to maintain these exemptions, the elimination of which could materially affect the rates we would need to charge for existing services. Changes in regulation may also have an impact on the availability of some or all of these exemptions. If even some of these exemptions become unavailable, they could materially increase our federal Universal Service Fund or Other Funds' contributions and have a material adverse effect on the cost of our operations and, therefore, on our ability to continue to operate profitably, and to develop and grow our business. We cannot be certain of the stability of the contribution factors for the Other Funds. Significant increases in the contribution factor for the Other Funds in general and the Telecommunications Relay Service Fund in particular can impact our profitability. Whether these contribution factors will be stable in the future is unknown, but it is possible that we will be subject to significant increases.

Interconnection and Unbundled Network Elements

FCC rule changes relating to unbundling have resulted in increased costs to purchase services and increased uncertainty regarding the financial viability of providing service using unbundled network elements. As a result, starting in 2006, we placed our Consumer Phone Services business in "harvest mode," wherein we seek to retain existing customers but do not actively market to new customers.

We continue to negotiate interconnection arrangements with Incumbent Local Exchange Carriers, or ILECs, generally on a state-by-state basis, for our Consumer Phone Services business as well as other businesses. These agreements typically have terms of two or three years and need to be periodically renewed and renegotiated. While current FCC rules and regulations require the incumbent provider to provide certain network elements necessary for us to provision end-user services on an individual and combined basis, we cannot assure that the ILECs will provide these components in a manner and at a price that will support competitive operations.

Access Charges

As a provider of long distance services, we remit access fees directly to local exchange carriers or indirectly to our underlying long distance carriers for the origination and termination of our long distance telecommunications traffic. Generally, intrastate access charges are higher than interstate access charges. Therefore, to the degree access charges increase or a greater percentage of our long distance traffic becomes intrastate, our costs of providing long distance services will increase. Similarly, as a local exchange provider, we bill access charges to long distance providers for the termination of those providers' long distance calls. Accordingly, as opposed to our long distance business, our local exchange business benefits from the receipt of intrastate and interstate long distance traffic. Under FCC rules, our interstate access rates must be set at levels no higher than those of the ILEC in each area we serve, which limits our ability to seek increased revenue from these services. Some, but not all, states have similar restrictions on our intrastate access charges.

For nearly a decade, the FCC has had open regulatory proceedings in which it has considered reforming "intercarrier compensation," which is a term that covers the payments that carriers bill and remit to each other—access charges and reciprocal compensation, generally—for the use of telecommunications networks to originate and terminate phone calls. On November 18, 2011, the FCC released a Report and Order and Further Notice of Proposed Rulemaking wherein it set forth a schedule which, over a period of several years, substantially reduces terminating access rates. Since we both make payments to and receive payments from other carriers for terminating long distance calls, the FCC's action has the effect of reducing payments we receive from other carriers while also reducing our costs to terminate our long distance calls. The FCC has also raised the possibility – which it has yet to conclusively act upon – that it will reduce originating access charges in a similar manner. Due to the nature of IDT's business, IDT pays, but does not bill originating access charges. At this time we cannot predict the effect future FCC actions may have upon our business.

Customer Proprietary Network Information

In 2007, the FCC increased its regulatory oversight of Customer Proprietary Network Information, or CPNI. The FCC took this increased role in response to several high-profile cases of "pretexting," which occurs when an individual secures, through deception, from a communications provider the private phone records of another person. We have a CPNI compliance policy in place and we believe we currently meet or exceed all FCC requirements for the protection of CPNI. However, we cannot be assured that we are in full compliance and if the FCC were to conclude that we were not in compliance, we could be subject to fines or other forms of sanction.

Regulation of Telecom by State Public Utility Commissions

Our telecommunications services that originate and terminate within the same state, including both local and in-state long distance services are subject to the jurisdiction of that state's public utility commission. The Communications Act of 1934, as amended, generally preempts state statutes and regulations that prevent the provision of competitive services, but permits state public utility commissions to regulate the rates, terms and conditions of intrastate services, so long as such regulation is not inconsistent with the requirements of federal law. We are certified to provide facilities-based and/or resold long distance service in all 50 states and facilities-based and resold local exchange service in 45 states. In addition to requiring certification, state regulatory authorities may impose tariff and filing requirements, consumer protection measures, and obligations to contribute to universal service and other funds. Rates for intrastate switched access services, which we both pay to local exchange companies and collect from long-distance companies for terminating in-state toll calls, are subject to the jurisdiction of the state commissions. State commissions also have jurisdiction to approve negotiated rates, or establish rates through arbitration, for interconnection, including rates for unbundled network elements. Changes in those access charges or rates for unbundled network elements could have a substantial and material impact on our business.

Regulation of Telecom—International

In connection with our international operations, we have obtained licenses or are otherwise authorized to provide telecommunications services in various foreign countries. We have obtained licenses or authorizations in Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Mexico, the Netherlands, Peru, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, the United Kingdom and Uruguay. In numerous countries where we operate or plan to operate, we are subject to many local laws and regulations that, among other things, may restrict or limit the ability of telecommunications companies to provide telecommunications services in competition with state-owned or state-sanctioned dominant carriers.

Regulation of Internet Telephony

The use of the Internet and private IP networks to provide voice communications services is generally less regulated than traditional switch-based telephony within the United States and abroad and, in many markets, is not subject to the imposition of certain taxes and fees that increase our costs. As a result, IDT is able, in many markets, to offer VoIP communications services at rates that are more attractive than those applicable to traditional telephone services. However, in the U.S. and abroad, there have been efforts by legislatures and regulators to harmonize the regulatory structures between traditional switch-based telephony and VoIP. This could result in additional fees, charges, taxes and regulations on IP communications services that could materially increase our costs and may limit or eliminate our competitive pricing advantages. Additionally, several foreign governments have adopted laws and/or regulations that could restrict or prohibit the provision of voice communications services over the Internet or private IP networks. These efforts could likewise harm our ability to offer VoIP communications services.

Money Transmitter and Payment Instrument Laws and Regulations

We have further developed our business in the area of consumer payment services. Our offerings now include money transfer, which launched in the first quarter of 2014, and various network branded or “open loop” prepaid card offerings. These industries are heavily regulated. Accordingly, we, and the products and services that we market in the area of consumer payment services, are subject to a variety of federal and state laws and regulations, including:

- Banking laws and regulations;
- Money transmitter and payment instrument laws and regulations;
- Anti-money laundering laws;
- Privacy and data security laws and regulations;
- Consumer protection laws and regulations;
- Unclaimed property laws; and
- Card association and network organization rules.

In connection with the development of our money transmission services and the expansion of our network branded prepaid card offerings, we have actively pursued our own money transmitter licenses. As of July 31, 2014, we had money transmitter licenses in 45 of the 47 states where they are required as well as in Puerto Rico and Washington, D.C.

Regulation of Other Businesses

We operate other smaller or early-stage initiatives and operations, which may be subject to federal, state, local or foreign law and regulation.

Intellectual Property

We rely on a combination of patents, copyrights, trademarks, domain name registrations and trade secret laws in the United States and other jurisdictions and contractual restrictions to protect our intellectual property rights and our brand names. All of our employees sign confidentiality agreements. These agreements provide that the employee may not use or disclose our confidential information except as expressly permitted in connection with the performance of his or her duties for us, or in other limited circumstances. These agreements also state that, to the extent rights in any invention conceived by the employee while employed by us do not vest in the Company automatically by operation of law, the employee is required to assign his or her rights to us.

We own at least 290 trademark and service mark registrations and pending applications in the United States and at least 390 pending applications and registrations abroad. We protect our brands in the marketplace including the IDT, Boss Revolution and Net2Phone brands. Where deemed appropriate, we have filed trademark applications throughout the world in an effort to protect our trademarks. Where deemed appropriate, we have also filed patent applications in an effort to protect our patentable intellectual property. IDT Corporation owns 11 issued patents and 8 patent applications in the United States and 10 patents issued abroad with 16 patent applications pending abroad.

We maintain a global telecommunications switching and transmission infrastructure that enables us to provide an array of telecommunications, Internet access and Internet telephony services to our customers worldwide. We have domestic and foreign patents and patent applications regarding our infrastructure and/or global telecommunication network for our international telecommunications traffic and the international traffic of other telecommunications companies.

Circumstances outside our control could pose a threat to our intellectual property rights. For example, effective intellectual property protection may not be available in every country in which our products and services are distributed. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Also, protecting our intellectual property rights is costly and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and harm our operating results.

Companies in the telecommunications industry and other industries in which we compete own large numbers of patents, copyrights and trademarks and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. As we face increasing competition, the possibility of intellectual property claims against us grows. Although we do not believe that we infringe upon the intellectual property rights of others, our technologies may not be able to withstand any third-party claims or rights against their use.

IDT Telecom

In addition to IDT Corporation's patents, our Net2Phone subsidiary currently owns 38 issued patents and has 4 pending patent applications in the United States. Net2Phone has 8 foreign issued patents, and no patent applications pending abroad.

Net2Phone owns at least 18 trademark and service mark registrations and at least 2 pending applications in the United States. Net2Phone owns at least 113 trademark and service mark registrations and at least 2 pending applications in various foreign countries. Net2Phone's most important mark is "NET2PHONE." Net2Phone has made a significant investment in protecting this mark, and Net2Phone believes it has achieved recognition in the United States and abroad. Net2Phone is currently engaged in an international filing program to file trademark applications for trademark registrations of the mark NET2PHONE in a number of foreign countries.

Zedge

Zedge owns at least 7 trademark/service mark registrations and at least 3 pending applications in the United States and in various foreign countries. Zedge's most important mark is "ZEDGE." Zedge has made a significant investment in protecting this mark and the other marks it is seeking to protect. Zedge is currently pursuing additional domestic and foreign trademark applications to expand protection for its "ZEDGE" trademark and other trade names. While Zedge cannot insure that there will be no opposition to its current applications, no such opposition currently exists.

Other

We also currently own three patents and three pending patent applications and three registrations in the United States that relate to business operations we oversee or businesses-in-development. We also own or license certain trademark and service mark registrations and pending applications in the United States and additional registrations abroad.

RESEARCH AND DEVELOPMENT

We incurred $10.0 million, $7.2 million and $4.6 million on research and development during fiscal 2014, fiscal 2013 and fiscal 2012, respectively, all related to Fabrix.

EMPLOYEES

As of October 1, 2014, we had a total of approximately 1,570 employees, of which approximately 1,560 are full-time employees.

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Item 1A. Risk Factors.

RISK FACTORS

Our business, operating results or financial condition could be materially adversely affected by any of the following risks as well as the other risks highlighted elsewhere in this document, particularly the discussions about regulation, competition and intellectual property. The trading price of our Class B common stock could decline due to any of these risks.

Risks Related to Our Businesses

Each of our telecommunications lines of business is highly sensitive to declining prices, which may adversely affect our revenues and margins.

The worldwide telecommunications industry is characterized by intense price competition, which has resulted in declines in both our average per-minute price realizations and our average per-minute termination costs. Many of our competitors continue to aggressively price their services. The intense competition has led to continued erosion in our pricing power, in both our retail and wholesale markets, and we have generally had to pass along all or some of the savings we achieve on our per-minute costs to our customers in the form of lower prices. Any increase by us in pricing may result in our prices not being as attractive, which may result in a reduction of revenue. If these trends in pricing continue or increase, it could have a material adverse effect on the revenues generated by our telecommunications businesses and/or our gross margins.

Because our prepaid products, including Boss Revolution products, generate a significant portion of our revenue, our growth and our results of operations are substantially dependent upon growth in these products and these products continue to face significant competition, which has adversely affected our profitability in recent years and may continue to adversely affect our profitability.

Because of the significant percentage of our revenues generated by our retail products, our results of operations and future growth significantly depend on the performance of these products.

We compete in the prepaid calling market with many of the established facilities-based carriers, such as AT&T, Verizon and Sprint, and with providers of alternative telecommunications services such as Mobile Virtual Network Operators and other prepaid wireless providers. These companies are substantially larger and have greater financial, technical, engineering, personnel and marketing resources, longer operating histories, greater name recognition and larger customer bases than we do. The use by these competitors of their resources in or affecting the international prepaid calling market could significantly impact our ability to compete against them successfully. In addition to these larger competitors, we face significant competition from smaller prepaid calling providers, who from time-to-time offer rates that are substantially below our rates, and in some instances below what we believe to be the cost to provide the service, in order to gain market share. This type of pricing by one or more competitors can adversely affect our revenues, as they gain market share at our expense, and our gross margins, if we lower rates in order to better compete.

The continued growth of the use of Internet protocol-based services has adversely affected the sales of our traditional prepaid calling cards as customers migrate from using calling cards to using these alternative services. We expect pricing of IP-based services to continue to decrease, which may result in increased substitution and increased pricing pressure on our international prepaid calling sales and margins.

Certain wireless operators have been rolling out unlimited international long distance plans that include international destinations to which customers can place direct calls from their mobile phones without time limitation. Currently, applicable destinations are limited. As more international destinations are added to “international unlimited” plans, this can adversely affect our revenues, as these operators gain subscriber market share.

In addition, like all international calling services, our Boss Revolution products are subject to fierce competition. Whether it is direct competitors, who offer similar calling services, or indirect competitors such as wireless service providers and VoIP carriers, which offer alternative international calling services, competitors that offer alternatives to Boss Revolution try to attract their potential distributors and international callers with aggressive pricing and promotion. This competition can adversely affect the revenues and profitability of our Boss Revolution products.

We may not be able to obtain sufficient or cost-effective termination capacity to particular destinations.

Most of our telecommunications traffic is terminated through third-party providers. In order to support our minutes-of-use demands and geographic footprint, we may need to obtain additional termination capacity or destinations. We may not be able to obtain sufficient termination capacity from high-quality carriers to particular destinations or may have to pay significant amounts to obtain such capacity. This could result in our not being able to support our minutes-of-use demands or in higher cost-per-minute to particular destinations, which could adversely affect our revenues and margins.

The termination of our carrier agreements with foreign partners or our inability to enter into carrier agreements in the future could materially and adversely affect our ability to compete, which could reduce our revenues and profits.

We rely upon our carrier agreements with foreign partners in order to provide our telecommunications services to our customers. These carrier agreements are for finite terms and, therefore, there can be no guarantee that these agreements will be renewed at all or on favorable terms to us. Our ability to compete would be adversely affected if our carrier agreements were terminated or we were unable to enter into carrier agreements in the future to provide our telecommunications services to our customers, which could result in a reduction of our revenues and profits.

As our international airtime top-up business grows and more competitors enter this space, our ability to secure competitive direct or indirect, exclusive or non-exclusive, agreements with international wireless operators to have access and to resell their in-country airtime top-ups could become more difficult or less attractive, thereby having an adverse effect on our revenues and operations.

Our customers, particularly our Wholesale Termination Services customers, could experience financial difficulties, which could adversely affect our revenues and profitability if we experience difficulties in collecting our receivables.

As a provider of international long distance services, we depend upon sales of transmission and termination of traffic to other long distance providers and the collection of receivables from these customers. The wholesale telecommunications market continues to feature many smaller, less financially stable companies. If weakness in the telecommunications industry or the global economy reduces our ability to collect our accounts receivable from our major customers, particularly our wholesale customers, our profitability may be substantially reduced. Moreover, the recent economic recession both in the United States and elsewhere may affect our customers' access to liquidity and impair our ability to collect on receivables. While our most significant customers, from a revenue perspective, vary from quarter to quarter, our five largest Wholesale Termination Services customers collectively accounted for 5.1% of total consolidated revenues from continuing operations in both fiscal 2014 and fiscal 2013. Our Wholesale Termination Services customers with the five largest receivables balances collectively accounted for 17.7% and 11.3% of the consolidated gross trade accounts receivable at July 31, 2014 and 2013, respectively. This concentration of revenues and receivables increases our exposure to non-payment by our larger customers, and we may experience significant write-offs if any of our large customers fail to pay their outstanding balances, which could adversely affect our revenues and profitability.

Our revenues will suffer if our distributors and sales representatives fail to effectively market and distribute our Boss Revolution voice and payment services, as well as our traditional disposable calling cards.

We rely on our distributors and representatives to market and distribute our traditional disposable prepaid calling card products, our Boss Revolution products, and our international airtime top-up offerings and other payment services. We utilize a network of several hundred sub-distributors that sell our traditional disposable prepaid calling cards, Boss Revolution products, and international airtime top-up to retail outlets throughout most of the United States.

In foreign countries, we are dependent upon our distributors and independent sales representatives, many of which sell services or products for other companies. As a result, we cannot control whether these foreign distributors and sales representatives will devote sufficient efforts to selling our services. In addition, we may not succeed in finding capable distributors, retailers and sales representatives in new markets that we may enter. If our distributors or sales representatives fail to effectively market or distribute our prepaid calling card products, Boss Revolution products, international airtime top-up offerings and other services, our ability to generate revenues and grow our customer base could be substantially impaired.

Natural or man-made disasters could have an adverse effect on our technological infrastructure.

Natural disasters, terrorist acts, acts of war, cyber-attacks or other breaches of network or information technology security may cause equipment failures or disrupt our operations. Our inability to operate our telecommunications networks as a result of such events, even for a limited period of time, may result in significant expenses and/or loss of market share to other communications providers, which could have a material adverse effect on our results of operations and financial condition.

Certain functions related to our business, particularly the business of IDT Telecom, depend on a single supplier or small group of suppliers to carry out its business, and the inability to do business with some or all of these suppliers could have a materially adverse effect on our business and financial results.

Certain functions related to our business, particularly the business of IDT Telecom, depend on a single supplier or small group of suppliers to carry out its business. Were the services of any one of them to become unavailable or available only in decreased capacity or at less advantageous terms, this could result in interruptions to our ability to provide certain services, could cause reduction in service and/or quality as the function is transitioned to an alternate provider, if any alternate provider is available, or could increase our cost, which in the current competitive environment, we may not be able to pass along to customers. Accordingly, any of these events could materially and negatively impact our business, our revenues, our margins, and our relationships with customers.

We could be harmed by network disruptions, security breaches, or other significant disruptions or failures of our IT infrastructure and related systems or of those we operate for certain of our customers.

To be successful, we need to continue to have available, for our and our customers' use, a high capacity, reliable and secure network. We face the risk, as does any company, of a security breach, whether through cyber-attacks, malware, computer viruses, sabotage, or other significant disruption of our IT infrastructure and related systems. As such, there is a risk of a security breach or disruption of the systems we operate, including possible unauthorized access to our and our customers' proprietary or classified information. We are also subject to breaches of our network resulting in unauthorized utilization of our services or products, which subject us to the costs of providing those products or services, which are likely not recoverable. The secure maintenance and transmission of our and our customer's information is a critical element of our operations. Our information technology and other systems that maintain and transmit customer information, or those of service providers or business partners, may be compromised by a malicious third party penetration of our network security, or that of a third party service provider or business partner, or impacted by advertent or inadvertent actions or inactions by our employees, or those of a third party service provider or business partner. As a result, our or our customers' information may be lost, disclosed, accessed or taken without the customers' consent, or our products and services may be used without payment.

Although we make significant efforts to maintain the security and integrity of these types of information and systems, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging, especially in light of the growing sophistication of cyber-attacks and intrusions. We may be unable to anticipate all potential types of attacks or intrusions or to implement adequate security barriers or other preventative measures. Certain of our business units have been the subject of attempted and successful cyber-attacks in the past. We have researched the situations and do not believe any material information, internal or customer, has been compromised.

Network disruptions, security breaches and other significant failures of the above-described systems could (i) disrupt the proper functioning of our networks and systems and therefore our operations or those of certain of our customers; (ii) result in the unauthorized use of our services or products without payment, (iii) result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or our customers, including trade secrets, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes; (iv) require significant management attention or financial resources to remedy the damages that result or to change our systems and processes; (v) subject us to claims for contract breach, damages, credits, fines, penalties, termination or other remedies; or (vi) result in a loss of business, damage our reputation among our customers and the public generally, subject us to additional regulatory scrutiny or expose us to litigation. Any or all of which could have a negative impact on our results of operations, financial condition and cash flows.

Our business is subject to a wide range of laws and regulations intended to help detect and prevent illegal or illicit activity and our failure, or the failure of one of our disbursement partners or payment processors to comply with those laws and regulations could harm our business, financial condition and results of operations.

Our money transfer and network branded prepaid card services are subject to an increasingly strict set of legal and regulatory requirements intended to help detect and prevent money laundering, terrorist financing, fraud and other illicit activity. The interpretation of those requirements by judges, regulatory bodies and enforcement agencies is changing, often quickly and with little notice. Economic and trade sanctions programs that are administered by the U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, prohibit or restrict transactions to or from or dealings with specified countries, their governments, and in certain circumstances, with individuals and entities that are specially-designated nationals of those countries, narcotics traffickers and terrorists or terrorist organizations. As federal, state and foreign legislative regulatory scrutiny and enforcement action in these areas increase, we expect our costs to comply with these requirements will increase, perhaps substantially. Failure to comply with any of these requirements by us, our regulated retailers or our disbursement partners could result in the suspension or revocation of a money transmitter license, the limitation, suspension or termination of our services, the seizure and/or forfeiture of our assets and/or the imposition of civil and criminal penalties, including fines.

The foregoing laws and regulations are constantly evolving, unclear and inconsistent across various jurisdictions, making compliance challenging. If we fail to update our compliance system to reflect legislative or regulatory developments, we could incur penalties. New legislation, changes in laws or regulations, implementing rules and regulations, litigation, court rulings, changes in industry practices or standards, changes in systems rules or requirements or other similar events could expose us to increased compliance costs, liability, reputational damage, and could reduce the market value of our money transfer and network branded prepaid card services or render them less profitable or obsolete.

We provide communications services to consumers and are therefore subject to various Federal and state laws and regulations.

As a provider of communications services to consumers, such as our Boss Revolution international calling service or our prepaid calling card services, we are subject to various Federal and state laws and regulations relating to the manner in which we advertise our services, describe and present the terms of our services, and communicate with our consumers. Compliance with these laws requires us to be constantly vigilant as they often vary from state to state. Failure to comply with these laws, could result in action being taken by Federal and state agencies or offices responsible for consumer protection, like the Federal Trade Commission.

We are subject to licensing and other requirements imposed by U.S. state regulators, and the U.S. federal government. If we were found to be subject to or in violation of any laws or regulations governing money transmitters, we could lose our licenses, be subject to liability or be forced to change our business practices.

A number of states have enacted legislation regulating money transmitters. As of July 31, 2014, we had obtained licenses to operate as a money transmitter in 45 U.S. states, Washington, D.C. and Puerto Rico, and have applications pending in one additional state. We are also registered as money services businesses with the Financial Crimes Enforcement Network of the U.S. Department of the Treasury, or FinCEN. As a licensed money transmitter, we are subject to bonding requirements, liquidity requirements, restrictions on our investment of customer funds, reporting requirements and inspection by state and foreign regulatory agencies. If we were found to be subject to and in violation of any banking or money services laws or regulations, we could be subject to liability or additional restrictions, such as increased liquidity requirements. In addition, our licenses could be revoked or we could be forced to cease doing business or change our practices in certain states or jurisdictions, or be required to obtain additional licenses or regulatory approvals that could impose a substantial cost on us. Regulators could also impose other regulatory orders and sanctions on us. Any change to our business practices that makes our service less attractive to customers or prohibits use of our services by residents of a particular jurisdiction could decrease our transaction volume and harm our business.

Our business is subject to strict regulation under federal law regarding anti-money laundering and anti-terrorist financing. Failure to comply with such laws, or abuse of our programs for purposes of money laundering or terrorist financing, could have a material adverse impact on our business.

Provisions of the USA PATRIOT Act, the Bank Secrecy Act and other federal laws impose substantial regulations on financial institutions that are designed to prevent money laundering and the financing of terrorist organizations. Increasing regulatory scrutiny of our industry with respect to money laundering and terrorist financing matters could result in more aggressive enforcement of these laws or the enactment of more onerous regulation, which could have a material adverse impact on our business. In addition, abuse of our money transfer services or prepaid card programs for purposes of money laundering or terrorist financing, notwithstanding our efforts to prevent such abuse through our regulatory compliance and risk management programs, could cause reputational or other harm that would have a material adverse impact on our business.

The Dodd-Frank Act, as well as the regulations required by the Dodd-Frank Act, and the creation of the Consumer Financial Protection Bureau could harm us and the scope of our activities, and could harm our operations, results of operations and financial condition.

The Dodd-Frank Act, which became law in the United States on July 21, 2010, calls for significant structural reforms and new substantive regulation across the financial services industry. In addition, the Dodd-Frank Act created the Consumer Financial Protection Bureau, or CFPB, whose purpose is to issue and enforce consumer protection initiatives governing financial products and services, including money transfer services.

We may be subject to examination by the CFPB, which has broad authority to enforce consumer financial laws. In July 2011, many consumer financial protection functions formerly assigned to the federal banking agency and other agencies were transferred to the CFPB. The CFPB has a large budget and staff and has broad authority with respect to our money transfer service and related business. It is authorized to collect fines and provide consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. In addition, the CFPB may adopt other regulations governing consumer financial services, including regulations defining unfair, deceptive or abusive acts or practices, and new model disclosures. The CFPB's authority to change regulations adopted in the past by other regulators, or to rescind or alter past regulatory guidance, could increase our compliance costs and litigation exposure.

The Dodd-Frank Act establishes a Financial Stability Oversight Counsel that is authorized to designate as "systemically important" non-bank financial companies and payment systems. Companies designated under either standard will become subject to new regulation and regulatory supervision. If we were designated under either standard, the additional regulatory and supervisory requirements could result in costly new compliance burdens or may require changes in the way we conduct business that could harm our business.

Our disbursement partners generally are regulated institutions in their home jurisdiction, and money transfers are regulated by governments in both the United States and in the jurisdiction of the recipient. If our disbursement partners fail to comply with applicable laws, it could harm our business.

Money transfers are regulated by state, federal and foreign governments. Many of our disbursement partners are banks and are heavily regulated by their home jurisdictions. Our non-bank disbursement partners are also subject to money transfer regulations. We require regulatory compliance as a condition to our continued relationship, perform due diligence on our disbursement partners and monitor them periodically with the goal of meeting regulatory expectations. However, there are limits to the extent to which we can monitor their regulatory compliance. Any determination that our disbursement partners or their sub-disbursement partners have violated laws and regulations could seriously damage our reputation, resulting in diminished revenue and profit and increased operating costs. While our services are not directly regulated by governments outside the United States, except with respect to our Gibraltar bank as discussed below, it is possible that in some cases we could be liable for the failure of our disbursement partners or their sub-disbursement partners to comply with laws, which also could harm our business, financial condition and results of operations.

Our bank in Gibraltar is regulated by the Gibraltar Financial Services Commission (the FSC), and, as such, is subject to Gibraltarian and European Union laws relating to financial institutions. As an issuer of prepaid debit cards for programs operated by other entities, commonly known as program managers, the bank is responsible, inter alia, for anti-money laundering laws oversight and compliance. If we were to fail to implement the requisite controls or follow the rules and procedures mandated by the FSC and applicable law, we could be subject to regulatory fines, and even the loss of our banking license.

We receive, store, process and use personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy. Our actual or perceived failure to comply with such obligations could harm our business.

We receive, store and process personal information and other customer data, including bank account numbers, credit and debit card information, identification numbers and images of government identification cards. As a result, we are required to comply with the privacy provisions of the Gramm-Leach-Bliley Act of 1999, or the Gramm-Leach-Bliley Act, and the Payment Card Industry Data Security Standard. There are also numerous other federal, state and local laws around the world regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other customer data, the scope of which are changing, subject to differing interpretations, and may be inconsistent among different jurisdictions or conflict with other applicable rules. It is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our business practices.

Additionally, with advances in computer capabilities and data protection requirements to address ongoing threats, we may be required to expend significant capital and other resources to protect against potential security breaches or to alleviate problems caused by security breaches.

Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to customers or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, may result in governmental enforcement actions, fines or litigation. If there is a breach of credit or debit card information that we store, we could also be liable to the issuing banks for their cost of issuing new cards and related expenses. In addition, a significant breach could result in our being prohibited from processing transactions for any of the relevant network organizations, such as Visa or MasterCard, which would harm our business. If any third parties with whom we work, such as marketing partners, vendors or developers, violate applicable laws or our policies, such violations may put our customers' information at risk and could harm our business. Any negative publicity arising out of a data breach or failure to comply with applicable privacy requirements could damage our reputation and cause our customers to lose trust in us, which could harm our business, results of operations, financial position and potential for growth.

We could fail to comply with requirements imposed on us by certain third parties, including regulators.

An increasingly significant portion of our telecom transactions are processed using credit cards and similar payment methods. As we shift from sales through our traditional distribution channels to newer platforms, including Boss Revolution and platforms utilized by our payment services business, that portion is expected to increase and that growth is dependent on utilizing such payment methods. The banks, credit card companies and other relevant parties are imposing strict system and other requirements in order to participate in such parties' payment systems. We are required to comply with the privacy provisions of various federal and state privacy statutes and regulations, and the Payment Card Industry Data Security Standard, each of which is subject to change at any time. Compliance with these requirements is often difficult and costly, and our failure, or our distributors' failure, to comply may result in significant fines or civil penalties, regulatory enforcement action, liability under or termination of necessary agreements related to our payment services business, each of which could have a material adverse effect on our financial position and/or operations and that of our distributors who could be liable as well. Further, as we move into more payment services in addition to services and products that are solely telecommunications related, those operations may be subject to different and more stringent requirements by regulators and trade organizations in various jurisdictions. Our payment services unit is subject to federal and state banking regulations and we are also subject to further regulation by those states in which we are licensed as a money transmitter. We may not be able to comply with all such requirements in a timely manner or remain in compliance. If we are not in compliance, we could be subject to penalties or the termination of our rights to participate in such payment systems or provide such services, which could have a material negative impact on our ability to carry on and grow our Retail Communications and Payment Services operations.

Risks Related to Our Financial Condition

We hold significant cash, cash equivalents, marketable securities and investments that are subject to various market risks.

As of July 31, 2014, we had cash, cash equivalents and marketable securities of $166.7 million and aggregate short-term and long-term restricted cash and cash equivalents of $68.5 million. As of July 31, 2014, we also had $9.5 million in investments in hedge funds, of which $0.1 million was included in "Other current assets" and $9.4 million was included in "Investments" in our consolidated balance sheet. We liquidated most of our investment in hedge funds in recent years. Much of the remaining balances in these funds are subject to time restrictions. We may consider liquidating such remaining balances when their restrictions lapse. Investments in marketable securities and hedge funds carry a degree of risk, as there can be no assurance that we can redeem the hedge fund investments at any time and that our investment managers will be able to accurately predict the course of price movements of securities and other instruments and, in general, the securities markets have in recent years been characterized by great volatility and unpredictability. As a result of these different market risks, our holdings of cash, cash equivalents, marketable securities and investments could be materially and adversely affected.

Intellectual Property, Tax, Regulatory and Litigation Risks

We may be adversely affected if we fail to protect our proprietary technology.

We depend on proprietary technology and other intellectual property rights in conducting our various business operations. We rely on a combination of patents, copyrights, trademarks and trade secret protection and contractual rights to establish and protect our proprietary rights. Failure of our patents, copyrights, trademarks and trade secret protection, non-disclosure agreements and other measures to provide protection of our technology and our intellectual property rights could enable our competitors to more effectively compete with us and have an adverse effect on our business, financial condition and results of operations.

In addition, we may be required to litigate in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Any such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on our business, financial condition or results of operations, and there can be no assurances that we will be successful in any such litigation.

We may be subject to claims of infringement of intellectual property rights of others.

From time to time we may be subject to claims and legal proceedings from third parties regarding alleged infringement by us of trademarks, copyrights, patents and other intellectual property rights. Such suits can be expensive and time consuming and could distract us and our management from focusing on our businesses. Further, loss of such suits could result in financial burdens and the requirement to modify our modes of operation, which could materially adversely affect our business.

We are subject to tax and regulatory audits which could result in the imposition of liabilities that may or may not have been reserved.

We are subject to audits by taxing and regulatory authorities with respect to certain of our income and operations. These audits can cover periods for several years prior to the date the audit is undertaken and could result in the imposition of liabilities, interest and penalties if our positions are not accepted by the auditing entity.

Our FCC Form 499-A filings for calendar years 2000 through 2006 related to payments to the Universal Service Fund have been audited by the Internal Audit Division, or IAD, of the Universal Service Administrative Company, or

USAC, which concluded that we incorrectly reported certain revenues on Forms 499-A. USAC's revisions to our filing methodology resulted in additional regulatory payments for the years covered by the audits. While we believe in the accuracy of our filing methodology and our Request for Review remains pending, we have implemented some of the revisions set forth in the IAD's filings beginning with our calendar year 2010 Form 499-A. We have accrued for all regulatory fees we believe may be incurred under IAD's methodology from 2002 through the present, in the event our Request for Review is denied and/or our methodology is not upheld on appeal, and we have made certain payments on amounts that have been invoiced to us by USAC and/or other agencies. As of July 31, 2014, our accrued expenses included $42.7 million for these regulatory fees for the years covered by the audit and subsequent years through fiscal 2014. Until a final decision has been reached in our disputes, we will continue to accrue in accordance with IAD's methodology. If we do not properly calculate, or have not properly calculated, the amount payable by us to the Universal Service Fund, we may be subject to interest and penalties.

We are subject to value added tax, or VAT, audits from time-to-time in various jurisdictions. In the conduct of such audits, we may be required to disclose information of a sensitive nature and, in general, to modify the way we have conducted business with our distributors until the present, which may affect our business in an adverse manner.

We are also subject to audits in various jurisdictions for various other taxes, including utility excise tax, sales and use tax, communications services tax, gross receipts tax and property tax.

Federal and state regulations may be passed that could harm our business.

Our ability to provide VoIP communications services at attractive rates arises in large part from the fact that VoIP services are not currently subject to the same level of regulation as traditional, switch-based telephony. The use of the Internet and private IP networks to provide voice communications services is largely unregulated within the United States, although several foreign governments have adopted laws and/or regulations that could restrict or prohibit the provision of voice communications services over the Internet or private IP networks. If interconnected VoIP services become subject to state regulation and/or additional regulation by the FCC, such regulation will likely lead to higher costs and reduce or eliminate the competitive advantage interconnected VoIP holds, by virtue of its lesser regulatory oversight, over traditional telecommunications services. More aggressive regulation of the Internet in general, and Internet telephony providers and services specifically, may materially and adversely affect our business, financial condition and results of operations.

Our ability to offer services outside of the United States is subject to the local regulatory environment, which may be unfavorable, complicated and often uncertain.

Regulatory treatment outside the United States varies from country to country. We distribute our products and services through resellers that may be subject to telecommunications regulations in their home countries. The failure of these resellers to comply with these laws and regulations could reduce our revenue and profitability, or expose us to audits and other regulatory proceedings. Regulatory developments such as these could have a material adverse effect on our operating results.

In many countries in which we operate or our services are sold, the status of the laws that may relate to our services is unclear. We cannot be certain that our customers, resellers, or other affiliates are currently in compliance with regulatory or other legal requirements in their respective countries, that they or we will be able to comply with existing or future requirements, and/or that they or we will continue in compliance with any requirements. Our failure or the failure of those with whom we transact business to comply with these requirements could materially adversely affect our business, financial condition and results of operations.

While we expect additional regulation of our industry in some or all of these areas, and we expect continuing changes in the regulatory environment as new and proposed regulations are reviewed, revised and amended, we cannot predict with certainty what impact new laws in these areas will have on us, if any. For a complete discussion of what we believe are the most material regulations impacting our business, see Item 1 to Part I “Business—Regulation” included elsewhere in this Annual Report.

We are subject to legal proceedings in the ordinary course of business that may have a material adverse effect on our business, results of operations, cash flows or financial condition.

Various legal proceedings that have arisen or may arise in the ordinary course of business have not been finally adjudicated, which may have a material adverse effect on our results of operations, cash flows or financial condition.

Risks Related to Our Capital Structure

Holders of our Class B common stock have significantly less voting power than holders of our Class A common stock.

Holders of our Class B common stock are entitled to one-tenth of a vote per share on all matters on which our stockholders are entitled to vote, while holders of our Class A common stock are entitled to three votes per share. As a result, the ability of holders of our Class B common stock to influence our management is limited.

We are controlled by our principal stockholder, which limits the ability of other stockholders to affect our management.

Howard S. Jonas, our Chairman of the Board and founder, has voting power over 4,377,888 shares of our common stock (which includes 1,574,326 shares of our Class A common stock, which are convertible into shares of our Class B common stock on a 1-for-1 basis, and 2,803,562 shares of our Class B common stock), representing approximately 72.6% of the combined voting power of our outstanding capital stock, as of October 6, 2014. Mr. Jonas is able to control matters requiring approval by our stockholders, including the election of all of the directors and the approval of significant corporate matters, including any merger, consolidation or sale of all or substantially all of our assets. As a result, the ability of any of our other stockholders to influence our management is limited.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our headquarters are located in Newark, New Jersey. We own a building that contains approximately 500,000 square feet, along with an 800 car parking garage. We also lease a 75,000 square foot space in Newark, New Jersey, as well as a space in New York, New York. Collectively, these three buildings currently serve as the base for each of our operating segments.

We own a building in Piscataway, New Jersey, which is subject to a mortgage that is used by IDT Telecom for certain of its operations. We also lease space in a number of other locations in metropolitan areas primarily to house telecommunications equipment and for our retail communications operations.

We maintain our European headquarters in London, England and we own a 12,400 square foot condominium interest in a building in Jerusalem, Israel. We also maintain various international office locations and telecommunications facilities in portions of Europe, South America, Central America, the Middle East, Asia and Africa where we conduct operations.

Item 3. Legal Proceedings.

On October 17, 2013, we and Alexsam, Inc., or Alexsam, entered into a confidential Settlement Agreement pursuant to which the parties agreed to fully compromise, settle and release any and all claims and counterclaims related to Alexsam's action in the United States District Court, Eastern District of Texas alleging infringement of two patents related to the activation of phone and gift cards (incorporating bank identification numbers approved by the American Banking Association for use in a banking network) over a point-of-sale terminal. In a judgment issued in August 2011, Alexsam was awarded an aggregate of $10.1 million including damages and interest. The Settlement Agreement included a prospective royalty free license. On November 4, 2013, we paid Alexsam the settlement amount.

In connection with an arbitration hearing with Aerotel, Ltd., or Aerotel, that was held in June 2012, on March 15, 2013, the arbitration panel issued its Final Award, and determined that Aerotel sustained damages, inclusive of interest at 9% per annum through March 15, 2013, in the total amount of approximately $5.4 million. On April 8, 2013, Aerotel filed a Petition for Judgment Vacating the Arbitration Awards in the United States District Court, Southern District of New York along with a Motion supporting its Petition to Vacate the Arbitration Awards. After briefing, on July 18, 2013, the Court confirmed the award, and as a result, in July 2013, we paid Aerotel $5.4 million, including interest. On August 14, 2013, Aerotel filed a Notice of Appeal with the Court of Appeals, 2nd Circuit. After briefing, oral argument was held on May 21, 2014 and on June 3, 2014, the Court of Appeals affirmed the decision of the District Court.

Our subsidiary Prepaid Cards BVBA was the exclusive licensee of a patent related to a method and process used in prepaid calling cards that was invented by Shmuel Fromer, which has now expired. We had been attempting to enforce this patent in Germany, and had succeeded, prevailing in infringement cases against certain calling card providers, including Lycatel (Ireland) Limited and Lycatel Services Limited, and Mox Telecom AG. On February 21, 2012, a nullity hearing (effectively judging the validity of the patent) with respect to the patent, took place before the German Federal Court of Justice in Karlsruhe, between Lycatel Services Limited as claimant, Mox Telecom AG as intervenor on the side of claimant, and Mr. Fromer, as defendant. During this hearing, the court nullified claims 1, 2, 3, 5 and 6 of the patent. The Court also ordered the defendant to pay costs and fees in respect of all of the nullity proceedings involving Lycatel and Mox. Except for the amount of fees and costs which may be claimed against us in connection with the infringement proceedings, which are based on applicable statutes (for which we have accrued $1.1 million at July 31, 2014), the outcome of this matter is uncertain, and, as such, we are not able to make an assessment of the final result and its impact on us. We paid the court fees in connection with the infringement proceedings, and in March 2014, paid Lycatel for its own fees and costs. Mox’s costs and fees in connection with the infringement proceedings have not been determined. Upon enforcement of the judgments in these cases, we were required to transfer security deposits to the Court. While the security deposit for the Lycatel case was subsequently released to us, at this time the relevant courts have declined to release the security deposit for the Mox case. Mox recently filed for bankruptcy. We are examining our options with respect to the release of this deposit.

On May 5, 2004, we filed a complaint in the Supreme Court of the State of New York, County of New York, seeking injunctive relief and damages against Tyco Group, S.A.R.L., Tyco Telecommunications (US) Inc. (f/k/a TyCom (US) Inc.), Tyco International, Ltd., Tyco International (US) Inc., and TyCom Ltd., collectively Tyco. We alleged that Tyco breached a settlement agreement that it had entered into with us to resolve certain disputes and civil actions among the parties. We alleged that Tyco did not provide us, as required under the settlement agreement, free of charge and for our exclusive use, a 15-year indefeasible right to use four Wavelengths in Ring Configuration (as defined in the settlement agreement), or Wavelengths, on a global undersea fiber optic network that Tyco was deploying at that time. In June 2004, Tyco asserted several counterclaims against us, alleging that we breached the settlement agreement and are liable for damages for allegedly refusing to accept Tyco’s offer regarding the Wavelengths referenced in the settlement agreement and for making a public statement that Tyco failed to provide us with the use of its Wavelengths. On August 19, 2008, the Appellate Division of the State of New York, First Department, granted summary judgment in favor of Tyco dismissing the complaint and remanded the matter to the Supreme Court for further proceedings. On October 22, 2009, the New York Court of Appeals issued an Order denying our appeal and affirming the Appellate Division’s order. On or about November 17, 2009, we demanded that Tyco comply with its obligations under the settlement agreement. After further discussions and meetings between the parties regarding Tyco’s obligations under the settlement agreement, including its obligation to provide the use of the Wavelengths for fifteen years in a manner fully consistent with that described in the settlement agreement, we filed a complaint on November 24, 2010 in the Supreme Court of the State of New York, County of New York, against Tyco based upon the failure to comply with the obligations under the settlement agreement, to negotiate the terms of an indefeasible right to use the Wavelengths in good faith, and to provide us with the Wavelengths. The complaint alleges causes of action for breach of contract and breach of duty to negotiate in good faith. On January 6, 2011, Tyco filed a motion to dismiss the complaint, which was granted. On July 22, 2011, we filed a notice of appeal. After briefing was completed, oral argument was held on April 2, 2012. On December 27, 2012, the Appellate Division issued an opinion and order reversing the order of the Supreme Court that granted Tyco’s motion to dismiss our complaint. On April 30, 2013, Tyco filed a motion for reargument or, in the alternative, leave to appeal to the Court of Appeals, which we opposed. On February 8, 2013, Tyco filed an answer with a counterclaim. On May 21, 2013, the Appellate Division denied Tyco’s request for reargument but granted its request for leave to appeal to the Court of Appeals. On July 30, 2013, Tyco filed its opening brief, we filed our response brief on September 16, 2013, and Tyco filed its reply on October 11, 2013. Oral argument was held on April 29, 2014. On June 5, 2014, the Court issued its decision, and reversed the order of the Appellate Division, and ordered that the order of the Supreme Court should be reinstated. On July 7, 2014, we filed a motion for reargument with the Court of Appeals, which Tyco opposed. On September 11, 2014, the Court denied our motion. We are evaluating our options going forward.

In addition to the foregoing, we are subject to other legal proceedings that have arisen in the ordinary course of business and have not been finally adjudicated. Although there can be no assurance in this regard, none of the other legal proceedings to which we are a party will have a material adverse effect on our results of operations, cash flows or financial condition.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

PRICE RANGE OF COMMON STOCK

Our Class B common stock trades on the New York Stock Exchange under the symbol "IDT".

The table below sets forth the high and low sales prices for our Class B common stock as reported by the New York Stock Exchange for the fiscal periods indicated. On July 31, 2013, we completed the Straight Path Spin-Off, in which each of our stockholders received one share of Straight Path Class A common stock for every two shares of our Class A common stock and one share of Straight Path Class B common stock for every two shares of our Class B common stock held of record as of the close of business on July 25, 2013.

	High	Low
Fiscal year ended July 31, 2013		
First Quarter	$11.00	$9.61
Second Quarter	$10.57	$8.86
Third Quarter	$14.94	$9.81
Fourth Quarter	$21.24	$13.77
Fiscal year ended July 31, 2014		
First Quarter	$22.73	$15.92
Second Quarter	$22.92	$16.60
Third Quarter	$19.32	$15.51
Fourth Quarter	$18.14	$15.14

On October 6, 2014, there were 510 holders of record of our Class B common stock and 2 holders of record of our Class A common stock. All shares of Class A common stock are beneficially owned by Howard Jonas. These numbers do not include the number of persons whose shares are in nominee or in "street name" accounts through brokers. On October 6, 2014, the last sales price reported on the New York Stock Exchange for the Class B common stock was $15.90 per share.

Additional information regarding dividends required by this item is incorporated by reference from the Management's Discussion and Analysis section found in Item 7 and from Note 13 to the Consolidated Financial Statements.

The information required by Item 201(d) of Regulation S-K will be contained in our Proxy Statement for our Annual Stockholders Meeting, which we will file with the Securities and Exchange Commission within 120 days after July 31, 2014, and which is incorporated by reference herein.

Performance Graph of Stock

The line graph below compares the cumulative total stockholder return on our Class B common stock with the cumulative total return of the New York Stock Exchange Composite Index and the Standard & Poor's Telecommunication Services Index for the five years ended July 31, 2014. The graph and table assume that $100 was invested on July 31, 2009 (the last day of trading for the fiscal year ended July 31, 2009) in each of Class B common stock with the cumulative total return of the NYSE Composite Index and the S&P Telecommunication Services Index, and that all dividends were reinvested. Cumulative total return for our Class B common stock includes the value of spin-offs consummated by IDT (i.e., pro rata distributions of the common stock of a subsidiary to our stockholders). Cumulative total stockholder returns for our Class B common stock, NYSE Composite Index and the S&P Telecommunication Services Index are based on our fiscal year.

Issuer Purchases of Equity Securities

The following table provides information with respect to purchases by us of our shares during the fourth quarter of fiscal 2014.

	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(1)
May 1 – 31, 2014	—	$ —	—	5,064,792
June 1 – 30, 2014	—	$ —	—	5,064,792
July 1 – 31, 2014(2)	3,024	$ 16.75	—	5,064,792
Total	3,024	$ 16.75	—	

(1) Under our existing stock repurchase program, approved by our Board of Directors on June 13, 2006, we were authorized to repurchase up to an aggregate of 8.3 million shares of our Class B common stock and, until April 2011, our common stock, without regard to class. On December 17, 2008, our Board of Directors (i) approved a one-for-three reverse stock split of all classes of our common stock which was effective on February 24, 2009, and (ii) amended the stock repurchase program to increase the aggregate number of shares of our Class B common stock and common stock, without regard to class, that we are authorized to repurchase from the 3.3 million shares that remained available for repurchase to 8.3 million shares.

(2) Consists of shares of Class B common stock that were tendered by employees of ours to satisfy the employees' tax withholding obligations in connection with the lapsing of restrictions on awards of restricted stock. Such shares were repurchased by us based on their fair market value on the trading day immediately prior to the vesting date and the proceeds utilized to pay the taxes due upon such vesting event.

Item 6. Selected Financial Data.

The selected consolidated financial data presented below for each of the fiscal years in the five-year period ended July 31, 2014 has been derived from our Consolidated Financial Statements, which have been audited by Grant Thornton LLP, independent registered public accounting firm. The selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements and the Notes thereto and other financial information appearing elsewhere in this Annual Report.

Year Ended July 31, (in thousands, except per share data)	2014	2013	2012	2011	2010
STATEMENT OF OPERATIONS DATA:					
Revenues	$1,651,541	$1,620,617	$1,506,283	$1,351,416	$1,193,131
Income from continuing operations	21,010	18,078	30,934	20,987	6,988
Income from continuing operations per common share—basic	0.85	0.77	1.45	0.98	0.31
Income from continuing operations per common share—diluted	0.82	0.72	1.36	0.90	0.30
Cash dividends declared per common share	0.51	0.83	0.66	0.67	—

As of July 31, (in thousands)	2014	2013	2012	2011	2010
BALANCE SHEET DATA:					
Total assets	$480,931	$435,407	$451,114	$568,166	$517,795
Capital lease obligations—long-term portion	—	—	—	—	407
Notes payable—long term portion	6,353	6,624	29,716	29,564	33,640

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that contain the words “believes,” “anticipates,” “expects,” “plans,” “intends” and similar words and phrases. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the results projected in any forward-looking statement. In addition to the factors specifically noted in the forward-looking statements, other important factors, risks and uncertainties that could result in those differences include, but are not limited to, those discussed under Item 1A to Part I “Risk Factors” in this Annual Report. The forward-looking statements are made as of the date of this Annual Report, and we assume no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those projected in the forward-looking statements. Investors should consult all of the information set forth in this report and the other information set forth from time to time in our reports filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934, including our reports on Forms 10-Q and 8-K.

The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in Item 8 of this Annual Report.

OVERVIEW

We are a multinational holding company with operations primarily in the telecommunications and payment industries. We have three reportable business segments, Telecom Platform Services, Consumer Phone Services and Zedge. Telecom Platform Services provides retail telecommunications and payment offerings as well as wholesale international long distance traffic termination. Consumer Phone Services provides consumer local and long distance services in certain U.S. states. Telecom Platform Services and Consumer Phone Services comprise our IDT Telecom division. Zedge owns and operates an online platform for mobile phone consumers interested in obtaining free, high-quality games, apps, and mobile phone customization including ringtones, wallpapers, and notification sounds. Operating segments not reportable individually are included in All Other. All Other includes Fabrix, a software development company offering a cloud-based scale-out storage and computing platform optimized for big data, virtualization and media storage, processing and delivery. We sold Fabrix in October 2014. All Other also includes our real estate holdings, and other, smaller, businesses.

Discontinued Operations

Straight Path Communications, Inc.

On July 31, 2013, we completed a pro rata distribution of the common stock of our subsidiary Straight Path Communications Inc. to our stockholders of record as of the close of business on July 25, 2013. At the time of the Straight Path Spin-Off, Straight Path owned 100% of Straight Path Spectrum, Inc., which holds, leases and markets fixed wireless spectrum licenses, and 84.5% of Straight Path IP Group, Inc., which holds intellectual property primarily related to communications over the Internet and the licensing and other businesses related to this intellectual property. As of July 31, 2013, each of our stockholders received one share of Straight Path Class A common stock for every two shares of our Class A common stock and one share of Straight Path Class B common stock for every two shares of our Class B common stock held of record as of the close of business on July 25, 2013. Straight Path and its subsidiaries met the criteria to be reported as discontinued operations and accordingly, their assets, liabilities, results of operations and cash flows are classified as discontinued operations for all periods presented.

We believe the Straight Path Spin-Off was tax-free for us and our stockholders for U.S. federal income tax purposes under Section 355 of the Internal Revenue Code of 1986. We received an opinion from Pryor Cashman LLP on the requirements for a tax-free distribution. Specifically, the opinion concluded that the distribution (i) should satisfy the business purpose requirement of the Internal Revenue Code for a tax-free distribution, (ii) should not be viewed as being used principally as a device for the distribution of earnings and profits of the distributing corporation or the controlled corporation or both, and (iii) should not be viewed as part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest in the distributing corporation or controlled corporation within the meaning of the relevant section of the Internal Revenue Code.

In connection with the Straight Path Spin-Off, we funded Straight Path with a total of $15.0 million in aggregate cash and cash equivalents.

We entered into various agreements with Straight Path prior to the Straight Path Spin-Off including (1) a Separation and Distribution Agreement to effect the separation and provide a framework for our relationship with Straight Path after the spin-off, (2) a Tax Separation Agreement, which sets forth our and Straight Path’s responsibilities with respect to, among other things, liabilities for federal, state, local and foreign taxes for periods before and including the spin-off, the preparation and filing of tax returns for such periods and disputes with taxing authorities regarding taxes for such periods, and (3) a Transition Services Agreement, which provides for certain services to be performed by us to facilitate Straight Path’s transition into a separate publicly-traded company. These agreements provide for, among other things, the allocation between us and Straight Path of employee benefits, taxes and other liabilities and obligations attributable to periods prior to the spin-off, and provision of certain services by us to Straight Path following the spin-off, including services relating to human resources and employee benefits administration, treasury, accounting, tax, external reporting, and legal. Straight Path transitioned accounting and external reporting services from us to a third party in the first quarter of fiscal 2015. In addition, we and Straight Path have entered into a license agreement whereby each of us, Straight Path and our subsidiaries granted and will grant a license to the other to utilize patents held by each entity.

Genie Energy Ltd.

On October 28, 2011, we completed a pro rata distribution of the common stock of our subsidiary, Genie Energy Ltd., to our stockholders of record as of the close of business on October 21, 2011. At the time of the Genie Spin-Off, Genie owned 99.3% of Genie Energy International Corporation, which owned 100% of IDT Energy and 92% of Genie Oil and Gas, Inc. As of October 28, 2011, each of our stockholders received one share of Genie Class A common stock for every share of our Class A common stock and one share of Genie Class B common stock for every share of our Class B common stock held of record as of the close of business on October 21, 2011. Genie and its subsidiaries met the criteria to be reported as discontinued operations and accordingly, their assets, liabilities, results of operations and cash flows are classified as discontinued operations for all periods presented.

We received a ruling from the Internal Revenue Service, or IRS, substantially to the effect that, for U.S. federal income tax purposes, the distribution of shares of Genie common stock will qualify as tax-free for Genie, us and our stockholders under Section 355 of the Internal Revenue Code of 1986. In addition to obtaining the IRS ruling, we received an opinion from PricewaterhouseCoopers LLP on the three requirements for a tax-free distribution that are not addressed in the IRS ruling. Specifically, the opinion concludes that the distribution (i) should satisfy the business purpose requirement of the Internal Revenue Code for a tax-free distribution, (ii) should not be viewed as being used principally as a device for the distribution of earnings and profits of the distributing corporation or the controlled corporation or both, and (iii) should not be viewed as part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest in the distributing corporation or controlled corporation within the meaning of the relevant section of the Internal Revenue Code.

In connection with the Genie Spin-Off, we funded Genie with a total of $106.0 million in aggregate cash and cash equivalents, including restricted cash.

We entered into various agreements with Genie prior to the Genie Spin-Off including a Separation and Distribution Agreement to effect the separation and provide a framework for our relationship with Genie after the spin-off, and a Transition Services Agreement, which provides for certain services to be performed by us and Genie to facilitate Genie’s transition into a separate publicly-traded company. These agreements provide for, among other things, (1) the allocation between us and Genie of employee benefits, taxes and other liabilities and obligations attributable to periods prior to the spin-off, (2) transitional services to be provided by us relating to human resources and employee benefits administration, (3) the allocation of responsibilities relating to employee compensation and benefit plans and programs and other related matters, (4) finance, accounting, tax, internal audit, facilities, external reporting, investor relations and legal services to be provided by us to Genie following the spin-off and (5) specified administrative services to be provided by Genie to certain of our foreign subsidiaries. In addition, we entered into a Tax Separation Agreement with Genie, which sets forth the responsibilities of us and Genie with respect to, among other things, liabilities for federal, state, local and foreign taxes for periods before and including the spin-off, the preparation and filing of tax returns for such periods and disputes with taxing authorities regarding taxes for such periods.

IDT Entertainment

In connection with the sale of IDT Entertainment to Liberty Media Corporation in the first quarter of fiscal 2007, we were eligible to receive additional consideration from Liberty Media based upon any appreciation in the value of IDT Entertainment over the five-year period that ended in August 2011, however, we may have been required to pay Liberty Media up to $3.5 million if the value of IDT Entertainment did not exceed a certain amount by August 2011. In September 2011, we and Liberty Media executed an agreement to settle and resolve all claims related to the additional consideration and certain other disputes and claims. Liberty Media paid us $2.0 million in September 2011 in consideration for the settlement and related releases, which is included in “Income on sale of discontinued operations” in fiscal 2012 in the accompanying consolidated statement of income.

Summary Financial Data of Discontinued Operations

Revenues, income before income taxes and net income (loss) of Straight Path and Genie, which are included in discontinued operations, were as follows:

Year ended July 31 (in millions)	2014	2013	2012
REVENUES			
Straight Path and subsidiaries	$ —	$1.1	$0.5
Genie and subsidiaries	—	—	45.8
TOTAL	$ —	$1.1	$46.3
(LOSS) INCOME BEFORE INCOME TAXES			
Straight Path and subsidiaries	$ —	$(4.6)	$4.9
Genie and subsidiaries	—	—	2.6
TOTAL	$ —	$(4.6)	$7.5
NET (LOSS) INCOME			
Straight Path and subsidiaries	$ —	$(4.6)	$4.9
Genie and subsidiaries	—	—	1.0
TOTAL	$ —	$(4.6)	$5.9

IDT Telecom

Since our inception, we have derived the majority of our revenues and operating expenses from IDT Telecom's businesses. IDT Telecom's revenues represented 98.5%, 98.9% and 99.3% of our total revenues from continuing operations in fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

Telecom Platform Services, which represented 99.3%, 99.1% and 98.7% of IDT Telecom's total revenues in fiscal 2014, fiscal 2013 and fiscal 2012, respectively, markets and distributes multiple communications and payment services across four broad business verticals:

Retail Communications provides international long-distance calling products primarily to foreign-born communities worldwide, with its core markets in the United States;

Wholesale Termination Services is a global telecom carrier, terminating international long distance calls around the world for Tier 1 fixed line and mobile network operators, as well as other service providers;

Payment Services provides payment offerings, including international airtime top-up and international money transfer sold over our Boss Revolution payment platform; and

Hosted Platform Solutions provides customized communications services that leverage our proprietary networks, platforms and/or technology to cable companies and other service providers.

Our Consumer Phone Services segment provides consumer local and long distance services in the United States. Since calendar 2005, this business has been in harvest mode, wherein we seek to retain existing customers but do not actively market to new customers, and we attempt to maximize profits by optimally managing both the life-cycle of our customer base as well as the costs associated with operating this business.

Our international prepaid calling business worldwide sells the great majority of its products to distributors at a discount to their face value, and records the sales as deferred revenues. These deferred revenues are recognized as revenues when telecommunications services are provided and/or administrative fees are imposed. International prepaid calling revenues tend to be somewhat seasonal, with the second fiscal quarter (which contains Christmas and New Year's Day) and the fourth fiscal quarter (which contains Mother's Day and Father's Day) typically showing higher minute volumes.

Direct costs related to our telecom businesses consist primarily of three major categories: termination and origination costs, toll-free costs and network costs.

Termination costs represent costs associated with the transmission and termination of international and domestic long distance services. We terminate our traffic via the arbitrage market or through direct interconnections with other carriers. This cost is primarily variable, with a price paid on a per-minute basis. Origination costs relating to our Consumer Phone Services segment consists primarily of leased lines from the RBOCs, which are billed to us as a monthly fee. Toll-free costs are variable costs paid to providers of toll-free services.

Network costs, which are also called connectivity costs, are fixed for a range of minutes of use, and include customer/carrier interconnect charges and leased fiber circuit charges. Local circuits are generally leased for a 12 to 24 month term, while long haul circuits generally are leased for longer terms. Although these are not purely variable costs, where the cost increases for each additional minute carried on our suppliers' networks, increases in minutes will likely result in incrementally higher network costs.

Direct costs related to our telecom business include an estimate of charges for which invoices have not yet been received, and estimated amounts for pending disputes with other carriers. Subsequent adjustments to these estimates may occur after the invoices are received for the actual costs incurred, but these adjustments generally are not material to our results of operations.

Selling expenses in IDT Telecom consist primarily of sales commissions paid to internal salespersons and independent agents, and advertising costs, which are the primary costs associated with the acquisition of customers. General and administrative expenses include employee compensation, benefits, professional fees, rent and other administrative costs. IDT Telecom's Retail Communications offerings generally have higher selling, general and administrative expenses than the Wholesale Termination Services business.

Telecom Competition

Over the past few years, the telecommunications industry has experienced a continued shift in demand away from traditional calling cards and into wireless and IP-based products, which, among other things, has, and continues to contribute to the gradual erosion of our pricing power. The continued growth of these wireless and IP-based services has adversely affected the sales of our traditional disposable prepaid calling card products as customers migrate from using cards to using these alternative services. We expect pricing of wireless and IP-based services to continue to decrease, which may result in increased substitution and increased pricing pressure on our prepaid calling products' sales and margins.

To combat this trend, we have introduced in recent years new products and services, such as Boss Revolution PIN-less and international airtime top-up that have now largely replaced revenues from our traditional disposable calling cards. Boss Revolution PIN-less allows our customers to call overseas without the need to enter a PIN. International airtime top-up, which enables customers to purchase airtime for a prepaid mobile telephone in another country, appeals to residents of developed countries such as the United States who regularly communicate with or financially support friends or family members in a developing country. The addition of Boss Revolution PIN-less and international airtime top-up represent successful efforts to leverage our existing capabilities and distribution. Although Boss Revolution PIN-less and international airtime top-up generally have lower gross margins than our traditional disposable calling cards, we believe that customers tend to continue using these products over a longer period of time thereby allowing us to generate higher revenues and longer lifetime value per user. The Boss Revolution payment platform provides us with a direct, real-time relationship with all of our participating retailers, resulting in a cost-effective and adaptable distribution model that can rapidly respond to changes in the business environment. There can be no assurance that we will continue to grow our Boss Revolution PIN-less and international airtime top-up sales, or that we will be able to continue to generate new sources of revenue to offset the continuing decline in our traditional disposable calling card revenues or possible future declines in Boss Revolution PIN-less or other sources of revenue.

The wholesale carrier industry has numerous players competing for the same customers, primarily on the basis of price, products and quality of service. In our Wholesale Termination Services business, we have historically had to pass along all or most of our per-minute cost savings to our customers in the form of lower prices.

Concentration of Customers

Our most significant customers typically include telecom carriers to whom IDT Telecom provides wholesale telecommunications services and distributors of IDT Telecom's international prepaid calling products. While they may vary from quarter to quarter, our five largest customers collectively accounted for 12.0%, 10.0% and 8.1% of total consolidated revenues from continuing operations in fiscal 2014, fiscal 2013 and fiscal 2012, respectively. Our customers with the five largest receivables balances collectively accounted for 22.1% and 16.6% of the consolidated gross trade accounts receivable at July 31, 2014 and 2013, respectively. This concentration of customers increases our risk associated with nonpayment by those customers. In an effort to reduce our risk, we perform ongoing credit evaluations of our significant retail, wholesale and cable telephony customers, and in some cases, do not offer credit terms to customers, choosing instead to demand prepayment. Historically, when we have issued credit, we have not required collateral to support trade accounts receivables from our customers. However, when necessary, IDT Telecom has imposed stricter credit restrictions on its customers. In some cases, this has resulted in IDT Telecom sharply curtailing, or ceasing completely, sales to certain customers. IDT Telecom attempts to mitigate its credit risk related to specific wholesale termination customers by also buying services from the customer, in order to create an opportunity to offset its payables and receivables with the customer. In this way, IDT Telecom can continue to sell services to these customers while reducing its receivable exposure risk. When it is practical to do so, IDT Telecom will increase its purchases from wholesale termination customers with receivable balances that exceed IDT Telecom's applicable payables in order to maximize the offset and reduce its credit risk.

CRITICAL ACCOUNTING POLICIES

Our financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. Critical accounting policies are those that require application of management's most subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. Our critical accounting policies include those related to the allowance for doubtful accounts, goodwill, valuation of long-lived and intangible assets, income taxes and regulatory agency fees, and IDT Telecom direct cost of revenues—disputed amounts. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. See Note 1 to the Consolidated Financial Statements in this Annual Report for a complete discussion of our significant accounting policies.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses that result from the inability or unwillingness of our customers to make required payments. The allowance for doubtful accounts was $11.5 million and $13.1 million at July 31, 2014 and 2013, respectively. The allowance for doubtful accounts as a percentage of gross trade accounts receivable decreased to 14.2% at July 31, 2014 from 16.7% at July 31, 2013 as a result of a decline in the allowance for doubtful accounts at IDT Telecom and an increase in the gross trade accounts receivable balance at Fabrix. Our allowance is determined based on known troubled accounts, historical experience and other currently available evidence. Our estimates of recoverability of customer accounts may change due to new developments, changes in assumptions or changes in our strategy, which may impact our allowance for doubtful accounts balance. We continually assess the likelihood of potential amounts or ranges of recoverability and adjust our allowance accordingly; however, actual collections and write-offs of trade accounts receivables may materially differ from our estimates.

Goodwill

Our goodwill balance of $14.8 million at July 31, 2014 was attributable to our Retail Communications reporting unit in our Telecom Platform Services segment ($11.6 million) and Zedge ($3.2 million). Goodwill and other intangible assets deemed to have indefinite lives are not amortized. These assets are reviewed annually (or more frequently under various conditions) for impairment using a fair value approach. Intangible assets with finite useful lives are amortized over their estimated useful lives.

The goodwill impairment assessment involves estimating the fair value of the reporting unit and comparing it to its carrying amount, which is known as Step 1. If the carrying value of the reporting unit exceeds its estimated fair value, Step 2 is performed to determine if an impairment of goodwill is required. We estimate the fair value of our reporting units using discounted cash flow methodologies, as well as considering third party market value indicators. Goodwill impairment is measured by the excess of the carrying amount of the reporting unit’s goodwill over its implied fair value.

We have the option to perform a qualitative assessment to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. However, we may elect to perform the two-step quantitative goodwill impairment test even if no indications of a potential impairment exist.

For our Retail Communications reporting unit with a negative carrying amount, we perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, we consider whether there are any adverse qualitative factors indicating that impairment may exist.

For Retail Communications' annual impairment tests, we qualitatively assessed whether it was more likely than not that a goodwill impairment existed and concluded that a goodwill impairment did not exist. For Zedge, its estimated fair value substantially exceeded its carrying value in Step 1 of our annual impairment tests, therefore it was not necessary to perform Step 2. In addition, we do not believe our reporting units are currently at risk of failing Step 1. Calculating the fair value of the reporting units, and allocating the estimated fair value to all of the tangible assets, intangible assets and liabilities, requires significant estimates and assumptions by management. Should our estimates or assumptions regarding the fair value of our reporting units prove to be incorrect, we may be required to record impairments of goodwill in future periods and such impairments could be material.

Valuation of Long-Lived Assets including Intangible Assets with Finite Useful Lives

We test the recoverability of our long-lived assets including identifiable intangible assets with finite useful lives whenever events or changes in circumstances indicate that the carrying value of any such asset may not be recoverable. Such events or changes in circumstances include:

- significant actual underperformance relative to expected performance or projected future operating results;
- significant changes in the manner or use of the asset or the strategy of our overall business;
- significant adverse changes in the business climate in which we operate; and
- loss of a significant contract.

If we determine that the carrying value of certain long-lived assets may not be recoverable, we test for impairment based on the projected undiscounted cash flows to be derived from such asset. If the projected undiscounted future cash flows are less than the carrying value of the asset, we will record an impairment loss based on the difference between the estimated fair value and the carrying value of the asset. We generally measure fair value by considering sale prices for similar assets or by discounting estimated future cash flows from the asset using an appropriate discount rate. Cash flow projections and fair value estimates require significant estimates and assumptions by management. Should our estimates and assumptions prove to be incorrect, we may be required to record impairments in future periods and such impairments could be material.

In fiscal 2013, we recorded an impairment charge of $4.4 million for the building and improvements that we own at 520 Broad Street, Newark, New Jersey. At both July 31, 2014 and 2013, the carrying value of the land, building and improvements at 520 Broad Street after the impairment charge was $37.7 million.

Income Taxes and Regulatory Agency Fees

Our current and deferred income taxes and associated valuation allowance, as well as telecom regulatory agency fee accruals, are impacted by events and transactions arising in the normal course of business as well as in connection with special and non-routine items. Assessment of the appropriate amount and classification of income taxes and certain regulatory agency fees is dependent on several factors, including estimates of the timing and realization of deferred income tax assets, the results of regulatory fee-related audits, changes in tax laws or regulatory agency rules and regulations, as well as unanticipated future actions impacting related accruals of regulatory agency fees.

The valuation allowance on our deferred income tax assets was $152.0 million and $167.3 million at July 31, 2014 and 2013, respectively. In fiscal 2012, we determined that it was more likely than not that a portion of our deferred income tax assets would be realized, therefore we reversed $36.9 million of the valuation allowance related to those assets. We based our determination on a projection of future U.S. income and took into consideration the historical U.S. performance and decided a release of the U.S. valuation that relates to the core businesses was warranted in that period. Assumptions regarding future taxable income require significant analysis and judgment. This analysis included financial forecasts based on historical performance of the core business and continuance of doing business in a jurisdiction in which losses are incurred. Based on our projections, we expected that we would generate future taxable income over the next five years in the U.S. jurisdiction and will begin utilizing our net operating loss carryover through this period. Accordingly, we concluded that a portion of our U.S. jurisdiction core business assets did not require a full valuation allowance. In fiscal 2013 and fiscal 2014, we updated the analysis and concluded that the valuation allowance related to our core U.S. business should be maintained at the current level and will be reevaluated as warranted. In addition, in fiscal 2014, we determined that our valuation allowance on the losses of IDT Global, a U.K. subsidiary, were no longer required due to an internal reorganization that generated income and a projection that the income would continue. We recorded a benefit from income taxes of $4.1 million from the full recognition of the IDT Global deferred tax assets.

We did not release any of the valuation allowances that related to our former Straight Path Spectrum business since it was not part of the main tax consolidated group and the portion of the Net2Phone acquired net operating loss that is subject to Internal Revenue Code Section 382 limitations. We did not release any of the valuation allowances related to our foreign operations in fiscal 2013 or fiscal 2012 as it is not more likely than not that the assets will be utilized based upon the earnings history and the current profitability projections.

We have not recorded U.S. income tax expense for foreign earnings, as such earnings are permanently reinvested outside the United States. The cumulative undistributed foreign earnings are included in accumulated deficit in our consolidated balance sheets, and consisted of approximately $270 million at July 31, 2014. Upon distribution of these foreign earnings to our domestic entities, we may be subject to U.S. income taxes and withholding of foreign taxes, however, it is not practicable to determine the amount, if any, which would be paid.

Our FCC Form 499-A filings for calendar years 2000 through 2006 related to payments to the Universal Service Fund have been audited by the Internal Audit Division of USAC, which concluded that we incorrectly reported certain revenues on Forms 499-A. USAC’s revisions to our filing methodology resulted in additional regulatory payments for the years covered by the audits. While we believe in the accuracy of our filing methodology and our Request for Review remains pending, we have implemented some of the revisions set forth in the IAD’s filings beginning with our calendar year 2010 Form 499-A. We have accrued for all regulatory fees we believe may be incurred under IAD’s methodology from 2002 through the present, in the event our Request for Review is denied and/or our methodology is not upheld on appeal, and we have made certain payments on amounts that have been invoiced to us by USAC and/or other agencies. As of July 31, 2014, our accrued expenses included $42.7 million for these regulatory fees for the years covered by the audit and subsequent years through fiscal 2014. Until a final decision has been reached in our disputes, we will continue to accrue in accordance with IAD’s methodology. If we do not properly calculate, or have not properly calculated, the amount payable by us to the Universal Service Fund, we may be subject to interest and penalties.

IDT Telecom Direct Cost of Revenues—Disputed Amounts

IDT Telecom’s direct cost of revenues includes estimated amounts for pending disputes with other carriers. The billing disputes typically arise from differences in minutes of use and/or rates charged by carriers that provide service to us. At July 31, 2014 and 2013, there was $19.8 million and $18.0 million, respectively, in outstanding carrier payable disputes, for which we recorded direct cost of revenues of $7.9 million and $6.8 million, respectively. We consider various factors to determine the amount to accrue for pending disputes, including (1) our historical experience in dispute resolution, (2) the basis of disputes, (3) the financial status and our current relationship with vendors and (4) our aging of prior disputes. Subsequent adjustments to our estimates may occur when disputes are resolved or abandoned, but these adjustments are generally not material to our results of operations. However, there can be no assurance that revisions to our estimates will not be material to our results of operations in the future.

RECENTLY ISSUED ACCOUNTING STANDARD NOT YET ADOPTED

In May 2014, the Financial Accounting Standards Board and the International Accounting Standards Board jointly issued a comprehensive new revenue recognition standard that will supersede most of the current revenue recognition guidance under U.S. GAAP and International Financial Reporting Standards, or IFRS. The goals of the revenue recognition project were to clarify and converge the revenue recognition principles under U.S. GAAP and IFRS and to develop guidance that would streamline and enhance revenue recognition requirements. We will adopt this standard on August 1, 2017. Entities have the option of using either a full retrospective or modified retrospective approach for the adoption of the standard. We are evaluating the impact that the standard will have on our consolidated financial statements.

RECENTLY ADOPTED ACCOUNTING STANDARD

In April 2014, an accounting standard update was issued that changed the criteria for reporting discontinued operations and enhanced convergence of U.S. GAAP and IFRS reporting requirements for discontinued operations. The amendments in the update raise the threshold for a disposal to qualify as a discontinued operation and require new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Early adoption is permitted but only for disposals (or classifications as held for sale) that have not been reported in previously issued financial statements. We adopted this standard update as of August 1, 2014. In accordance with this standard update, we do not expect the sale of Fabrix in October 2014 to qualify as a discontinued operation. We are unable to determine at this time whether the adoption of this standard update will have further effect on our financial position, results of operations or cash flows in the future for other disposals.

RESULTS OF OPERATIONS

Year Ended July 31, 2014 compared to Years Ended July 31, 2013 and 2012

The following table sets forth certain items in our statements of income as a percentage of our total revenues from continuing operations:

Year ended July 31,	2014		2013		2012	
REVENUES:						
IDT Telecom	98.5	%	98.9	%	99.3	%
Zedge	0.4		0.4		0.3	
All Other	1.1		0.7		0.4	
TOTAL REVENUES	100.0		100.0		100.0	

COSTS AND EXPENSES:			
Direct cost of revenues (exclusive of depreciation and amortization)	82.8	83.7	84.3
Selling, general and administrative	13.9	13.5	13.7
Depreciation and amortization	1.0	0.9	1.1
Research and development	0.6	0.4	0.3
Impairment of building and improvements	—	0.3	—
TOTAL COSTS AND EXPENSES	98.3	98.8	99.4
Other operating gains (losses), net	0.1	0.6	(1.1)
INCOME (LOSS) FROM OPERATIONS	1.8	1.8	(0.5)
Interest expense, net	—	—	(0.2)
Other (expense) income, net	(0.3)	0.3	(0.1)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1.5 %	2.1 %	(0.8)%

We evaluate the performance of our operating business segments based primarily on income (loss) from operations. Accordingly, the income and expense line items below income (loss) from operations are only included in our discussion of the consolidated results of operations.

IDT Telecom—Telecom Platform Services and Consumer Phone Services Segments

(in millions)				2014 change from 2013		2013 change from 2012	
Year ended July 31,	2014	2013	2012	$	%	$	%
Revenues							
Telecom Platform Services	$1,615.6	$1,588.1	$1,477.8	$27.5	1.7 %	$110.3	7.5 %
Consumer Phone Services	11.0	14.5	19.3	(3.5)	(24.1)	(4.8)	(24.8)
Total revenues	$1,626.6	$1,602.6	$1,497.1	$24.0	1.5 %	$105.5	7.0 %

Revenues. IDT Telecom revenues increased in fiscal 2014 and fiscal 2013 compared to the prior fiscal year due to an increase in Telecom Platform Services' revenues, which more than offset a decline in Consumer Phone Services' revenues. As a percentage of IDT Telecom's total revenues, Telecom Platform Services' revenues increased from 98.7% in fiscal 2012 to 99.1% in fiscal 2013 and 99.3% in fiscal 2014, and Consumer Phone Services' revenues decreased from 1.3% in fiscal 2012 to 0.9% in fiscal 2013and 0.7% in fiscal 2014.

Telecom Platform Services' revenues, minutes of use and average revenue per minute for fiscal 2014, fiscal 2013 and fiscal 2012 consisted of the following:

(in millions, except revenue per minute)				2014 change from 2013		2013 change from 2012	
Year ended July 31,	2014	2013	2012	$/#	%	$/#	%
Telecom Platform Services Revenues							
Retail Communications	$695.8	$656.7	$549.9	$39.1	5.9 %	$106.8	19.4 %
Wholesale Telecommunications Services	672.3	687.9	716.4	(15.6)	(2.3)	(28.5)	(4.0)
Payment Services	202.5	193.5	154.7	9.0	4.6	38.8	25.2
Hosted Platform Solutions	45.0	50.0	56.8	(5.0)	(10.0)	(6.8)	(11.9)
Total Telecom Platform Services revenues	$1,615.6	$1,588.1	$1,477.8	$27.5	1.7 %	$110.3	7.5 %
Minutes of use							
Retail Communications	9,596	9,418	8,385	178	1.9 %	1,033	12.3 %
Wholesale Telecommunications Services	19,190	22,365	21,370	(3,175)	(14.2)	995	4.7
Hosted Platform Solutions	802	888	1,032	(86)	(9.7)	(144)	(13.9)
Total minutes of use	29,588	32,671	30,787	(3,083)	(9.4)%	1,884	6.1 %
Average revenue per minute							
Retail Communications	$0.0725	$0.0697	$0.0656	$0.0028	4.0 %	$0.0041	6.3 %
Wholesale Telecommunications Services	0.0350	0.0307	0.0335	0.0043	13.9	(0.0028)	(8.2)

Retail Communications minutes of use increased 1.9% and 12.3% in fiscal 2014 and fiscal 2013, respectively, compared to the prior fiscal year. In fiscal 2014 and fiscal 2013, the increases were driven by the volume growth in the U.S., which more than offset the decrease in minutes of use in Europe and South America. Minutes of use in Asia also decreased in fiscal 2014 compared to fiscal 2013, and increased in fiscal 2013 compared to fiscal 2012. Retail Communications' revenues grew 5.9% and 19.4% in fiscal 2014 and fiscal 2013, respectively, compared to the prior fiscal year. The revenue and minutes of use growth was led by penetration and acceptance of Boss Revolution within our U.S. retail distribution network as the number of active Boss Revolution retailers and customers increased, partially offset by continued declines in sales of traditional disposable calling cards and retail sales in Europe. We launched Boss Revolution in the United Kingdom and Spain during fiscal 2012 and in Germany, Hong Kong, Singapore and Australia in the first half of fiscal 2013. In fiscal 2014, we launched Boss Revolution in Canada. Boss Revolution continues to attract new customers, and we are working to sustain that momentum by increasing our sales and marketing efforts in fiscal 2015. In fiscal 2014, we acquired the assets of an over-the-top messaging provider, and we have begun integrating its messaging service into our Boss Revolution calling app. We expect to introduce messaging within the app in the first half of calendar 2015. Retail Communications revenue comprised 43.1%, 41.3% and 37.2% of Telecom Platform Services' revenue in fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

Wholesale Termination Services minutes of use decreased 14.2% and increased 4.7% in fiscal 2014 and fiscal 2013, respectively, compared to the prior fiscal year. The decrease in fiscal 2014 compared to fiscal 2013 was primarily due to a significant decrease in minutes of use from our web-based prepaid termination service. The increase in fiscal 2013 compared to fiscal 2012 was the result of significant increases in the first half of fiscal 2013 from our web-based prepaid termination service as well as from wholesale carriers. Wholesale Termination Services' revenues declined 2.3% and 4.0% in fiscal 2014 and fiscal 2013, respectively, compared to the prior fiscal year as a result of an industry-wide increase in termination rates to certain key destinations in Southern Asia which resulted in a decline in revenues as well as direct cost of revenues. Wholesale Termination Services revenue comprised 41.6%, 43.3% and 48.5% of Telecom Platform Services' revenue in fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

Payment Services' revenues grew 4.6% and 25.2% in fiscal 2014 and fiscal 2013, respectively, compared to the prior fiscal year. The increase was driven by growth in sales of our international airtime top-up offerings. Future growth will be, in large part, contingent upon our ability to enter into new international airtime top-up partnerships with wireless providers, as well as continued growth of international airtime top-up volume within existing relationships and the introduction of new payment offerings through the Boss Revolution payment platform. In the third quarter of fiscal 2013, we launched our domestic bill payment services in partnership with a licensed domestic bill pay provider. In addition, in fiscal 2014, we initiated an international money transfer service on a limited basis over our Boss Revolution payment platform. As of July 31, 2014, we had money transmitter licenses in 45 of the 47 states where they are required as well as in Puerto Rico and Washington, D.C. Payment Services revenue comprised 12.5%, 12.2% and 10.5% of Telecom Platform Services' revenue in fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

Hosted Platform Solutions' revenues declined 10.0% and 11.9% in fiscal 2014 and fiscal 2013, respectively, compared to the prior fiscal year. The decline in fiscal 2014 compared to fiscal 2013 was mostly due to a decrease in revenue from managed services, as well as a decrease in revenues from our cable telephony business, which is in harvest mode. The decline in fiscal 2013 compared to fiscal 2012 was due to a decrease in revenue from our cable telephony business and from call shops outside the U.S., which decreased due to price competition and migration to alternative wireless and IP-based services. Hosted Platform Solutions revenue comprised 2.8%, 3.2% and 3.8% of Telecom Platform Services' revenues in fiscal 2014, fiscal 2013 and fiscal 2012, respectively. Hosted Platform Solutions minutes of use decreased 9.7% and 13.9% in fiscal 2014 and fiscal 2013, respectively, compared to the prior fiscal year. In fiscal 2014 compared to fiscal 2013, the decrease was primarily a result of the decline in minutes of use from managed services, and in fiscal 2013 compared to fiscal 2012, the decrease was due to a decline in minutes of use from call shops, managed services and cable telephony customers. In general, since our Hosted Platform Solutions business' revenues and cash flows are driven far more by the number of existing subscribers in the form of a per-subscriber fee rather than by subscriber minutes of use, we do not view Hosted Platform Solutions minutes of use as a very significant metric.

Consumer Phone Services' revenues declined 24.1% and 24.8% in fiscal 2014 and fiscal 2013, respectively, compared to the prior fiscal year, as we continued to operate the business in harvest mode. This strategy has been in effect since calendar 2005 when the FCC decided to terminate the UNE-P pricing regime, which resulted in significantly inferior economics in the operating model for this business. The customer base for our bundled, unlimited local and long distance services business was approximately 6,200 as of July 31, 2014 compared to 7,800 as of July 31, 2013 and 10,500 as of July 31, 2012. We currently offer local service in the following 11 states: New York, New Jersey, Pennsylvania, Maryland, Delaware, Massachusetts, New Hampshire, West Virginia, Maine, Rhode Island and California. In addition, the customer base for our long distance-only services was approximately 28,500 as of July 31, 2014 compared to 35,700 as of July 31, 2013 and 45,200 as of July 31, 2012. We anticipate that Consumer Phone Services' customer base and revenues will continue to decline. Minutes of use relating to our Consumer Phone Services segment is not tracked as a meaningful business metric as the domestic traffic generated by this segment is not carried on our network, and the international traffic generated by this segment, though carried on our own network, is insignificant.

(in millions)				2014 change from 2013		2013 change from 2012	
Year ended July 31,	2014	2013	2012	$	%	$	%
Direct cost of revenues							
Telecom Platform Services	$1,358.6	$1,347.0	$1,259.1	$11.6	0.9 %	$87.9	7.0 %
Consumer Phone Services	4.9	6.3	8.6	(1.4)	(21.7)	(2.3)	(27.0)
Total direct cost of revenues	$1,363.5	$1,353.3	$1,267.7	$10.2	0.8 %	$85.6	6.8 %

Year ended July 31,	2014	2013	2012	2014 change from 2013	2013 change from 2012
Direct cost of revenues as a percentage of revenues					
Telecom Platform Services	84.1%	84.8%	85.2%	(0.7)%	(0.4)%

Consumer Phone Services	44.6	43.3	44.6	1.3	(1.3)
Total	83.8%	84.4%	84.7%	(0.6)%	(0.3)%

Direct Cost of Revenues. Direct cost of revenues in Telecom Platform Services increased in fiscal 2014 compared to fiscal 2013 mainly due to the similar trends in Telecom Platform Services' revenues. Direct cost of revenues in Telecom Platform Services increased in fiscal 2013 compared to fiscal 2012 primarily as a result of increases in the direct cost of revenues in Retail Communications and Payment Services, partially offset by a decrease in Wholesale Termination Services direct cost of revenues.

Direct cost of revenues as a percentage of revenues in Telecom Platform Services decreased 70 basis points and 40 basis points in fiscal 2014 and fiscal 2013, respectively, compared to the prior fiscal year, as a result of the increases in average revenue per minute in both Retail Communications and Wholesale Termination Services in fiscal 2014 compared to fiscal 2013, and in Retail Communications' average revenue per minute in fiscal 2013 compared to fiscal 2012. In addition, the decreases reflect the positive effect of the overall revenue mix, as the relatively higher-margin Retail Communications business comprised a larger share of Telecom Platform Services total revenue compared to Wholesale Termination Services.

Direct cost of revenues in our Consumer Phone Services segment decreased in fiscal 2014 and fiscal 2013 compared to the prior fiscal year primarily as a result of the declining customer base.

(in millions)				2014 change from 2013		2013 change from 2012	
Year ended July 31,	2014	2013	2012	$	%	$	%
Selling, general and administrative expenses							
Telecom Platform Services	$198.8	$189.3	$182.6	$9.5	5.0 %	$6.7	3.7 %
Consumer Phone Services	4.3	6.4	6.6	(2.1)	(32.8)	(0.2)	(3.3)
Total selling, general and administrative expenses	$203.1	$195.7	$189.2	$7.4	3.8 %	$6.5	3.4 %

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Selling, General and Administrative. The increase in selling, general and administrative expenses in our Telecom Platform Services segment in fiscal 2014 and fiscal 2013 compared to the prior fiscal year was partially due to increases in employee compensation. We expanded our retail direct sales force in the U.S., which results in more control over our product distribution and enhances our relationships with retailers. The increases in employee compensation were also due to annual payroll increases for a larger workforce. The increase in selling, general and administrative expenses in our Telecom Platform Services segment was also due to the increase in third-party transaction processing costs and internal sales commissions, which are variable costs that closely track revenue performance. Third-party transaction processing costs increased in direct proportion to the rapid growth of sales on the Boss Revolution payment platform since many of the retailers on the Boss Revolution payment platform use credit cards to pay us for their purchases. Internal sales commissions grew as a direct result of our effort to grow and strengthen our retail direct sales force in the U.S. External legal fees significantly decreased in fiscal 2014 compared to fiscal 2013 since certain legal matters were resolved. Telecom Platform Services' marketing and advertising costs increased in fiscal 2014 compared to fiscal 2013, and decreased in fiscal 2013 compared to fiscal 2012, primarily due to changes in costs incurred in the U.S. for our Retail Communications offerings. As a percentage of Telecom Platform Services' revenues, Telecom Platform Services' selling, general and administrative expenses was 12.3%, 11.9% and 12.4% in fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

Selling, general and administrative expenses in our Consumer Phone Services segment decreased in fiscal 2014 and fiscal 2013 compared to the prior fiscal year as the cost structure for this segment continued to be right-sized to the needs of its declining revenue base.

(in millions)				2014 change from 2013		2013 change from 2012	
Year ended July 31,	2014	2013	2012	$	%	$	%
Depreciation and amortization							
Telecom Platform Services	$13.8	$12.3	$14.2	$1.5	11.6%	$(1.9)	(13.2)%
Consumer Phone Services	—	—	—	—	—	—	—
Total depreciation and amortization	$13.8	$12.3	$14.2	$1.5	11.6%	$(1.9)	(13.2)%

Depreciation and Amortization. The increase in depreciation and amortization expense in fiscal 2014 compared to fiscal 2013 was due to increases in depreciation of capitalized costs of consultants and employees developing internal use software. The decrease in depreciation and amortization expense in fiscal 2013 compared to fiscal 2012 was due to lower levels of capital expenditures and more of our property, plant and equipment becoming fully depreciated. In addition, depreciation expense in fiscal 2013 was reduced by $0.7 million due to an adjustment in our estimate of capital expenditures subject to sales and use tax as a result of an audit.

(in millions) Year ended July 31,	2014	2013	2012
Telecom Platform Services-Other operating gains (losses), net			
Gains (losses) related to legal matters, net	$0.7	$9.3	$(6.8)

Loss on settlement of litigation (a)	—	—	(11.0)
Gain on settlement of claim (b)	—	—	1.8
Total other operating gains (losses), net	$0.7	$9.3	$(16.0)

Other Operating Gains (Losses), net. Our Telecom Platform Services segment's income from operations in fiscal 2012 included other operating (losses) gains, net as follows:

(a) On October 12, 2011, we entered into a binding term sheet with T-Mobile USA, Inc. to settle litigation related to an alleged breach of a wholesale supply agreement. In consideration of the settlement of all disputes between the parties, on October 13, 2011, we paid T-Mobile $10 million. We incurred legal fees of $1.0 million in fiscal 2012 in connection with this matter.

(b) On January 17, 2012, we received $1.8 million from Broadstripe, LLC in settlement of our claim stemming from Broadstripe, LLC's rejection of its telephony services agreements with us upon the confirmation of Broadstripe, LLC's bankruptcy plan and closing of its bankruptcy sale.

(in millions)				2014 change from 2013		2013 change from 2012	
Year ended July 31,	2014	2013	2012	$	%	$	%
Income from operations							
Telecom Platform Services	$45.1	$48.7	$5.9	$(3.6)	(7.4)%	$42.8	723.3%
Consumer Phone Services	1.8	1.8	4.1	—	(1.5)	(2.3)	(55.1)
Total income from operations	$46.9	$50.5	$10.0	$(3.6)	(7.2)%	$40.5	406.3%

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Zedge

(in millions)				2014 change from 2013		2013 change from 2012	
Year ended July 31,	2014	2013	2012	$	%	$	%
Revenues	$6.5	$5.8	$3.8	$0.7	12.5%	$2.0	53.2 %
Direct cost of revenues	0.9	0.9	0.7	—	11.4	0.2	15.3
Selling, general and administrative	4.3	3.8	2.6	0.5	12.7	1.2	44.2
Depreciation	1.0	0.8	0.7	0.2	21.2	0.1	22.3
Income (loss) from operations	$0.3	$0.3	$(0.2)	$—	(7.7)%	$0.5	237.4%

Revenues. Zedge's revenues are entirely derived from selling its advertising inventory across its Android and iOS apps and websites. Zedge launched its Android app in fiscal 2010 and its iOS app in fiscal 2013. Zedge's revenues increased in fiscal 2014 compared to fiscal 2013 as a result of higher app usage and higher value ad units on its Android app as well as the introduction of advertising on its iOS app. In fiscal 2014, Zedge's revenues were primarily from the Android and iOS apps, which totaled 84% of Zedge's revenues in fiscal 2014 compared to 64% in fiscal 2013. Revenue from desktop and mobile websites, as expected, declined compared to prior fiscal years. Zedge's revenues increased in fiscal 2013 compared to fiscal 2012 due to user base growth, its ability to optimize ad inventory performance and its direct distribution relationships with a number of premium game publishers. The growth in Total Installs and Active Installs for the Zedge Android and iOS apps are presented in the table below. "Total Installs" is the number of times the app has been downloaded. "Active Installs" is the number of unique active devices on which the application is currently installed and excludes any devices where the application was uninstalled or any devices that are no longer active. This increase in users was a primary driver of advertising revenue growth.

(in millions) July 31,	2014	2013	2012
Total Installs (Android and iOS)	111	72	38
Active Installs (Android and iOS)	49	31	19

Direct Cost of Revenues. Direct cost of revenues increased in fiscal 2014 and fiscal 2013 compared to the prior fiscal year primarily as a result of the increases in users. The increase in direct cost of revenues in fiscal 2014 compared to fiscal 2013 was lessened by a reduction in the rate of increase of certain direct costs as a result of renegotiated hosting and ad serving contracts. Direct cost of revenues as a percentage of revenues was 14.5%, 14.7% and 19.5% in fiscal 2014, fiscal 2013 and fiscal 2012, respectively.

Selling, General and Administrative. The increase in selling, general and administrative expenses in fiscal 2014 compared to fiscal 2013 was due to increases in consulting expense related to business development, non-routine audit fees, and employee recruiting expense. The increase in selling, general and administrative expenses in fiscal 2013 compared to fiscal 2012 was primarily due to increases in developer headcount, which increased employee payroll. In addition, bonus expense increased in fiscal 2013 compared to fiscal 2012.

Depreciation. The increase in depreciation expense in fiscal 2014 and fiscal 2013 compared to the prior fiscal year was due to increases in depreciation of capitalized payroll costs of employees working on internal use software related to the iOS app and the Android app.

All Other

(in millions)				2014 change from 2013		2013 change from 2012	
Year ended July 31,	2014	2013	2012	$	%	$	%
Revenues	$18.4	$12.2	$5.4	$ 6.2	50.7 %	$ 6.8	125.5 %
Direct cost of revenues	(2.8)	(1.4)	(0.9)	(1.4)	(97.8)	(0.5)	(52.4)
Selling, general and administrative	(6.7)	(5.0)	(2.1)	(1.7)	(33.8)	(2.9)	(142.1)
Depreciation	(1.5)	(1.6)	(1.5)	0.1	7.7	(0.1)	(10.7)
Research and development	(10.0)	(7.2)	(4.6)	(2.8)	(39.8)	(2.6)	(56.8)
Impairment of building and improvements	—	(4.4)	—	4.4	100.0	(4.4)	nm
Other operating gain	0.6	—	—	0.6	nm	—	—
Loss from operations	$(2.0)	$(7.4)	$(3.7)	$ 5.4	72.4 %	$ (3.7)	(102.6)%

nm—not meaningful

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Impairment of Building and Improvements. In fiscal 2013, we recorded an impairment charge of $4.4 million for the building and improvements that we own at 520 Broad Street, Newark, New Jersey. The following facts and circumstances indicated that the fair value of the building and improvements may be less than their carrying value at that time: (1) the building was not occupied and, at the time, we did not expect to occupy it, (2) economic uncertainty and sluggish leasing activity stalled a recovery of the real estate market in Newark, (3) there were no potential tenants, (4) no sale of the building had been completed and there were no other likely buyers, (5) the building would be expensive to redevelop and (6) the building was expected to remain vacant for the foreseeable future. We determined the fair value of the building and improvements based on estimates of an owner/user's market rental rate net of costs of improvements and tenant work as well as the estimated value to an investor/developer after deducting costs of improvements and costs to achieve full occupancy. At both July 31, 2014 and 2013, the carrying value of the land, building and improvements at 520 Broad Street after the impairment charge was $37.7 million.

Other Operating Gain. In fiscal 2014, we received proceeds from insurance of $0.6 million related to water damage to portions of our building and improvements at 520 Broad Street, Newark, New Jersey. The damage occurred in a prior period. We recorded a gain of $0.6 million from this insurance claim.

Currently, we report aggregate results for all of our operating businesses other than IDT Telecom and Zedge in All Other. Following is the results of operations in fiscal 2014, fiscal 2013 and fiscal 2012 of Fabrix, which was included in All Other until it was sold in October 2014:

Fabrix

(in millions)	2014 change from 2013