

CACI INTERNATIONAL INC /DE/
Form 10-K/A
September 21, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

ANNUAL REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 30, 2005

Commission File Number 0-8401

CACI International Inc

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

54-1345888

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(I.R.S. Employer Identification No.)

1100 North Glebe Road, Arlington, VA 22201

(Address of principal executive offices)

(703) 841-7800

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.10 par value	NYSE

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

None

(Title of each class)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the 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. Yes No

Indicate by checkmark whether registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act.) Yes No

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

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The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of December 31, 2004 was approximately \$2,037,300,315.

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock, as of September 9, 2005: CACI International Inc Common Stock, \$.10 par value, 30,108,125 shares.

Documents Incorporated by Reference

(1) The information required by Part III, Items 10, 11, 12, 13 and 14 of this Form 10-K, is incorporated by reference from the definitive proxy statement for our 2005 Annual Meeting of Stockholders scheduled to be held November 17, 2005.

EXPLANATORY NOTE

This Amendment No. 1 to our Annual Report on Form 10-K is being filed to provide certain information that was inadvertently omitted from our original filing, to remove certain notations in the footnotes to the consolidated financial statements that were mistakenly included, to reclassify certain balances and report the effect of such reclassifications, and to clarify other immaterial disclosures. The changes made hereby are not, either individually or in the aggregate, material.

As a convenience to readers, we are re-filing our entire Annual Report on Form 10-K with this Amendment. No changes have been made to any report previously filed with our Form 10-K.

We draw your attention to the following changes, among those made hereby (dollar amounts in thousands):

On the cover sheet to the Form 10-K, we have changed the number of shares of our common stock outstanding at September 9, 2005 from 37,907,812 to 30,108,125. The higher number incorrectly included treasury stock.

In Item 3, Legal Proceedings, we have updated the status of our claim against the Defense Information Systems Agency; corrected our inadvertent omission of the amount of our judgment (\$11,200) in the *Delphinus* case, and updated the status of the *Ibrahim* case, noting the dismissal of five counts in the complaint against us.

In the consolidated statements of shareholders' equity, we originally reported a currency translation adjustment gain of \$2,949 for the year ended June 30, 2003. In the Amendment, we have broken this into a currency translation adjustment of \$2,653, and a change in fair value of an interest rate swap of \$296. We also reported exercise of stock options of \$6,716 for the year ended June 30, 2003. In the Amendment, we report exercise of stock options of \$6,821, and repurchase of common stock of (\$105).

In the consolidated statements of cash flows, we are amending the amounts reported for changes in accounts payable and other accrued expenses, and income taxes payable, solely to reflect the reclassification of provisions for various income tax matters from income taxes payable, to accounts payable and other accrued expenses. The reclassification and the effect on amounts reported for each of the years ended June 30, 2005, 2004, and 2003, are as follows:

	Year Ended June 30,		
	2005	2004	2003
	(amounts in thousands)		
Change in accounts payable and other accrued expenses, as reported	\$ (8,702)	\$ 18,512	\$ 18,209
Reclassifications of provision for income tax matters	(3,218)	2,053	265
Changes in accounts payable and other accrued expenses, as amended	\$ (11,920)	\$ 20,565	\$ 18,474
Change in income taxes payable, as reported	\$ 14,359	\$ (626)	\$ 11,519
Reclassifications of provision for income tax matters	3,218	(2,053)	(265)
Change in income taxes payable, as amended	\$ 17,577	\$ (2,679)	\$ 11,254

In Note 2 to the consolidated financial statements, under the heading Geographic Information, the amounts reported for the net assets of the domestic segment and total net assets as of June 30, 2004 were transposed, but are now corrected.

In Note 3 to the consolidated financial statements, the disclosure regarding the allocation of the purchase price of IMAJ Consulting Limited is amended to read: The purchase consideration was \$3,700, of which \$2,966 was allocated to goodwill based on net liabilities assumed and \$934 of value assigned to identifiable intangible assets.

In Note 4 to the consolidated financial statements, text relating to EITF 00-21 that was merely a drafter's note, together with a drafter's note regarding SOP 81-1 and SAB 104, have been removed, as they were included in error.

At the end of Note 14 to the consolidated financial statements, the amount that a one percent change in the effective interest rate would have on interest expense for the year ended June 30, 2005 was mistakenly omitted. We deleted this sentence in the Amendment, as this information is provided in Part I, Item 7A, Quantitative and Qualitative Disclosure About Market Risk.

There are several other immaterial changes consistent with the foregoing, including typographical errors and the omission or addition of immaterial information.

BUSINESS INFORMATION

Unless the context indicates otherwise, the terms *the Company* and *CACI* as used in Parts I and II, include both CACI International Inc and its subsidiaries. The term *the Registrant*, as used in Parts I and II, refers to CACI International Inc only.

PART I

Item 1. Business

Background

CACI International Inc (the Registrant) was organized as a Delaware corporation under the name *CACI WORLDWIDE, INC.* on October 8, 1985. By a merger on June 2, 1986, the Registrant became the parent of CACI, Inc., a Delaware corporation, and CACI N.V., a Netherlands corporation. Effective April 16, 2001, CACI, Inc. was merged into its wholly-owned subsidiary, CACI, INC.-FEDERAL, such that Registrant is now the corporate parent of CACI, INC.-FEDERAL, a Delaware corporation, and CACI N.V., a Netherlands corporation.

The Registrant is a holding company and its operations are conducted through subsidiaries, which are located in the U.S. and Europe.

The Company's telephone number is (703) 841-7800. CACI's internet page can be accessed at www.caci.com. The Company makes its web site content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-K.

Throughout this Form 10-K, the Company incorporates by reference information from parts of other documents filed with the United States Securities and Exchange Commission (SEC). The SEC allows the Company to disclose important information by referring to it in this manner, and the public should review that information. Documents filed by the Company with the SEC can be viewed at www.sec.gov.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are made available free of charge on our internet website at www.caci.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Overview

CACI founded its business in 1962 in simulation technology, and has strategically diversified primarily within the information technology (IT) and communications industries. With fiscal year 2005 (FY2005) revenue of approximately \$1.6 billion, CACI serves clients in the government and commercial markets, primarily throughout North America and internationally on behalf of U.S. customers, as well as in the United

Kingdom. The Company primarily delivers IT and communication solutions to clients through four areas of expertise or service offerings: systems integration, managed network services, knowledge management and engineering services. Through these service offerings, the Company provides comprehensive, practical IT and communications solutions by adapting emerging technologies and continually evolving legacy strengths in such areas as information assurance and security, reengineering, logistics and engineering support, automated debt management systems and services, litigation support systems and services, product data management, software development and reuse, voice, data and video communications, simulation and planning, financial and human resource systems and geo-demographic and customer data analysis. As a result of these broad capabilities, many of the Company's client relationships have existed for five years or more.

The Company's high quality service has enabled it to sustain winning repeat business and sustain long-term client relationships and also to compete effectively for new clients and new contracts. The Company is organized to seek competitive business opportunities and has designed its operations to support major programs through centralized business development and business alliances. CACI has structured its new business development organization to respond to the competitive marketplace, particularly within the federal government, and supports that activity with full-time marketing, sales, communications, and proposal development specialists.

The Company's primary markets both domestic and international are agencies of national governments, and major corporations. The demand for CACI's services, in large measure, is created by the increasingly complex network, systems and information environments in which governments and businesses operate, and by the need to stay current with emerging technology while increasing productivity and, ultimately, performance.

At June 30, 2005, CACI employed approximately 9,600 people. The Company currently operates from its headquarters at Three Ballston Plaza, 1100 North Glebe Road in Arlington, Virginia. CACI has operating offices and facilities in over 100 other locations throughout the United States and Western Europe.

Domestic Operations

CACI's domestic operations are conducted through a number of subsidiaries, and account for all of the domestic revenue generated by the Company. Some of the contracts performed by our domestic operations involve assignment of employees to international locations and at June 30, 2005, approximately 700 employees were performing such assignments. The Company provides IT and communications solutions to its Federal, Commercial and State and Local clients through all four of its major service offerings: systems integration, managed network services, knowledge management and engineering services. Generally, the solutions offered by our domestic operations are applied by clients to improve their organizational performance by enhancing system infrastructures.

Systems integration offerings combine current systems with new technologies or integrate hardware and software from multiple sources to enhance operations and save time and money. Systems integration services include planning, designing, implementing and managing solutions that resolve specific technical or business needs; extracting core business logic from existing systems and preserving it for migration to more modern environments; helping clients visualize possible changes in processes and systems before implementation; and web-enabling systems and applications, bringing the power of the Internet to clients and system users.

Managed network services offerings include a complete suite of solutions for total life cycle support of global communication networks. These offerings include planning and building voice, video and data networks; managing network communication infrastructures; operating network systems, including monitoring codes, traffic, security, and fault isolation and resolution; and assuring that information is secure from unauthorized interception and intrusion during its storage and transmission.

Knowledge management offerings encompass a range of information management tools and enabling technologies, including Internet-based user interfaces, commercial off-the-shelf software, and workflow management systems. These technologies enable users to automate all aspects of document administration, including warehousing, retrieving, and sharing, while improving processes, enhancing support and allowing organizations to achieve higher operational efficiencies and mission effectiveness.

Engineering services offerings enable clients to standardize and improve the way they manage the logistical life cycles of systems, products, and material assets, resulting in cost savings and increased productivity. They also provide acquisition support, prototype development and integration, software design and integration, systems life extension and training in the use of analytical and collaboration tools for the U.S.

intelligence community. The solutions provided are often coupled with the Company's simulation and programming services to deliver advanced logistics planning solutions.

In fashioning solutions utilizing the technologies of each of these service offerings, the Company makes extensive use of its wide array of modeling and simulation products and services, thereby enabling clients to visualize the impact of proposed changes or new technologies before implementation. The Company's simulation offerings address client needs in the areas of military training and war-gaming, logistics, manufacturing, wide area networks, including satellites and land lines, local area networks, the study of business processes, and the design of distributed computer systems architecture.

International Operations

CACI's international operations are conducted primarily through the Company's operating subsidiary in Europe, CACI Limited, and account for all revenue generated from international clients and 82 percent of the Company's commercial revenue. CACI Limited is headquartered in London, England, and operates primarily in support of the Company's systems integration line of business.

The Company's international systems integration offerings focus primarily on planning, designing, implementing and managing solutions that resolve specific technical or business needs for commercial and government clients in the telecommunications, financial services, healthcare services and transportation sectors. The international operations also concentrate on combining data and technology in software products and services that provide strategic information on customers, buying patterns and market trends for clients who are engaged in retail sales of consumer products, direct marketing campaigns, franchise or branch site location projects, and similar endeavors.

Major Markets and Significant Activities

CACI operates in a highly competitive industry that includes many firms, some of which are larger in size and have greater financial resources. The Company obtains much of its business on the basis of proposals submitted in response to requests from potential and current customers, who may also receive proposals from other firms. Additionally, the Company faces indirect competition from certain government agencies that perform services for themselves similar to those marketed by CACI. The Company knows of no single competitor that is dominant in its fields of technology. The Company has a relatively small share of the available worldwide market for its products and services and intends to achieve growth and increasing market share in part by through organic growth, and in part through strategic acquisitions.

Although the Company is a supplier of proprietary computer-based simulation technology products and marketing systems products, CACI is not primarily focused on being a software product developer-distributor (see discussion following under **Patents, Trademarks, Trade Secrets and Licenses**).

CACI offers substantially all of its entire range of information systems, technical and communications services and proprietary products to defense and civilian agencies of the U.S. Government. In order to do so, the Company must maintain expert knowledge of agency policies and operations. The Company's work for U.S. Government agencies may combine a wide range of skills drawn from its major service offerings, including information systems design, development and maintenance, systems engineering, telecommunications, logistics sciences, information assurance and security, military systems engineering, simulation, automated document management, litigation support and debt management. The Company occasionally contracts through both its domestic and international operations to supply services and/or products for governments of other nations.

The Company's commercial client base consists primarily of large corporations in the UK. This market is the primary target of the Company's proprietary software and database products.

Decisions regarding contract awards by the Company's government clients typically are based on assessment of the quality of past performance, responsiveness to proposal requirements, price, and other factors.

The Company has the capability to combine comprehensive knowledge of client challenges with significant expertise in the design, integration, development and implementation of advanced information technology and communications solutions. This capability provides CACI with opportunities either to compete directly for, or to support other bidders in competition for, multi-million dollar and multi-year award contracts from the U.S. Government.

CACI has strategic business relationships with a number of companies associated with the information technology industry. These strategic partners have business objectives compatible with those of the Company, and offer products and services that complement CACI's. The Company intends to continue development of these kinds of relationships wherever they support its growth objectives.

Marketing and new business development for the Company is conducted by virtually all officers and managers of the Company, including the Chief Executive Officer, executive officers, vice presidents, and division managers. The Company employs marketing professionals who identify and qualify major contract opportunities, primarily in the federal government market. The Company's proprietary software and marketing systems are sold primarily by full time sales people. The Company also has established agreements for the resale of certain third party software and data products.

Much of the Company's business is won through submission of formal competitive bids. Commercial bids are frequently negotiated as to terms and conditions for schedule, specifications, delivery and payment. With respect to bids for government work, however, in most cases the client specifies the terms and conditions and form of contract. In situations where the client-imposed contract type and/or terms appear to expose the Company to inappropriate risk, the Company may seek alternate arrangements or opt not to bid for the work. Essentially all contracts with the United States Government, and many contracts with other government entities, permit the government client to terminate the contract at any time for the convenience of the government or for default by the contractor. Although the Company operates under the risk that such terminations may occur and have a material impact on operations, throughout the Company's 40+ years in business such terminations have been rare and, generally, have not materially affected operations. As with other government contractors, the Company's business is subject to government client funding decisions and actions that are beyond its control. CACI's contracts and subcontracts are composed of a wide range of contract types, including firm fixed-priced, cost reimbursement, time-and-materials, indefinite delivery/indefinite quantity (IDIQ) and government wide acquisition contracts (known as GWACS) such as General Services Administration (GSA) schedule contracts. By Company policy, fixed-price contracts require the approval of at least two senior officers of the Company.

At any one time, the Company may have more than a thousand separate active contracts and/or task orders. In 2005, the ten top revenue-producing contracts accounted for 36.2 percent of CACI's revenue, or \$587.1 million; however, no single contract accounted for more than 10 percent of the Company's total revenue.

In 2005, 94.3 percent of CACI's revenue came from U.S. Government prime or subcontracts. Of CACI's total revenue, 72.7 percent came from U.S. Department of Defense (DoD) contracts, 5.7 percent from contracts with Department of Justice (DoJ), and 15.9 percent from other civilian agency government clients. The remaining 5.7 percent of revenue came from commercial business, both domestic and international, and state and local contracts.

Although the Company is continuously working to diversify its client base, it will continue to aggressively seek additional work from the DoD. In 2005, DoD revenue grew by 52.8 percent, or \$407.3 million. The FY2004 acquisitions of C-CUBED Corporation (C-CUBED) in October 2003, CMS Information Services, Inc. (CMS) in March 2004 and certain assets of the Defense and Intelligence Group of American Management Systems, Inc. (the D&IG) in May 2004, and other acquisitions, accounted for approximately 56.3 percent of the revenue growth within DoD. Internal growth accounted for the remaining 43.7 percent of the DoD revenue growth.

Recent Significant Acquisitions

During the past three fiscal years, the Company examined a number of opportunities and completed multiple acquisitions. Set forth below is a description of some of the most significant acquisitions during this period:

In May 2004, the Company completed the purchase of certain assets of the D&IG for \$415 million, plus transaction costs. The D&IG provides the U.S. Government and other clients with business consulting services and solutions, including information technology and software design, for defense, intelligence and homeland security agencies in support of acquisition, financial management, logistics, war-fighting and intelligence missions.

In March 2004, the Company acquired all of the outstanding shares of CMS for \$28.1 million. CMS specialized in enterprise network solutions, enterprise financial management systems and software and integration services primarily in the national defense sector.

In October 2003, the Company acquired all of the outstanding stock of C-CUBED for \$32.2 million. C-CUBED provides specialized services in support of C4ISR (Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance) initiatives to clients in the DoD, federal, civilian, and intelligence communities, including network enterprise solutions, systems integration, integrated logistics support, combat systems and deep submergence engineering.

In May 2003, the Company acquired substantially all of the assets of PTG for \$50.5 million. PTG provides professional services to clients in the DoD and the intelligence community, including intelligence analysis and security services, information technology training, program management and logistics.

In February 2003, the Company purchased all of the outstanding capital stock of Applied Technology Solutions of Northern Virginia, Inc. (ATS) for \$13.1 million. ATS is an information technology company providing knowledge management, program management, network engineering and training to clients in the national intelligence community.

In October 2002, the Company acquired all of the outstanding capital stock of Acton Burnell, Inc., for \$29.4 million. Acton Burnell, Inc. was an information technology company that provides systems integration, knowledge management, manpower readiness and training, and financial systems solutions for the federal government.

In August 2002, the Company acquired substantially all of the assets of the Government Solutions Division of Condor Technology Solutions, Inc. for \$16.2 million. The acquired Condor business complements the Company's systems integration, knowledge management, data mining and purchasing systems solutions for federal clients.

Over the past several years, the U.S. government has organized the armed services so that military personnel focus on combat and war-fighter roles, while many non-combatant roles are filled by personnel provided by contractors. The acquisitions completed by CACI, as described above, have positioned CACI to respond to certain aspects of this transformation of the U.S. Department of Defense, and deliver contract personnel to fill some of these non-combatant roles including logistics, intelligence gathering and analysis, organizational realignment and training.

Interrogation Services

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Between August 2004 and the date of this filing the Company provided interrogation services pursuant to a contract issued by the Army's Wiesbaden Contracting Center (WCC). The original term of that contract ended on July 31, 2005, but the Company has continued to provide such services pursuant to an extension of that contract that expires on September 30, 2005. After the completion of that contract extension the Company will no longer be providing interrogation services.

Seasonal Nature of Business

The Company's business in general is not seasonal, although the summer and holiday seasons affect Company revenue because of the impact of holidays and vacations on the Company's labor sales and on product and service sales by the Company's international operations. Variations in the Company's business also may occur at the expiration of major contracts until such contracts are renewed or new business obtained.

The U.S. Government's fiscal year ends on September 30 of each year. It is not uncommon for government agencies to award extra tasks or complete other contract actions in the weeks before the end of the fiscal year in order to avoid the loss of unexpended fiscal year funds. Moreover, in years when the U.S. Government does not complete its budget process before the end of its fiscal year, government operations typically are funded pursuant to a continuing resolution that authorizes agencies of the government to continue to operate, but traditionally does not authorize new spending initiatives. When the government operates pursuant to a continuing resolution, delays can occur in procurement of products and services, and such delays can affect the Company's revenue and profit during the period of delay.

CACI Employment and Benefits

The Company's employees are its most valuable resource. It is in continuing competition for highly skilled professionals in virtually all of its business areas. The success and growth of CACI's business are significantly correlated with its ability to recruit, train, promote and retain high quality people at all levels of the organization.

For these reasons, the Company endeavors to maintain competitive salary structures, incentive compensation programs, fringe benefits, opportunities for growth, and individual recognition and award programs. Fringe benefits are generally consistent across the Company's subsidiaries, and include paid vacations and holidays, medical, dental, disability and life insurance, tuition reimbursement for job-related education and training, and other benefits under various retirement savings and stock purchase plans.

The Company has published policies that set high standards for the conduct of its business. It requires all of its employees, consultants, officers, and directors annually to execute and affirm to the code of ethics applicable to their activities. In addition, the Company has launched annual ethics and compliance training for all of its employees to provide them with the knowledge necessary to maintain the Company's high standards of ethics and compliance.

Patents, Trademarks, Trade Secrets and Licenses

The Company owns 16 patents in the United States and 1 patent in Canada. While the Company believes its patents are valid, it does not consider that its business is dependent on patent protection in any material way. CACI claims copyright, trademark and other proprietary rights in a variety of intellectual property, including each of its proprietary computer software and data products and the related documentation. The Company presently owns 23 registered trademarks and service marks in the U.S. and 46 registered trademarks and service marks in other countries, primarily the U.K. All of the Company's registered trademarks and service marks may be renewed indefinitely. In addition, the Company asserts copyrights in essentially all of its electronic and hard copy publications, its proprietary software and data products and in software produced at the expense of the U.S. Government, which rights can be maintained for up to 75 years. Because most of the Company's business involves providing services to government entities, the Company's operations generally are not substantially dependent upon obtaining and/or maintaining copyright or trademark protections, although its operations make use of such protections and benefit from them as discriminators in competition. CACI is also a party to agreements that give it the right to distribute computer software, data and other products owned by other companies, and to receive income from such distribution. As a systems integrator, it is important that the Company maintain

access to software, data and products supplied by such third parties, but the Company generally has experienced little difficulty in doing so. The durations of such agreements vary according to the terms of the agreements themselves.

The Company maintains a number of trade secrets that contribute to its success and competitive distinction and endeavors to accord such trade secrets protection adequate to ensure their continuing availability to the Company. While retaining protection of its trade secrets and vital confidential information is important, the Company is not materially dependent on maintenance of any specific trade secret.

Backlog

The Company's backlog as of June 30, 2005 was \$3.4 billion, of which \$887 million was for funded orders. Total backlog as of June 30, 2004 was \$3.4 billion, of which \$745 million was for funded orders. The source of backlog is primarily contracts with the U.S. Government. It is presently anticipated, based on current revenue projections, the majority of the funded backlog will be filled during the fiscal year ending June 30, 2006.

Business Segments, Foreign Operations, and Major Customer

The business segment, foreign operations and major customer information is provided in the Company's Consolidated Financial Statements contained in this Report. In particular, see Note 2, Business Segment, Customer and Geographic Information, in the Notes to Consolidated Financial Statements.

Revenue by Contract Type

The following information is provided on the amounts of revenue attributable to time-and-materials contracts, cost reimbursable contracts and firm fixed-price contracts (including proprietary software product sales), of the Company during each of the last three fiscal years:

	Year Ended June 30,					
	2005		2004		2003	
	(amounts in thousands)					
Time and Materials	\$ 925,074	57.0%	\$ 708,801	61.9%	\$ 543,857	64.5%
Cost Reimbursable	405,801	25.0%	242,070	21.1%	141,522	16.8%
Firm-Fixed Price	292,187	18.0%	194,914	17.0%	157,759	18.7%
Total	\$ 1,623,062	100%	\$ 1,145,785	100%	\$ 843,138	100%

Item 2. Properties

As of June 30, 2005, CACI leased office space at 107 U.S. locations containing an aggregate of approximately 1,821,000 square feet located in 28 states and the District of Columbia. In two countries outside the U.S., CACI leased office space at five locations containing an aggregate of about 33,000 square feet. CACI's leases expire primarily within the next five years, with the exception of nine leases in Northern Virginia and

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seven leases outside of Northern Virginia, which will expire within the next 5 to 11 years. CACI anticipates that most of these leases will be renewed or replaced by other leases.

All of CACI's offices are in reasonably modern and well-maintained buildings. The facilities are substantially utilized and adequate for present operations.

As of June 30, 2005, CACI International Inc maintained its corporate headquarters in approximately 118,000 square feet of space at 1100 North Glebe Road, Arlington, Virginia. See Note 15 in the Notes to Consolidated Financial Statements for additional information regarding the Company's lease commitments.

CACI acquired certain real estate in Dayton, Ohio in connection with the purchase of MTL Systems, Inc. in January, 2004. The real estate consists of 2.6 acres, a 7,110 square foot garage, and a 36,360 square foot two-story office building.

Item 3. Legal Proceedings

Appeal of CACI International Inc, ASBCA No. 5305

Reference is made to Part I, Item 3, Legal Proceedings, in our Quarterly Report on Form 10-Q for the period ended March 31, 2005, for the most recently filed information concerning the appeal filed on September 27, 2000, with the Armed Services Board of Contract Appeals (ASBCA) challenging the Defense Information Systems Agency's (DISA) denial of its claim for breach of contract damages. Our appeal seeks damages arising from DISA's breach of a license agreement pursuant to which the Department of Defense agreed to conduct all electronic data interchanges (which can be broadly understood to mean e-commerce) exclusively through certified value-added networks, such as the network maintained by our wholly-owned subsidiary, CACI, INC.-FEDERAL, for the period from September 2, 1994 through April 22, 1998. The ASBCA held that the Government breached its contract, but determined that no damages flowed to the Company as a result of that breach.

Subsequent to the filing of our third quarter Form 10-Q, we filed a Notice of Appeal in the U.S. Court of Appeals for the Federal Circuit on July 28, 2005.

CACI Dynamics Systems, Inc. v. Delphinus Engineering, Inc., et al

Reference is made to Part I, Item 3, Legal Proceedings in our third quarter Form 10-Q for the most recently filed information concerning the suit filed on October 1, 2002 in the United States District Court for the Eastern District of Virginia against Delphinus Engineering, Inc., V. Allen Spicer and James R. Everett seeking damages and attorney's fees arising from defendant's efforts to move business from CACI to Delphinus.

Since the filing of our third quarter Form 10-Q, we have been seeking to collect a judgment in our favor in the amount of \$11.2 million.

Saleh, et al. v. Titan Corp., et al, Case No. 04 CV 1143 R (NLS) (S.D. Cal. 2004)

Reference is made to Part I, Item 3, Legal Proceedings in our third quarter Form 10-Q for the most recently filed information concerning the suit filed in the United States District Court for the Southern District of California against CACI International Inc, CACI INC.-FEDERAL, CACI N.V., and former CACI employee Stephen A. Stefanowicz, among other defendants, seeking a permanent injunction, declaratory relief, compensatory and punitive damages, treble damages and attorney's fees arising from defendant's alleged act against plaintiffs, who were detainees at Abu Ghraib prison and elsewhere in Iraq.

Since the filing of our third quarter Form 10-Q, on motion of the Plaintiffs, the Federal District Court for the Eastern District of Virginia ordered the case transferred to the Federal District Court for the District of Columbia. The defendants have filed a request for a Writ of Mandamus with the United States Court of Appeals for the Fourth Circuit seeking to set aside the transfer order. The parties are awaiting the decision of the Fourth Circuit.

Ibrahim, et al. v. Titan Corp., et al., Case No. 1:04-CV-01248-JR (D.D.C. 2004)

Reference is made to Part I, Item 3, Legal Proceedings in our third quarter Form 10-Q for the most recently filed information concerning the suit filed in the United States District Court for the District of Columbia against CACI International Inc, CACI INC.-FEDERAL, CACI N.V. and Titan Corporation, seeking compensatory and punitive damages for physical injury, emotional distress, and/or wrongful death allegedly suffered as a result defendants wrongful acts against plaintiffs, who were detainees at Abu Ghraib prison and elsewhere in Iraq.

Since the filing of our third quarter Form 10-Q, the United States District Court for the District of Columbia issued a Memorandum Opinion on August 12, 2005 dismissing five counts of plaintiffs amended complaint and giving plaintiffs leave to file a further amended complaint. The Court has scheduled a status conference in the case for September 16, 2005.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders during the fourth quarter of the Registrant s fiscal year ended June 30, 2005, through the solicitation of proxies or otherwise.

PART II
Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The Registrant's Common Stock is listed on the New York Stock Exchange.

The ranges of high and low sales prices of the common shares of the Registrant quoted on the New York Stock Exchange under the ticker symbol of CAI, for each quarter during the fiscal year ended June 30, 2005 and 2004 were as follows:

Quarter	2005		2004	
	High	Low	High	Low
1st	\$ 53.50	\$ 38.13	\$ 48.95	\$ 33.46
2nd	\$ 69.18	\$ 52.60	\$ 53.00	\$ 42.83
3rd	\$ 67.60	\$ 50.50	\$ 49.64	\$ 41.10
4th	\$ 67.60	\$ 51.45	\$ 48.45	\$ 36.09

The Registrant has never paid a cash dividend. The present policy of the Registrant is to retain earnings to provide funds for the operation and expansion of its business. The Registrant does not intend to pay any cash dividends at this time.

At September 7, 2005, the number of stockholders of record of the Registrant's Common Stock was approximately 481. The number of stockholders of record is not representative of the number of beneficial stockholders due to the fact that many shares are held by depositories, brokers, or nominees.

Item 6. Selected Financial Data

The selected financial data set forth below is derived from the audited financial statements of the Company for each of the fiscal years in the five year period ended June 30, 2005. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements of the Company and the notes thereto included in Part II in this Form 10-K.

During the years ended June 30, 2002 and 2001, the Company reported results from two discontinued businesses. On January 6, 2002, the Company sold its domestic Marketing Systems Group to Environmental Research Systems Institute, Inc.'s subsidiary, ESRI Business Information Solutions. Effective with this sale, the results of the Marketing Systems Group have been reflected as discontinued operations in the statement of operations for the fiscal year ended June 30, 2002. The Company reported a loss from discontinued operations of \$0.01 per basic and diluted share, and a loss on the disposal of discontinued operations of \$0.05 per basic and diluted share, related to the disposal of the Marketing Systems Group, Inc.

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During the year ended June 30, 2001, the Company recognized a gain of \$1.5 million, or \$0.07 per basic and diluted share, from the sale of the discontinued Comnet products business. There were no results of operations during the year ended June 30, 2001 as the operating activities of this discontinued operation were previously ceased.

Income Statement Data

	Year Ended June 30,				
	2005	2004	2003	2002	2001
	(amounts in thousands, except per share data)				
Revenue	\$ 1,623,062	\$ 1,145,785	\$ 843,138	\$ 681,942	\$ 557,890
Operating expenses	1,471,998	1,041,071	772,732	628,838	520,535
Net income from continuing operations	85,316	63,669	44,711	31,924	20,765
Net income	85,316	63,669	44,711	30,465	22,301
Earnings per common share and common share equivalent:					
Basic:					
Weighted-average shares outstanding	29,675	29,051	28,647	24,992	22,634
Net income from continuing operations	\$ 2.88	\$ 2.19	\$ 1.56	\$ 1.28	\$ 0.92
Net income	2.88	2.19	1.56	1.22	0.99
Diluted:					
Weighted-average shares and equivalent shares outstanding	30,564	29,877	29,425	\$ 25,814	23,056
Net income from continuing operations	\$ 2.79	\$ 2.13	\$ 1.52	1.24	\$ 0.90
Net income	2.79	2.13	1.52	1.18	0.97

Balance Sheet Data

	June 30,				
	2005	2004	2003	2002	2001
	(amounts in thousands)				
Total assets	\$ 1,204,160	\$ 1,154,304	\$ 562,050	\$ 480,664	\$ 284,731
Long-term obligations	383,228	431,771	25,190	36,140	55,230
Working capital	284,186	208,195	182,585	228,764	81,961
Shareholders' equity	612,188	498,272	421,535	367,159	160,204

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

The following discussion and analysis is provided to enhance the understanding of, and should be read in conjunction with, the Consolidated Financial Statements and the related Notes. All years refer to the Company's fiscal year which ends on June 30.

Critical Accounting Policies

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. Application of these policies is particularly important to the portrayal of our financial condition and results of operations. We consider the following accounting policies to be our critical accounting policies:

Revenue Recognition/Contract Accounting

The Company generates essentially all of its revenue from three different types of contractual arrangements: cost-plus-fee contracts; time and materials contracts; and fixed price contracts. Revenue on cost-plus-fee contracts is recognized to the extent of allowable costs incurred plus an estimate of the applicable fees earned. The Company considers fixed fees under cost-plus-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract. For cost-plus-fee contracts that include performance based fee

incentives, and that are subject to the provisions of Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* (SOP 81-1), the Company recognizes the relevant portion of the expected fee to be awarded by the customer at the time such fee can be reasonably estimated, based on factors such as the Company's prior award experience and communications with the customer regarding performance. For such cost-plus-fee contracts subject to the provisions of U.S. Securities & Exchange Commission Staff Accounting Bulletin No. 104, *Revenue Recognition* (SAB 104), the Company recognizes the relevant portion of the fee upon customer approval. Revenue on time-and-material contracts is recognized to the extent of billable rates times hours delivered plus allowable expenses incurred.

The Company has four basic categories of fixed price contracts; fixed unit price; fixed price-level of effort; fixed price-completion; and fixed price-license. Revenue on fixed unit price contracts, where specified units of output under service arrangements are delivered, is recognized as units are delivered based on the specified price per unit. Revenue on fixed unit price maintenance contracts is recognized ratably over the length of the service period. Revenue for fixed price level of effort contracts is recognized based upon the number of units of labor actually delivered multiplied by the agreed rate for each unit of labor.

A significant portion of the Company's fixed price-completion contracts involve the design and development of complex client systems. For these contracts that are within the scope of SOP 81-1, revenue is recognized on the percentage of completion method using costs incurred in relation to total estimated costs. For fixed price-completion contracts that are not within the scope of SOP 81-1, revenue is generally recognized ratably over the service period. The Company's fixed price license agreements and related services contracts are primarily executed in its international operations. As the agreements to deliver software require significant production, modification or customization of software, revenue is recognized using the contract accounting guidance of SOP 81-1. For agreements to deliver data under license and related services, revenue is recognized as the data is delivered and services are performed. Provisions for estimated losses on uncompleted contracts are recorded in the period in which such losses are determined.

Contract accounting requires judgment relative to assessing risks, estimating contract revenues and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenues and cost at completion is complicated and subject to many variables. Contract costs include material, labor, subcontracting costs, and other direct costs, as well as an allocation of allowable indirect costs. Assumptions have to be made regarding the length of time to complete the contract because costs also include expected increases in wages and prices for materials. For contract change orders, claims or similar items, we apply judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable. Incentives or penalties related to performance on contracts are considered in estimating sales and profit rates, and are recorded when there is sufficient information for us to assess anticipated performance. Estimates of award fees for certain contracts are also a significant factor in estimating revenue and profit rates based on actual and anticipated awards.

Products and services provided under long-term development and production contracts make up a large portion of our business, and therefore the amounts we record in our financial statements using contract accounting methods and cost accounting standards are material. For our federal contracts, we follow U.S. Government procurement and accounting standards in assessing the allowability and the allocability of costs to contracts. Because of the significance of the judgments and estimation processes, it is likely that materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. We closely monitor compliance with and the consistent application of our critical accounting policies related to contract accounting. Business operations personnel conduct thorough periodic contract status and performance reviews. When adjustments in estimated contract revenues or costs are required; any changes from prior estimates are generally included in earnings in the current period. Also, regular and recurring evaluations of contract cost, scheduling and technical matters are performed by management personnel who are independent from the business operations personnel performing work under the contract. Costs incurred and allocated to

contracts with the U.S. Government are scrutinized for compliance with regulatory standards by our personnel, and are subject to audit by the Defense Contract Audit Agency (DCAA).

Allowance For Doubtful Accounts

Management establishes bad debt reserves against certain billed receivables based upon the latest information available to determine whether invoices are ultimately collectible. Whenever judgment is involved in determining the estimates, there is the potential for bad debt expense and the fair value of accounts receivable to be misstated. Given that we primarily serve the U.S. Government and that, in our opinion, we have sufficient controls in place to properly recognize revenue, we believe the risk to be relatively low that a misstatement of accounts receivable would have a material impact on our financial results. Accounts receivable balances are written-off when the balance is deemed uncollectible after exhausting all reasonable means of collection.

Goodwill Valuation

Acquisitions of businesses have constituted a major portion of the Company's historical growth, and as a result goodwill has increased over the years to represent a significant portion of both our long-term and total assets. We account for our goodwill under Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, (FAS 142), which requires an impairment only approach to accounting for goodwill.

The FAS 142 goodwill impairment model is a two-step process. First, it requires a comparison of the book value of net assets to the fair value of the related operations that have goodwill assigned to them. If the fair value is determined to be less than book value, a second step is performed to compute the amount of the impairment. In this process, a fair value for goodwill is estimated, based in part on the fair value of the operations used in the first step, and is compared to its carrying value. The shortfall of the fair value below carrying value represents the amount of goodwill impairment. FAS 142 requires that goodwill be tested annually for impairment at the same date every year, and also when an event occurs or circumstances change such that it is reasonably possible that an impairment may exist. The Company has selected June 30 as its annual testing date.

We estimate the fair values of the Company's operations using discounted cash flows. Forecasts of future cash flows are based on our estimates of future revenues and operating costs related to contract backlog and fundings, historical operating margins, re-compete win rates, the length of customer relationships, and assessments of the market conditions surrounding the government information technology services industry. These estimates are subject to review and approval by our senior management. Changes in these forecasts could cause the Company to either pass or fail the first step in the FAS No. 142 goodwill valuation model, which could result in impairment.

The cash flow forecasts are adjusted by an appropriate discount rate derived from our market capitalization plus a suitable control premium at the date of evaluation. Therefore, changes in the stock price may also affect the requirement to recognize an impairment, and the amount of such impairment, if any. As of June 30, 2005, a 10 percent increase or decrease in the value of our common stock would have had no impact on the consolidated financial statements.

Stock-Based Compensation

For the fiscal periods through June 30, 2005, the Company has accounted for stock-based compensation transactions using the intrinsic value method in accordance with APB Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees*, as amended by Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*. Alternative guidance under SFAS No. 123, *Accounting for Stock-Based Compensation* (FAS 123), which required companies to determine the fair value of options at the time of grant using a fair value option pricing model, and to recognize compensation expense over the service period, was an available alternative to APB 25 that the Company could have used to account for stock-based compensation. If the Company's employee stock-based compensation had been accounted using the provisions of FAS 123, the pro-forma earnings would have been as follows:

	Year Ended June 30,		
	2005	2004	2003
	(dollars in thousands, except per share amounts)		
Net income, as reported	\$ 85,316	\$ 63,669	\$ 44,711
Stock-based compensation expense, net of income tax benefit, included in net income, as reported.	1,399	99	
Stock-based compensation expense under fair value method as applied to all equity awards, net of income tax benefit	(6,990)	(6,054)	(4,726)
Net income, as adjusted	\$ 79,725	\$ 57,714	\$ 39,985
Basic earnings per share:			
Earnings per share, as reported	\$ 2.88	\$ 2.19	\$ 1.56
Incremental effect of stock-based compensation, net of income tax benefit	(0.19)	(0.20)	(0.16)
Earnings per share, as adjusted	\$ 2.69	\$ 1.99	\$ 1.40
Diluted earnings per share: as reported			
Earnings per share	\$ 2.79	\$ 2.13	\$ 1.52
Incremental effect of stock-based compensation, net of income tax benefit	(0.18)	(0.20)	(0.16)
Earnings per share, as adjusted	\$ 2.61	\$ 1.93	\$ 1.36

These pro-forma results may not be indicative of the future results due to forfeitures, differences between actual and expected lives of outstanding options, changes in the Company's stock price, and changes in the quantity, and terms and conditions, of grants.

Effective July 1, 2005, the Company will adopt the provisions of Statement of Financial Accounting Standards No. 123R, *Share-Based Payments* (FAS 123R), which requires the Company to recognize the costs of all equity-based awards in its consolidated financial statements. The valuation of equity instruments underlying stock-based compensation, and the period during which the related stock compensation expense is recognized, are based in part on various assumptions including the estimated life of equity instruments, stock volatility, interest rates and vesting terms. Changes in these assumptions could have significant impacts on the expense recognized. Management has evaluated the impact that FAS 123R will have on the Company's consolidated financial statements for its fiscal year ending June 30, 2006, and has reported the estimated impact in a Current Report 8-K as filed with the SEC on June 24, 2005. The Company is analyzing the effect FAS 123R is projected to have on financial reporting of its income tax expense in years beyond fiscal 2006, and plans to conclude on the method of implementation in late September 2005.

During the year-end June 30, 2004, the Company began to include a provision in restricted stock unit (RSU) grants that provided for accelerated vesting upon retirement at or after age 65. The Company extended this accelerated vesting condition to grants of non-qualified stock options beginning July 1, 2004.

In conjunction with its adoption of FAS 123R, the Company will also begin to recognize the expense associated with RSUs and non-qualified stock options granted to employees that have reached, or are close to reaching, age 65 in accordance with Issue No. 19 of EITF Bulletin No. 00-23, *Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44*, (EITF 00-23, Issue 19). EITF 00-23 became effective in September 2000, and Issue 19 requires that the value of equity instruments awarded to employees that are eligible for retirement, and that contain terms which provide for immediate vesting upon retirement, be recognized in full upon grant. Issue 19 of EITF 00-23 also requires that the value of such equity instruments granted to employees nearing retirement age be recognized ratably over the period from the date of grant, to the date the grantee is eligible for retirement. Immediate recognition of expense (the non-substantive vesting method) is required under Issue 19 of EITF 00-23 even when the grantee has, or plans to, remain an employee of the Company beyond the eligible retirement age.

The Company has not, however, applied the non-substantive vesting method in recognizing compensation expense pertaining to RSUs in its consolidated financial statements for the years ended June 30, 2005 and 2004. Furthermore, the Company historically has not applied the provisions of Issue 19 of EITF 00-23 when disclosing, in the footnotes to its consolidated financial statements under the provisions of FAS 123, the pro-forma effect of stock-based compensation expense pertaining to stock options granted to those age 65 or older. Had the Company applied the non-substantive vesting method of EITF 00-23, the net income and basic and diluted earnings per share for the year ended June 30, 2005, as reported, would have been affected by an insignificant amount. The provisions of Issue 19 of EITF 00-23 had no effect on the consolidated statement of operations for the year ended June 30, 2004, as the vesting of RSUs granted during this year will not qualify for accelerated vesting under the retirement terms of the grants.

In the footnotes to its consolidated financial statements included elsewhere in this report, the Company has disclosed the pro-forma effect that stock-based compensation expense would have had on net income, and basic and diluted earnings per share, had the Company recognized stock-based compensation expense in accordance with the provisions of FAS 123, but without giving effect to the provisions of Issue 19 of EITF 00-23. Had the Company applied the provisions of Issue 19 of EITF 00-23 to its RSU expense, and to disclosures of pro-forma net income and basic and diluted earnings per share, these amounts would have been affected as follows:

	Pro-Forma Amounts		Pro-Forma Amounts
	in the Notes	Effect of Applying Retirement Vesting Provisions to	in the Notes
	to the Consolidated Statement of Operations for the Year Ended June 30, 2005,	RSU Expense and	to the Consolidated Statement of Operations for the Year Ended June 30, 2005,
	As Disclosed	Pro-Forma Stock-Based Compensation Expense	As Adjusted
Net income	\$ 79,725	\$ (1,366)	\$ 78,359
Weighted-average earnings per share:			
Basic	\$ 2.69	\$ (0.05)	\$ 2.64
Diluted	\$ 2.61	\$ (0.04)	\$ 2.57

Results of Operations

The following table sets forth the relative percentages that certain items of expense and earnings bear to revenue.

Consolidated Statements of Operations

Year ended June 30, 2005, 2004, and 2003

	Years Ended June 30,						Year to Year Change			
	2005	2004	2003	2005	2004	2003	2004 to 2005		2003 to 2004	
	Dollars			Percentages			Dollars	Percent	Dollars	Percent
	(dollar amounts in thousands)									
Revenue	\$ 1,623,062	\$ 1,145,785	\$ 843,138	100.0%	100.0%	100.0%	\$ 477,277	41.7%	\$ 302,647	35.9%
Cost & expenses:										
Direct costs	1,019,474	708,371	517,975	62.8%	61.8%	61.4%	311,103	43.9%	190,396	36.8%
Indirect costs & selling expenses	420,502	313,664	242,153	25.9%	27.4%	28.8%	106,838	34.1%	71,511	29.5%
Depreciation & amortization	32,022	19,036	12,604	2.0%	1.7%	1.5%	12,986	68.2%	6,432	51.0%
Total costs & expenses	1,471,998	1,041,071	772,732	90.7%	90.9%	91.7%	430,927	41.4%	268,339	34.7%
Income from operations	151,064	104,714	70,406	9.3%	9.1%	8.3%	46,350	44.3%	34,308	48.7%
Interest expense (income), net	14,765	1,783	(1,374)	0.9%	0.1%	(0.2)%	12,982	728.1%	3,157	(229.8)%
Net income before income taxes	136,299	102,931	71,780	8.4%	9.0%	8.5%	33,368	32.4%	31,151	43.4%
Income taxes	50,983	39,262	27,069	3.1%	3.4%	3.2%	11,721	29.9%	12,193	45.0%
Net income	\$ 85,316	\$ 63,669	\$ 44,711	5.3%	5.6%	5.3%	\$ 21,647	34.0%	\$ 18,958	42.4%

Revenue. The table below sets forth, for the periods indicated the customer mix in revenue with related percentages of total revenue.

	Year ended June 30,					
	2005		2004		2003	
	(dollar amounts in thousands)					
Department of Defense	\$ 1,179,259	72.7%	\$ 771,920	67.4%	\$ 536,269	63.6%
Federal Civilian Agencies	350,886	21.6	301,706	26.3	241,490	28.6
Commercial	68,140	4.2	55,706	4.9	51,414	6.1
State and Local Government	24,777	1.5	16,453	1.4	13,965	1.7
Total	\$ 1,623,062	100.0%	\$ 1,145,785	100.0%	\$ 843,138	100.0%

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For the year ended June 30, 2005, the Company's total revenue increased by \$477.3 million, or 41.7 percent. Approximately 16.0 percent, or \$183.1 million, of revenue growth was organic and across a broad base of DoD, intelligence, and federal civilian agency customers. The remaining 25.7 percent, or \$294.2 million, was from acquisitions completed in FY2004. This growth is primarily from the demand of the Company's federal customers for services and solutions. This demand is driven by the Company's support of mission-critical needs of its Army, Navy and Intelligence community customers. During FY2004 total revenue increased by \$302.6 million, or 35.9 percent. The revenue increase resulted primarily from continuing growth in the Company's systems integration, engineering services and knowledge management offerings of its domestic operations and the successful integration of four acquisitions that broadened the Company's portfolio of solutions offerings.

Revenue generated from the date a business is acquired through the first anniversary of that date is considered acquired revenue growth. The Company's acquisitions accounted for \$294.2 million and \$176.2 million of the revenue growth for FY2005 and FY2004, respectively, as follows:

Business Acquired	2005	2004
AMS Defense & Intelligence Group (D&IG)	\$ 244.4	\$ 40.3
CMS	31.8	13.1
C-CUBED	14.4	35.7
MTL	3.6	2.5
PTG		64.9
Acton Burnell		12.7
ATS		4.8
Condor		2.2
Total	\$ 294.2	\$ 176.2

Revenue from DoD customers increased 52.8 percent, or \$407.3 million, to approximately \$1.2 billion for FY2005 as compared to FY2004. The aforementioned acquisitions accounted for approximately 56.3 percent of this growth, contributing \$229.4 million. The Company's work with the US Army, its largest customer, is driven by the need to support the warfighter in Iraq, particularly through its support of tactical military intelligence, communications and logistics. The Company's work with the U.S. Navy remains strong, with increased levels of work coming through the Seaport Enhanced contract vehicle, and from its growing presence in supporting Naval Aviation. In the DoD financial management practice, the Company continued to expand its ability to deliver enhanced services and solutions, positioning itself to participate in the modernization of legacy business systems. DoD revenue growth in FY2004 of 43.9 percent, or \$235.7 million, was driven by the above referenced acquisitions as well as the increased demand for mission-critical support from customers such as strategic and tactical organizations in the military intelligence community, the U.S. Army Intelligence and Security Command, the U.S. Army's Communications Electronics Command, and the U.S. Navy's Space and Warfare Command.

Revenue from federal civilian agencies increased \$49.2 million, or 16.3 percent, to \$350.9 million for FY2005 as compared to FY2004. Acquisitions accounted for all of the increase in this area. The primary growth drivers were analysis and systems support of intelligence agencies and transformation work performed by the Company's Defense and Intelligence Group. Approximately 26.4 percent of federal civilian agency revenue for the year was derived from DoJ, for whom the Company provides litigation support services and maintains a debt collection system. Revenue from DoJ was \$92.7 million, \$108.3 million and \$94.4 million in FY2005, FY2004 and FY2003, respectively. The decrease in revenue from FY2004 to FY2005 was due to a realignment of the federal government's spending priorities. In FY2004, as compared to FY2003, DoJ accounted for 23.0 percent or \$13.9 million of the revenue growth within federal civilian agencies. During the same period the Company also experienced increased revenue growth due to higher volumes of work from customers such as the Department of Veterans Affairs (VA), the Social Security Administration and other Federal Civilian Agencies.

Commercial revenue increased 22.3 percent, or \$12.4 million, to \$68.1 million in FY2005 as compared to FY2004. Commercial revenue is derived from both international and domestic operations. In FY2005, international operations accounted for 81.9 percent, or \$55.8 million, of the total commercial revenue while the domestic operations accounted for 18.1 percent, or \$12.3 million. The increase in commercial revenue was primarily from the international operations within the United Kingdom (UK), which increased by 20.5 percent, or \$9.5 million. The UK growth came from its marketing systems group that supplies demographic software and data services, and its software services business particularly in the retail and telecommunications sectors. The UK operations also benefited with a favorable foreign exchange movement. The balance of the increase in Commercial revenue was from the domestic operations, and specifically Commercial revenue earned by D&IG. Commercial revenue increased 8.3 percent, or \$4.3 million, in FY2004 as compared to FY2003. Again, the increase was primarily from the Company's international operations within the UK.

Revenue from State and Local Governments increased by 50.6 percent, or \$8.3 million, to \$24.8 million for the year ended June 30, 2005 as compared to the same period a year ago. Approximately one-third of this increase or \$2.7 million can be attributed to the March 1, 2004 acquisition of CMS. The balance of the \$5.6 million of growth was from an increased demand for information technology services that were provided across a number of states. In FY2004 as compared to FY2003, revenue from State and Local Governments increased by 17.8 percent or \$2.5 million. Almost half of this increase was attributed to acquisition activity. Revenue from Local Governments represented 1.5 percent and 1.4 percent of the Company's total revenue in FY2005 and FY2004. The Company's continued and expanded focus on DoD and federal civilian agency opportunities has resulted in a reduced emphasis on State and Local Governments business.

Income from Operations. Operating income increased 44.3 percent, or \$46.4 million, in FY2005 as compared to the same period a year ago. Operating margin in FY2005 improved to 9.3 percent from 9.1 percent a year earlier. This improvement was driven by the higher margins provided by D&IG, economies of scale related with acquisitions, and the continued growth from higher-margin national security and intelligence work. The Company was able to improve operating margins despite incurring significant costs related to the implementation of Sarbanes-Oxley, legal costs related to operations in Iraq, and non-cash charges related with the expensing of Restricted Stock Units (RSUs). In FY2004, as compared to FY2003, operating income increased 48.7 percent, or \$34.3 million. The Company's growth in operating margin was driven primarily by operational cost synergies associated with acquisitions and a favorable mix of business.

During the last three years, as a percentage of revenue, total direct costs were 62.8 percent, 61.8 percent and 61.4 percent, respectively. Direct costs include direct labor and other direct costs such as equipment purchases, subcontract costs and travel expenses. Other direct costs, which are common in our industry, typically are incurred in response to specific client tasks and may vary from period to period. The largest component of direct costs, direct labor, was \$490.4 million, \$346.2 million and \$251.6 million in FY2005, FY2004 and FY2003, respectively. The increase in direct labor during the last three fiscal years is attributable to the internal growth in the Company's federal government business both in the DoD and federal civilian agencies as well as from the previously mentioned acquisition activities. Other direct costs were \$529.1 million, \$362.2 million and \$266.3 million in FY2005, FY2004, and FY2003, respectively. The year over year increase was primarily the result of increased volume of tasking across system integration, knowledge management and engineering services including the aforementioned acquisitions.

Indirect costs and selling expenses include fringe benefits, marketing and bid and proposal costs, indirect labor and other discretionary costs. Many of these expenses are highly variable and have grown in dollar volume generally in proportion to the growth in revenue. As a percentage of revenue, indirect costs and selling expenses were 25.9 percent, 27.4 percent and 28.8 percent for FY2005, FY2004 and FY2003, respectively. The decrease in percentage over the prior two fiscal years is primarily from cost synergies associated with acquisitions.

Depreciation and amortization increased 68.2 percent, or \$13.0 million, in FY2005 as compared to FY2004. Approximately 84.7 percent, or \$11.0 million, of the increase was attributable to the intangible amortization of assets acquired in the most recent acquisitions, primarily that of the May 1, 2004 acquisition of the D&IG. The balance of the increase of approximately \$2.0 million was primarily for new capital expenditures and building improvements to support on-going business. In FY2004, as compared to FY2003, depreciation and amortization increased by 51.0 percent, or \$6.4 million primarily for the same reasons as stated above.

The Company incurred net interest expense of \$14.8 million and \$1.8 million during FY2005 and FY2004, respectively. The majority of this increase was due to a full year of interest costs relating to the Company's borrowings in May 2004, of \$422.6 million under its credit facility which was used to finance the purchase of the D&IG. As of June 30, 2005, the Company's outstanding borrowing under this line of credit was \$345.6 million. The Company is required to repay a minimum of \$3.5 million annually under the terms of its credit facility. For FY2004, the Company incurred approximately two months of interest under the credit facility described above. Prior to May 2004, the Company was able to fund its operations from proceeds received from its March 2002 secondary offering, available cash and equivalents and short-term marketable securities, and operating cash flows.

The effective income tax rates in FY2005, FY2004 and FY2003, were 37.4 percent, 38.1 percent and 37.7 percent, respectively, which differed from the federal statutory rate of 35.0 percent primarily due to state and local income taxes and certain non-deductible expenses.

Quarterly Financial Information

Quarterly financial data for the two most recent fiscal years is provided in Note 23 to the Company's Consolidated Financial Statements contained in this report.

Effects of Inflation

Based on the Company's contract mix reported for FY2005, approximately 25 percent of the Company's business is conducted under cost-reimbursable contracts which automatically adjust revenue to cover costs that are affected by inflation. Approximately 57 percent of revenue is earned under time-and-material contracts, where labor rates for many of the services provided under time-and-material contracts, are often fixed for several years. Under certain time-and-material contracts containing indefinite-delivery, indefinite-quantity procurement arrangements, the Company does adjust labor rates annually as permitted. The remaining portion of the Company's business is fixed-price and may span multiple years. The Company generally has been able to price its time-and-materials and fixed-price contracts in a manner that accommodates the rates of inflation experienced in recent years.

Liquidity and Capital Resources

Historically, the Company's positive cash flow from operations, and its available credit facilities, have provided adequate liquidity and working capital to fund the Company's operational needs. Cash flows from operations totaled \$137.0 million, \$75.8 million and \$75.9 million for the years ended June 30, 2005, 2004 and 2003, respectively.

Between March 2002 and May 2004, the principal source of liquidity and capital to fund business acquisitions were the proceeds from the Company's March 2002 offering of 4.9 million shares of common stock. The Company raised \$161.5 million from this offering, and during the period between March 2002 and May 2004, invested approximately \$170.2 million in the acquisition of eight businesses. Operating cash flows and borrowings under credit facilities were used to supplement the offering proceeds, as necessary, to fund the acquisition of these seven businesses.

To fund the acquisition of the D&IG, the Company entered into a \$550 million credit facility (the 2004 Credit Facility), which includes a \$200 million revolving credit facility (the revolving facility), and a \$350 million institutional term loan (the term loan). The initial borrowings under the 2004 Credit Facility were \$422.6 million, of which \$345.6 million was outstanding under the term loan at June 30, 2005. During the year ended June 30, 2005, the Company received no advances from borrowings under the revolving facility, and repaid the revolving facility balance of \$62.2 million that was outstanding at June 30, 2004.

The revolving facility is a five-year, secured facility that permits continuously renewable borrowings of up to \$200 million, with annual sublimits on amounts borrowed for acquisitions. The revolving facility permits one, two, three and six month interest rate options. The Company pays a fee on the unused portion of the facility.

The term loan portion of the 2004 Credit Facility is a seven-year secured facility under which principal payments are due in quarterly installments of \$0.875 million at the end of each fiscal quarter through March 2011, and the balance of \$325.5 million is due in full on May 2, 2011.

Interest rates for both the revolving credit and term-loan borrowings are based on LIBOR, or the higher of the prime rate, or federal funds rate, plus applicable margins. Margin and unused fee rates are determined

quarterly based on the Company's leverage ratios. The Company is expected to operate within certain limits on leverage, net worth and fixed-charge coverage ratios throughout the term of the 2004 Credit Facility. The total costs associated with securing the 2004 Credit Facility were approximately \$8.2 million, and are being amortized over the life of the 2004 Credit Facility.

In May 2005, the Company amended the 2004 Credit Facility by reducing the margins applicable to the LIBOR and prime and federal funds rate factors, and in June entered an interest rate swap agreement covering a portion of the outstanding term loan balance. The Company incurred approximately \$0.5 million of fees to amend the 2004 Credit facility, which has been capitalized and is being amortized over the remaining term of the 2004 Credit Facility.

The Company also has amounts due under a lease agreement classified as a capital lease for reporting purposes, amounts due under a mortgage note payable, and maintains a line of credit facility in the United Kingdom. The total amount of reported principal due under the capital lease agreement and mortgage note payable was \$1.6 million at June 30, 2005. The total amount available under the line-of-credit facility in the U.K., which is scheduled to expire in December 2005, is approximately \$0.9 million. As of June 30, 2005, the Company had no borrowings under this facility.

Cash and equivalents were \$133.0 million and \$63.0 million as of June 30, 2005 and 2004, respectively. Working capital was \$285.1 million and \$208.2 million as of June 30, 2005 and 2004, respectively. The Company's operating cash flow increased to \$137.0 million for FY2005, as compared to \$75.8 million for the year ended June 30, 2004. The primary drivers behind the higher operating cash flow were the increase in revenues, which in turn was largely due to the May 2004 acquisition of the D&IG, and improvements in days-sales-outstanding (DSO). DSO decreased to 70 days as of June 30, 2005, from 88 days at the end of FY2004.

The Company used \$16.6 million, and a net \$496.7 million, of cash in investing activities for the years ended June 30, 2005 and 2004, respectively. The significant decrease in cash used for investing purposes during FY2005 was due primarily to reduced acquisition activity in FY2005. During FY 2005, the Company paid \$3.7 million to acquire all of the stock of IMAJ Consulting Limited. In the United Kingdom, and made a \$4.0 million earn-out payment in March 2005 related to its acquisition of CMS Information Services, Inc. in March 2004. There were no other acquisitions related payments made during FY2005. The Company invested \$503.3 million during FY2004 to acquire businesses including the D&IG (\$420.7 million), CMS Information Services, Inc. (\$28.2 million), and C-CUBED Corporation (\$36.2 million).

Purchases of office and computer related equipment of \$8.8 million and \$8.7 million in FY2005 and FY2004, respectively, accounted for the majority of the remaining funds used in investing activities. Cash flows used in investing activities during FY2004 were offset by cash proceeds of \$15.4 million from the sale of marketable securities.

Cash used in financing activities totaled \$50.5 million during FY2005, while net cash provided by financing activities totaled \$408.7 million. During FY2004, the Company obtained \$422.6 million of cash from the initial borrowings under its 2004 Credit Facility arranged to finance the acquisition of the D&IG. The cash provided by borrowings was offset in part by principal repayments of \$10.4 million under the revolving credit facility, and the payment of \$8.2 million of deferred financing costs. During FY2005, the Company repaid the remaining balance of \$62.2 million of initial borrowings made under the revolving credit facility, and the scheduled \$3.5 million of installments under the term loan.

Cash flows from financing activities continued to benefit from proceeds received from the exercise of stock options, and purchases of stock under the Company's employee stock purchase plan. Proceeds from these activities totaled \$23.6 million and \$10.5 million during FY2005 and FY2004, respectively. These amounts were offset by cash used to purchase stock to fulfill obligations under the employee stock purchase plan. Cash used to acquire stock was \$8.4 million and \$4.9 million during FY2005 and FY2004, respectively.

On February 14, 2005, the Company filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission to sell up to \$400 million of common stock, preferred stock, or debt securities from time to time in one or more public offerings. The registration statement was amended and became effective in May 2005. The net proceeds from any sale of the securities would be used for acquisitions and other general corporate purposes including repayment of debt, share repurchases, and capital expenditures.

The Company believes that the combination of internally generated funds, available bank borrowings, cash and cash equivalents on hand, will provide the required liquidity and capital resources necessary to fund on-going operations, customary capital expenditures, and other working capital requirements.

Contractual Obligations

The following table summarizes the Company's contractual obligations as of June 30, 2005 that require the Company to make future cash payments:

	Payments Due By Period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
	(amounts in thousands)				
Contractual Obligations:					
Long-term debt(1)	\$ 345,625	\$ 3,500	\$ 7,000	\$ 7,000	\$ 328,125
Capital lease obligations(2)	895	506	389		
Operating leases(3)	176,241	32,939	56,051	38,781	48,470
Other long-term liabilities					
Other notes payable(1)	877	141	89	101	546
Deferred compensation(4)	25,977	918	1,140	1,113	22,806
Total	\$ 549,615	\$ 38,004	\$ 64,669	\$ 46,995	\$ 399,947

- (1) See Note 14 to the Company's consolidated financial statements for additional information regarding debt and related matters.
- (2) The principal portion of capital lease obligations totaling \$856 is included in the Company's consolidated balance sheet at June 30, 2005.
- (3) See Note 15 to the Company's consolidated financial statements for additional information regarding operating lease commitments.
- (4) The liability is offset by investment assets held by the plan provider to be reimbursed to the Company upon the distribution of the liability to the plan participant. See Note 19 to the Company's consolidated financial statements for additional information regarding deferred compensation.

Forward Looking Statements

There are statements made herein which may not address historical facts and, therefore, could be interpreted to be forward looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements are subject to factors that could cause actual results to differ materially from anticipated results. The factors that could cause actual results to differ materially from those anticipated include, but are not limited to, the following:

We depend on contracts with the federal government for a substantial majority of our revenue, and our business could be seriously harmed if the government ceased doing business with us.

We derived 94.0 percent of our total revenue in FY2005 and 93.7 percent of our total revenue in FY2004 from federal government contracts, either as a prime contractor or a subcontractor. We derived 72.7 percent of our total revenue in FY2005 and 67.4 percent of our total revenue in FY2004 from contracts with agencies of the

DoD. We expect that federal government contracts will continue to be the primary source of our revenue for the foreseeable future. If we were suspended or debarred from contracting with the federal government generally, with the General Services Administration, or any significant agency in the intelligence community or the DoD, or if our reputation or relationship with government agencies were to be impaired, or if the government otherwise ceased doing business with us or significantly decreased the amount of business it does with us, our business, prospects, financial condition and operating results could differ materially from those anticipated.

Our business could be adversely affected by the outcome of the various investigations/proceedings regarding our interrogation services work in Iraq.

Beginning in May 2004, press accounts disclosed an internal government report, the Taguba report, which contains information regarding the alleged mistreatment of Iraqi prisoners. The Taguba report alleges that one of our employees was involved with the alleged mistreatment. Another government report, the Jones/Fay Report, alleges that three of our employees, including the one identified in the Taguba Report, acted improperly in performing their assigned duties in Iraq. The Jones/Fay Report recommended that the information in the report regarding each of these employees be forwarded to the General Counsel of the United States Army for determination of whether each of them should be referred to the United States Department of Justice for prosecution, as well as forwarded to the contracting officer for appropriate contractual action.

Our preliminary investigation into these matters had already considered some of the allegations regarding the employees cited in the Jones/Fay Report, all of whom are no longer employed by us. That investigation, however, could not confirm the allegation of abuse contained in the Jones/Fay Report concerning one of the former employees and reached a different conclusion than the Jones/Fay Report regarding the allegation that another former employee placed a detainee in a stress position and permitted a photograph to be taken. The third of our former employees named in the Jones/Fay report, whose name was made public at the time of the illegally leaked Taguba Report, has been under careful consideration and review by us since May 2004. Despite attempts by our legal counsel to obtain information from the Government, to date we have not received any specific information confirming the allegations of wrongdoing made in the Taguba report about that former employee. In fact, our investigation uncovered praise about the high quality of his work from his supervisors and colleagues. The Jones/Fay Report contained other allegations that had not been previously communicated to us, and which we are now pursuing. Our investigation thus far has not produced information that supports these new Jones/Fay Report findings. We have cooperated and will continue to cooperate fully with the government regarding investigations arising out of interrogation services provided in Iraq.

In addition, we received a letter from the GSA Suspension and Debarment Official expressing concern that we may have misused a GSA schedule contract vehicle in connection with the contract to provide interrogators and affording us an opportunity to provide information and argument as to why it should remain eligible for further Government contracts. We provided information and presented an explanation to the GSA on June 14, 2004. After its review, GSA sent us a letter stating that it was not necessary to take any formal action to protect the interests of the government (that is, the GSA would not suspend or debar us) based on these matters. In the letter, the Suspension and Debarment Official informed us that he had provided the information to the GSA's attorneys for review and would let us know if additional information was needed. GSA has not requested any further information.

We have never condoned, and will never condone, tolerate or endorse, any illegal or inappropriate behavior on the part of any employee when working on our behalf but we will stand firmly by our employees and their right to be presumed innocent until there is verifiable information confirming that they have been involved in misconduct. If and when we receive verifiable information indicating any inappropriate or illegal behavior on the part of any employee, we will take swift and appropriate action to redress the matter.

The results of the investigations and proceedings regarding our interrogation services in Iraq could affect our relationships with our clients and could cause our actual results to differ materially from those anticipated.

Our business could be adversely affected by changes in budgetary priorities of the federal government.

Because we derive a substantial majority of our revenue from contracts with the federal government, we believe that the success and development of our business will continue to depend on our successful participation in federal government contract programs. Changes in federal government budgetary priorities could directly affect our financial performance. A significant decline in government expenditures, or a shift of expenditures away from programs that we support or a change in federal government contracting policies, could cause federal government agencies to reduce their purchases under contracts, to exercise their right to terminate contracts at any time without penalty or not to exercise options to renew contracts. Any such actions could cause our actual results to differ materially from those anticipated. Among the factors that could seriously affect our federal government contracting business are:

changes in federal government programs or requirements;

budgetary priorities limiting or delaying federal government spending generally, or specific departments or agencies in particular, and changes in fiscal policies or available funding, including potential governmental shutdowns (such as that which occurred during the government's 1996 fiscal year);

an increase in set-asides for small businesses that could result in our inability to compete directly for prime contracts; and

curtailment of the federal government's use of technology solutions firms.

Our federal government contracts may be terminated by the government at any time and may contain other provisions permitting the government not to continue with contract performance, and, if lost contracts are not replaced, our operating results may differ materially from those anticipated.

We derive substantially all of our revenue from federal government contracts that typically span one or more base years and one or more option years. The option periods typically cover more than half of the contract's potential duration. Federal government agencies generally have the right not to exercise these option periods. In addition, our contracts typically also contain provisions permitting a government client to terminate the contract for its convenience. A decision not to exercise option periods or to terminate contracts could result in significant revenue shortfalls from those anticipated.

Federal government contracts contain numerous provisions that are unfavorable to us.

Federal government contracts contain provisions and are subject to laws and regulations that give the government rights and remedies, some of which are not typically found in commercial contracts, including allowing the government to:

cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;

claim rights in systems and software developed by us;

suspend or debar us from doing business with the federal government or with a governmental agency, impose fines and penalties and subject us to criminal prosecution; and

control or prohibit the export of our data and technology.

If the government terminates a contract for convenience, we may recover only our incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the government terminates a contract for default, we may be unable to recover even those amounts, and instead may be liable for excess costs incurred by the government in procuring undelivered items and services from another source. Depending on the value of a contract, such termination could cause our actual results to differ materially from those anticipated. As is common with government contractors, we have experienced and continue to experience occasional performance issues under certain of our contracts. Certain contracts also contain organizational conflict of

interest clauses that limit our ability to compete for certain related follow-on contracts. For example, when we work on the design of a particular system, we may be precluded from competing for the contract to install that system. Depending upon the value of the matters affected a performance problem or organizational conflict of interest issue that precludes our participation in a program or contract could cause our actual results to differ materially from those anticipated.

If we fail to establish and maintain important relationships with government entities and agencies, our ability to successfully bid for new business may be adversely affected.

To facilitate our ability to prepare bids for new business, we rely in part on establishing and maintaining relationships with officials of various government entities and agencies. These relationships enable us to provide informal input and advice to government entities and agencies prior to the development of a formal bid. We may be unable to successfully maintain our relationships with government entities and agencies, and any failure to do so may adversely affect our ability to bid successfully for new business and could cause our actual results to differ materially from those anticipated.

We derive significant revenue from contracts and task orders awarded through a competitive bidding process. If we are unable to consistently win new awards over any extended period, our business and prospects will be adversely affected.

Substantially all of our contracts and task orders with the federal government are awarded through a competitive bidding process. We expect that much of the business that we will seek in the foreseeable future will continue to be awarded through competitive bidding. Budgetary pressures and changes in the procurement process have caused many Government clients to increasingly purchase goods and services through indefinite delivery/indefinite quantity, or ID/IQ, contracts, GSA schedule contracts and other government-wide acquisition contracts. These contracts, some of which are awarded to multiple contractors, have increased competition and pricing pressure, requiring that we make sustained post-award efforts to realize revenue under each such contract. In addition, in consideration of recent publicity regarding the practice of agencies awarding work under such contracts that is arguably outside their intended scope, both the GSA and the DoD have initiated programs aimed to ensure that all work fits properly within the scope of the contract under which it is awarded. The net effect of such programs may reduce the number of bidding opportunities available to us. Moreover, even if we are highly qualified to work on a particular new contract, we might not be awarded business because of the federal government's policy and practice of maintaining a diverse contracting base.

This competitive bidding process presents a number of risks, including the following:

we bid on programs before the completion of their design, which may result in unforeseen technological difficulties and cost overruns;

we expend substantial cost and managerial time and effort to prepare bids and proposals for contracts that we may not win;

we may be unable to estimate accurately the resources and cost structure that will be required to service any contract we win; and

we may encounter expense and delay if our competitors protest or challenge awards of contracts to us in competitive bidding, and any such protest or challenge could result in the resubmission of bids on modified specifications, or in the termination, reduction or modification of the awarded contract.

If we are unable to win particular contracts, we may be foreclosed from providing to clients services that are purchased under those contracts for a number of years. If we are unable to consistently win new contract awards over any extended period, our business and prospects will be adversely affected and that could cause our actual results to differ materially from those anticipated. In addition, upon the expiration of a contract, if the client requires further services of the type provided by the contract, there is frequently a competitive rebidding process.

There can be no assurance that we will win any particular bid, or that we will be able to replace business lost upon expiration or completion of a contract, and the termination or non-renewal of any of our significant contracts could cause our actual results to differ materially from those anticipated.

Our business may suffer if we or our employees are unable to obtain the security clearances or other qualifications we and they need to perform services for our clients.

Many of our federal government contracts require us to have security clearances and employ personnel with specified levels of education, work experience and security clearances. Depending on the level of clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees lose or are unable to obtain necessary security clearances, we may not be able to win new business and our existing clients could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue anticipated from the contract, which could cause our results to differ materially from those anticipated.

We must comply with a variety of laws and regulations, and our failure to comply could cause our actual results to differ materially from those anticipated.

We must observe laws and regulations relating to the formation, administration and performance of federal government contracts which affect how we do business with our clients and may impose added costs on our business. For example, the Federal Acquisition Regulation and the industrial security regulations of the DoD and related laws include provisions that:

allow our federal government clients to terminate or not renew our contracts if we come under foreign ownership, control or influence;

require us to disclose and certify cost and pricing data in connection with contract negotiations; and

require us to prevent unauthorized access to classified information.

Our failure to comply with these or other laws and regulations could result in contract termination, loss of security clearances, suspension or debarment from contracting with the federal government, civil fines and damages and criminal prosecution and penalties, any of which could cause our actual results to differ materially from those anticipated.

The federal government may reform its procurement or other practices in a manner adverse to us.

The federal government may reform its procurement practices or adopt new contracting rules and regulations, such as cost accounting standards. It could also adopt new contracting methods relating to GSA contracts or other government-wide contracts, or adopt new socio-economic requirements. These changes could impair our ability to obtain new contracts or win re-competed contracts. Any new contracting methods could be costly or administratively difficult for us to satisfy, and, as a result could cause actual results to differ materially from those anticipated.

Restrictions on or other changes to the federal government's use of service contracts may harm our operating results.

We derive a significant amount of revenue from service contracts with the federal government. The government may face restrictions from new legislation, regulations or government union pressures, on the nature and amount of services the government may obtain from private contractors. Any reduction in the government's use of private contractors to provide federal services could cause our actual results to differ materially from those anticipated.

Our contracts and administrative processes and systems are subject to audits and cost adjustments by the federal government, which could reduce our revenue, disrupt our business or otherwise adversely affect our results of operations.

Federal government agencies, including the DCAA, routinely audit and investigate government contracts and government contractors administrative processes and systems. These agencies review our performance on contracts, pricing practices, cost structure and compliance with applicable laws, regulations and standards. They also review our compliance with government regulations and policies and the adequacy of our internal control systems and policies, including our purchasing, property, estimating, compensation and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed, and any such costs already reimbursed must be refunded. Moreover, if any of the administrative processes and systems is found not to comply with requirements, we may be subjected to increased government scrutiny and approval that could delay or otherwise adversely affect our ability to compete for or perform contracts. Therefore, an unfavorable outcome to an audit by the DCAA or another government agency could cause actual results to differ materially from those anticipated. If a government investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or debarment from doing business with the federal government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us. Each of these results could cause actual results to differ materially from those anticipated.

Failure to maintain strong relationships with other contractors could result in a decline in our revenue.

We derive substantial revenue from contracts in which we act as a subcontractor or from teaming arrangements in which we and other contractors bid on particular contracts or programs. As a subcontractor or teammate, we often lack control over fulfillment of a contract, and poor performance on the contract could tarnish our reputation, even when we perform as required. We expect to continue to depend on relationships with other contractors for a portion of our revenue in the foreseeable future. Moreover, our revenue and operating results could differ materially from those anticipated if any prime contractor or teammate chose to offer directly to the client services of the type that we provide or if they team with other companies to provide those services.

We may not receive the full amounts authorized under the contracts included in our backlog, which could reduce our revenue in future periods below the levels anticipated.

Our backlog consists of funded backlog, which is based on amounts actually obligated by a client for payment of goods and services, and unfunded backlog, which is based upon management's estimate of the future potential of our existing contracts and task orders, including options, to generate revenue. Our backlog may not result in actual revenue in any particular period, or at all, which could cause our actual results to differ materially from those anticipated.

The maximum contract value specified under a government contract or task order awarded to us is not necessarily indicative of the revenues that we will realize under that contract. For example, we derive a substantial portion of our revenue from government contracts in which we are not the sole provider, meaning that the government could turn to other companies to fulfill the contract. We also derive revenues from ID/IQ contracts, which do not require the government to purchase a material amount of goods or services under the contract. Action by the government to obtain support from other contractors or failure of the government to order the quantity of work anticipated could cause our actual results to differ materially from those anticipated.

Without additional Congressional appropriations, some of the contracts included in our backlog will remain unfunded, which could significantly harm our prospects.

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Although many of our federal government contracts require performance over a period of years, Congress often appropriates funds for these contracts for only one year at a time. As a result, our contracts typically are only partially funded at any point during their term, and all or some of the work intended to be performed under

the contracts will remain unfunded pending subsequent Congressional appropriations and the obligation of additional funds to the contract by the procuring agency. Nevertheless, we estimate our share of the contract values, including values based on the assumed exercise of options relating to these contracts, in calculating the amount of our backlog. Because we may not receive the full amount we expect under a contract, our estimate of our backlog may be inaccurate and we may post results that differ materially from those anticipated.

Employee misconduct, including security breaches, could result in the loss of clients and our suspension or disbarment from contracting with the federal government.

We may be unable to prevent our employees from engaging in misconduct, fraud or other improper activities that could adversely affect our business and reputation. Misconduct could include the failure to comply with federal government procurement regulations, regulations regarding the protection of classified information and legislation regarding the pricing of labor and other costs in government contracts. Many of the systems we develop involve managing and protecting information involved in national security and other sensitive government functions. A security breach in one of these systems could prevent us from having access to such critically sensitive systems. Other examples of employee misconduct could include time card fraud and violations of the Anti-Kickback Act. The precautions we take to prevent and detect this activity may not be effective, and we could face unknown risks or losses. As a result of employee misconduct, we could face fines and penalties, loss of security clearance and suspension or debarment from contracting with the federal government, which could cause our actual results to differ materially from those anticipated.

Our failure to attract and retain qualified employees, including our senior management team, could adversely affect our business.

Our continued success depends to a substantial degree on our ability to recruit and retain the technically skilled personnel we need to serve our clients effectively. Our business involves the development of tailored solutions for our clients, a process that relies heavily upon the expertise and services of our employees. Accordingly, our employees are our most valuable resource. Competition for skilled personnel in the information technology services industry is intense, and technology service companies often experience high attrition among their skilled employees. There is a shortage of people capable of filling these positions and they are likely to remain a limited resource for the foreseeable future. Recruiting and training these personnel require substantial resources. Our failure to attract and retain technical personnel could increase our costs of performing our contractual obligations, reduce our ability to efficiently satisfy our clients' needs, limit our ability to win new business and cause our actual results to differ materially from those anticipated.

In addition to attracting and retaining qualified technical personnel, we believe that our success will depend on the continued employment of our senior management team and its ability to generate new business and execute projects successfully. Our senior management team is very important to our business because personal reputations and individual business relationships are a critical element of obtaining and maintaining client engagements in our industry, particularly with agencies performing classified operations. The loss of any of our senior executives could cause us to lose client relationships or new business opportunities, which could cause actual results to differ materially from those anticipated.

Our markets are highly competitive, and many of the companies we compete against have substantially greater resources.

The markets in which we operate include a large number of participants and are highly competitive. Many of our competitors may compete more effectively than we can because they are larger, better financed and better known companies than we are. In order to stay competitive in our industry, we must also keep pace with changing technologies and client preferences. If we are unable to differentiate our services from those of our competitors, our revenue may decline. In addition, our competitors have established relationships among themselves or with third parties to increase their ability to address client needs. As a result, new competitors or

alliances among competitors may emerge and compete more effectively than we can. There is also a significant industry trend towards consolidation, which may result in the emergence of companies who are better able to compete against us. The results of these competitive pressures could cause our actual results to differ materially from those anticipated.

Our quarterly revenue and operating results could be volatile.

Our quarterly revenue and operating results may fluctuate significantly and unpredictably in the future. In particular, if the federal government does not adopt, or delays adoption of, a budget for each fiscal year beginning on October 1, or fails to pass a continuing resolution, federal agencies may be forced to suspend our contracts and delay the award of new and follow-on contracts and orders due to a lack of funding. Further, the rate at which the federal government procures technology may be negatively affected following changes in presidential administrations and senior government officials.

Therefore, period-to-period comparisons of our operating results may not be a good indication of our future performance.

Our quarterly operating results may not meet the expectations of securities analysts or investors, which in turn may have an adverse effect on the market price of our common stock. Our quarterly operating results may also fluctuate due to impairment of goodwill charges required by recent changes in accounting standards.

We may lose money or generate less than anticipated profits if we do not accurately estimate the cost of an engagement which is conducted on a fixed-price basis.

We perform a portion of our engagements on a fixed-price basis. We derived 18.0 percent of our total revenue in FY2005 and 17.0 percent of our total revenue in FY2004 from fixed-price contracts. Fixed price contracts require us to price our contracts by predicting our expenditures in advance. In addition, some of our engagements obligate us to provide ongoing maintenance and other supporting or ancillary services on a fixed-price basis or with limitations on our ability to increase prices. Many of our engagements are also on a time-and-material basis. While these types of contracts are generally subject to less uncertainty than fixed-price contracts, to the extent that our actual labor costs are higher than the contract rates, our actual results could differ materially from those anticipated.

When making proposals for engagements on a fixed-price basis, we rely on our estimates of costs and timing for completing the projects. These estimates reflect our best judgment regarding our capability to complete the task efficiently. Any increased or unexpected costs or unanticipated delays in connection with the performance of fixed-price contracts, including delays caused by factors outside our control, could make these contracts less profitable or unprofitable. From time to time, unexpected costs and unanticipated delays have caused us to incur losses on fixed-price contracts, primarily in connection with state government clients. On rare occasions, these losses have been significant. In the event that we encounter such problems in the future, our actual results could differ materially from those anticipated.

Our earnings and margins may vary based on the mix of our contracts and programs.

At June 30, 2005, our backlog included both cost reimbursement and fixed-price contracts. Cost reimbursement contracts generally have lower profit margins than fixed-price contracts. Our earnings and margins may vary materially depending on the types of long-term government contracts undertaken, the costs incurred in their performance, the achievement of other performance objectives and the stage of performance at

which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

Systems failures may disrupt our business and have an adverse effect on our results of operations.

Any systems failures, including network, software or hardware failures, whether caused by us, a third party service provider, unauthorized intruders and hackers, computer viruses, natural disasters, power shortages or

terrorist attacks, could cause loss of data, interruptions or delays in our business or that of our clients. In addition, the failure or disruption of our mail, communications or utilities could cause us to interrupt or suspend our operations or otherwise harm our business. Our property and business interruption insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption and, as a result, our actual results could differ materially from those anticipated.

The systems and networks that we maintain for our clients, although highly redundant in their design, could also fail. If a system or network we maintain were to fail or experience service interruptions, we might experience loss of revenue or face claims for damages or contract termination. Our errors and omissions liability insurance may be inadequate to compensate us for all the damages that we might incur and, as a result, our actual results could differ materially from those anticipated.

We may have difficulty identifying and executing acquisitions on favorable terms and therefore may grow at slower than anticipated rates.

One of our key growth strategies has been to selectively pursue acquisitions. Through acquisitions, we have expanded our base of federal government clients, increased the range of solutions we offer to our clients and deepened our penetration of existing clients. We may encounter difficulty identifying and executing suitable acquisitions. Without acquisitions, we may not grow as rapidly as the market expects, which could cause our actual results to differ materially from those anticipated. We may encounter other risks in executing our acquisition strategy, including:

increased competition for acquisitions may increase the costs of our acquisitions;

our failure to discover material liabilities during the due diligence process, including the failure of prior owners of any acquired businesses or their employees to comply with applicable laws or regulations, such as the Federal Acquisition Regulation and health, safety and environmental laws, or their failure to fulfill their contractual obligations to the federal government or other customers; and

acquisition financing may not be available on reasonable terms or at all.

Each of these types of risks could cause our actual results to differ materially from those anticipated.

We may have difficulty integrating the operations of any companies we acquire, which could cause actual results to differ materially from those anticipated.

The success of our acquisition strategy will depend upon our ability to continue to successfully integrate any businesses we may acquire in the future. The integration of these businesses into our operations may result in unforeseen operating difficulties, absorb significant management attention and require significant financial resources that would otherwise be available for the ongoing development of our business. These integration difficulties include the integration of personnel with disparate business backgrounds, the transition to new information systems, coordination of geographically dispersed organizations, loss of key employees of acquired companies, and reconciliation of different corporate cultures. For these or other reasons, we may be unable to retain key clients of acquired companies. Moreover, any acquired business may fail to generate the revenue or net income we expected or produce the efficiencies or cost-savings that we anticipated. Any of these outcomes could cause our actual results to differ materially from those anticipated.

If our subcontractors fail to perform their contractual obligations, our performance as a prime contractor and our ability to obtain future business could be materially and adversely impacted and our actual results could differ materially from those anticipated.

Our performance of government contracts may involve the issuance of subcontracts to other companies upon which we rely to perform all or a portion of the work we are obligated to deliver to our clients. A failure by

one or more of our subcontractors to satisfactorily deliver on a timely basis the agreed-upon supplies and/or perform the agreed-upon services may materially and adversely impact our ability to perform our obligations as a prime contractor.

A subcontractor's performance deficiency could result in the government terminating our contract for default. A default termination could expose us to liability for excess costs of reprocurement by the government and have a material adverse effect on our ability to compete for future contracts and task orders.

Depending upon the level of problem experienced, such problems with subcontractors could cause our actual results to differ materially from those anticipated.

Our business may be adversely affected if we cannot collect our receivables.

We depend on the collection of our receivables to generate cash flow, provide working capital, pay debt and continue our business operations. If the federal government, any of our other clients or any prime contractor for whom we are a subcontractor fails to pay or delays the payment of their outstanding invoices for any reason, our business and financial condition may be materially adversely affected. The government may fail to pay outstanding invoices for a number of reasons, including lack of appropriated funds or lack of an approved budget.

Some prime contractors for whom we are a subcontractor have significantly less financial resources than we do, which may increase the risk that we may not be paid in full or payment may be delayed.

If we experience difficulties collecting receivables it could cause our actual results to differ materially from those anticipated.

Our global networks and other business commitments require our employees to travel to potentially dangerous places, which may result in injury or other negative impact to key employees.

Our domestic business involves the maintenance of global networks and provision of other services that require us to dispatch employees to various countries around the world. These countries may be experiencing political upheaval or unrest, and in some cases war or terrorism. Certain senior level employees or executives are, on occasion, part of the teams deployed to provide services in these countries. As a result, it is possible that certain of our employees or executives will suffer injury or bodily harm, or be killed or kidnapped in the course of these deployments. It is also possible that we will encounter unexpected costs in connection with the repatriation of our employees or executives for reasons beyond our control. These problems could cause our actual results to differ materially from those anticipated.

Our failure to adequately protect our confidential information and proprietary rights may harm our competitive position.

Our success depends, in part, upon our ability to protect our proprietary information and other intellectual property. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter misappropriation of our confidential information. In addition, we may be unable to detect unauthorized use of our intellectual property in order to take appropriate steps to enforce our rights. If we are unable

to prevent third parties from infringing or misappropriating our copyrights, trademarks or other proprietary information, our competitive position could be harmed and our actual results could differ materially from those anticipated.

We face additional risks which could harm our business because we have international operations.

Our international operations consist of our U.K. based business which conducts the majority of its business in the United Kingdom. Our international operations comprised approximately 3.4% of our revenue in FY2004 and 4.0% of our revenue in FY2004. Our U.K. based operations are subject to risks associated with

operating in a foreign country. These risks include fluctuations in the value of the British pound, longer payment cycles, changes in foreign tax laws and regulations and unexpected legislative, regulatory, economic or political changes.

Our U.K.-based operations are also subject to risks associated with operating a commercial, as opposed to a government contracting, business, including the effects of general economic conditions in the United Kingdom on the telecommunications, computer software and computer services sectors and the impact of more concentrated and intense competition for the reduced volume of work available in those sectors. Our revenue from this business grew during FY2005 over revenue from such business in FY2004 as a result of the continued recovery of the U.K. economy and the strengthening of the British pound. While we are marketing our services to clients in industries that are new to us, our efforts in that regard may be unsuccessful. Other factors that may adversely affect our international operations are a continued decline in the economy of the United Kingdom, difficulties relating to managing our business internationally, and multiple tax structures. Any of these factors could cause our actual results to differ materially from those anticipated.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

The interest rates on both the institutional term loan and the revolving credit facility portion of the Company's Credit Facility are affected by changes in market interest rates. The Company has the ability to manage these fluctuations in part, through interest rate swaps. A 1 percent change in interest rates on variable rate debt would have resulted in the Company's interest expense fluctuating by approximately \$3.7 million for the year ended June 30, 2005.

Approximately 3.4 percent and 4.0 percent of the Company's total revenues in FY2005 and FY2004, respectively, were derived from customers of our international operations, primarily in the United Kingdom. The Company's practice in its international operations is to negotiate contracts in the same currency in which the predominant expenses are incurred, thereby mitigating the exposure to foreign currency exchange fluctuations. It is not possible to accomplish this in all cases; thus, there is some risk that profits will be affected by foreign currency exchange fluctuations. As of June 30, 2005 the Company had approximately \$16.0 million in cash held in pounds sterling in the United Kingdom. This allows the Company to better utilize its cash resources on behalf of its foreign subsidiaries, thereby mitigating foreign currency conversion risks.

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements of CACI International Inc and subsidiaries are provided elsewhere in this Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company had no disagreements with its independent registered public accounting firm on accounting principles, practices or financial statement disclosure during and through the date of the consolidated financial statements included in this report.

Item 9A. Controls and Procedures

A. Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in the Exchange Act Ruling 13a-15(e) and 15d-15(e), that are designed to ensure that information required to be disclosed in our periodic filings with the Security and Exchange Commission (SEC) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures are also designed to ensure that information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

The effectiveness of a system of disclosure controls and procedures is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the soundness of internal controls, and fraud. Due to such inherent limitations, there can be no assurance that any system of disclosure controls and procedures will be successful in preventing all errors or fraud, or in making all material information known in a timely manner to the appropriate levels of management.

We performed an evaluation of the effectiveness of our disclosure controls and procedures under the supervision of the CEO and CFO, as of June 30, 2005. Based on the evaluation procedures, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of June 30, 2005.

B. Internal Control Over Financial Reporting

The management of CACI International Inc is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f), and for its assessment of the effectiveness of internal control over financial reporting.

The Company maintains internal controls over financial reporting that are designed to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements. CACI International Inc's internal control over financial reporting includes those policies and procedures that 1) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles; 2) ensure the maintenance of records that accurately and fairly reflect the transactions of the Company; 3) ensure that receipts, expenditures and asset dispositions of the Company are made in accordance with director and management authorizations; and 4) provide reasonable assurance that Company assets are properly safeguarded.

With the participation of our CEO and CFO, we performed an evaluation of the effectiveness of the internal control over financial reporting to comply with the rules on internal control over financial reporting issued pursuant to the Sarbanes-Oxley Act. Based on the evaluation procedures, management concluded that the Company's internal control over financial reporting was effective as of June 30, 2005. In addition, our independent registered public accounting firm evaluated the effectiveness of the Company's internal control over financial reporting, and audited management's assessment of the Company's internal control over financial reporting. Both management's reports on the effectiveness of internal control over financial reporting, and the independent auditors' report on management's assessment, are included in Part II of this report.

C. Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, an evaluation was also performed of any changes in our internal control procedures over financial reporting that occurred during the Company's last fiscal quarter. Based on this evaluation, management determined there were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

The Information required by Items 10, 11, 12, 13 and 14 of Part III of Form 10-K has been omitted in reliance on General Instruction G(3) and is incorporated herein by reference to the Company's proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended, except for the specific disclosures below:

Item 10. Officers, Directors and Executive Officers of the Registrants

Audit Committee and Financial Expert

The Board of Directors has determined that the Company has at least one audit committee financial expert serving on its Audit Committee Director Richard L. Leatherwood. Mr. Leatherwood is independent as that term is used in Schedule 14A, Item 7(d) (3) (iv) under the Securities Exchange Act of 1934, as amended.

Code of Ethics

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. That code, our Code of Ethics and Business Conduct Standards, can be found posted on the Company's website at www.caci.com and a printed copy of such code will be furnished to any shareholder who requests one.

Corporate Governance Guidelines

The Company has adopted a set of corporate governance guidelines in accordance with the requirements of the Section 303A of the New York Stock Exchange Listed Company Manual. Those guidelines can be found posted on the Company's website at <http://www.caci.com> and a printed copy will be furnished to any shareholder who requests a copy.

Item 11. Executive Compensation

The information required by this Item 11 is included in the text and tables under the caption Executive Officer Compensation in the Company's 2005 Proxy Statement, for the annual meeting to be held with respect to the fiscal year ended June 30, 2005.

Item 12. Security Ownership Of Certain Beneficial Owners And Management

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The information required by this Item 12 is included under the headings "Security Ownership of Certain Beneficial Owners and Management" in the Company's 2005 Proxy Statement, for the annual meeting to be held with respect to the fiscal year ended June 30, 2005.

Item 13. Certain Relationships And Related Transactions

The information required by Item 404 of Regulation S-K concerning certain relationships and related transactions is included under the caption "Director Compensation", in our 2005 Proxy Statement, for the annual meeting to be held with respect to the fiscal year ended June 30, 2005.

Item 14. Principal Accounting Fees and Services

The information required by Item 9(e) of Schedule 14A concerning principal accounting fees and services is included under the caption "Fees Paid to Principal Accountants" in our 2005 Proxy Statement, for the annual meeting to be held with respect to the fiscal year ended June 30, 2005.

PART IV

Item 15. Exhibits, Financial Statements, Schedules, and Reports on Form 8-K

(a) Documents filed as part of this Report

1. Financial Statements

- A. Management Report on Internal Control over Financial Reporting
- B. Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting
- C. Report of Independent Registered Public Accounting Firm
- D. Consolidated Statements of Operations for the year ended June 30, 2005, 2004 and 2003
- E. Consolidated Balance Sheets as of June 30, 2005 and 2004
- F. Consolidated Statements of Cash Flows for the year ended June 30, 2005, 2004 and 2003
- G. Consolidated Statements of Shareholders' Equity for the year ended June 30, 2005, 2004 and 2003
- H. Consolidated Statements of Comprehensive Income for the year ended June 30, 2005, 2004 and 2003
- I. Notes to Consolidated Financial Statements

2. Supplementary Financial Data.

Schedule II Valuation and Qualifying Accounts for the year ended June 30, 2005, 2004 and 2003

(b) Exhibits

(3) Articles of Incorporation and By-laws:

- 3.1 Certificate of Incorporation of the Registrant, as amended to date, is incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended June 30, 2000.

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3.2 By-laws of the Registrant, as amended to date, is incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended June 30, 2000.

(4) Instruments Defining the Rights of Security Holders:

4.1 Clause FOURTH of the Registrant's Certificate of Incorporation, incorporated above as Exhibit 3.1.

4.2 The Rights Agreement incorporated below as Exhibit 10.16

(10) Material Contracts:

10.1 Employment Agreement between the Registrant and Dr. J. P. London dated August 17, 1995, is incorporated by reference from Exhibit 10.3 of the Registrant's Annual Report on Form 10-K* filed with the Securities and Exchange Commission for the fiscal year ended June 30, 1995.

10.2 The 1996 Stock Incentive Plan of the Registrant is incorporated by reference to the Registration Statement, as amended, on Form S-8 filed with the Commission on February 15, 2005.

10.3 The Revolving Credit Agreement dated February 4, 2002, between the Registrant, Bank of America, N.A. and a consortium of participating banks is incorporated by reference to the current report on Form 8-K filed with Securities and Exchange Commission on February 7, 2002.

- 10.4 The CACI \$SMART PLAN of the Registrant is incorporated by reference to the Registration Statement on Form S-8 filed with the Commission on July 1, 2002.
- 10.5 Form of Stock Option Agreement between Registrant and certain employees is incorporated by reference from the Form 10-K files with the Commission on September 27, 2002.
- 10.6 Form of Performance Accelerated Stock Option Agreement between Registrant and certain employees is incorporated by reference from the Form 10-K filed with the Commission on September 27, 2002.
- 10.7 The Asset Purchase Agreement dated July 3, 2002 between the Registrant, Condor Technology Solutions, Inc., CACI INC.-FEDERAL, Louden Associates, Inc., InVenture Group, Inc., MIS Technologies, Inc., and Federal Computer Corporation.*
- 10.8 The Agreement and Plan of Merger dated September 21, 2003 between the Registrant, CACI, INC.-FEDERAL, CACI Acquisition Corporation and Acton Burnell, Inc.*
- 10.9 The Stock Purchase Agreement dated February 20, 2003 between the Registrant, CACI INC.-FEDERAL, Applied Technology Solutions of Northern Virginia, Inc., Donna K. Alligood, Carol Carlson and Robert D. Walp.*
- 10.10 The Asset Purchase Agreement dated April 13, 2003 between the Registrant, CACI INC.-FEDERAL, CACI Premier Technology, Inc., Premier Technology Group, Inc., and Rajiv Bajawa.*
- 10.11 The Rights Agreement dated July 11, 2003 between the Registrant and American Stock Transfer & Trust Company is represented by reference from Exhibit 4.1 of the Current Registration Form 8-K filed with the Securities and Exchange Commission on July 11, 2003.
- 10.12 The 2002 Employee, Management, and Director Stock Purchase Plans of the Registrant are incorporated by reference from the Registration Statement on Form S-8 filed with the commission on March 28, 2003
- 10.13 The Stock Purchase Agreement dated as of September 22, 2003 by and among the Registrant, C-CUBED Corporation, CACI, INC.-FEDERAL and the stockholders of C-CUBED.*
- 10.14 The Stock Purchase Agreement dated as of February 12, 2004 by and among the Registrant, CMS Information Services, Inc. and CACI, INC.-FEDERAL.*
- 10.15 The Asset Purchase Agreement dated as of March 10, 2004 by and among Registrant, American Management Systems, Incorporated, CGI Group Inc., CACI, INC.-FEDERAL and Dagger Acquisition Corporation.*
- 10.16 The Credit Agreement dated May 3, 2004, between the Registrant, Bank of America, N.A. and a consortium of participating banks.*
- 10.17 First Amendment dated May 18, 2005 to the Credit Agreement dated May 3, 2004, between the Registrant, Bank of America, N.A. and a consortium of participating banks.*

* This agreement can be accessed through the Securities and Exchange Commission website at <http://www.sec.gov>.

(21) The significant subsidiaries of the Registrant, as defined in Section 1-02(w) of regulation S-X, are:

CACI, INC.-FEDERAL, a Delaware Corporation

CACI, INC.-COMMERCIAL, a Delaware Corporation

CACI Limited, a United Kingdom Corporation

Automated Sciences Group, Inc., a Delaware Corporation

CACI Technologies, Inc., a Virginia Corporation

(also does business as CACI Productions Group)

CACI Dynamic Systems, Inc., a Virginia Corporation

CACI Premier Technology, Inc., a Delaware Corporation

CACI Systems, Inc., a Virginia Corporation

CACI SYSTEMS AND TECHNOLOGY LTD, a Canadian Corporation

CACI Enterprise Solutions, Inc., a Delaware Corporation

CACI MTL Systems, Inc., a Delaware Corporation

CACI-CMS Information Solutions, Inc., a Virginia Corporation

(23.1) Consent of Independent Registered Public Accounting Firm

(31.1) Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer

(31.2) Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer

(32.1) Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350

(32.2) Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

Report of Management on Internal Control Over Financial Reporting

September 9, 2005

To the Stockholders

CACI International Inc

The management of CACI International Inc is responsible for establishing and maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. Management maintains a comprehensive system of internal controls intended to ensure that transactions are executed in accordance with management's authorization, that assets are safeguarded, and that financial records are reliable. CACI International Inc's internal control system is designed to provide reasonable assurance to Company management and its Board of Directors regarding the preparation and fair presentation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of inherent limitations, internal control systems can provide only reasonable assurance with respect to financial statement preparation and presentation, and may not prevent or detect financial statement misstatements. Also, projections of any evaluation of internal control effectiveness to future periods are subject to the risk that existing controls may become inadequate because of changing conditions, or that the degree of compliance with existing policies and procedures may deteriorate.

With the participation of its Chief Executive Officer and Chief Financial Officer, the Company's management conducted an evaluation of the effectiveness of CACI International Inc's internal control over financial reporting based on the framework and criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that CACI International Inc's internal control over financial reporting was effective as of June 30, 2005.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Company's consolidated financial statements included herein and has reported on management's assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2005.

/s/ Dr. J. P. London

Dr. J. P. London
Chairman and
Chief Executive Officer

/s/ Stephen L. Waechter

Stephen L. Waechter
Executive Vice President and
Chief Financial Officer

**Report of Independent Registered Public Accounting Firm
on Internal Control Over Financial Reporting**

Board of Directors and Stockholders

CACI International Inc

We have audited management's assessment, included in the accompanying Report of Management on Internal Control Over Financial Reporting, that CACI International Inc maintained effective internal control over financial reporting as of June 30, 2005, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). CACI International Inc's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that CACI International Inc maintained effective internal control over financial reporting as of June 30, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, CACI International Inc maintained, in all material respects, effective internal control over financial reporting as of June 30, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CACI International Inc as of June 30, 2005 and 2004, and the related consolidated statements of operations, shareholders equity, cash flows, and comprehensive income for each of the three years in the period ended June 30, 2005 and our report dated September 9, 2005 expressed an unqualified opinion thereon.

McLean, Virginia

September 9, 2005

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

CACI International Inc

We have audited the accompanying consolidated balance sheets of CACI International Inc, as of June 30, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity, cash flows and comprehensive income for each of the three years in the period ended June 30, 2005. Our audits also included the financial statement schedule for each of the three years in the period ended June 30, 2005, listed in the Index at Item 15(a) (2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CACI International Inc at June 30, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule for each of the three years in the period ended June 30, 2005, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of CACI International Inc's internal control over financial reporting as of June 30, 2005, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 9, 2005, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

McLean, Virginia

September 9, 2005

CACI INTERNATIONAL INC

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Year ended June 30,		
	2005	2004	2003
Revenue	\$ 1,623,062	\$ 1,145,785	\$ 843,138
Costs and expenses:			
Direct costs	1,019,474	708,371	517,975
Indirect costs and selling expenses	420,502	313,664	242,153
Depreciation and amortization	32,022	19,036	12,604
Total costs and expenses	1,471,998	1,041,071	772,732
Income from operations	151,064	104,714	70,406
Interest expense	16,898	2,986	1,274
Interest income	(2,133)	(1,203)	(2,648)
Income before income taxes	136,299	102,931	71,780
Income taxes	50,983	39,262	27,069
Net income	\$ 85,316	\$ 63,669	\$ 44,711
Basic earnings per share	\$ 2.88	\$ 2.19	\$ 1.56
Diluted earnings per share	\$ 2.79	\$ 2.13	\$ 1.52
Weighted-average basic shares outstanding	29,675	29,051	28,647
Weighted-average diluted shares outstanding	30,564	29,877	29,425

See Notes to Consolidated Financial Statements.

CACI INTERNATIONAL INC

CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except per share data)

	June 30,	
	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 132,965	\$ 63,029
Marketable securities		515
Accounts receivable, net:		
Billed	311,046	320,041
Unbilled	27,009	28,326
Total accounts receivable, net	338,055	348,367
Deferred income taxes	6,504	3,392
Prepaid expenses and other current assets	15,406	17,153
Total current assets	492,930	432,456
Goodwill	555,347	551,851
Intangible assets, net	81,259	99,624
Property and equipment, net	24,261	25,489
Supplemental retirement savings plan assets	24,805	18,570
Accounts receivable, long-term, net	10,529	9,438
Other long-term assets	15,029	16,876
Total assets	\$ 1,204,160	\$ 1,154,304
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 3,641	\$ 20,829
Accounts payable	36,900	37,662
Income taxes payable	8,909	3,902
Accrued compensation and benefits	91,663	83,030
Other accrued expenses	67,631	78,838
Total current liabilities	208,744	224,261
Notes payable, long-term	342,861	391,401
Supplemental retirement savings plan obligations	25,059	19,322
Deferred income taxes	6,367	12,307
Other long-term obligations	8,941	8,741
Total liabilities	591,972	656,032
Shareholders' equity:	3,781	3,696

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Common stock \$.10 par value, 80,000 shares authorized, 37,807 and 36,956 shares issued and outstanding, respectively

Additional paid-in-capital	245,053	215,645
Retained earnings	383,459	298,143
Accumulated other comprehensive income	2,721	3,660
Treasury stock, at cost (7,813 and 7,815 shares, respectively)	(22,826)	(22,872)
	<hr/>	<hr/>
Total shareholders' equity	612,188	498,272
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$ 1,204,160	\$ 1,154,304
	<hr/>	<hr/>

See Notes to Consolidated Financial Statements.

CACI INTERNATIONAL INC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	Year ended June 30,		
	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 85,316	\$ 63,669	\$ 44,711
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	32,022	19,036	12,604
Amortization of deferred financing costs	1,344	224	
Stock based compensation expense	2,275	159	
Loss on sale of property and equipment			5
Deferred income tax expense (benefit)	(9,045)	(7,078)	1,824
Changes in operating assets and liabilities, net of effect of business acquisitions:			
Accounts receivable, net	5,493	(42,491)	(22,595)
Prepaid expenses and other current assets	(1,390)	(9,728)	(8,706)
Accounts payable and other accrued expenses	(11,920)	20,565	18,474
Accrued compensation and benefits	8,293	26,300	8,190
Income taxes payable	17,577	(2,679)	11,254
Deferred rent expense	1,206	2,014	3,441
Supplemental retirement savings plan obligations and other long-term liabilities	5,875	5,824	6,686
Net cash provided by operating activities	137,046	75,815	75,888
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(8,793)	(8,703)	(10,634)
Cash paid for business acquisitions, net of cash acquired	(6,647)	(503,331)	(107,733)
Proceeds from sale of property and equipment			11
Purchase of marketable securities			