press release

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Ultra Electronics Holdings plc
(“Ultra” or “the Group”)
Interim Results for the six months to 1 July 2016

FINANCIAL HIGHLIGHTS

	Six months to 1 July 2016	Six months to 30 June 2015	**Change**
Revenue	**£366.6m**	£331.7m	**+10.5%**
Underlying operating profit*(1)	**£57.7m**	£50.4m	**+14.5%**
Underlying profit before tax*(2)	**£52.4m**	£47.4m	**+10.5%**
IFRS profit before tax	**£32.6m**	£14.8m	**+120.3%**
Underlying earnings per share(2)	**58.1p**	52.2p	**+11.3%**
Interim dividend per share	**14.2p**	13.8p	**+2.9%**

- First half performance in line with expectations
- Organic revenue performance improved to -2.5% (2015: -11.9%)
- Underlying operating margin(1) of 15.7% (2015: 15.2%)
- Order book of £785.7m, up from £753.8m at start of 2016
- Cash conversion improved to 67% (2015: 31%)
- First disposal announced in period after Group portfolio review
- S3 initiative on track
- Herley acquisition performing well and integration ahead of schedule

Rakesh Sharma, Chief Executive, commented:

“Market conditions have remained largely unchanged since our last preliminary announcement. US defence outlays ended the period close to budget levels but with higher spending in the first quarter compared to the second. The order book has increased over 2016; further, we have been selected for some significant orders in export markets with contract award expected in the second half. Our latest acquisition, Herley, performed well in the period and its integration is ahead of schedule. The proceeds of the recently announced disposal of ID Systems will be used to reduce Group debt. We continue to explore options to further rationalise and improve Ultra’s portfolio.

As in previous years, performance will be second half weighted and Ultra starts the remainder of the year with an 84% order cover. We expect further market and macro uncertainties. In the US an expected Continuing Resolution would delay new contract awards, while in the UK post-referendum economic factors may delay Government commitment to some major programmes. Nevertheless, the Group continues to capture and execute on a broad range of contracts and programmes and to position itself well for future revenue opportunities. Ultra will continue its focus on robust cost control which will help sustain Group margins while our current investment in S3 will deliver further demonstrable savings from 2018. Taking all these factors into account, the Board is confident that the Group is on track to meet full-year expectations”.

(1) before Oman contract termination and liquidation related costs, amortisation of intangibles arising on acquisitions, impairment charges, the S3 programme and adjustments to deferred consideration net of acquisition and disposal related costs. IFRS operating profit was £38.8m (2015: £34.0m (restated)). See Note 4 for reconciliation.

(2) before Oman contract termination and liquidation related costs, amortisation of intangibles arising on acquisitions, impairment charges, the S3 programme, fair value movements on derivatives, unwinding of discount on provisions, defined benefit pension curtailment gain and interest charges and adjustments to deferred consideration net of acquisition and disposal related costs and, in the case of underlying earnings per share, before related taxation. Basic EPS 38.4p (2015: 11.9p). See Note 10 for reconciliation.

* see notes on page 2

INTERIM MANAGEMENT REPORT

FINANCIAL RESULTS

	Six months to 1 July 2016 £m	Six months to 30 June 2015 £m	Growth
Order book			
- Aerospace & Infrastructure	255.4	243.1	+5.1%
- Communications & Security	218.8	194.4	+12.6%
- Maritime & Land	311.5	324.6	-4.0%
Total order book	**785.7**	**762.1**	**+3.1%**
Revenue			
- Aerospace & Infrastructure	93.0	86.1	+8.0%
- Communications & Security	119.8	103.2	+16.1%
- Maritime & Land	153.8	142.4	+8.0%
Total revenue	**366.6**	**331.7**	**+10.5%**
Organic underlying revenue movement			**-2.5%**
Underlying operating profit*			
- Aerospace & Infrastructure	15.2	12.9	+17.8%
- Communications & Security	15.8	14.2	+11.3%
- Maritime & Land	26.7	23.3	+14.6%
Total underlying operating profit*	**57.7**	**50.4**	**+14.5%**
Organic underlying operating profit movement			**-1.8%**
Underlying operating margin*			
- Aerospace & Infrastructure	16.3%	15.0%	
- Communications & Security	13.2%	13.8%	
- Maritime & Land	17.4%	16.4%	
Total underlying operating margin*	**15.7%**	**15.2%**	**+70bps**
Finance charges*	(5.3)	(3.0)	
Underlying operating profit before tax	**52.4**	**47.4**	
Underlying operating cash flow*	38.5	15.8	+143.7%
Operating cash conversion*	67%	31%	
Net debt/EBITDA*	2.29	1.15	
Net debt* at period-end	325.4	149.9	
Bank interest cover*	10.9x	16.5x	
Underlying earnings per share*	58.1p	52.2p	+11.3%

**** see notes below:***

underlying operating profit *before Oman contract termination and liquidation related costs, amortisation of intangibles arising on acquisition, impairment charges, the S3 programme and adjustments to contingent consideration net of acquisition & disposal related costs.*
organic growth *(of revenue or profit) is the annual rate of increase in revenue or profit that was achieved, assuming that acquisitions made during the prior year were only included for the same proportion of the current year at constant currencies.*
underlying operating margin *is the underlying operating profit as a percentage of revenue.*
finance charges *exclude fair value movements on derivatives, defined benefit pension interest charges and discount on provisions.*
underlying profit before tax *before Oman contract termination and liquidation related costs, amortisation of intangibles arising on acquisition, impairment charges, the S3 programme, fair value movements on derivatives, unwinding of discount on provisions, defined benefit pension curtailment gain & interest charges and adjustments to contingent consideration net of acquisition & disposal related costs. IFRS profit before tax was £32.6m (2015: £14.8m).*
underlying tax *is the tax charge on underlying profit before tax. The underlying tax rate is underlying tax expressed as a percentage of underlying profit before tax.*
underlying operating cash flow *is cash generated by operations and dividends from associates, less net capital expenditure, acquisition & disposal related payments, S3 programme payments, Oman performance bond payment, R&D and LTIP share purchases.*
operating cash conversion *is underlying operating cash flow as a percentage of underlying operating profit.*
EBITDA *is the statutory profit before tax for the rolling 12 months ended 1 July before finance costs, investment revenue, amortisation and depreciation, excluding impairments charges, Oman contract termination and liquidation related costs and adjustments to contingent consideration net of acquisition & disposal related costs.*
net debt *comprises loans and overdrafts less cash and cash equivalents.*
bank interest cover *is the ratio of underlying operating profit to finance costs associated with borrowings.*

Revenue in the period increased 10.5% to £366.6m (2015: £331.7m). Revenue decreased organically by 2.5%, primarily due to the ECU RP programme nearing the end of its production phase. Exchange rate movements increased revenue by 3.2%, while acquisitions contributed 9.8%.

Underlying operating profit* was £57.7m (2015: £50.4m). Profit decreased organically by 1.8%, offset by a 8.5% increase from acquisitions and a 2.0% contribution from foreign exchange arising from translating overseas subsidiary results. Operating profit also benefited from a 5.8% increase from translating US dollar assets held in the UK. This gain of £2.9m arose from the significant weakening in sterling against the US dollar following the EU referendum. The resulting underlying operating margin* was 15.7% (2015: 15.2%).

Underlying profit before tax* increased to £52.4m (2015: £47.4m), after net financing charges* of £5.3m (2015: £3.0m).

The Group's underlying tax* rate in the period was 22.0% (2015: 22.8%) and the increase in underlying earnings per share was 11.3% to 58.1p (2015: 52.2p).

Reported (IFRS) profit before tax was £32.6m (2015: £14.8m) and reflected the combined effects of the elements detailed below:

All £m	**2016 H1**	2015 H1
Underlying profit before tax	**52.4**	47.4
Amortisation of intangibles arising on acquisition	**(15.3)**	(13.7)
Net interest charge on defined benefit pensions	**(1.7)**	(1.8)
(Loss)/profit on fair value movements on derivatives	**(14.5)**	2.3
Acquisition and disposal related adjustments	**(0.8)**	(2.6)
Unwinding of discount on provisions	**(0.2)**	(0.3)
Deemed disposal of Ithra	**-**	(16.5)
S3 programme	**(2.8)**	-
Pension scheme curtailment gain	**15.5**	-
Reported profit before tax	**32.6**	14.8

Operating cash conversion* improved to 67% (2015: 31%) with operating cash flow* of £38.5m (2015: £15.8m). At the end of the period Ultra had net debt* of £325.4m (2015: £149.9m), primarily reflecting the acquisition of Herley in the second half of 2015.

There was a non-operating cash flow item of £8.2m relating to the Oman Airport IT contract as previously advised. This related to the calling of a performance bond associated with this contract.

The S3 initiative, which started late in 2015, incurred costs of £2.8m in the period which included an onerous lease provision in relation to a facility consolidation.

The weakening of sterling against the US dollar after the EU referendum impacted gearing with the net debt/EBITDA* ratio rising by 0.10 to 2.29x over the final week of June. This was due to the increase in the sterling value of US dollar debt. Net interest payable on borrowings is covered around 11 times by underlying operating profit*.

The proposed interim dividend is 14.2p, an increase of 2.9%, with the dividend being covered 4.1 times (2015: 3.8 times) by underlying earnings per share. The dividend will be paid on 23 September 2016 to shareholders on the register on 2 September 2016.

The order book at the end of the period was £785.7m (2015: £762.1m) up from £753.8m at 31 December 2015. Excluding the addition of Herley and the impact of exchange, the underlying reduction is 8.9%. However, we have been selected for some significant orders in export markets with contract award expected in the second half. After a strong order intake in the first quarter, benefiting from high USA defence outlays, the second quarter was lower resulting in a book to bill ratio for the period of 1.0. Order book cover for the remainder of 2016 remains in the same range as last year at 84.0% (2015: 83.3%).

* see notes on page 2

Taking all these factors into account, we narrow our organic revenue growth guidance range for 2016 from -2% to +3%, to -1% to +1%, with Herley contributing around 5% acquisition growth.

INVESTMENT

Company funded investment in the period was 4.2% of revenue at £15.5m (2015: £18.8m). Of this, £0.7m of investment was capitalised on specific long-term programmes. This reduction in internal R&D reflects the end of a period of investment in some of our aerospace programmes. The headroom provided by reduced spending will be used to fuel growth in other sectors identified in the Group's annual strategy review. R&D is expected to be at our customary levels by the year end.

In May, Ultra announced that it had agreed to sell ID Systems to the private equity firm LDC for an initial cash consideration of £22m. Additional payments of up to £3m will be made subject to earnings growth over the next two years. The transaction is expected to complete in August. Proceeds will be used to reduce Group debt. We continue to explore options to further rationalise and improve Ultra's portfolio.

OPERATIONAL REVIEW

Aerospace & Infrastructure

Revenue in Aerospace & Infrastructure increased by 8.0% to £93.0m (2015: £86.1m) and underlying operating profit increased by 17.8% to £15.2m (2015: £12.9m). The order book increased by 5.1% to £255.4m (2015: £243.1m).

This division saw improved Aerospace sales with increased deliveries of propeller electronic controllers. Improved support revenues at the Group's Airport Systems business also contributed although these were offset by changing customer requirements on the Airbus NIM programme. The acquisition of Furnace Parts in the prior year also added to the division's revenues.

This division benefited most from the currency translational impacts arising from the weakening of sterling against the US dollar, resulting in a divisional margin of 16.3% (2015: 15.0%).

Foreign exchange contributed to the increase in order book by £12.3m to £255.4m.

Highlights of activities in the period that will contribute to the division's future performance include:

- First production deliveries to Gulfstream G500 and G600 business jets worth £30m to the Group over the life of the programmes.
- First direct delivery of production HiPPAG units to Lockheed Martin for the F-35 Joint Strike Fighter worth $5.8m, with 90% of the expected programme still to follow.
- Being named EDF Energy Generation's Supplier of the Year for Ultra's work on Neutron Flux Detector (NFD) development and production during their 5th Annual Performance and Innovation Awards. A £5m award for NFD production was received in year.

Communications & Security

Revenue in Communications & Security increased by 16.1% to £119.8m (2015: £103.2m) and underlying operating profit increased by 11.3% to £15.8m (2015: £14.2m). The order book at the end of the period increased by 12.6% to £218.8m (2015: £194.4m).

Revenues benefited from the acquisition of Herley in the prior year. Against this there was a reduction in revenue and margins as the ECU RP programme largely completed its production phase. The divisional margin was 13.2% (2015: 13.8%).

Excluding Herley the order book was impacted by the UK Government changes to classification levels, which resulted in slower order intake for the Group's crypto products, and the trading of the ECU RP Crypto contract.

Highlights of activities in the period that will contribute to the division's future performance include:

- An $18.4m award for EW systems and engineering support for UAV surveillance platforms being supplied to a NATO country.
- A $9.3m contract with Raytheon Integrated Defense Systems for a network switching upgrade for the Patriot air and missile defence system.
- Project REMARSHAL (UK secure telephony) crypto development contract at £3.4m. This positions Ultra for future production orders.

Maritime & Land

Revenue in Maritime & Land increased by 8.0% to £153.8m (2015: £142.4m). The division's underlying operating profit increased by 14.6% to £26.7m (2015: £23.3m). The order book decreased by 4% to £311.5m (2015: £324.6m).

This division continues to benefit from the US Government's 'pivot to the Pacific', with increased sales from the Group's US maritime businesses. A development contract for a helicopter HUMS[1] product together with increased demand for sonobuoy receivers also contributed.

Margins improved to 17.4% (2015: 16.4%) reflecting the production phase of a number of sonobuoy programmes.

The order book decline was due to continuing delays in the placement of overseas contracts, for which Ultra has been selected, an example being a £30m order for ship torpedo defence systems for India.

Highlights of activities in the period that will contribute to the division's future performance include:

- A £9.5m extension to the UK MOD Sonobuoy Capability contract to support the Merlin Maritime Patrol Helicopter force.
- A multi-year sonobuoy supply agreement to support Korean P3 Maritime Patrol Aircraft worth $11.6m.

MARKET ENVIRONMENT

Demands on defence forces remain high with broad political acceptance that the global security environment is as uncertain and unpredictable as at any time since the Cold War. However, budget pressures and uncertainties remain, not least in the UK after the EU referendum, while the recently published Chilcott Report may lead to some re-examination of UK defence spending priorities. In the US a political impasse over the setting of the appropriations bills ran into the election season, making a Continuing Resolution in the USA seem certain. Elsewhere falling oil & gas revenues has seen a reduction in spend in affected regions but spend on border security, critical infrastructure protection and cyber-security solutions remains a priority.

Aerospace (21% of 2016 H1 Group revenue) – In the large civil aircraft market, record backlogs at Airbus and Boeing will drive Ultra revenue growth through established positions on aircraft now delivering to market, supported by the continuing increase in passenger demand and lower fuel costs. The regional aircraft market is crowded and orders here will show more modest growth. Military aircraft will be dominated by the F-35 JSF programme and by medium size military transports, on which the Group is well established. The military rotorcraft market is declining but opportunities exist for specific capabilities such as HUMS[1] and ice protection.

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[1] HUMS – Health Usage Monitoring Systems

Infrastructure (4% of 2016 H1 Group revenue) – Increased passenger demand is driving growth but airport passenger processing is increasingly commoditised. There is an emerging demand for more integrated systems and database management that covers the whole airport enterprise. The UK rail improvement programme is now primarily AC but sufficient DC opportunities remain in specific regional sectors. Programme cost pressures and delays remain likely.

Nuclear (7% of 2016 H1 Group revenue) – While funding challenges continue for the new-build, nuclear power plant programmes in the West, 65 new reactors are under construction worldwide, the majority in China. Ultra's specialist sensors are qualified for most major designs and our partnership in the Nuscale Small Modular Reactor (SMR) development opens up a new market. Life extension and extension of legacy safety justification of plants also plays well to the Group's nuclear capability strengths. Barriers to entry in this regulated market are high.

Communications (11% of 2016 H1 Group revenue) – In the UK and US defence encryption programmes are being redefined with greater reliance on commercial solutions at lower security levels. Tactical communications and data link demand is evident in a number of national programmes but funding and timing remain problematic. Light, mobile, high-bandwidth, low power, software-defined radios offering IP-solutions and comprehensive tactical data link systems will remain attractive.

C2ISR (22% of 2016 H1 Group revenue) – Increased global threat levels are driving demand for ISTAR, particularly systems suitable for unmanned platforms. There is a significant interest in border surveillance for long and remote land and maritime borders as well as for the protection of fixed critical infrastructures and utilities. Legal Intercept demand remains constrained in many markets post-Snowden. Command & Control (C2) solutions must interface with existing sensors and communication systems to compete effectively.

Underwater Warfare (26% of 2016 H1 Group revenue) – High global investment in modern, quiet conventional submarines has generated an increased demand for advanced Anti-Submarine Warfare (ASW) capabilities, including sonobuoys, torpedo defence, integrated, wide-area search capabilities, airborne ASW and shallow water systems for smaller vessels. Many of these opportunities are in new markets that present procurement process and export control obstacles.

Maritime (7% of 2016 H1 Group revenue) – Long-term submarine programmes in the US and UK provide the Group with a sound revenue platform. Surface ship programmes in these core markets are more vulnerable to cost pressures. Replacement escort programmes in Australia and Canada are opportunities for the Group. Small ship refits and capability upgrades in overseas markets are an increasingly attractive alternative source of orders.

Land (2% of 2016 H1 Group revenue) – Major new programmes in core markets are rare as Army budgets have reduced. However, there is opportunity in upgrade and life extension programmes and emerging markets are investing in Armoured Fighting Vehicles to meet security threats. Ultra's development of a soldier-worn electrical power architecture opens a new market.

BOARD CHANGES

Amitabh Sharma was appointed Group Finance Director with effect from 4 May 2016, following the departure of Mary Waldner in March 2016.

RISKS AND UNCERTAINTIES

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance in 2016 and beyond and which could cause actual results to differ materially from expected and historical levels. The directors do not consider that the principal risks and uncertainties have changed substantially since the publication of the Group's Annual Report for 2015. An explanation of the risks detailed below, and the robust business strategies that Ultra uses to manage and mitigate those risks and uncertainties, can be found in the annual report which is available for download at www.ultra-electronics.com/investors/annual-reports.aspx.

In the defence sector, which contributes around 63% of Ultra's revenue, there is continuing pressure on US and UK defence budgets. In the US, there is concern over the timing and feasibility of the proposed US DoD budget, which exceeds the Budget Control Act. This could lead to a more prolonged Continuing Resolution into FY17. It is anticipated that this will increase the time taken to agree and allocate funding to programmes and hence for it to flow down into contract action. Nevertheless, the overall size of defence budgets worldwide, relative to the Group's revenue, provides sufficient headroom to support Ultra's growth potential.

There is a risk of programme delays or cancellations but this has always been a feature of the Group's markets.

Movements in foreign currency exchange rates result in both transaction and translation effects on the Group's results. Ultra's projected net transaction exposure is mitigated by the use of forward hedging contracts. By their nature, currency translation risks cannot be mitigated

At the end of June, sterling weakened relative to the US dollar. If the current exchange rate continues throughout the rest of this financial year, the currency translation impact on the Group's results is expected to be positive. A one cent movement in the full-year average exchange rate changes the full year revenue by £3m and profit by £0.4m. The average exchange rate used to translate revenue and profit for the period ended 1 July 2016 was $1.43.

Risks are identified, collated, assessed and managed at the most appropriate level of the business (Board, Executive or Business level). Risks are reviewed regularly to ensure judgments and assumptions are unchanged, that appropriate mitigations are in place and that emerging risks are captured. Key risks identified by the Board include:

- Matching strategy to market dynamics
- Ability to win and deliver contracts
- Delivering major change programmes
- Selection and integration of acquisitions
- Protection of intellectual property and information security
- Innovation and development
- Attracting, developing and retaining the right people
- Preservation of Ultra's culture
- Effectiveness of supply chain
- Legislation and regulation compliance
- Maintaining governance and internal control
- Health, safety and the environment
- Pension management
- Treasury and tax

CONFIRMATION OF GOING CONCERN

The Directors have considered the guidance issued by the Financial Reporting Council and hereby confirm that the Group continues to adopt the 'going concern' basis in preparing its accounts.

The Board has made appropriate enquiries to support this view, looking forward for a period of at least twelve months. Salient points taken into consideration were:

- the Group's long-term record of delivering high quality profits
- the adequacy of Ultra's financing facilities
- Ultra's positions in growth sectors of its markets
- the long-term nature of Ultra's markets and contracts
- the Group's minimal exposure to trading denominated in the Euro
- the risks as discussed above

PERFORMANCE & PROSPECTS

Market conditions have remained largely unchanged since our last preliminary announcement. US defence outlays ended the period close to budget levels but with higher spending in the first quarter compared to the second. The order book has increased over 2016; further, we have been selected for some significant orders in export markets with contract award expected in the second half. Our latest acquisition, Herley, performed well in the period and its integration is ahead of schedule. The proceeds of the recently announced disposal of ID Systems will be used to reduce Group debt. We continue to explore options to further rationalise and improve Ultra's portfolio.

As in previous years, performance will be second half weighted and Ultra starts the remainder of the year with an 84% order cover. We expect further market and macro uncertainties. In the US an expected Continuing Resolution would delay new contract awards, while in the UK post-referendum economic factors may delay Government commitment to some major programmes. Nevertheless, the Group continues to capture and execute on a broad range of contracts and programmes and to position itself well for future revenue opportunities. Ultra will continue its focus on robust cost control which will help sustain Group margins while our current investment in S3 will deliver further demonstrable savings from 2018. Taking all these factors into account, the Board is confident that the Group is on track to meet full-year expectations.

- End –

Enquiries:

Ultra Electronics Holdings plc 020 8813 4307
Rakesh Sharma, Chief Executive www.ultra-electronics.com
Amitabh Sharma, Group Finance Director

Media:
Susan McErlain (Ellis), Corporate Affairs Adviser 07836 522722
James White, MHP Communications 020 3128 8756

NATURE OF ANNOUNCEMENT

This Interim Management Report ("IMR") has been prepared solely to provide additional information to enable shareholders to assess Ultra's strategies and the potential for those strategies to be fulfilled. It should not be relied upon by any other party or for any other purpose.

This IMR contains certain forward-looking statements. Such statements are made by the Directors in good faith based on the information available to them at the time of their approval of this report, and they should be treated with caution due to the inherent uncertainties underlying such forward-looking information.

This IMR has been prepared for the Group as a whole and therefore gives greatest emphasis to those matters which are significant to Ultra when viewed as a complete entity.

Further information about Ultra:

Ultra Electronics is a group of businesses which manage a portfolio of specialist capabilities, generating highly differentiated solutions and products in the defence & aerospace, security & cyber, transport and energy markets by applying electronic and software technologies in demanding and critical environments to meet customer needs.

Ultra has world-leading positions in many of its specialist capabilities and, as an independent, non-threatening partner, is able to support all of the main prime contractors in its sectors. As a result of such positioning, Ultra's systems, equipment or services are often mission or safety-critical to the successful operation of the platform to which they contribute. In turn, this mission-criticality secures Ultra's positions for the long-term which underpins the superior financial performance of the Group.

Ultra offers support to its customers through the design, delivery and support phases of a programme. Ultra businesses have a high degree of operational autonomy where the local management teams are empowered to devise and implement competitive strategies that reflect their expertise in their specific niches. The Group has a small head office and executive team that provide to the individual businesses the same agile, responsive support that they provide to customers as well as formulating Ultra's overarching, corporate strategy.

Across the Group's three divisions, Ultra operates in the following eight market segments:

- *Aerospace*
- *Communications*
- *C2ISR*
- *Infrastructure*
- *Land*
- *Maritime*
- *Nuclear*
- *Underwater Warfare*

Ultra Electronics Holdings plc
Condensed Consolidated Income Statement
for the half-year ended 1 July 2016

	Six months to 1 July 2016 £'000	Six months to 30 June 2015 *as restated £'000	Year to 31 December 2015 £'000
Revenue	**366,612**	331,709	726,286
Underlying operating profit	**57,668**	50,400	119,972
Operating profit	**38,843**	34,045	66,425
Underlying profit before tax	**52,398**	47,351	112,425
Profit before tax	**32,552**	14,750	34,761
Underlying earnings per share (pence)	**58.1**	52.2	123.9
Basic earnings per share (pence)	**38.4**	11.9	35.7
Dividend per share (pence)	**14.2**	13.8	46.1

* Operating profit for the period ended 30 June 2015 has been restated to £34,045,000 (previously stated as £17,598,000) to provide presentation consistent with the 31 December 2015 financial statements which included the loss on the deemed disposal of Ithra of £16,447,000 below operating profit.

Ultra Electronics Holdings plc
Condensed Consolidated Income Statement
for the half-year ended 1 July 2016

	Note	**Six months to 1 July 2016 £'000**	Six months to 30 June 2015 *as restated £'000	Year to 31 December 2015 £'000
Revenue	3	**366,612**	331,709	726,286
Cost of sales		**(257,296)**	(234,760)	(499,510)
Gross profit		**109,316**	96,949	226,776
Other operating income		**1,461**	642	2,198
Distribution costs		**(510)**	(449)	(1,604)
Administrative expenses		**(64,199)**	(60,437)	(143,007)
Share of loss from associate		**-**	(200)	(581)
Other operating expenses		**(4,448)**	(1,359)	(2,931)
Contingent consideration charge		**-**	(1,101)	(1,101)
Impairment charges		**-**	-	(8,462)
S3 programme		**(2,777)**	-	(4,863)
Operating Profit	3	**38,843**	34,045	66,425
Deemed disposal of Ithra	5	**-**	(16,447)	(16,447)
Retirement benefit scheme curtailment gain	20	**15,500**	-	-
Investment revenue	6	**87**	2,372	190
Finance costs	7	**(21,878)**	(5,220)	(15,407)
Profit before tax		**32,552**	14,750	34,761
Tax	8	**(5,590)**	(6,409)	(9,772)
Profit for the period attributable to equity holders of the parent		**26,962**	8,341	24,989
Earnings per ordinary share (pence)				
Basic	10	**38.4**	11.9	35.7
Diluted	10	**38.3**	11.9	35.6

All results are derived from continuing operations.

* see note on page 10.

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 1 July 2016

	Six months to 1 July 2016 £'000	Six months to 30 June 2015 £'000	Year to 31 December 2015 £'000
Profit for the period	**26,962**	8,341	24,989
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit pension schemes	**-**	-	(2,530)
Tax relating to items that will not be reclassified	**-**	-	478
Total items that will not be reclassified to profit or loss	**-**	-	(2,052)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	**64,787**	(10,001)	11,995
Reclassification of exchange differences on deemed disposal of Ithra	**-**	2,696	2,696
Transfer from profit and loss on cash flow hedge	**255**	-	-
Loss on cash flow hedge	**(1,267)**	-	-
(Loss)/gain on net investment hedges	**(25,600)**	592	(12,578)
Tax relating to items that may be reclassified	**-**	-	12
Total items that may be reclassified to profit or loss	**38,175**	(6,713)	2,125
Other comprehensive income for the period	**38,175**	(6,713)	73
Total comprehensive income for the period	**65,137**	1,628	25,062
Attributable to:			
Owners of the Company	**65,137**	1,756	25,190
Non-controlling interests	**-**	(128)	(128)

Ultra Electronics Holdings plc
Condensed Consolidated Balance Sheet
as at 1 July 2016

	Note	**At 1 July 2016 £'000**	At 30 June 2015 £'000	At 31 December 2015 £'000
Non-current assets				
Goodwill		**403,239**	295,596	375,885
Other intangible assets		**195,366**	146,715	193,123
Property, plant and equipment	11	**68,418**	59,230	68,183
Interest in associate		**-**	7,849	-
Deferred tax assets		**5,600**	6,568	5,935
Derivative financial instruments	18	**68**	2,089	426
Trade and other receivables	12	**15,987**	13,088	15,239
		688,678	531,135	658,791
Current assets				
Inventories		**89,996**	76,108	81,816
Trade and other receivables	12	**197,944**	160,104	197,387
Tax assets		**-**	2,250	9,169
Cash and cash equivalents		**39,780**	41,881	45,474
Derivative financial instruments	18	**234**	2,529	921
Assets classified as held for sale	19	**9,930**	-	8,795
		337,884	282,872	343,562
Total assets	3	**1,026,562**	814,007	1,002,353
Current liabilities				
Trade and other payables	13	**(175,847)**	(184,703)	(199,942)
Tax liabilities		**(555)**	(8,903)	(7,149)
Derivative financial instruments	18	**(9,789)**	(1,815)	(3,530)
Liabilities classified as held for sale	19	**(2,161)**	-	(3,011)
Short-term provisions	14	**(16,429)**	(23,203)	(24,363)
		(204,781)	(218,624)	(237,995)
Non-current liabilities				
Retirement benefit obligations		**(66,849)**	(85,249)	(84,819)
Other payables	13	**(7,734)**	(6,589)	(6,996)
Deferred tax liabilities		**(6,153)**	(5,374)	(7,168)
Derivative financial instruments	18	**(10,568)**	(1,243)	(2,561)
Borrowings		**(365,167)**	(191,797)	(341,046)
Long-term provisions	14	**(5,381)**	(5,367)	(4,925)
		(461,852)	(295,619)	(447,515)
Total liabilities	3	**(666,633)**	(514,243)	(685,510)
Net assets		**359,929**	299,764	316,843
Equity				
Share capital	15	**3,516**	3,503	3,514
Share premium account		**61,501**	57,695	61,052
Own shares		**(2,581)**	(2,581)	(2,581)
Hedging reserve		**(52,520)**	(12,738)	(25,908)
Translation reserve		**106,825**	20,042	42,038
Retained earnings		**243,188**	233,843	238,728
Total equity attributable to equity holders of the parent		**359,929**	299,764	316,843

Ultra Electronics Holdings plc
Condensed Consolidated Cash Flow Statement
for the half-year ended 1 July 2016

	Note	**Six months to 1 July 2016 £'000**	Six months to 30 June 2015 £'000	Year to 31 December 2015 £'000
Net cash inflow from operating activities	16	**22,197**	7,896	47,778
Investing activities				
Interest received		**87**	56	190
Dividends received from equity accounted investments		**-**	-	5,343
Purchase of property, plant and equipment		**(1,998)**	(1,975)	(4,597)
Proceeds from disposal of property, plant and equipment		**91**	-	1,466
Expenditure on product development and other intangibles		**(949)**	(1,957)	(1,761)
Acquisition of subsidiary undertakings		**(5,067)**	(3,250)	(172,539)
Net cash acquired with subsidiary undertakings		**-**	-	724
Net cash used in investing activities		**(7,836)**	(7,126)	(171,174)
Financing activities				
Issue of share capital		**451**	1,569	4,937
Dividends paid		**(22,631)**	(21,695)	(31,332)
Loan syndication costs		**-**	-	(1,347)
Repayments of borrowings		**(75,000)**	(50,000)	(160,532)
Proceeds from borrowings		**72,632**	71,869	317,586
Net cash used in financing activities		**(24,548)**	1,743	129,312
Net (decrease)/increase in cash and cash equivalents		**(10,187)**	2,513	5,916
Cash and cash equivalents at beginning of period		**45,474**	41,259	41,259
Effect of foreign exchange rate changes		**4,493**	(1,891)	(1,701)
Cash and cash equivalents at end of period		**39,780**	41,881	45,474

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity
for the half-year ended 1 July 2016

	Equity attributable to equity holders of the parent						
	Share capital £'000	**Share premium account £'000**	**Reserve for own shares £'000**	**Hedging reserve £'000**	**Translation reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 January 2016	**3,514**	**61,052**	**(2,581)**	**(25,908)**	**42,038**	**238,728**	**316,843**
Profit for the period	-	-	-	-	-	26,962	26,962
Other comprehensive income for the period	-	-	-	(26,612)	64,787	-	38,175
Total comprehensive income for the period	**-**	**-**	**-**	**(26,612)**	**64,787**	**26,962**	**65,137**
Equity-settled employee share schemes	2	449	-	-	-	129	580
Dividend to shareholders	-	-	-	-	-	(22,631)	(22,631)
Balance at 1 July 2016	**3,516**	**61,501**	**(2,581)**	**(52,520)**	**106,825**	**243,188**	**359,929**

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity (continued)
for the half-year ended 30 June 2015

	Share capital £'000	Share premium account £'000	Reserve for own shares £'000	Hedging reserve £'000	Translation reserve £'000	Retained earnings £'000	Non Controlling Interest £'000	Total equity £'000
	Equity attributable to equity holders of the parent							
Balance at 1 January 2015	**3,498**	**56,131**	**(2,581)**	**(13,330)**	**27,219**	**246,132**	**(13,623)**	**303,446**
Profit for the period	-	-	-	-	-	8,341	-	8,341
Other comprehensive income for the period	-	-	-	592	(7,177)	-	(128)	(6,713)
Total comprehensive income for the period	**-**	**-**	**-**	**592**	**(7,177)**	**8,341**	**(128)**	**1,628**
Deemed disposal of Ithra	-	-	-	-	-	-	13,751	13,751
Equity-settled employee share schemes	5	1,564	-	-	-	1,065	-	2,634
Dividend to shareholders	-	-	-	-	-	(21,695)	-	(21,695)
Balance at 30 June 2015	**3,503**	**57,695**	**(2,581)**	**(12,738)**	**20,042**	**233,843**	**-**	**299,764**

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity (continued)
for the year ended 31 December 2015

	Equity attributable to equity holders of the parent							
	Share capital £'000	**Share premium account £'000**	**Reserve for own shares £'000**	**Hedging reserve £'000**	**Translation reserve £'000**	**Retained earnings £'000**	**Non-Controlling Interest £'000**	**Total equity £'000**
Balance at 1 January 2015	**3,498**	**56,131**	**(2,581)**	**(13,330)**	**27,219**	**246,132**	**(13,623)**	**303,446**
Profit for the period	-	-	-	-	-	24,989	-	24,989
Other comprehensive income for the period	-	-	-	(12,578)	14,819	(2,040)	(128)	73
Total comprehensive income for the period	**-**	**-**	**-**	**(12,578)**	**14,819**	**22,949**	**(128)**	**25,062**
Deemed disposal of Ithra	-	-	-	-	-	-	13,751	13,751
Equity-settled employee share schemes	16	4,921	-	-	-	967	-	5,904
Dividend to shareholders	-	-	-	-	-	(31,332)	-	(31,332)
Tax on share-based payment transactions	-	-	-	-	-	12	-	12
Balance at 31 December 2015	**3,514**	**61,052**	**(2,581)**	**(25,908)**	**42,038**	**238,728**	**-**	**316,843**

1. General information

The information for the year ended 31 December 2015 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These interim financial statements, which were approved by the Board of Directors on 29 July 2016, have not been audited or reviewed by the Auditor.

2. Accounting policies

The annual financial statements of Ultra Electronics Holdings plc are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed consolidated financial statements included in this half-yearly financial report have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. No new standards or interpretations were adopted as at 1 January 2016.

3. Segment information

	Six months to 1 July 2016			Six months to 30 June 2015		
	External revenue £'000	**Internal revenue £'000**	**Total £'000**	External revenue £'000	Internal revenue £'000	Total £'000
Revenue						
Aerospace & Infrastructure	**93,018**	**4,062**	**97,080**	86,061	4,132	90,193
Communications & Security	**119,797**	**742**	**120,539**	103,238	725	103,963
Maritime & Land	**153,797**	**11,860**	**165,657**	142,410	9,181	151,591
Eliminations	**-**	**(16,664)**	**(16,664)**	-	(14,038)	(14,038)
Consolidated revenue	**366,612**	**-**	**366,612**	331,709	-	331,709

3. Segment information (continued)

	Aerospace & Infrastructure £'000	Communications & Security £'000	Maritime & Land £'000	Six months to 1 July 2016 Total £'000
Underlying operating profit	**15,158**	**15,812**	**26,698**	**57,668**
Amortisation of intangibles arising on acquisition	**(806)**	**(13,008)**	**(1,460)**	**(15,274)**
S3 programme	**(1,735)**	**(649)**	**(393)**	**(2,777)**
Adjustments to deferred consideration net of acquisition and disposal related costs	**(17)**	**(744)**	**(13)**	**(774)**
Operating profit	**12,600**	**1,411**	**24,832**	**38,843**
Retirement benefit scheme curtailment gain				**15,500**
Investment revenue				**87**
Finance costs				**(21,878)**
Profit before tax				**32,552**
Tax				**(5,590)**
Profit after tax				**26,962**

	Aerospace & Infrastructure £'000	Communications & Security £'000	Maritime & Land £'000	Six months to 30 June 2015 * as restated Total £'000
Underlying operating profit	12,924	14,188	23,288	50,400
Amortisation of intangibles arising on acquisition	(2,071)	(7,121)	(4,547)	(13,739)
Adjustments to deferred consideration net of acquisition and disposal related costs	(5)	(2,611)	-	(2,616)
Operating profit	10,848	4,456	18,741	34,045
Deemed disposal of Ithra				(16,447)
Investment revenue				2,372
Finance costs				(5,220)
Profit before tax				14,750
Tax				(6,409)
Profit after tax				8,341

	Aerospace & Infrastructure £'000	Communications & Security £'000	Maritime & Land £'000	Year to 31 December 2015 Total £'000
Underlying operating profit	28,641	40,424	50,907	119,972
Amortisation of intangibles arising on acquisition	(3,129)	(22,130)	(5,547)	(30,806)
Adjustments to deferred consideration net of acquisition and disposal costs	(91)	(9,306)	(19)	(9,416)
S3 programme	(460)	(3,895)	(508)	(4,863)
Impairment charges	(2,693)	(5,769)	-	(8,462)
Operating profit/(loss)	22,268	(676)	44,833	66,425
Deemed disposal of Ithra				(16,447)
Investment revenue				190
Finance costs				(15,407)
Profit before tax				34,761
Tax				(9,772)
Profit after tax				24,989

* see note on page 10.

3. Segment information (continued)

	At 1 July 2016 £'000	At 30 June 2015 £'000	At 31 December 2015 £'000
Total assets by segment			
Aerospace & Infrastructure	**234,507**	221,550	233,949
Communications & Security	**481,819**	294,544	460,980
Maritime & Land	**264,554**	242,596	245,499
	980,880	758,690	940,428
Unallocated	**45,682**	55,317	61,925
Total assets	**1,026,562**	814,007	1,002,353

Unallocated assets represent deferred tax assets, derivatives at fair value and cash and cash equivalents.

	At 1 July 2016 £'000	At 30 June 2015 £'000	At 31 December 2015 £'000
Total liabilities by segment			
Aerospace & Infrastructure	**53,480**	72,981	79,791
Communications & Security	**72,182**	71,176	71,162
Maritime & Land	**86,431**	81,648	92,573
	212,093	225,805	243,526
Unallocated	**454,540**	288,438	441,984
Total liabilities	**666,633**	514,243	685,510

Unallocated liabilities represent derivatives at fair value, tax payables, deferred tax liabilities, retirement benefit obligations, bank loans and loan notes.

	Six months to 1 July 2016 £'000	Six months to 30 June 2015 £'000	Year to 31 December 2015 £'000
Revenue by geographical destination			
United Kingdom	**89,038**	101,609	211,641
Continental Europe	**31,003**	34,986	74,592
Canada	**13,168**	7,468	16,690
USA	**186,609**	137,094	323,883
Rest of World	**46,794**	50,552	99,480
	366,612	331,709	726,286

4. Additional performance measures

To present the underlying profitability of the Group on a consistent basis year-on-year, additional performance indicators have been used. These are calculated as follows:

	Six months to 1 July 2016	Six months to 30 June 2015 *as restated	Year to 31 December 2015
	£'000	£'000	£'000
Operating profit	**38,843**	34,045	66,425
Amortisation of intangibles arising on acquisition	**15,274**	13,739	30,806
Impairment charges	**-**	-	8,462
Adjustments to contingent consideration net of acquisition and disposal related costs	**774**	2,616	9,416
S3 programme	**2,777**	-	4,863
Underlying operating profit	**57,668**	50,400	119,972
Profit before tax	**32,552**	14,750	34,761
Amortisation of intangibles arising on acquisition	**15,274**	13,739	30,806
Impairment charges	**-**	-	8,462
Adjustments to contingent consideration net of acquisition and disposal related costs	**774**	2,616	9,416
Unwinding of discount on provisions	**272**	315	641
Loss/(profit) on fair value movements on derivatives	**14,497**	(2,316)	3,988
Net interest charge on defined benefit pensions	**1,752**	1,800	3,041
S3 programme	**2,777**	-	4,863
Deemed disposal of Ithra	**-**	16,447	16,447
Curtailment gain on closure of pension scheme	**(15,500)**	-	-
Underlying profit before tax	**52,398**	47,351	112,425
Cash generated by operations (see note 16)	**30,743**	19,151	71,339
Purchase of property, plant and equipment	**(1,998)**	(1,975)	(4,597)
Proceeds on disposal of property, plant and equipment	**91**	-	1,466
Expenditure on product development and other intangibles	**(949)**	(1,957)	(1,761)
Dividend from equity accounted investment	**-**	-	5,343
Ithra performance bond	**8,230**	-	-
S3 programme	**2,135**	-	2,233
Acquisition and disposal related payments	**270**	599	7,291
Operating cash flow	**38,522**	15,818	81,314

The above analysis of the Group's operating results, earnings per share and cash flows, is presented to provide readers with additional performance indicators that are prepared on a non-statutory basis. This presentation is regularly reviewed by management to identify items that are unusual and other items relevant to an understanding of the Group's performance and long-term trends with reference to their materiality and nature. This additional information is not uniformly defined by all Companies and may not be comparable with similarly titled measures and disclosures by other organisations. The non-statutory disclosures should not be viewed in isolation or as an alternative to the equivalent statutory measure. See note 21 for further details.

* see note on page 10.

5. Deemed disposal of Ithra

In the prior year, 'Ithra' ("Ultra Electronics in collaboration with Oman Investment Corporation LLC"), the legal entity established with the sole purpose of delivering the Oman Airport IT contract, was placed into voluntary liquidation. A liquidator was appointed and is pursuing claims against the customer on behalf of the interested parties. Ithra, upon liquidation, no longer met the IFRS 10 criteria for consolidation as a subsidiary of the Group and was a deemed disposal as at 4 March 2015.

	Six months to 1 July 2016 £'000	Six months to 30 June 2015 £'000	Year to 31 December 2015 £'000
Non-controlling interest elimination	**-**	13,751	13,751
Release of translation reserve	**-**	2,696	2,696
Oman termination related costs	**-**	16,447	16,447

6. Investment revenue

	Six months to 1 July 2016 £'000	Six months to 30 June 2015 £'000	Year to 31 December 2015 £'000
Bank interest	**87**	56	190
Fair value movement on derivatives	**-**	2,316	-
	87	2,372	190

7. Finance costs

	Six months to 1 July 2016 £'000	Six months to 30 June 2015 £'000	Year to 31 December 2015 £'000
Amortisation of finance costs of debt	**418**	255	649
Interest payable on bank loans, overdrafts and other loans	**4,939**	2,850	7,088
Total borrowing costs	**5,357**	3,105	7,737
Retirement benefit scheme finance cost	**1,752**	1,800	3,041
Unwinding of discount on provisions	**272**	315	641
Fair value movement on derivatives	**14,497**	-	3,988
	21,878	5,220	15,407

8. Tax

	Six months to 1 July 2016 £'000	Six months to 30 June 2015 £'000	Year to 31 December 2015 £'000
Current tax			
United Kingdom	**2,778**	3,486	4,310
Overseas	**3,236**	4,565	8,815
	6,014	8,051	13,125
Deferred tax			
United Kingdom	**(105)**	(1,026)	(266)
Overseas	**(319)**	(616)	(3,087)
	(424)	(1,642)	(3,353)
Total tax charge	**5,590**	6,409	9,772

The main rate of UK corporation tax was 20% at 1 April 2016.

9. Ordinary dividends

	Six months to 1 July 2016 £'000	Six months to 30 June 2015 £'000
Final dividend for the year ended 31 December 2015 of 32.3p (2014: 31.3p) per share	**22,631**	21,695
Proposed interim dividend for the year ended 31 December 2016 of 14.2p (2015: 13.8p) per share	**9,951**	9,637

The interim 2016 dividend of 14.2p pence per share will be paid on 23 September 2016 to shareholders on the register at 2 September 2016. It was approved by the Board after 1 July 2016 and has not been included as a liability at 1 July 2016.

10. Earnings per share

	Six months to 1 July 2016 Pence	Six months to 30 June 2015 Pence	Year to 31 December 2015 Pence
From continuing operations			
Basic underlying (see below)	**58.1**	52.2	123.9
Diluted underlying (see below)	**58.1**	52.2	123.8
Basic	**38.4**	11.9	35.7
Diluted	**38.3**	11.9	35.6

The calculation of the basic, underlying and diluted earnings per share is based on the following data:

	Six months To 1 July 2016 £'000	Six months to 30 June 2015 £'000	Year to 31 December 2015 £'000
Earnings			
Earnings for the purposes of earnings per share being profit for the period	**26,962**	8,341	24,989
Underlying earnings			
Profit for the period	**26,962**	8,341	24,989
Loss/(profit) on fair value movements on derivatives (net of tax)	**11,597**	(1,853)	3,180
Amortisation of intangibles arising on acquisition (net of tax)	**10,370**	9,848	21,195
Unwinding of discount on provisions	**218**	251	641
Acquisition and disposal related costs net of contingent consideration (net of tax)	**774**	2,086	8,403
Net interest charge on defined benefit pensions (net of tax)	**1,437**	1,436	2,425
Retirement benefit scheme curtailment gain (net of tax)	**(12,710)**	-	-
Impairment charges (net of tax)	**-**	-	6,270
S3 programme (net of tax)	**2,222**	-	3,281
Deemed disposal of Ithra (net of tax)	**-**	16,447	16,447
Earnings for the purposes of underlying earnings per share	**40,870**	36,556	86,831

10. Earnings per share (continued)

The weighted average number of shares is given below:

	Six months to 1 July 2016	Six months to 30 June 2015	Year to 31 December 2015
Number of shares used for basic earnings per share	**70,300,621**	69,979,021	70,056,025
Effect of dilutive potential ordinary shares – share options	**66,653**	93,858	89,021
Number of shares used for fully diluted earnings per share	**70,367,274**	70,072,879	70,145,046

	Six months to 1 July 2016 £'000	Six months to 30 June 2015 £'000	Year to 31 December 2015 £'000
Underlying profit before tax	**52,398**	47,351	112,425
Taxation charge on underlying profit	**(11,528)**	(10,795)	(25,594)
Underlying profit after tax attributable to equity shareholders	**40,870**	36,556	86,831
Tax rate applied for the purposes of underlying earnings per share	**22.0%**	22.8%	22.77%

11. Property, plant and equipment

During the period, the Group spent £2.0m on the acquisition of property, plant and equipment. The Group did not make any significant disposals during the period.

12. Trade and other receivables

Non-current	**At 1 July 2016 £'000**	At 30 June 2015 £'000	At 31 December 2015 £'000
Trade receivables	**-**	147	-
Amounts due from contract customers	**15,987**	12,941	15,239
	15,987	13,088	15,239

Current	**At 1 July 2016 £'000**	At 30 June 2015 £'000	At 31 December 2015 £'000
Trade receivables	**83,439**	66,779	93,016
Provisions against receivables	**(1,181)**	(1,440)	(959)
Net trade receivables	**82,258**	65,339	92,057
Amounts due from contract customers	**83,947**	71,919	81,617
Prepayments and other receivables	**31,739**	22,846	23,713
	197,944	160,104	197,387

13. Trade and other payables

	At 1 July 2016 £'000	At 30 June 2015 £'000	At 31 December 2015 £'000
Amounts included in current liabilities:			
Trade payables	**59,541**	67,615	70,701
Amounts due to contract customers	**54,325**	65,930	58,104
Other payables	**61,981**	51,158	71,137
	175,847	184,703	199,942
Amounts included in non-current liabilities:			
Amounts due to contract customers	**918**	844	1,625
Other payables	**6,816**	5,745	5,371
	7,734	6,589	6,996

14. Provisions

	Warranty £'000	Contractual £'000	Total £'000
At 30 June 2015	4,371	24,199	28,570
At 31 December 2015	3,785	25,503	29,288
At 1 July 2016	**3,678**	**18,132**	**21,810**
Included in current liabilities	1,783	14,646	16,429
Included in non-current liabilities	1,895	3,486	5,381
	3,678	**18,132**	**21,810**

Warranty provisions are based on an assessment of future claims with reference to past experience. Such costs are generally incurred within two years after delivery. Contract related provisions will be utilised over the period as stated in the contract to which the specific provision relates. Contract related provisions also include contingent consideration and dilapidation costs. Dilapidations will be payable at the end of the contracted life which is up to fifteen years. Contingent consideration is payable when earnings targets are met: £1,598,000 of provision was utilised in the period when the final Forensic Technology earn-out target was met. As at 1 July 2016 the contingent consideration provision is £2,433,000 (December 2015: £3,428,000), payment of which is contingent on earnings targets for the 3 Phoenix acquisition through until December 2016, and for contingent payments relating to the ICE WheelTug certification.

15. Share capital

29,107 shares, with a nominal value of £1,455 have been allotted in the first six months of 2016 under the terms of the Group's various share option schemes. The aggregate consideration received by the Company was £451,369.

16. Cash flow information

	Six months to 1 July 2016 £'000	Six months to 30 June 2015 *as restated £'000	Year to 31 December 2015 £'000
Operating profit	**38,843**	34,045	66,425
Adjustments for:			
Depreciation of property, plant and equipment	**5,735**	4,938	10,959
Amortisation of intangible assets	**17,115**	15,560	34,627
Impairment charges	**-**	-	8,462
Cost of equity-settled employee share schemes	**129**	1,065	967
Adjustment for pension funding	**(4,222)**	(3,814)	(8,015)
Loss/(profit) on disposal of property, plant and equipment	**34**	12	(559)
Share of loss of associate	**-**	200	581
Decrease in provisions	**(7,370)**	(2,376)	(2,073)
Operating cash flow before movements in working capital	**50,264**	49,630	111,374
(Increase)/decrease in inventories	**(2,346)**	(3,866)	6,607
Decrease/(increase) in receivables	**11,387**	19,768	(2,261)
Decrease in payables	**(28,562)**	(46,381)	(44,381)
Cash generated by operations	**30,743**	19,151	71,339
Income taxes paid	**(3,428)**	(8,181)	(17,252)
Interest paid	**(5,118)**	(3,074)	(6,309)
Net cash inflow from operating activities	**22,197**	7,896	47,778

Reconciliation of net movement in cash and cash equivalents to movement in net debt

	Six months to 1 July 2016 £'000	Six months to 30 June 2015 £'000	Year to 31 December 2015 £'000
Net (decrease)/increase in cash and cash equivalents	**(10,187)**	2,513	5,916
Cash outflow/(inflow) from decrease/(increase) in debt and finance leasing	**2,368**	(21,869)	(157,054)
Change in net debt arising from cash flows	**(7,819)**	(19,356)	(151,138)
Loan syndication costs	**-**	-	1,347
Amortisation of finance costs of debt	**(418)**	(255)	(649)
Other non-cash movements	**-**	-	(872)
Translation differences	**(21,578)**	(810)	(14,765)
Movement in net debt in the period	**(29,815)**	(20,421)	(166,077)
Net debt at start of period	**(295,572)**	(129,495)	(129,495)
Net debt at end of period	**(325,387)**	(149,916)	(295,572)

Net debt comprised the following:

	At 1 July 2016 £'000	At 30 June 2015 £'000	At 31 December 2015 £'000
Cash and cash equivalents	**39,780**	41,881	45,474
Borrowings	**(365,167)**	(191,797)	(341,046)
	(325,387)	(149,916)	(295,572)

* see notes on page 10.

17. Going Concern

After making due enquiries, and in accordance with the FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting", the Directors' view is that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these condensed consolidated half year financial statements.

18. Financial Instruments

Exposure to currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to all significant fluctuations in foreign exchange rates. All of the Group's financial instruments have been assessed as Level 2 and comprise foreign exchange forward contracts.

The directors consider that the carrying amount of all financial assets and liabilities approximates to their fair value.

Fair value measurements as at 1 July 2016 are set out in the table below. These forward exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

	At 1 July 2016 £'000	At 30 June 2015 £'000	At 31 December 2015 £'000
Financial assets:			
Derivatives used for hedging	**302**	4,618	1,347
Total	**302**	4,618	1,347
Financial liabilities:			
Derivatives used for hedging	**(20,357)**	(3,058)	(6,091)
Total	**(20,357)**	(3,058)	(6,091)

19. Assets classified as held for sale

On 27 May 2016 the Group announced the disposal of its non-core global ID business to private equity firm LDC for initial cash consideration of £22m. Additional payments of up to £3m will be made subject to earnings growth over the next two years. As at 1 July 2016 the disposal had not completed, consequently no disposal accounting disclosures are included in this set of interim financial statements.

20. Retirement benefits

The UK defined benefit scheme closed to future benefit accrual from 5 April 2016 following a consultation process with members. The initial actuarial assessment has determined a one-off curtailment gain of £15,500,000 which has been credited to the income statement. As set out in notes 4 & 21, this one-off curtailment gain is treated as a non-underlying item. Consistent with the Group's previous interim announcements, a full actuarial re-assessment has not been conducted at 1 July 2016.

21. Other matters

Seasonality

The Group's financial results have not historically been subject to significant seasonal trends.

Related party transactions

At 1 July 2016, a loan of £nil (30 June 2015: £2,409,000) was due from Al Shaheen Adventure LLC (ASA), the Group's former 49% equity accounted investment. The Group reached an agreement to transfer the whole of its 49% equity interest in ASA to Emirates Advanced Investments Group on 30 December 2015.

There were no other significant related party transactions, other than the remuneration of key management personnel during the period.

21. Other matters (continued)

Non-statutory performance measures

In the analysis of the Group's operating results, earnings per share and cash flows, information is presented to provide readers with additional performance indicators that are prepared on a non-statutory basis. This presentation is regularly reviewed by management to identify items that are unusual and other items relevant to an understanding of the Group's performance and long-term trends with reference to their materiality and nature. This additional information is not uniformly defined by all Companies and may not be comparable with similarly titled measures and disclosures by other organisations. The non-statutory disclosures should not be viewed in isolation or as an alternative to the equivalent statutory measure. Information for separate presentation is considered as follows:

- Contract losses arising in the ordinary course of trading are not separately presented, however losses (and subsequent reversals) are separately disclosed in situations of a material dispute which are expected to lead to arbitration or legal proceedings.
- One-off curtailment gain arising on closure of defined benefit pension scheme.
- Material costs or reversals arising from a significant restructuring of the Group's operations, such as the S3 programme, are presented separately.
- Disposals of entities or investments in associates or joint ventures, or impairments of related assets are presented separately.
- The amortisation of intangible assets arising on acquisitions and impairment of goodwill or intangible assets are presented separately.
- Other matters arising due to the Group's acquisitions such as adjustments to contingent consideration, payment of retention bonuses, acquisition and disposal costs and fair value adjustments for acquired inventory made in accordance with IFRS 13 are separately disclosed in aggregate.
- Furthermore, IAS 37 requires the Group to discount provisions using a pre-tax discount rate that reflects the current assessment of the time value of money and the risks specific to the liability, this discount unwind is presented separately when the provision relates to acquisition contingent consideration.
- Derivative instruments used to manage the Group's foreign exchange exposures are 'fair valued' in accordance with IAS 39. This creates volatility in the valuation of the outstanding instruments as exchange rates move over time. This has minimal impact on profit over the full term of the instruments, but can cause significant volatility on particular balance sheet dates, consequently the gain or loss is presented separately.
- The defined benefit pension net interest charge arising in accordance with IAS 19 is presented separately.
- The Group is cash-generative and reinvests funds to support the continuing growth of the business. It seeks to use an accurate and appropriate measure of the funds generated internally while sustaining this growth. For this, the Group uses operating cash flow, rather than cash generated by operations, as its preferred indicator of cash generated and available to cover non-operating expenses such as tax and interest payments. Management believes that using cash generated by operations, with the exclusion of net expenditure on property, plant and equipment and outflows for capitalised product development and other intangibles, would result in an under-reporting of the true cash cost of sustaining a growing business.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) these condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting";
(b) this half year report includes a fair review of the information required by Disclosure and Transparency Rule (DTR) 4.2.7R (indication of important events during the period and description of principal risks and uncertainties for the remainder of the financial year); and
(c) this half year report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Rakesh Sharma
Chief Executive
1 August 2016

Amitabh Sharma
Group Finance Director