

CACI

Company Number 01649776

CACI Limited

Report and Financial Statements - 30 June 2019



CACI Limited
Corporate directory
30 June 2019



Directors

J P London (Chairman)
G R Bradford (Chief Executive)
W R Phillips
S A Sadler
P Winters (resigned 31 January 2020)
M S Khaira
T Weir (appointed 31 January 2020)

Company secretary

S A Sadler

Registered office

CACI House
Kensington Village
Avonmore Road
London W14 8TS

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

National Westminster Bank plc
Knightsbridge Branch
186 Brompton Road
London SW3 1XJ

The directors present their strategic report on the Company for the year ended 30 June 2019.

Business Review

CACI Limited (the Company) is part of an international technology services group. The ultimate parent undertaking is CACI International Inc, which is a public company incorporated in Delaware, USA, and whose shares are quoted on the US NYSE. CACI Limited is the largest operating subsidiary of the group outside the USA and represents the group's interests in Europe. The Company provides data, software products, consulting services, and systems development and integration, through its two principal operating divisions, Marketing Solutions Division (MSD) and Information Management Systems (IMS).

The year to June 2019 was a record year for revenue and profit for CACI Limited. Turnover increased to £111.7m (2018 - £110.7m), and the Company's operating profit increased to £13.5m (2018 - £12.9m).

The Company's key financial performance indicators during the year were as follows: -

	2019 £'000s	2018 £'000s	Change %
Turnover	111,723	110,713	0.9%
Operating profit	13,521	12,893	4.9%
Profit for the financial year	11,072	9,887	12.0%
Shareholders' funds	99,330	89,371	11.1%
Current assets as % of current liabilities	185%	173%	6.9%
Average number of employees	806	785	2.7%

The growth in our 2019 revenue, and operating profits, is due to strong underlying performance in our IMS and MSD divisions, together with the impact of acquisitions.

On 1 June 2019, CACI acquired 100 percent of the outstanding shares of Mood Enterprises Limited, a UK company that provides software and managed services to defence, national security and commercial organisations. The consideration was £7.245m plus an adjustment reflecting the net current asset value.

The 2019 results included a full year's performance of the Spargonet and Mapmechanics acquisitions, as compared to 9 and 8 months respective activity in 2018.

The improvement in the operating profit reflected the profits generated by these acquisitions, offsetting tighter margins across several of our existing business units.

The increase in shareholders' funds reflects the profitability of the company for the year.

Principal risks and uncertainties

The directors review risks and uncertainties as part of the monthly management review process. The principal risks facing the Company can be grouped as competitive risks, operational risks and technical risks:

Competitive risks

Our Information Management Systems Division principally operates in the local and central government markets. Our ability to win contracts against stiff competition in the highly structured tendering and procurement environment is critical to our success.

The employment market is also particularly challenging, and recruiting and retaining quality staff will be a key challenge for the foreseeable future.

Operational risks

A significant number of our client contracts are on a fixed price basis and careful performance monitoring is essential to bringing these jobs in on time and within budget while meeting the customers' expectations.

Brexit has had little impact on our business as the majority of our customers and projects are within the UK. However, we continue to monitor the potential impact of Brexit to CACI, particularly to the strength of the UK economy, and how this may impact government spending.

The IR35 legislation on the taxation of disguised employment was due to be implemented during 2020. CACI works with a large number of contractors, and was actively evolving its relationship with these contractors to comply with the new legislation when its implementation was delayed until 2021. IR35 may impact CACI's ability to recruit appropriate technical resources when it is implemented.

COVID-19

The COVID-19 pandemic has caused considerable disruption to a number of our customers, particularly those customers who operate in the retail and hospitality sectors, resulting in unprecedented commercial and economic uncertainty.

The Company's non-public sector customers include a range of small, medium and large businesses across a diverse portfolio of industries. The Company expects its customers to be impacted by varying degrees by the pandemic and it is the view of the directors that the impact of COVID-19 is difficult to quantify as at the date of this report.

The pandemic had no impact on our FY19 financial results and is considered to be a non-adjusting post balance sheet event, but we are closely monitoring the impact of COVID-19 on our FY20 financial results and FY21 financial projections. We remain cautiously optimistic about our ability to weather the COVID-19 storm but expect to see some negative impact from it in the latter months of FY20 and FY21.

Throughout the pandemic, our top priority remains the health and safety of our staff and clients, and we are taking a number of measures to minimise the impact of the virus, based on government advice. We are currently mandating that all staff work from home wherever possible. We have also taken steps to minimise the economic impact of the pandemic including limiting discretionary spend and actively managing other costs.

Technical risks

Our Marketing Solutions Division provides demographic data and marketing systems. The volume and complexity of the analysis and processing of this data calls for stringent technical quality controls to ensure that the data provided to clients and upon which they make critical business decisions is of the highest quality. We also carry the risks around the physical control and management of the data on behalf of our clients.

The GDPR (General Data Protection Regulation) legislation, which came into force in May 2018, has introduced additional compliance costs into the business, which could affect our future profit margins. The legislation is also slowing down the sales process, as customers seek additional contractual protections. This may impact our margins if this continues into the future.

This report is made in accordance with a resolution of directors.

On behalf of the directors



S A Sadler
Secretary

10 July 2020

The directors present their report and financial statements for the year ended 30 June 2019.

Directors

The directors who served the Company during the year were as follows:

J P London (Chairman)
G R Bradford (Chief Executive)
W R Philips
S A Sadler
P Winters (resigned 31 January 2020)
M S Khaira

Dividends

The directors do not recommend the payment of a dividend.

Future prospects of the business

The Company intends to continue operating in the areas of Marketing Solutions and Information Management Systems. The Company intends to continue to grow organically, but also to augment its organic growth through strategic acquisitions.

Research and development

The Company continues to develop new and upgraded software and data products, which are planned for release to the marketplace in the 2020 financial year and beyond.

Events since the balance sheet date

On 30 October 2019, CACI Limited purchased the entire share capital of Deep3 Software Limited, a UK company that provides secure design application, cloud development, data engineering and digital transportation services to clients in the national security sector, as well as defence and law enforcement. The purchase consideration, which was paid fully in cash, was £18m.

On 11 March 2020, the World Health Organization raised the public health emergency situation caused by the outbreak of COVID-19 to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the operation of business. The Company has customers who operate in sectors impacted by the pandemic, whilst as of the date of this report, certain global regions have begun to see recovery in operations after the pandemic. COVID-19 is expected to have a detrimental impact to some extent on the Company's revenues, EBITDA and net assets in FY20 and FY21. Given the complexity of the pandemic and its rapid evolution, it is not practicable as of the date of approval of these financial statements to make a reliable quantified estimate of its potential impact on the Company and any such impact will be reflected in the financial statements for the year ending 30 June 2020 and is considered to be a non-adjusting post balance sheet event.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position including the impact of COVID-19 are described in the Strategic Report.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully and they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The directors are of the view that COVID-19 does not impact the Company's ability to continue as a going concern. After making relevant enquiries, and reviewing cash flow requirements, and the current level of resources available to the Company, the directors have no reason to believe that a material uncertainty exists about the ability of the Company to continue as a going concern for a period of at least one year from the date on which the financial statements are approved. The Company's cash flow forecasts which have been prepared taking into account the impact of COVID-19 on both a base case and "worst case but still plausible" scenarios show the company will be able to meet its liabilities as they fall due. Notwithstanding this the company has also obtained a letter of support from its ultimate parent company, CACI International Inc and the directors have made enquiries and performed procedures to satisfy themselves that the group will be able to provide the support pledged should it be called upon by the Company.

On this basis, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disabled employees

The Company gives full consideration to employment applications from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement, training and recruitment

Employee involvement in the Company is encouraged and there is a scheme to help employees purchase shares in our parent company - CACI International Inc. There is an effective communication system to keep employees aware of developments in the Company and the rest of the group.

We understand the need for continued training and development of our employees to ensure the future success of the Company. We provide a variety of training courses from both within the Company and from external sources to meet the development needs of employees. Active encouragement is given to help employees attain the relevant training and qualifications within their chosen profession to ensure the highest standards are maintained by all.

CACI Limited operates a recruitment policy based on experience and qualifications and on an equal opportunities basis without discrimination on account of sex, age, race, ethnicity, religion, disability, marital status or sexual orientation.

Disclosure of information to the auditor

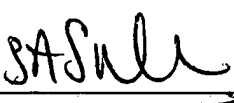
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

The Company has made an election under Section 487 of the Companies Act 2006 to dispense with the obligation to appoint auditors annually and accordingly Ernst & Young LLP are deemed to be reappointed.

This report is made in accordance with a resolution of directors.

On behalf of the directors


S A Sadler
Secretary

10 July 2020

CACI Limited
Directors' responsibilities statement
30 June 2019



The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of CACI Limited

Opinion

We have audited the financial statements of CACI Limited for the year ended 30 June 2019 which comprise of the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Effects of COVID-19

We draw attention to Note 2 and 30 of the financial statements, which describe the financial and operational consequences the company is facing as a result of COVID-19 including the impact of the pandemic on certain of the company's customers. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report (continued)

to the members of CACI Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report (continued)

to the members of CACI Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Rebecca Turner (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 July 2020

CACI Limited
Statement of comprehensive income
For the year ended 30 June 2019

CACI

	Note	2019 £	2018 £
Turnover	4	111,723,321	110,713,149
Cost of sales	5	<u>(50,468,497)</u>	<u>(46,600,080)</u>
Gross profit		<u>61,254,824</u>	<u>64,113,069</u>
Other income		26,469	31,472
Expenses			
Administrative expenses	5	<u>(47,760,103)</u>	<u>(51,251,892)</u>
Operating profit	6	13,521,190	12,892,649
Interest receivable	9	54,857	14,799
Interest payable	10	<u>(44,252)</u>	<u>(306,529)</u>
Profit before income tax expense		13,531,795	12,600,919
Income tax expense	11	<u>(2,459,736)</u>	<u>(2,714,379)</u>
Profit after income tax expense for the year		11,072,059	9,886,540
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>11,072,059</u></u>	<u><u>9,886,540</u></u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes

CACI Limited
Statement of changes in equity
For the year ended 30 June 2019

CACI

	Share capital £	Share premium £	Retained profits £	Total equity £
Balance at 1 July 2017	4,307,400	17,641,600	57,535,884	79,484,884
Profit after income tax expense for the year	-	-	9,886,540	9,886,540
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	9,886,540	9,886,540
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	-	830,161	830,161
Share-based payment parent recharge	-	-	(830,161)	(830,161)
Balance at 30 June 2018	<u>4,307,400</u>	<u>17,641,600</u>	<u>67,422,424</u>	<u>89,371,424</u>

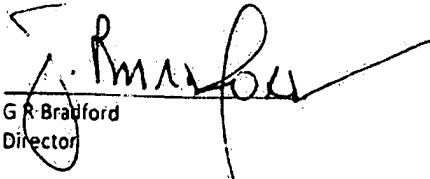
	Share capital £	Share premium £	Retained profits £	Total equity £
Balance at 1 July 2018	4,307,400	17,641,600	67,422,424	89,371,424
Adjustment on the adoption of IFRS 15 (see note 2)	-	-	(1,869,215)	(1,869,215)
Adjustment on the adoption of IFRS 9 (see note 2)	-	-	755,295	755,295
Balance at 1 July 2018 - restated	4,307,400	17,641,600	66,308,504	88,257,504
Profit after income tax expense for the year	-	-	11,072,059	11,072,059
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	11,072,059	11,072,059
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	-	889,760	889,760
Share-based payment parent recharge	-	-	(889,760)	(889,760)
Balance at 30 June 2019	<u>4,307,400</u>	<u>17,641,600</u>	<u>77,380,563</u>	<u>99,329,563</u>

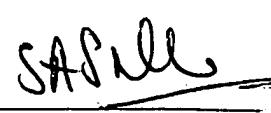
The above statement of changes in equity should be read in conjunction with the accompanying notes

CACI Limited
Balance sheet
As at 30 June 2019

CACI

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	12	68,172,703	63,392,128
Tangible assets	13	2,489,355	2,501,772
Investments in subsidiary undertakings	14	6,230	6,230
Deferred tax	11	313,341	-
Total fixed assets		70,981,629	65,900,130
Current assets			
Debtors	16	18,568,780	17,915,709
Contract assets	17	18,694,903	21,019,154
Prepayments and other assets	18	3,740,517	2,798,004
Cash at bank and in hand		23,293,292	16,511,836
Total current assets		64,297,492	58,244,703
Current liabilities			
Trade creditors		3,126,036	3,429,887
Contract liabilities	19	10,211,677	7,269,119
Corporation tax	11	491,780	1,548,323
Other creditors: amounts falling due within one year	20	19,524,216	19,603,507
Provision for legal costs	21	-	125,000
Amounts owed to group companies	22	1,468,767	1,719,426
Total current liabilities		34,822,476	33,695,262
Net current assets		29,475,016	24,549,441
Total assets less current liabilities		100,456,645	90,449,571
Non-current liabilities			
Creditors: amounts falling due after more than one year	11	-	28,076
Provision for liabilities - non current	23	1,127,082	1,050,071
Total non-current liabilities		1,127,082	1,078,147
Net assets		99,329,563	89,371,424
Equity			
Authorised and issued share capital	24	4,307,400	4,307,400
Share premium account	25	17,641,600	17,641,600
Retained earnings		77,380,563	67,422,424
Total equity		99,329,563	89,371,424


G R Bradford
Director
10 July 2020


S A Sadler
Director

The above balance sheet should be read in conjunction with the accompanying notes

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of CACI Limited (the Company) for the year ended 30 June 2019 were authorised for issue by the board of directors on 30 June 2020 and the balance sheet was signed on the board's behalf by G R Bradford and S A Sadler. CACI Limited is incorporated and domiciled in England and Wales. The Company is a private company limited by shares.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards. The Company has used a true and fair view override in respect of the non-amortisation of goodwill.

The Company's financial statements are presented in Sterling.

The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare group accounts as they are prepared by its ultimate parent undertaking CACI International Inc, which is incorporated within the United States of America. Group financial statements for CACI International Inc. group are available from the address detailed in note 29.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Financial Reporting Council ('FRC') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

The following Accounting Standards and Interpretations are most relevant to the Company:

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 from 1 July 2018. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

For trade receivables and certain IFRS 15 contract assets, the Company has adopted the standard's simplified lifetime expected credit loss approach. Expected credit losses are determined using a combination of historical experience and forward-looking information.

The impact of the adoption of IFRS 9 is to increase the Company's retained earnings as at 30 June 2018 by £755,295.

2. Accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 from 1 July 2018. IFRS 15 "Revenue from Contracts with Customers" establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

IFRS 15 is based on the principle that revenue is recognised when control of goods or services is transferred to the customer and provides a single principles-based five step revenue recognition model to be applied to all sales contracts. The Company has applied this model for all services and products sales in the year to June 2019.

The primary impact to the Company of adoption of IFRS 15 is in regard to the timing of the recognition of revenue on renewals of intellectual property in software and data licences. Prior to the adoption of IFRS 15 the Company recognised the revenue of the intellectual property renewal element of a sale in the month a contract with a customer was signed. Under IFRS 15 this revenue is deferred until the date that the intellectual property renewal takes effect.

IFRS 15 also more tightly distinguishes between company-hosted solutions, with revenue being spread over the contract term, and client premise licence arrangements, with revenue being recognised on delivery completion. For contracts affected by this change revenue is generally recognised later than previously.

Impact of adoption

Contract liabilities of £2,307,673 were established, of which £2,233,545 of revenue was recognised during FY19. There was no revenue recognised in the reporting period from performance obligations satisfied in previous periods.

Deferred tax assets increased by £438,458 as a result of the tax effect of contract liabilities. The net impact of the adoption of IFRS 15 is to decrease the Company's retained earnings as at 30 June 2018 by £1,869,215.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position including the impact of COVID-19 are described in the Strategic Report.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully and they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The directors are of the view that COVID-19 does not impact the Company's ability to continue as a going concern. After making relevant enquiries, and reviewing cash flow requirements, and the current level of resources available to the Company, the directors have no reason to believe that a material uncertainty exists about the ability of the Company to continue as a going concern for a period of at least one year from the date on which the financial statements are approved. The Company's cash flow forecasts which have been prepared taking into account the impact of COVID-19 on both a base case and "worst case but still plausible" scenarios show the company will be able to meet its liabilities as they fall due. Notwithstanding this the company has also obtained a letter of support from its ultimate parent company, CACI International Inc and the directors have made enquiries and performed procedures to satisfy themselves that the group will be able to provide the support pledged should it be called upon by the Company.

2. Accounting policies (continued)

On this basis, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of preparation

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment, because the share-based payment arrangement concerns the instruments of another group entity;
- (b) The requirements of paragraph 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations.
- (c) The requirements of IFRS 7 Financial Instruments: Disclosures.
- (d) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.
- (e) The requirement in paragraph 38 of IAS 1 Presentation in Financial Statements to present comparative information in respect of:
 - i) Paragraph 79(a)(iv) of IAS 1
 - ii) Paragraph 73(e) of IAS 16 Property, Plant and Equipment
 - iii) Paragraph 118(e) of IAS 38 Intangible Assets
 - iv) The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements
 - v) The requirements of IAS 7 Statement of Cash Flows
 - vi) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
 - vii) The requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Revenue recognition

Revenue from marketing services and time and materials consulting contracts is recognised on delivery of projects or when services are rendered.

Revenue from licensing of software products, where at the time of delivery there are no undelivered elements essential to the functionality of the delivered software, is recognised on the delivery of the product. Where there are undelivered elements essential to the functionality of the delivered software, revenue is accounted for on a contract accounting basis using the percentage of completion method. Revenue from maintenance support services on software products is recognised over the period of the contract to coincide with the support provided under the contract.

Revenue on long-term contracts is recognised as the work is carried out if the outcome can be assessed with reasonable certainty. The profit is calculated to reflect the proportion of the work carried out at the year end, by recording revenue and related costs as contract activity progresses. Full provision is made for losses on all contracts at the point at which they are first foreseen.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

2. Accounting policies (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

There are no obligations in contracts with customers for returns, refunds and similar obligations or warranties and related obligations.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exception:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Cash at bank and in hand

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity date of three months or less.

Trade and other debtors

Trade debtors, which generally have 30-90 day payment terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Contract assets

Contract assets are initially recognised for revenue earned from services. Upon completion of services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

Contract assets predominantly relate to software licences where revenue recognition occurs when the solution is transferred to the customer, but invoicing occurs over the contract life.

The contract asset balance for work completed but not invoiced on completion of a performance obligation, unwinds over the contract term. Contract assets are transferred to debtors when the right to consideration becomes unconditional, or conditional only on the passage of time.

2. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on fixed assets calculated on the straight-line method in order to write off the cost of these assets over their estimated useful lives at the following rates:

Leasehold improvements	Up to a maximum of 10 years or the life of the lease, whichever is lower
Fixtures and Fittings	Between three and ten years
Plant and machinery	Between three and five years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of tangible fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of the asset is included in the income statement in the period of derecognition.

Intangible fixed assets

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination.

Goodwill arising on acquisition is capitalised and classified as an asset on the balance sheet. The carrying value of goodwill is reassessed during the months following acquisition and up until the end of the first full financial reporting period following acquisition and adjusted for accordingly. Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of a business are capitalised separately from goodwill if their fair value can be measured reliably on initial recognition.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the Company amortised goodwill, a period of 15 years would have been chosen as the useful life of goodwill. The profit for the year would have been £4,774,446 (2018: £4,718,894) lower had goodwill been amortised in the year.

The costs of acquiring third party software, demographic data and other intangible assets and the costs of developing major new software products are capitalised when incurred subject to meeting specific criteria. These costs are amortised over the licence period or the anticipated period of benefit on a straight-line basis up to a maximum of ten years. Intangible assets acquired on acquisition are amortised on a reducing balance basis over ten years or over the anticipated period of benefit, if less.

Software development expenditure is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for sale or use, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset available for use. It is amortised evenly over the period of expected future benefit. During the period of development, it is tested annually for impairment.

2. Accounting policies (continued)

Fixed asset investments

When subsidiaries are purchased, the goodwill and other assets arising on the acquisition are hived up into the acquiring company, CACI Limited.

Investments are stated at cost less provision for any impairment in value.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Contract liabilities

Contract liabilities represent the Company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has transferred the goods or services to the customer.

Accrued revenue

Accrued revenue is valued at the lower of cost and net realisable value. Payments on account are netted off from accrued revenue to the extent that they arise in respect of the same contract and the related contract costs, and any surplus balance is included within current liabilities.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Leasing and hire purchase commitments

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term. Lease incentives are recognised over the lease term on a straight-line basis. Leasing agreements, which transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright; the assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit on a straight-line basis to achieve a constant rate of interest on the balance outstanding. Assets held under finance leases are depreciated over the shorter of the lease term and the useful life of equivalent owned assets.

2. Accounting policies (continued)

Deferred and contingent consideration

Where the consideration for an acquisition includes amounts that are contingent on future performance, these amounts are included in the cost of the acquisition to the extent that they are probable and can be measured reliably. Where a monetary liability related to deferred consideration is payable, the fair value of the future liability is discounted to its present value.

If the events on which consideration is contingent do not occur or are not expected to occur, the cost of the acquisition is adjusted. If and when additional amounts of contingent consideration become probable or payable, they are also treated as an adjustment to the cost of the acquisition.

Share-based payments

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period. Fair value is determined using an appropriate pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where a new award is designated as replacing a cancelled award, the cost based on the original award terms continues to be recognised over the original vesting period. An expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification.

Contribution to pensions

The Company contributes an amount as selected by each employee from their total benefits package for the year, to the group personal pension scheme or the company money purchase plan with Friends Provident, or other personal pension schemes. Payments to the schemes are charged to the income statement as they fall due.

3. Critical accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Development costs

Development costs are capitalised in accordance with the accounting policy given above. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 30 June 2019, the carrying amount of capitalised development costs was £2,505,718 (2018: £3,643,084).

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are included in Note 11.

Purchase price allocations

Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value requires management to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts reported assets and liabilities and future net earnings due to the impact on future depreciation and amortisation expense.

Revenue recognition

Revenue recognition is excluded from this summary on the grounds that the policy adopted in this area is sufficiently objective.

4. Turnover

All turnover derives from contracts with customers. Turnover and operating profit arise from the principal activities described in the Strategic Report.

Turnover is predominantly with clients based in the UK.

	2019 £	Note 3 restated 2018 £
Allocation of revenue between performance obligations		
Licences	18,933,131	17,041,716
Support & Maintenance	7,676,569	8,856,051
Services - Time & Materials	41,487,753	46,656,702
Services - Fixed Price	43,599,868	38,125,230
Other	26,000	33,450
	<u>111,723,321</u>	<u>110,713,149</u>

Turnover from continuing operations was £111,723,321 (2018 - £110,713,149 (as restated)) of which £314,425 related to acquisitions (2018 - £10,776,354).

Operating profit from continuing operations was £13,521,190 (2018 - £12,892,649) of which £82,008 related to acquisitions (2018 - £1,268,756)

Revenue from marketing services and time and materials consulting contracts is recognised on delivery of projects or when services are rendered.

Revenue from licensing of software products, where at the time of delivery there are no undelivered elements essential to the functionality of the delivered software, is recognised on the delivery of the product. Where there are undelivered elements essential to the functionality of the delivered software, revenue is accounted for on a contract accounting basis using the percentage of completion method. Revenue from maintenance support services on software products is recognised over the period of the contract to coincide with the support provided under the contract.

Revenue on long-term contracts is recognised as the work is carried out if the outcome can be assessed with reasonable certainty. The profit is calculated to reflect the proportion of the work carried out at the year end, by recording revenue and related costs as contract activity progresses. Full provision is made for losses on all contracts at the point at which they are first foreseen.

5. Operating expenses

Operating expenses comprise cost of sales of £50,468,497 (2018 - £46,600,080) less other income of £26,469 (2018 - £31,472), and administrative expenses of £47,760,103 (2018 - £51,251,892). Net operating expenses from continuing operations were £98,202,131 (2018 - £97,820,500) of which £232,417 related to acquisitions (2018 - £9,507,598).

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6. Operating profit:

This has been arrived at after charging/(crediting):

	2019 £	2018 £
Research & development costs expensed	2,118,971	1,233,211
Amortisation of capitalised development costs	599,144	556,880
Impairment of capitalised development costs	650,000	-
Total research & development costs	3,368,115	1,790,091

	2019	2018
Auditors remuneration		
- audit of the financial statements	120,500	110,000
- taxation services	18,500	25,000
- corporate finance	62,086	72,578
Depreciation - owned assets	995,247	1,210,386
Amortisation of intangible assets	1,571,878	1,647,474
Impairment of intangible assets	650,000	-
Rentals under operating leases - land & buildings	1,593,004	1,472,841
Rentals under operating leases - equipment	156,294	234,365
Foreign exchange (gain)	(17,775)	(20,686)
Loss on disposal of fixed assets	5,431	5,140
Share-based payments charge	889,760	830,161

7. Staff Costs

The average number of employees during the year was as follows:

	2019	2018
Marketing Solutions	254	245
Information Systems	470	464
Administration	82	76
Average number of employees	806	785

The employee benefits expense during the year was as follows:

	2019 £	2018 £
Wages and salaries	49,859,724	48,644,705
Social security costs	6,831,415	6,613,997
Other pension costs	1,501,162	1,186,251
Total employee benefits expense	58,192,301	56,444,953

8. Directors' emoluments

Details of directors' remuneration is set out below:

	2019	2018
Number of directors accruing benefits under pension schemes in respect of qualifying services	3	3
	2019 £	2018 £
Aggregate emoluments in respect of qualifying services	2,100,464	2,178,499
Aggregate gains made by directors on the exercise of Restricted Stock Units (RSUs)	2,666,196	1,343,136
Aggregate amounts of contributions to pension schemes in respect of qualifying services	11,509	11,627
	2019 £	2018 £
The amounts in respect of the highest paid director are as follows:		
Emoluments (including gain on exercise of RSUs)	2,302,244	1,628,975
Pension contributions made during the year	3,333	3,333
	<u>2,305,577</u>	<u>1,632,308</u>

9. Interest receivable

	2019 £	2018 £
Bank Interest receivable	54,050	14,799
Other interest receivable	807	-
	<u>54,857</u>	<u>14,799</u>

10. Interest payable

	2019 £	2018 £
Interest on deferred consideration for acquisitions	(1,977)	261,113
Interest on intercompany balances	42,073	41,123
Interest on tax payable	4,156	4,293
	<u>44,252</u>	<u>306,529</u>

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CACI

11. Income tax

	2019	2018
	£	£
<i>Income tax expense</i>		
Current tax	2,224,257	2,926,023
Deferred tax - origination and reversal of temporary differences	438,577	(325,423)
Adjustment recognised for prior periods	(213,922)	104,890
Impact of changes in UK corporation tax rates	10,824	8,889
	<u>2,459,736</u>	<u>2,714,379</u>
<i>Aggregate income tax expense</i>		
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	13,531,795	12,600,919
Tax at the statutory tax rate of 19%	2,571,041	2,394,175
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Disallowable & non-taxable items	104,897	222,855
	<u>2,675,938</u>	<u>2,617,030</u>
Adjustment recognised for prior periods	(213,922)	104,890
Adjustment to deferred tax balances as a result of change in statutory tax rate	(2,280)	(7,541)
	<u>2,459,736</u>	<u>2,714,379</u>
<i>Income tax expense</i>		
	2019	2018
	£	£
The adjustments recognised for prior periods included above comprise:		
Current tax	108,687	127,451
Deferred tax	(322,609)	(22,561)
	<u>(213,922)</u>	<u>104,890</u>

11. Income tax (continued)

	2019 £	2018 £
Deferred tax		
The deferred tax included in the balance sheet is as follows:		
Decelerated capital allowance	61,953	69,770
Other timing differences	337,443	(91,793)
R&D tax relief	(86,055)	(6,053)
	<u>313,341</u>	<u>(28,076)</u>

The deferred tax liability arising as a result of other timing differences consists of a deferred tax liability relating to acquired intangibles of £741,866 (2018: £686,810), offset by a deferred tax asset of £219,288 (2018: £272,697) relating to provisions, a deferred tax asset of £155,467 (2018: £0) relating to acquired losses, a deferred tax asset of £14,085 (2018: £0) relating to the balance of the IFRS 15 adoption adjustment and a further deferred tax asset of £690,469 (2018: £322,320) relating to share based payments.

	2019 £	2018 £
The deferred tax (liability)/asset is reconciled as follows:		
Deferred tax liability at 1 July	(28,076)	(69,348)
Deferred tax charged to the profit and loss account	(438,577)	325,423
Adjustment recognised for prior period	322,609	22,561
Deferred tax relating to business combinations	56,430	(295,740)
Deferred tax relating to adoption of IFRS 15	438,458	-
Impact of changes in UK corporation tax	(10,824)	(8,889)
Other	(26,678)	(2,083)
	<u>313,342</u>	<u>(28,076)</u>

	2019 £	2018 £
The deferred tax (credit) included in the income statement is as follows:		
Decelerated capital allowance	(5,513)	(10,827)
General provision & pensions	89,265	(34,381)
Share-based payments	83,152	(27,401)
R&D tax relief	(27,920)	(68,948)
Changes in rates & laws	435,198	(7,541)
Use of tax losses	15,533	-
Adjustments in respect of prior years	(322,609)	(22,561)
Business combinations	(140,315)	(167,436)
	<u>126,791</u>	<u>(339,095)</u>

	2019 £	2018 £
<i>Corporation tax payable</i>		
Corporation tax payable	<u>491,780</u>	<u>1,548,323</u>

12. Intangible assets

Intangible assets comprise third party software, demographic data, software product and data development costs and ongoing contracts, customer relationships and goodwill arising on acquisitions.

	Acquired Software & Data	Ongoing Contracts	Customer Relationships	Developed Software	Goodwill	Total
	£	£	£	£	£	£
Balance at 1 July 2018	1,441,420	63,653	2,731,671	3,643,084	55,512,300	63,392,128
Additions	37,864	-	-	111,778	-	149,642
Additions through business combinations (note 15)	116,000	242,000	245,000	-	6,249,811	6,852,811
Impairment of assets	-	-	-	(650,000)	-	(650,000)
Amortisation expense	(320,199)	(73,286)	(579,249)	(599,144)	-	(1,571,878)
Balance at 30 June 2019	<u>1,275,085</u>	<u>232,367</u>	<u>2,397,422</u>	<u>2,505,718</u>	<u>61,762,111</u>	<u>68,172,703</u>

The amortisation expense in the statement of comprehensive income of developed software for FY19 includes an impairment of £650,000 related to an internally developed software product. The impairment was considered necessary due to a significant reduction in the estimated future sales of the product.

On 1 June 2019, CACI Limited acquired 100 percent of the outstanding shares of Mood Enterprises Limited, a UK company that provides software and managed services to defence, national security and commercial organisations. This business has been incorporated within the IMS cash-generating units.

Goodwill acquired through business combinations has been allocated to two cash-generating units, which are also operating segments, as follows:

- (a) Marketing Services Division (MSD)
- (b) Information Management Systems (IMS)

These represent the lowest level within the Company at which goodwill is monitored for internal management purposes

The recoverable amount of both units has been determined based on fair value less cost to sell (FVLCS) basis. FVLCS was derived by applying a size adjusted exit multiple from similar market transactions to either the turnover or EBITDA of the unit over the current and budgeted fiscal years. The key sensitivity is in relation to turnover for IMS. Turnover would need to reduce in excess of 7%, or EBIT in excess of 32 percent, to trigger an impairment. For both units, the recoverable amount is greater than the carrying value, and, consequently, no impairment is required.

The goodwill allocated to each cash-generating unit is as follows:

	2019 £	2018 £
MSD	12,261,678	12,261,678
IMS	<u>49,500,433</u>	<u>43,250,622</u>
	<u>61,762,111</u>	<u>55,512,300</u>

13. Tangible assets

	Short leasehold improvements £	Fixtures & fittings £	Plant and machinery £	Total £
Cost				
At 1 July 2018	2,435,068	814,073	2,956,185	6,205,326
Additions	286,526	126,978	574,757	988,261
Disposals	(234,091)	(119,746)	(976,816)	(1,330,653)
At 30 June 2019	<u>2,487,503</u>	<u>821,305</u>	<u>2,554,126</u>	<u>5,862,934</u>
Accumulated depreciation				
At 1 July 2018	1,569,812	432,886	1,700,856	3,703,554
Charge for the year	218,885	158,405	617,957	995,247
Disposals	(231,047)	(117,537)	(976,638)	(1,325,222)
At 30 June 2019	<u>1,557,650</u>	<u>473,754</u>	<u>1,342,175</u>	<u>3,373,579</u>
Net book value				
At 30 June 2019	<u>929,853</u>	<u>347,551</u>	<u>1,211,951</u>	<u>2,489,355</u>
At 30 June 2018	<u>865,256</u>	<u>381,187</u>	<u>1,255,329</u>	<u>2,501,772</u>

14. Investments in subsidiary undertakings

	2019 £	2018 £
Cost/Net book value	<u>6,230</u>	<u>6,230</u>

Details of all companies in which CACI Limited holds a direct or indirect investment as at 30 June 2019 are as follows:

Name of company	Holding	Proportion of voting rights held	Nature of business
Tomorrow Communications Limited	Ordinary shares	100%	Dormant
Rockshore Group Limited	Ordinary shares	100%	Dormant
Purple Secure Systems Limited	Ordinary shares	100%	Dormant
Stream:20 Limited	Ordinary shares	100%	Dormant
Rockshore Limited	Ordinary shares	100%	Dormant
Rockshore Corporation	Common stock	100%	Professional services
Stream:20 LLC	Common stock	100%	Marketing services
Spargonet Consulting Limited	Ordinary shares	100%	Dormant
Mapmechanics Limited	Ordinary shares	100%	Dormant
MooD Enterprises Limited	Ordinary shares	100%	Dormant
MooD International Software Limited	Ordinary shares	100%	Dormant

Rockshore Group Limited holds a direct investment in Rockshore Limited and Rockshore Corporation. Stream:20 Limited holds a direct investment in Stream:20 LLC.

Stream:20 LLC is incorporated in the United States and has a registered address of 5201 Great American Pkwy, Suite 320, Santa Clara, CA95054. Rockshore Corporation is incorporated in the United States and has a registered address of 205 Rockingham Row, Princeton, NJ08540.

All other companies are incorporated in the United Kingdom and have a registered address of CACI House, Kensington Village, Avonmore Road, London, W14 8TS.

15. Business combinations

On 1 June 2019, CACI Limited purchased the entire share capital of MooD Enterprises Limited, including MooD International Software Limited for total cash consideration of £7,245,000. Since the acquisition date, the acquired business has generated revenue of £314,425 and operating profit of £82,008. It is impracticable to disclose the amount of revenue that would have been generated had the acquisition occurred at the start of the financial year given the complexities of the contracts and the assumptions that would need to be made to estimate the 11 months of revenue that would have been generated by the acquired portion of the company by CACI Limited.

The fair value of the trade receivables amounts to £942,534. It is expected that the full contractual amounts can be collected.

On acquisition, the assets of MooD Enterprises Ltd and MooD International Software Limited were hived up into CACI Limited. No profit or loss was recorded on re-designation of the acquired assets into CACI Limited.

The trade and net assets of MooD Enterprises Ltd and MooD International Software Limited were transferred to the Company at fair value. The cost of the Company's investments in those subsidiary undertakings reflected the fair value of their net assets and goodwill at the time of acquisition. The effect on the Company's balance sheet of the hive ups was to recognise additional goodwill of £6,249,811 in 2019. The goodwill comprises the value of expected synergies arising from the acquisition including the opportunity to cross sell between divisions. Goodwill is attributable to the highly qualified workforce and the future earnings potential of the acquired business. It will not be deductible for tax purposes.

15. Business combinations (continued)

On 2 October 2017, CACI Limited purchased the entire share capital of Spargonet Consulting Limited for total consideration of £6,463,568. Since the acquisition date, the acquired business has generated revenue of £17,125,617 and operating profit of £1,320,622.

On 3 November 2017, CACI Limited purchased the entire share capital of Mapmechanics Limited for total consideration of £5,769,329. Since the acquisition date, the acquired business has generated revenue of £7,065,355 and operating profit of £959,121.

The goodwill balance arising on the acquisition of subsidiary undertakings is reviewed for impairment. The review at 30 June 2019 resulted in no impairment.

The fair value of net assets at the date of acquisition was as follows:

	2019 MooD Enterprises Limited Fair value £	Spargonet Consulting Limited Fair value £	2018 Mapmechanic s Limited Fair value £	Total Fair value £
Cash at bank	1,499,308	2,254,731	2,739,447	4,994,178
Trade receivables and prepayments	2,019,332	2,413,390	1,386,403	3,799,793
Property, Plant and equipment	-	50,406	-	50,406
Intangible assets	603,000	957,500	685,500	1,643,000
Deferred tax asset	171,000	-	-	-
Trade payables	(717,877)	(466,643)	(211,776)	(678,419)
Deferred tax liability	(114,570)	(172,350)	(123,390)	(295,740)
Accruals and deferred income	(2,465,004)	(1,940,640)	(407,173)	(2,347,813)
Net assets acquired	995,189	3,096,394	4,069,011	7,165,405
Goodwill	6,249,811	3,367,174	1,700,318	5,067,492
Acquisition-date fair value of the total consideration transferred	7,245,000	6,463,568	5,769,329	12,232,897
Representing:				
Cash	5,645,000	5,250,000	3,500,000	8,750,000
Deferred consideration	1,600,000	1,213,568	2,269,329	3,482,897
	7,245,000	6,463,568	5,769,329	12,232,897

CACI Limited
Notes to the financial statements
30 June 2019



16. Debtors

Trade debtors are non-interest bearing and are generally on terms of 30 to 90 days.

	2019 £	2018 £
Trade debtors	18,464,529	18,215,526
Less: Allowance for expected credit losses	(178,098)	(513,739)
	<u>18,286,431</u>	<u>17,701,787</u>
Other debtors	115,173	106,618
Amounts recoverable from group undertakings	<u>167,176</u>	<u>107,304</u>
	<u>18,568,780</u>	<u>17,915,709</u>

17. Contract assets

Contract assets are initially recognised for revenue earned from services. Upon completion of services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

	2019 £	2018 £
Contract assets	<u>18,694,903</u>	<u>21,019,154</u>

Contract assets includes £2,705,451 (2018 – £4,023,361) due after more than one year.

Significant changes in contract assets

Contract assets predominantly relate to software licences where revenue recognition occurs when the solution is transferred to the customer, but invoicing occurs over the contract life. Contract assets recognised during the period totalled £3,671,557.

The contract asset balance for work completed but not invoiced on completion of a performance obligation, unwinds over the contract term. Contract assets are transferred to debtors when the right to consideration becomes unconditional, or conditional only on the passage of time. Contract assets reclassified to debtors during the year totalled £5,995,808.

18. Prepayments and other assets

	2019 £	2018 £
Prepayments	<u>3,740,517</u>	<u>2,798,004</u>

Prepayments includes £166,884 (2018 – £196,237) due after more than one year.

19. Contract liabilities

Contract liabilities represent the Company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has transferred the goods or services to the customer.

	2019 £	2018 £
Contract liabilities	<u>10,211,677</u>	<u>7,269,119</u>

19. Contract liabilities (continued)

Significant changes in contract liabilities

The majority of software and data licences are invoiced annually in advance. Where these licences relate to CACI-hosted solutions, revenue is recognised over the period the service is available to the customer, creating a contract liability.

Delivery services are generally invoiced over the delivery period, creating a contract liability for the advanced consideration until the delivery is complete. Where the delivery relates to CACI-hosted solutions, revenue is recognised over the period the service is available to the customer, reducing the contract liability over time.

Where the delivery relates to an on-premise solution, the contract liability is released on delivery completion.

Support and maintenance contracts are usually invoiced annually in advance, creating a contract liability, which is released over the term of the maintenance period, as revenue is recognised.

Revenue recognised in the year of £7,269, 119 was included in the opening contract liability.

Under the adoption of IFRS 15, contract liabilities of £2,307,673 were established, of which £2,233,545 of revenue was recognised during FY19.

Revenue billed in advance not recognised as revenue in the year was £10,137,549.

20. Other creditors: amounts falling due within one year

	2019 £	2018 £
Deferred consideration	1,621,164	1,502,871
Other creditors including other taxation and social security	5,013,679	4,942,262
Accruals	12,889,373	13,158,374
	<u>19,524,216</u>	<u>19,603,507</u>

The unpaid pension contributions outstanding at the year end, included in accruals are £357,061 (2018 - £307,069).

21. Provision for legal costs

Provision for liabilities - current at 30 June 2018	125,000
Release to administration expenses	<u>(125,000)</u>
Provision for liabilities - current at 30 June 2019	<u>-</u>

Provision for legal costs relating to a customer dispute. The dispute was settled amicably with the customer and the provision was no longer required. The provision was released to administrative expenses in the statement of comprehensive income.

22. Amounts owed to group companies

	2019 £	2018 £
Amounts owed to group companies	<u>1,468,767</u>	<u>1,719,426</u>

Included in amounts owed to group undertakings is £1,449,708 payable to the immediate parent undertaking, CACI NV (2018 - £1,389,773 payable to the parent undertaking). This is denominated in euro and represents a funding balance on which there are no fixed repayment terms, and which is interest bearing. The net amount of interest payable during the period was £42,073 (2018- £41,123).

23. Provision for liabilities - non current

	2019 £	2018 £
National Insurance on Restricted Stock Units (RSUs)	659,316	549,957
Dilapidations	467,766	500,114
	<u>1,127,082</u>	<u>1,050,071</u>

Provision has been made for National Insurance Contributions on RSUs awarded since 1 July 1997 under unapproved share option schemes, which are expected to be exercised. The provision has been calculated based on the year-end share price of US\$204.59 (2018 – US\$168.55), and is being allocated over the period from the date of award to the date the employees will become unconditionally entitled to the RSUs.

Provision is made for the Company's obligations in relation to dilapidations clauses on its commercial property operating leases.

24. Authorised and issued share capital

	2019 Shares	2018 Shares	2019 £	2018 £
Ordinary shares of £1 each	<u>4,307,400</u>	<u>4,307,400</u>	<u>4,307,400</u>	<u>4,307,400</u>

Ordinary shares

Authorised, issued and fully paid ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

25. Share premium account

	2019 £	2018 £
Share Premium	<u>17,641,600</u>	<u>17,641,600</u>

The Share Premium is the excess of the amount paid for the issued share capital in excess of the nominal value.

26. Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2019 £	2018 £
<i>Land and buildings</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,358,319	1,354,308
One to five years	3,815,802	2,895,792
More than five years	4,555,824	4,539,315
	<u>9,729,945</u>	<u>8,789,415</u>
<i>Equipment</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	36,661	121,792
One to five years	9,821	30,472
	<u>46,482</u>	<u>152,264</u>

27. Share-based payments

Under the terms of its Stock Incentive Plans, CACI International Inc (CACI) may issue non-qualified stock options, restricted stock, restricted stock units (RSUs) and stock-settled stock appreciation rights (SSARs) to senior key management of the Company. During the periods presented, all grants were made in the form of RSUs.

The cost of the equity instruments is recharged to the Company through the intercompany account with CACI International Inc based upon the grants issued to scheme members. RSUs vest rateably over a three or four-year period, depending on the year of grant.

In September 2018, the Company made its annual grant to its key employees consisting of Performance RSUs (PRSUs). The final number of such performance-based RSUs which will be considered earned by the participants and eventually vest is based on the achievement of a specified earnings per share (EPS) of CACI for the year ending 30 June 2019 and on the average share price of CACI stock for the 90-day periods ending 30 September 2019, 2020 and 2021 as compared to the average share price for the 90-day period ended 30 September 2018. PRSUs were earned since the specified EPS for the fiscal year ending 30 June 2019 was met. If EPS for the year ending 30 June 2019 exceeds the specified EPS and the average share price of CACI's stock for the 90-day periods ending 30 September 2019, 2020 and 2021 exceeds the average share price of CACI's stock for the 90-day period ended 30 September 2018 by 100 percent or more, then an additional number of RSUs could be earned by participants. In addition to the performance and market conditions, there is a service vesting condition which stipulates that 50 percent of the earned award will vest on 1 October 2021 and 50 percent of the earned award will vest on 1 October 2022, in both cases dependent upon continuing service by the grantee as an employee of the Company, unless the grantee is eligible for earlier vesting upon retirement or certain other events.

All RSUs vest at the market value on the date of the vesting.

27. Share-based payments (continued)

The number of RSUs exercised and outstanding in 2019 and 2018, and the Weighted Average Grant-Day Fair Value (WAGDFV) of the RSUs are as follows:

	WAGDFV 2019 No.	WAGDFV 2019 £	WAGDFV 2018 No.	WAGDFV 2018 £
Exercised	20,461	46.50	14,673	43.75
Outstanding at 30 June	40,595	83.30	44,683	63.28
Weighted average remaining life (years)	1.13	-	1.24	-

28. Related party transactions

The Company is exempt from disclosing related party transactions that are with other companies that are wholly owned within the group.

29. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is CACI NV, a company incorporated in The Netherlands.

In the opinion of the directors the Company's ultimate parent undertaking and controlling entity is CACI International Inc., a company incorporated in the State of Delaware in the United States of America. CACI International Inc. is the smallest and largest parent undertaking which prepares group financial statements, copies of which are available from 110 North Glebe Road, Arlington, Virginia, 22201 USA.

30. Events after the reporting period

On 30 October 2019, CACI Limited purchased the entire share capital of Deep3 Software Limited, a UK company that provides secure design application, cloud development, data engineering and digital transportation services to clients in the national security sector, as well as defence and law enforcement. The purchase consideration, which was paid fully in cash, was £18m.

On 11 March 2020, the World Health Organization raised the public health emergency situation caused by the outbreak of COVID-19 to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the operation of business. The Company has customers who operate in sectors impacted by the pandemic, whilst as of the date of this report, certain global regions have begun to see recovery in operations after the pandemic. COVID-19 is expected to have a detrimental impact to some extent on the Company's revenues, EBITDA and net assets in FY20 and FY21. Given the complexity of the pandemic and its rapid evolution, it is not practicable as of the date of approval of these financial statements to make a reliable quantified estimate of its potential impact on the Company and any such impact will be reflected in the financial statements for the year ending 30 June 2020 and is considered to be a non-adjusting post balance sheet event.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.