press release

Embargoed until 0700 29 February 2016

Ultra Electronics Holdings plc

("Ultra" or "the Group")

Preliminary Results for the Year Ended 31 December 2015

FINANCIAL HIGHLIGHTS

	Year ended 31 Dec 2015	Year ended 31 Dec 2014	**Change**
Revenue	**£726.3m**	£713.7m	**+1.8%**
Underlying operating profit*(1)	**£120.0m**	£118.1m	**+1.6%**
Underlying profit before tax*(2)	**£112.4m**	£112.0m	**+0.4%**
IFRS profit before tax	**£34.8m**	£21.5m	**+62.0%**
Underlying earnings per share(2)	**123.9p**	123.1p	**+0.6%**
Dividend per share - final	**32.3p**	31.1p	**+3.9%**
- total	**46.1p**	44.3p	**+4.1%**

- Full year performance in line with expectations
- Underlying operating margin of 16.5%
- Cash conversion better than expected at 68% and year-end net debt of £296m
- Investment to support future growth
  - R&D maintained within normal range
  - $258m Herley acquisition - integration on schedule and performing well
- Standardisation and Shared Services programme on track
- Final dividend of 32.3p, an increase of 3.9%

Rakesh Sharma, Chief Executive, commented:

"2015 was a significant year for the Group, in which it completed its largest acquisition, introduced a new market segment structure and launched a Standardisation and Shared Services (S3) programme, whilst continuing to face difficult market conditions. Ultra's full-year performance was in line with market expectations and reflected, as anticipated, a generally lower level of activity across most parts of our government related business. By year-end a comprehensive UK Strategic Defence & Security Review and a two-year US budget agreement had signalled some welcome stability although how this plays out remains uncertain.

Looking ahead, well-publicised macro factors continue to threaten governments' future funding. We expect US government defence expenditure to increase in a presidential election year, but these higher levels of spending will take time to benefit the mid-tier defence industry. For Ultra, most of the delayed orders from 2015 are expected to be secured in the first half of 2016 and we continue to have a number of secure long-term platform positions. In addition we will see a full year benefit from the Herley acquisition. Ultra's Board has considered the market conditions and business challenges and judges that the Group can make satisfactory progress in 2016."

(1) before Oman contract termination and liquidation related costs, the S3 programme, amortisation of intangibles arising on acquisitions, impairment charges and adjustments to deferred consideration net of acquisition related costs. IFRS operating profit was £66.4m (2014: £39.5m). See Note 2 for reconciliation.

(2) before Oman contract termination and liquidation related costs, the S3 programme, amortisation of intangibles arising on acquisitions, impairment charges, fair value movements on derivatives, unwinding of discount on provisions, defined benefit pension interest charges and adjustments to contingent consideration net of acquisition related costs and, in the case of underlying earnings per share, before related taxation. Basic EPS 35.7p (2014: 29.8p). See Note 8 for reconciliation.

* see notes on page 2

FINANCIAL RESULTS

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m†	Growth
Order book			
- Aerospace & Infrastructure	**265.4**	252.9	+4.9%
- Communications & Security	**213.7**	214.5	-0.4%
- Maritime & Land	**274.7**	319.9	-14.1%
Total order book	**753.8**	787.3	-4.3%
Revenue			
- Aerospace & Infrastructure	**193.2**	198.6	-2.7%
- Communications & Security	**239.3**	224.4	+6.6%
- Maritime & Land	**293.8**	290.7	+1.1%
Total revenue	**726.3**	713.7	+1.8%
Organic underlying revenue movement			-8.1%
Underlying operating profit*			
- Aerospace & Infrastructure	**28.7**	29.6	-3.0%
- Communications & Security	**40.4**	37.0	+9.2%
- Maritime & Land	**50.9**	51.5	-1.2%
Total underlying operating profit*	**120.0**	118.1	+1.6%
Organic underlying operating profit movement			-5.2%
Underlying operating margin*			
- Aerospace & Infrastructure	**14.9%**	14.9%	
- Communications & Security	**16.9%**	16.5%	
- Maritime & Land	**17.3%**	17.7%	
Total underlying operating margin*	**16.5%**	16.5%	-
Finance charges*	**(7.6)**	(6.1)	
Underlying profit before tax	**112.4**	112.0	+0.4%
Underlying operating cash flow*	**81.3**	83.1	-2.2%
Operating cash conversion*	**68%**	70%	
Net debt/EBITDA	**2.2x**	1.0x	
Net debt* at year-end	**295.6**	129.5	
Bank interest cover*	**15.9x**	19.6x	
Underlying earnings per share	**123.9p**	123.1p	+0.6%

**** see notes below***

† During the year the Group amended its internal organisation to better reflect the markets that the Group addresses so that business groupings better reflect its capabilities, evolving product offerings and market facing segments. As a result of this change the Group re-assessed its reporting segments under IFRS 8. Previously results were reported as Aircraft & Vehicle Systems, Information & Power Systems and Tactical & Sonar Systems, they are now reported as Aerospace & Infrastructure, Communications & Security and Maritime & Land. Prior year comparatives have been restated as indicated.

underlying operating profit *before Oman contract termination and liquidation costs, the S3 programme, amortisation of intangibles arising on acquisition, impairment charges and adjustments to deferred consideration net of acquisition related costs. IFRS operating profit was £66.4m (2014: £39.5m). See Note 2 for reconciliation.*
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 costs, the S3 programme, amortisation of intangibles arising on acquisition, impairment charges, fair value movements on derivatives, unwinding of discount on provisions, defined benefit pension interest charges and adjustments to deferred consideration net of acquisition related costs. Basic EPS 35.7p (2014: 29.8p). See Note 8 for reconciliation.*
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, R&D and LTIP share purchases and excluding cash outflows from the S3 programme and acquisition related payments.*
operating cash conversion *is underlying operating cash flow as a percentage of underlying operating profit.*
EBITDA *is the statutory profit before tax for the 12 months ended 31 December before Oman contract termination and liquidation costs, finance costs, investment revenue, amortisation and depreciation, excluding adjustments to deferred consideration net of acquisition related costs.*
net debt *comprises borrowings, less cash and cash equivalents.*
bank interest cover *is the ratio of underlying operating profit to finance costs associated with borrowings.*
underlying order intake *excludes the removal of the Oman order book in 2014 and includes orders from acquisitions since acquisition date.*
underlying order book growth *excludes the impact of foreign exchange, the Oman IT Airport contract and the order book arising on acquisition.*

The order book at the end of 2015 was £753.8m compared to £787.3m in the prior year. Acquisitions, primarily Herley, contributed 7.3% and there was a foreign exchange benefit of 0.9%. This was offset by an underlying order book decline of 12.5%. This reflected the delay into 2016 of over £100m of orders, most of which are expected to be secured in the first half of the year. These include the UK sonobuoy partnering and India torpedo defence orders.

The revenue of £726.3m represented an increase of 1.8% or £12.6m on the prior year (2014: £713.7m). A 5.9% increase reflecting the impact of acquisitions, together with a 4.0% benefit from the positive impact of foreign exchange on overseas revenues was partially offset by an organic decline of 8.1%. 2.1% (or £14.9m) of the decline related to the Oman Airport IT contract which was terminated in February 2015.

Ultra continues to invest in research and development to support future opportunities; this investment, at £36.0m (2014: £41.2m), represented 5.0% of group turnover.

Underlying operating profit* was £120.0m (2014: £118.1m). Acquisition growth contributed 4.9% and foreign exchange 1.9%, which was partially offset by an organic decline of 5.2%. The Group's businesses maintained their focus on restructuring their cost bases which sustained an underlying operating margin of 16.5% (2014: 16.5%).

The integration of Herley is on schedule with $1m of the acquisition case synergies already actioned and a further $0.5m planned. In addition, Herley's future is improved by its selection for a substantial number of the major US Ship Electronic Warfare Improvement Programme (SEWIP) modules, securing significant revenue opportunities over many years.

The Group's S3 programme is on track with the UK Shared Service Centre to be set up in Wimborne, Dorset during the first half of the year. £3m of savings have been identified for delivery in 2016 which will start to cover the programme costs.

Underlying profit before tax* was £112.4m (2014: £112.0m), after net financing charges* of £7.6m (2014: £6.1m).

The Group's underlying tax rate* in the year was 22.8% (2014: 23.2%) and underlying earnings per share was 123.9p (2014: 123.1p).

Reported (IFRS) profit before tax was £34.8m (2014: £21.5m) and reflected the combined effects of the elements detailed below:

All £m	**2015**	2014
Underlying profit before tax	**112.4**	112.0
Amortisation of intangibles arising on acquisition	**(30.8)**	(28.8)
Net interest charge on defined benefit pensions	**(3.0)**	(3.6)
Loss on fair value movements on derivatives	**(4.0)**	(7.2)
Adjustments to contingent consideration net of acquisition costs	**(9.4)**	4.5
Unwinding of discount on provisions	**(0.6)**	(1.2)
Oman contract termination charge	**-**	(46.9)
Deemed disposal of Ithra	**(16.5)**	-
S3 programme	**(4.9)**	-
Impairment charges	**(8.4)**	(7.3)
Reported profit before tax	**34.8**	21.5

During the first half of the year, the deemed disposal of Ithra resulted in a non-cash, non-underlying IFRS accounting charge. It arises from the liquidation of the Ithra contract vehicle following the termination of the Oman Airport IT contract. In the prior year an exceptional non-underlying charge of £46.9m relating to the termination of the contract was recognised in profit before tax. 2015 profit before tax also includes a £2.7m charge reflecting the sale of Ultra's minority shareholding in the AI

* see notes on page 2

Shaheen joint venture, following a review of our activities in the Middle East, and a £5.7m charge to impair an intangible fixed asset impacted by amendments to the US Patriot Act. The prior year included the impairment of the acquired goodwill relating to Al Shaheen.

The £9.4m of acquisition related costs primarily reflected costs incurred on the acquisition of Herley during the year. In the prior year, acquisition costs were flattered by the release of an £8.4m provision relating to the GigaSat earn out agreement for which the 2014 target was not met.

The start-up costs of the S3 programme include onerous lease costs relating to facility consolidations.

The Group's balance sheet remains resilient, with net debt/EBITDA of 2.2x and net interest payable on borrowings covered around 15.9 times by underlying operating profit. Operating cash flow* in the year was £81.3m (2014: £83.1m) reflecting the expected Oman impact and other working capital movements, leading to a cash conversion of 68% (2014: 70%). Excluding the impact of Oman, cash conversion would have been 77%. Ultra had net debt* at the end of the year of £295.6m compared to £129.5m at the end of 2014 reflecting the impact of the Herley acquisition. Net cash expenditure on acquisitions in the year was £179.1m (2014: £107.5m) including retention payments in respect of acquisitions.

During the period, Ultra's £100m revolving credit facility was amended to match the favourable interest pricing of our £200m facility, and was extended to expire in August 2019. A $225m term loan, which also expires in August 2019 was put in place at the time of the Herley acquisition. The covenants match the revolving credit facilities.

During 2015 a consultation took place with the members on a proposal to close the Group's UK Defined Benefit pension scheme to future accrual from 5 April 2016. Following the end of the consultation and discussion with the Trustee, it was announced to members on 1 February 2016 that the Company had agreed with the Trustee the terms under which the scheme is to be closed and that the proposed closure would go ahead.

The proposed final dividend is 32.3p, bringing the total dividend for the year to 46.1p (2014: 44.3p). This represents an annual increase of 4.1%, with the dividend being covered 2.7 times (2014: 2.8 times) by underlying earnings per share. If approved, the dividend will be paid on 5 May 2016 to shareholders on the register at 8 April 2016.

INVESTING FOR GROWTH

Ultra continued its programme of investment to position for long-term growth, with total spending in 2015 of £215.1m (2014: £148.7m), comprising £179.1m (2014: £107.5m) on acquisitions and £36.0m (2014: £41.2m) on new capabilities. In addition, customer-funding for new product development was £110.6m (2014: £115.9m).

Ultra made two acquisitions in the period:

- August 2015 - Herley is a leading designer and producer of RF and microwave integrated systems and subsystems for use in EW, radar, communication, missile, flight test and simulation applications. The company, headquartered in Massachusetts, US, employs 433 people across four offices in the US and UK. Ultra Electronics Herley is in the Communications & Security division.

- October 2015 – Furnace Parts is a developer and supplier of thermocouple-based temperature sensors for high performance and demanding applications in the nuclear and process control sectors. The acquisition will extend Ultra's specialist temperature sensing capabilities in both US and international markets. Furnace Parts has been integrated into NSPI in Round Rock, Texas.

* see notes on page 2

OPERATIONAL REVIEW

Aerospace & Infrastructure

- Revenue fell by 2.7% to £193.2m (2014: £198.6m[†])
- Underlying operating profit was down by 3.0% to £28.7m (2014: £29.6m[†])
- Order book increased by 4.9% to £265.4m (2014: £252.9m[†])

Excluding the impact of Oman, the divisional revenue increased by 3.4% compared to 2014, as the prior year included £11.7m of sales from the Oman Airport IT programme, whereas no revenue was recognised in 2015.

The division saw an increase in Aerospace sales, in particular on the Mitsubishi Regional Jet (MRJ) and the Joint Strike Fighter (JSF) programmes, and in revenues from Airport Systems including the Orange County contract in the US. Revenue from vehicle programmes, including the Warrior, Scout and Middle East NIMR also increased. As well as the impact of the Oman contract, revenue from the A400M Network Interface Module (NIM) was lower reflecting contract phasing.

Following the securing of a number of new orders to develop products for the aerospace sector, the division's margins have been impacted by increased R&D investment and lower margins during the engineering phases of projects. There were also restructuring costs at the CEMS business. This was partially offset by higher margins as vehicle programmes entered the production phase. The acquisitions of Ice Corporation in 2014 and Furnace Parts in 2015 provided a positive contribution to both revenue and profits as did the impact of foreign exchange. The resulting divisional margin was 14.9% (2014: 14.9%).

The change in the order book reflects increased orders for aerospace products and services, partially offset by the trading of the Lockheed Martin Warrior contract.

Highlights of activities in the period that will underpin the division's future performance included:

- Awarded development contracts by the Xi'an Aircraft Corporation of China for the landing gear control unit and nose steering wheel system on the new MA700 twin-engine, medium-range turboprop airliner.

- A strategic partnership with NuScale to develop a suite of reactor and plant instrumentation and control systems to support deployment of their Small Modular Reactor (SMR) fleet worldwide. Part payment for this contract includes an equity stake in NuScale.

- Selection by the Cessna Aircraft Company to provide a Power Transfer Control Unit for its new Hemisphere business jet.

Communications & Security

- Revenue increased by 6.6% to £239.3m (2014: £224.4m[†])
- Underlying operating profit increased by 9.2% to £40.4m (2014: £37.0m[†])
- Order book reduced by 0.4% to £213.7m (2014: £214.5m[†])

Communications & Security saw the benefit of the acquisition of Herley in 2015 together with the prior year acquisition of Forensic Technology. Against this the division was impacted by the repeal of the US Patriot Act which significantly reduced domestic legal intercept revenues in the SoTech business. This was partially offset by an increase in revenue from security and surveillance products, and from the ECU RP programme, and a positive impact from foreign exchange.

[†] see note on page 2

There were higher margins as the ECU RP programme completed its production phases and Herley improved the mix. This more than offset the impact of both the loss of high margin revenue and associated restructuring costs in the SoTech business and took divisional margin to 16.9%.

The order book reflected significant trading of the ECU RP Crypto contract and the reduction in US contract placement over the last twelve months, partially offset by the addition of the Herley order book value.

Features of the division's performance in the year that will underpin future performance included:

- Orders worth over $30m for the protection of US Navy bases in the Washington, Southwest and Hawaii regions.

- Award of a contract for Phase 1 of the US Reprogrammable Single Chip Universal Encryptor (RESCUE) / KOV-21A replacement programmes. This is the development phase of a long-awaited and much larger US software-programmable crypto opportunity.

- Selection by Inmarsat as a technology partner to develop micro satellite terminals for both government and commercial customers.

Maritime & Land

- Revenue increased by 1.1% to £293.8m (2014: £290.7m†)
- Underlying operating profit decreased by 1.2% to £50.9m (2014: £51.5m†)
- Order book decreased by 14.1% to £274.7m (2014: £319.9m†)

In Maritime & Land there was an increase in revenue from US and international sonobuoys and from the Sonar 2050 programme for the UK MOD. This was offset by the impact of funding delays on the Torpedo Warning System in the US and by a reduction in rail power management revenue. The acquisition of 3 Phoenix in the prior year contributed to divisional revenues, as did foreign exchange.

Margins at 17.3% (2014: 17.7%) reflected the release of some contract risk reserve in the prior year comparative, and the product mix within the Group's sonobuoy businesses.

The order book declined as a result of the trading of major contracts, including Fatahillah and UK sonobuoy partnering. There was also a delay into 2016 of some large orders including the 2017 UK sonobuoy partnering contract extension and India torpedo defence contract.

Features of the division's performance in the year that will underpin future performance included:

- Award of £18m contract, by Rolls-Royce, for the design and development of reactor control and cooling systems for Royal Navy submarines.

- A $25m contract award for the procurement of engineering services for development, integration, testing, and logistic support of the Torpedo Warning System.

- Partnering with Mahindra Group in India to address significant opportunities in Underwater Warfare equipment for the Indian Navy and high-capacity radios for the Indian Army.

MARKET ENVIRONMENT

Increases in global instability, security threat and conflict levels were reflected in the comprehensive and robustly funded 2015 UK Strategic Defence & Security Review and a welcome 2-year budget deal in the US, bringing much-needed stability to both national defence programmes. Funding

† see note on page 2

pressures remain within these ambitious programmes but priorities reflect Ultra's areas of strength, including submarine build, ISTAR[1] and Communications. More widely, border security, infrastructure protection and cyber-security solutions attract strong interest, tempered by funding pressure from reduced oil revenues and macro-economic worries. Ultra will maintain its focus on securing further long-term contracts by offering the competitive, niche capability solutions required by customers. Investment in leading edge technology, identifying strategic acquisitions and creating sound international partnerships remain integral in our approach.

Aerospace (18% of 2015 Group revenue, 2014: 17%) – After several years of revenue expansion, large civil aircraft sector growth has plateaued but with record order book levels and strong passenger travel demand (85% growth since 9/11); attention now falls on the ability of the supply chain to meet increased production rates and on the potential for competition from COMAC[2]. The regional aircraft market is crowded and orders here will be hard won. 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[3] and rotary ice protection.

Infrastructure (4% of 2015 Group revenue, 2014: 7%) – High passenger demand is driving airport investment but passenger processing is becoming increasingly commoditised and passenger self-management more common. Major capital projects in the Middle East, Asia and South America are driven by strong regional growth and competition for hub status. UK national rail investment has now switched from DC to major AC upgrades but opportunities continue in Underground and Metro upgrades.

Nuclear (6% of 2015 Group revenue, 2014: 8%) – Lower hydrocarbon costs has slowed new build but there are now 70 reactors under construction and investment plans in place to secure future low-carbon power generation. Life extension demand in a highly regulated market ensures barriers to entry are high.

Communications (14% of 2015 Group revenue, 2014: 14%) – Military communications is forecast to grow at over 7% CAGR despite land force consolidation post long deployed operations. Growth drivers include reduced size, weight & power, interoperability and wide-bandwidth secure data access. Encryption programmes in the US and UK are resetting around software programmable solutions that Ultra understands well. Increased security programmes require robust, secure communications networks. Commercial communications sees a growing demand for machine-to-machine solutions to enable new smart initiatives.

C2ISR[4] (23% of 2015 Group revenue, 2014: 23%) – Regional tensions and challenges are driving demand for the ability to operate forces under the threat of a range of anti-access/area denial (AAAD) systems. This provides strong opportunities in ISTAR[1] and electronic warfare equipment. The border security market is projected to grow from $4.5bn today to $8bn by 2024 reflecting the impacts of regional conflict, security threats and migration. Increased security demands are also driving the interest in protection of fixed critical infrastructures and utilities. This degree of complexity benefits providers of robust integrated Command & Control (C2) solutions that can overlay existing sensors and systems.

Underwater Warfare (24% of 2015 Group revenue, 2014: 21%) – Global investment in modern, quiet conventional submarines and a resurgent Russian submarine capability are fuelling an increased demand for advanced Anti-Submarine Warfare (ASW) capabilities, including sonobuoys, torpedo defence and countermeasures, integrated wide-area search capabilities, airborne ASW and shallow water systems for smaller vessels.

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[1] ISTAR – Intelligence, Surveillance, Targeting and Reconnaissance
[2] Commercial Aircraft Corporation of China
[3] HUMS – Health Usage Monitoring Systems
[4] Command & Control, Intelligence Surveillance & Reconnaissance

Maritime (6% of 2015 Group revenue, 2014: 7%) – In the US and UK, significant submarine and ambitious ship-building programmes will provide good opportunities for the Group's electrical power management and signature control offerings but also bring affordability pressures. These pressures will favour upgrade of legacy platforms and smaller ship solutions that match Ultra's strengths.

Land (5% of 2015 Group revenue, 2014: 3%) – Core markets are seeing consolidation and upgrading of armoured fighting vehicles (AFVs) post long land operations. Elsewhere, investment in AFVs serves power projection and internal security needs. The Group's strength in AFV electrical architecture is now being utilised to meet the merging demand for soldier-worn power management systems.

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. During the year the Board has reviewed its approach to risk management resulting in the principal risks listed below. An explanation of these risks and the robust business strategies that Ultra uses to manage and mitigate 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 61% of Ultra's revenue, there is continuing budget pressures in heavily committed procurement programmes in the US and UK. Further cost saving and efficiency will need to be sought. Nevertheless, the overall size of defence budgets worldwide, relative to the Group's revenue, provides sufficient headroom to support Ultra's continuing growth.

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.

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 judgements 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 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

The Directors' long-term viability statement is included in the annual report and accounts.

PERFORMANCE & PROSPECTS

2015 was a significant year for the Group, in which it completed its largest acquisition, introduced a new market segment structure and launched a Standardisation and Shared Services (S3) programme, whilst continuing to face difficult market conditions. Ultra's full-year performance was in line with market expectations and reflected, as anticipated, a generally lower level of activity across most parts of our government related business. By year-end a comprehensive UK Strategic Defence & Security Review and a two-year US budget agreement had signalled some welcome stability although how this plays out remains uncertain.

Looking ahead, well-publicised macro factors continue to threaten governments' future funding. We expect US government defence expenditure to increase in a presidential election year, but these higher levels of spending will take time to benefit the mid-tier defence industry. For Ultra, most of the delayed orders from 2015 are expected to be secured in the first half of 2016 and we continue to have a number of secure long-term platform positions. In addition we will see a full year benefit from the Herley acquisition. Ultra's Board has considered the market conditions and business challenges and judges that the Group can make satisfactory progress in 2016.

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NATURE OF ANNOUNCEMENT

This preliminary announcement of Ultra's audited results for the year ended 31 December 2015 does not serve as the dissemination announcement as required by Rule 6.3 of the Disclosure and Transparency Rules ('DTR'). A separate dissemination announcement will be made when the annual financial report is made public in accordance with DTR requirements.

This preliminary announcement 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 preliminary announcement 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 preliminary announcement 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
Results for the Year Ended 31 December 2015
Consolidated Income Statement

	Note	**2015 £'000**	2014 £'000
Revenue	1	**726,286**	713,741
Cost of sales		**(499,510)**	(494,294)
Gross profit		**226,776**	219,447
Other operating income		**2,198**	4,748
Distribution costs		**(1,604)**	(1,893)
Administrative expenses		**(143,007)**	(137,698)
Share of (loss)/profit from associate		**(581)**	1,957
Other operating expenses		**(2,931)**	(1,149)
Contingent consideration (charge)/release		**(1,101)**	8,364
Impairment charges	2	**(8,462)**	(7,355)
S3 programme		**(4,863)**	-
Oman contract termination costs	3	**-**	(46,878)
Operating profit		**66,425**	39,543
Deemed disposal of Ithra	3	**(16,447)**	-
Investment revenue	4	**190**	108
Finance costs	5	**(15,407)**	(18,189)
Profit before tax	1	**34,761**	21,462
Tax	6	**(9,772)**	(14,964)
Profit for the year		**24,989**	6,498
Attributable to:			
Owners of the Company		**24,989**	20,799
Non-controlling interests		**-**	(14,301)
Earnings per ordinary share (pence)			
- basic	8	**35.7**	29.8
- diluted	8	**35.6**	29.7

All results are derived from continuing operations.

Ultra Electronics Holdings plc
Results for the Year Ended 31 December 2015
Consolidated Statement of Comprehensive Income

	2015	2014
	£'000	£'000
Profit for the year	**24,989**	6,498
Items that will not be reclassified to profit or loss:		
Actuarial loss on defined benefit pension schemes	**(2,530)**	(5,704)
Tax relating to items that will not be reclassified	**478**	1,299
Total items that will not be reclassified to profit or loss	**(2,052)**	(4,405)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**11,995**	10,974
Reclassification of exchange differences on deemed disposal of Ithra	**2,696**	-
Loss on loans used in net investment hedges	**(12,578)**	(4,161)
Tax relating to items that may be reclassified	**12**	(804)
Total Items that may be reclassified to profit or loss	**2,125**	6,009
Other comprehensive income for the year	**73**	1,604
Total comprehensive income for the year	**25,062**	8,102
Attributable to:		
Owners of the Company	**25,190**	22,407
Non-controlling interests	**(128)**	(14,305)

Ultra Electronics Holdings plc
Results for the Year Ended 31 December 2015
Consolidated Balance Sheet

	Note	**2015 £'000**	2014 £'000
Non-current assets			
Goodwill	9	**375,885**	298,960
Other intangible assets		**193,123**	162,512
Property, plant and equipment		**68,183**	62,569
Interest in associate		**-**	8,105
Deferred tax assets		**5,935**	4,494
Derivative financial instruments		**426**	1,117
Trade and other receivables	11	**15,239**	4,694
		658,791	542,451
Current assets			
Inventories	10	**81,816**	73,745
Trade and other receivables	11	**197,387**	190,186
Tax assets		**9,169**	1,814
Cash and cash equivalents		**45,474**	41,259
Derivative financial instruments		**921**	1,725
Assets classified as held for sale		**8,795**	-
		343,562	308,729
Total assets		**1,002,353**	851,180
Current liabilities			
Trade and other payables	12	**(199,942)**	(231,954)
Tax liabilities		**(7,149)**	(7,166)
Derivative financial instruments		**(3,530)**	(1,920)
Liabilities classified as held for sale		**(3,011)**	-
Short-term provisions	13	**(24,363)**	(27,105)
		(237,995)	(268,145)
Non-current liabilities			
Retirement benefit obligations	14	**(84,819)**	(87,263)
Other payables	12	**(6,996)**	(9,512)
Deferred tax liabilities		**(7,168)**	(6,192)
Derivative financial instruments		**(2,561)**	(1,678)
Borrowings		**(341,046)**	(170,754)
Long-term provisions	13	**(4,925)**	(4,190)
		(447,515)	(279,589)
Total liabilities		**(685,510)**	(547,734)
Net assets		**316,843**	303,446
Equity			
Share capital		**3,514**	3,498
Share premium account		**61,052**	56,131
Own shares		**(2,581)**	(2,581)
Hedging reserve		**(25,908)**	(13,330)
Translation reserve		**42,038**	27,219
Retained earnings		**238,728**	246,132
Equity attributable to owners of the Company		**316,843**	317,069
Non-controlling interest		**-**	(13,623)
Total equity		**316,843**	303,446

Ultra Electronics Holdings plc
Results for the Year Ended 31 December 2015
Consolidated Cash Flow Statement

	Note	**2015 £'000**	2014 £'000
Net cash flow from operating activities	15	**47,778**	68,717
Investing activities			
Interest received		**190**	108
Dividends received from equity accounted investments		**5,343**	1,619
Purchase of property, plant and equipment		**(4,597)**	(8,362)
Proceeds from disposal of property, plant and equipment		**1,466**	55
Expenditure on product development and other intangibles		**(1,761)**	(9,289)
Acquisition of subsidiary undertakings		**(172,539)**	(111,285)
Net cash acquired with subsidiary undertakings		**724**	6,737
Net cash used in investing activities		**(171,174)**	(120,417)
Financing activities			
Issue of share capital		**4,937**	2,231
Dividends paid		**(31,332)**	(29,722)
Loan syndication costs		**(1,347)**	(1,495)
Repayments of borrowings		**(160,532)**	(68,331)
Proceeds from borrowings		**317,586**	162,387
Increase in loan to associate		**-**	(1,654)
Repayment of obligations under finance leases		**-**	(63)
Net cash from financing activities		**129,312**	63,353
Net increase in cash and cash equivalents		**5,916**	11,653
Cash and cash equivalents at beginning of year		**41,259**	30,570
Effect of foreign exchange rate changes		**(1,701)**	(964)
Cash and cash equivalents at end of year		**45,474**	41,259

Ultra Electronics Holdings plc

Results for the Year Ended 31 December 2015
Consolidated Statement of Changes in Equity

	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 year	-	-	-	-	-	24,989	-	24,989
Other comprehensive income for the year	-	-	-	(12,578)	14,819	(2,040)	(128)	73
Total comprehensive income for the year	**-**	**-**	**-**	**(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**
Balance at 1 January 2014	**3,490**	**53,908**	**(2,581)**	**(9,169)**	**16,240**	**258,609**	**682**	**321,179**
Profit for the year	-	-	-	-	-	20,799	(14,301)	6,498
Other comprehensive income for the year	-	-	-	(4,161)	10,979	(5,210)	(4)	1,604
Total comprehensive income for the year	**-**	**-**	**-**	**(4,161)**	**10,979**	**15,589**	**(14,305)**	**8,102**
Equity-settled employee share schemes	8	2,223	-	-	-	1,783	-	4,014
Dividend to shareholders	-	-	-	-	-	(29,722)	-	(29,722)
Tax on share-based payment transactions	-	-	-	-	-	(127)	-	(127)
Balance at 31 December 2014	**3,498**	**56,131**	**(2,581)**	**(13,330)**	**27,219**	**246,132**	**(13,623)**	**303,446**

1. Segment information

During the year the Group amended its internal organisation to better reflect the markets that the Group addresses so that business groupings better reflect its capabilities, evolving product offerings and market facing segments. As a result of this change the Group has re-assessed its reporting segments under IFRS 8. Previously results were reported as Aircraft & Vehicle Systems, Information & Power Systems and Tactical & Sonar Systems, they are now reported as Aerospace & Infrastructure, Communications & Security and Maritime & Land. Prior year comparatives have been restated as indicated.

(a) Revenue by segment

	2015			2014		
	External revenue £'000	**Inter segment £'000**	**Total £'000**	External revenue £'000	Inter segment £'000	Total * as restated £'000
Aerospace & Infrastructure	**193,224**	**8,880**	**202,104**	198,597	13,345	211,942
Communication & Security	**239,261**	**5,692**	**244,953**	224,449	8,129	232,578
Maritime & Land	**293,801**	**21,351**	**315,152**	290,695	13,917	304,612
Eliminations	**-**	**(35,923)**	**(35,923)**	-	(35,391)	(35,391)
Consolidated revenue	**726,286**	**-**	**726,286**	713,741	-	713,741

(b) Profit by segment

	2015			
	Aerospace & Infrastructure £'000	**Communications & Security £'000**	**Maritime & Land £'000**	**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 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**

The S3 programme is the Group's Standardisation & Shared Service Programme.

1. Segment information (continued)

(b) Profit by segment

	2014			
	Aerospace & Infrastructure £'000	Communications & Security £'000	Maritime & Land £'000	Total * as restated £'000
Underlying operating profit	29,593	37,017	51,456	118,066
Amortisation of intangibles arising on acquisition	(3,901)	(17,209)	(7,681)	(28,791)
Adjustments to deferred consideration net of acquisition costs†	(406)	5,293	(386)	4,501
Oman contract termination costs	(46,878)	-	-	(46,878)
Impairment charges	(7,355)	-	-	(7,355)
Operating (loss)/profit	(28,947)	25,101	43,389	39,543
Investment revenue				108
Finance costs				(18,189)
Profit before tax				21,462
Tax				(14,964)
Profit after tax				6,498

† A provision of £8,364,000 was released in 2014 relating to the GigaSat earn-out agreement for which the final 2014 target was not met. GigaSat is in the Communications & Security division.

(c) Capital expenditure, additions to intangibles, depreciation and amortisation

	Capital expenditure and additions to intangibles (excluding goodwill and acquired intangibles)		**Depreciation and amortisation**	
	2015 £'000	* as restated 2014 £'000	**2015 £'000**	* as restated 2014 £'000
Aerospace & Infrastructure	**2,498**	7,882	**7,074**	8,655
Communications & Security	**1,915**	4,994	**27,815**	21,890
Maritime & Land	**1,945**	4,775	**10,697**	12,484
Total	**6,358**	17,651	**45,586**	43,029

The 2015 depreciation and amortisation expense includes £34,627,000 of amortisation charges (2014: £32,202,000) and £10,959,000 of property, plant and equipment depreciation charges (2014: £10,827,000).

(d) Total assets by segment

	2015 £'000	* as restated 2014 £'000
Aerospace & Infrastructure	**233,949**	241,927
Communications & Security	**460,980**	320,390
Maritime & Land	**245,499**	238,454
	940,428	800,771
Unallocated	**61,925**	50,409
Consolidated total assets	**1,002,353**	851,180

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

1. Segment information (continued)

(e) Total liabilities by segment

	2015	* as restated 2014
	£'000	£'000
Aerospace & Infrastructure	**79,791**	99,464
Communications & Security	**71,162**	81,591
Maritime & Land	**92,573**	97,434
	243,526	278,489
Unallocated	**441,984**	269,245
Consolidated total liabilities	**685,510**	547,734

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

(f) Revenue by destination

	2015	2014
	£'000	£'000
United Kingdom	**211,641**	227,419
Continental Europe	**74,592**	70,186
Canada	**16,690**	15,051
USA	**323,883**	296,736
Rest of World	**99,480**	104,349
	726,286	713,741

(g) Other information (by geographic location)

	Non-current assets		**Total assets**		**Additions to property, plant & equipment and intangible assets (excluding acquisitions)**	
	2015	2014	**2015**	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
United Kingdom	**223,076**	221,461	**373,408**	376,744	**4,031**	9,876
USA	**341,943**	215,030	**453,780**	291,203	**1,834**	4,805
Canada	**84,238**	88,205	**105,755**	113,856	**413**	2,537
Rest of World	**3,173**	12,144	**7,485**	18,968	**80**	433
	652,430	536,840	**940,428**	800,771	**6,358**	17,651
Unallocated	**6,361**	5,611	**61,925**	50,409	**-**	-
	658,791	542,451	**1,002,353**	851,180	**6,358**	17,651

2. Additional non-statutory performance measures

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

	2015 £'000	2014 £'000
Operating profit	**66,425**	39,543
Amortisation of intangibles arising on acquisition	**30,806**	28,791
Impairment charges	**8,462**	7,355
Adjustments to contingent consideration net of acquisition related costs	**9,416**	(4,501)
S3 programme	**4,863**	-
Oman contract termination costs	**-**	46,878
Underlying operating profit	**119,972**	118,066
Profit before tax	**34,761**	21,462
Amortisation of intangibles arising on acquisition	**30,806**	28,791
Impairment charges	**8,462**	7,355
Adjustments to contingent consideration net of acquisition related costs	**9,416**	(4,501)
Unwinding of discount on provisions	**641**	1,172
Loss on fair value movements of derivatives	**3,988**	7,243
Net interest charge on defined benefit pensions	**3,041**	3,634
S3 programme	**4,863**	-
Deemed disposal of Ithra	**16,447**	-
Oman contract termination costs	**-**	46,878
Underlying profit before tax	**112,425**	112,034
Cash generated by operations	**71,339**	96,067
Purchase of property, plant and equipment	**(4,597)**	(8,362)
Proceeds on disposal of property, plant and equipment	**1,466**	55
Expenditure on product development and other intangibles	**(1,761)**	(9,289)
Dividend from equity accounted investment	**5,343**	1,619
S3 programme	**2,233**	-
Acquisition related payments	**7,291**	2,982
Underlying operating cash flow	**81,314**	83,072

The 2015 impairment charge comprises a £2,693,000 impairment of the loan balance due from the Group's associate Al Shaheen Adventure LLC following agreement to dispose of Ultra's 49% shareholding, and comprises a £5,769,000 charge to impair an intangible fixed asset impacted by the repeal of the US Patriot Act. The 2014 impairment charge was for the impairment of the goodwill relating to the Al Shaheen CGU.

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. 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.
- Material costs or reversals arising from a significant restructuring of the group's operations, such as the S3 programme, are presented separately.

2. Additional performance measures (continued)

- 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 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.

3. Deemed disposal of Ithra

On 4 March 2015, '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 meets the IFRS 10 criteria for consolidation as a subsidiary of the Group and is, consequently, a deemed disposal as at 4 March 2015.

During 2014 the full expected cost of the Oman contract termination of £46,878,000 was charged to the consolidated income statement and impacted the Group's profit for the year in 2014. The loss attributable to the Oman Investment Corporation ('OIC') non-controlling interest of £14,301,000 was credited to reserves as mandated by IFRS 10 para B94. Upon deemed disposal, the existing non-controlling interest of £13,751,000 is not permitted to be debited back against reserves, even though the cost has already been reflected in full on the face of the 2014 income statement, and is consequently recycled through the income statement, together with £2,696,000 of foreign exchange losses recorded in the translation reserve over the life of the entity. The net charge booked to exceptional Oman termination related costs in the 2015 income statement is as follows:

	2015 **£'000**	2014 £'000
Contract termination provisions	**-**	46,878
Non-controlling interest elimination	**13,751**	-
Release of translation reserve	**2,696**	-
Oman termination related costs	**16,447**	46,878

4. Investment revenue

	2015 £'000	2014 £'000
Bank interest	**190**	108
	190	108

5. Finance costs

	2015 £'000	2014 £'000
Amortisation of finance costs of debt	**649**	662
Interest payable on bank loans, overdrafts and other loans	**7,088**	5,478
Total borrowing costs	**7,737**	6,140
Retirement benefit scheme finance cost	**3,041**	3,634
Unwinding of discount on provisions	**641**	1,172
Fair value movement on derivatives	**3,988**	7,243
	15,407	18,189

6. Tax

	2015 £'000	2014 £'000
Current tax		
United Kingdom	**4,310**	8,423
Overseas	**8,815**	7,498
	13,125	15,921
Deferred tax		
Origination and reversal of temporary differences	**(6,505)**	(957)
De-recognition of deferred tax assets	**1,799**	-
UK tax rate change	**1,353**	-
	(3,353)	(957)
Total	**9,772**	14,964

7. Dividends

	2015 £'000	2014 £'000
Final dividend for the year ended 31 December 2014 of 31.1p (2013: 29.5p) per share	**21,695**	20,528
Interim dividend for the year ended 31 December 2015 of 13.8p (2014: 13.2p) per share	**9,637**	9,194
	31,332	29,722
Proposed final dividend for the year ended 31 December 2015 of 32.3p (2014: 31.1p) per share	**22,625**	21,685

The 2015 proposed final dividend of 32.3p per share is proposed to be paid on 5 May 2016 to shareholders on the register at 8 April 2016. It was approved by the Board after 31 December 2015 and has not been included as a liability as at 31 December 2015.

8. Earnings per share

	2015 Pence	2014 Pence
Basic underlying (see below)	**123.9**	123.1
Diluted underlying (see below)	**123.8**	122.8
Basic	**35.7**	29.8
Diluted	**35.6**	29.7

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

	2015 £'000	2014 £'000
Earnings		
Earnings for the purposes of earnings per share being profit for the year	**24,989**	20,799
Underlying earnings		
Profit for the year	**24,989**	20,799
Loss on fair value movements on derivatives (net of tax)	**3,180**	5,794
Amortisation of intangibles arising on acquisition (net of tax)	**21,195**	20,417
Unwinding of discount on provisions (net of tax)	**641**	1,172
Acquisition related costs net of contingent consideration (net of tax)	**8,403**	(4,960)
Net interest charge on defined benefit pensions (net of tax)	**2,425**	2,851
Impairment charges (net of tax)	**6,270**	7,355
Oman contract termination costs (net of tax)	**-**	46,878
S3 programme (net of tax)	**3,281**	-
Deemed disposal of Ithra (net of tax)	**16,447**	-
Elimination of non-underlying non-controlling interest	**-**	(14,301)
Earnings for the purposes of underlying earnings per share	**86,831**	86,005

The adjustments to profit are explained in note 2.

	2015 Number of shares	2014 Number of shares
The weighted average number of shares is given below:		
Number of shares used for basic earnings per share	**70,056,025**	69,864,755
Effect of dilutive potential ordinary shares – share options	**89,021**	158,862
Number of shares used for fully diluted earnings per share	**70,145,046**	70,023,617

	2015 £'000	2014 £'000
Underlying profit before tax	**112,425**	112,034
Tax rate applied for the purposes of underlying earnings per share	**22.77%**	23.23%

9. Goodwill

	2015	2014
	£'000	£'000
Cost		
At 1 January	**348,598**	293,988
Exchange differences	**8,627**	6,471
Recognised on acquisition of subsidiaries	**70,579**	47,601
Other changes	**362**	538
At 31 December	**428,166**	348,598
Accumulated impairment loss		
At 1 January	**(49,638)**	(41,873)
Exchange differences	**(2,643)**	(410)
Impairment of goodwill	**-**	(7,355)
Carrying amount at 31 December	**375,885**	298,960

Other changes in 2015 relate to the re-assessment of initial fair values. Other changes in 2014 relate to a deferred consideration release relating to a 2006 acquisition and a fair value adjustment relating to a 2013 acquisition.

Goodwill is allocated to the Group's Cash-Generating Units (CGUs) which comprise its individual business units. Goodwill is initially allocated, in the year a business is acquired, to CGUs expected to benefit from the acquisition. Subsequent adjustments are made to this allocation to the extent operations to which goodwill relates are transferred between CGUs. The size of a CGU varies but is never larger than a reportable operating segment. In 2015 the Group amended its internal organisation to better reflect the markets that the Group addresses so that business groupings reflect its capabilities, evolving product offerings and market-facing-segments. The market-facing-segments are; Aerospace, Infrastructure, Nuclear, Communications, C2ISR, Maritime, Land and Underwater Warfare. The reporting structure has been altered in a way that changes the composition of one or more CGUs to which goodwill has been allocated, and consequently goodwill has been reallocated to these market-facing-segments. These represent the lowest level at which the goodwill is monitored for internal management purposes. Goodwill has been allocated to CGU groupings as set out below:

	2015	2014	**2015**	*as restated 2014
	Discount rate	Discount rate	**£'000**	£'000
Aerospace	10.4%	10.8%	**32,310**	32,193
Infrastructure	10.4%	11.8%	**28,971**	29,224
Nuclear	10.4%	11.8%	**17,305**	13,685
Aerospace & Infrastructure			**78,586**	75,102
Communications	10.4-12.9%	10.8-11.8%	**87,393**	86,343
C2ISR	10.4-12.9%	10.8-12.5%	**107,524**	38,137
Communication & Security			**194,917**	124,480
Maritime	10.4%	10.8%	**31,690**	30,618
Underwater Warfare	10.4-12.9%	10.8-13.7%	**70,692**	68,760
Maritime & Land			**102,382**	99,378
Total – Ultra Electronics			**375,885**	298,960

As a result of this change in internal operation the Group has also re-assessed its reporting segments under IFRS 8. Previously results were reported as the following divisions; Aircraft & Vehicle Systems, Information & Power Systems and Tactical & Sonar Systems. They are now reported as Aerospace & Infrastructure, Communication & Security and Maritime & Land. Prior year comparatives have been restated as indicated.

9. Goodwill (continued)

The recoverable amounts of CGUs are determined from value-in-use calculations. In determining the value-in-use for each CGU, the Group prepares cash flows derived from the most recent financial budgets and strategic plan, representing the best estimate of future performance. These plans, which have been approved by the Board, include detailed financial forecasts and market analysis covering the expected development of each CGU over the next five years. The cash flows for the following ten years are also included and assume a growth rate of 2.5% per annum. Cash flows beyond that period are not included in the value-in-use calculation.

The key assumptions used in the value-in-use calculations are those regarding the discount rate, future revenues, growth rates and forecast gross margins. Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the Group, being the Weighted Average Cost of Capital (WACC). The WACC is then risk-adjusted to reflect risks specific to each business. The pre-tax discount rate used during 2015 varied between 10.4% and 12.9% (2014: 10.8% to 13.7%). Future revenues are based on orders already received, opportunities that are known and expected at the time of setting the budget and strategic plans and future growth rates. Budget and strategic plan growth rates are based on a combination of historic experience, available government spending data and management and industry expectations of the growth rates that are expected to apply in the major markets in which each CGU operates. Longer-term growth rates, applied for the ten year period after the end of the strategic planning period, are set at 2.5%. Ultra considers the long-term growth rate to be appropriate for the sectors in which it operates. Forecast gross margins reflect past experience, factor in expected efficiencies to counter inflationary pressures, and also reflect likely margins achievable in the shorter-term period of greater defence spending uncertainty.
Within each of the strategic plans a number of assumptions are made about business growth opportunities, contract wins, product development and available markets. A key assumption is that there will be continued demand for Ultra’s products and expertise from a number of US government agencies and prime contractors during the strategic plan period.

Sensitivity analysis has been performed on the value-in-use calculations to:
(i) reduce the post-2020 growth assumption from 2.5% to nil.
(ii) apply a 20% reduction to forecast operating profits in each year of the modelled cash inflows.
(iii) consider specific market factors as noted above.

Certain of these sensitivity scenarios give rise to a potential impairment in Infrastructure. Headroom, which represents the value derived from the key growth assumptions in the Infrastructure value-in-use calculations, is £7.2m. Sensitivity (ii) results in a £0.5m impairment in Infrastructure; the CGU grouping is sensitive to the ability of the remaining operations to win sufficient new customers over the medium term.

For all other CGUs, the value-in-use calculations exceed the CGU carrying values in the sensitivity scenarios.

During the prior year, the value-in-use of the Blue Sky Group CGU was lower than the carrying value of the CGU’s net operating assets and consequently an impairment charge of £7.4m was recorded in administrative expenses in 2014. Following the impairment charge, the carrying value of goodwill for the Blue Sky Group CGU was £nil. As set out in note 2, the £7.4m impairment charge was included in 2014 as part of the non-underlying operating results of the Group. Blue Sky Group is within the Aerospace & Infrastructure operating segment.

10. Inventories

	2015 £'000	2014 £'000
Raw materials and consumables	**51,561**	44,226
Work in progress	**19,598**	18,462
Finished goods and goods for resale	**10,657**	11,057
	81,816	73,745

11. Trade and other receivables

	2015 £'000	2014 £'000
Non-current:		
Trade receivables	**-**	7,279
Provision against receivables	**-**	(6,884)
Amounts due from contract customers	**15,239**	4,299
	15,239	4,694

	2015 £'000	2014 £'000
Current:		
Trade receivables	**93,016**	92,617
Provisions against receivables	**(959)**	(1,043)
Net trade receivables	**92,057**	91,574
Amounts due from contract customers	**81,617**	110,612
Provision against amounts due from contract customers	**-**	(32,249)
Net amounts due from contract customers	**81,617**	78,363
Other receivables	**9,328**	10,547
Prepayments and accrued income	**14,385**	9,702
	197,387	190,186

12. Trade and other payables

	2015 £'000	2014 £'000
Amounts included in current liabilities:		
Trade payables	**70,701**	92,855
Amounts due to contract customers	**58,104**	69,257
Other payables	**27,157**	23,924
Accruals and deferred income	**43,980**	45,918
	199,942	231,954

	2015 £'000	2014 £'000
Amounts included in non-current liabilities:		
Amounts due to contract customers	**1,625**	881
Other payables	**570**	5,607
Accruals and deferred income	**4,801**	3,024
	6,996	9,512

13. Provisions

	Warranties	Contract related provisions	Total
	£'000	£'000	£'000
At 1 January 2015	4,616	26,679	31,295
Created	1,749	4,976	6,725
Reversed	(1,151)	(3,355)	(4,506)
Utilised	(1,242)	(3,522)	(4,764)
Classified as held for sale	(227)	-	(227)
Unwinding of discount	-	641	641
Exchange differences	40	84	124
At 31 December 2015	**3,785**	**25,503**	**29,288**
Included in current liabilities	2,247	22,116	24,363
Included in non-current liabilities	1,538	3,387	4,925
	3,785	**25,503**	**29,288**

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 and provisions associated with the Oman Airport IT contract termination. 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: £514,000 of provision was utilised in the period when the 2015 Forensic Technology earn-out target was met. As at 31 December 2015 the contingent consideration provision is £3,428,000 (2014: £3,276,000), payment of which is contingent on earnings targets for the Forensic Technology and 3 Phoenix acquisitions through until December 2016, and for contingent payments relating to the ICE WheelTug certification.

14. Retirement benefit schemes

The amount included in the balance sheet arising from the Group's obligation in respect of its defined benefit retirement schemes is as follows:

	2015	2014
	£'000	£'000
Fair value of scheme assets	**237,623**	234,486
Present value of scheme liabilities	**(322,442)**	(321,749)
Scheme deficit	**(84,819)**	(87,263)
Related deferred tax asset	**15,370**	17,607
Net pension liability	**(69,449)**	(69,656)

15. Cash flow information

	2015 **£'000**	2014 £'000
Operating profit	**66,425**	39,543
Adjustments for:		
Depreciation of property, plant and equipment	**10,959**	10,827
Amortisation of intangible assets	**34,627**	32,202
Impairment charges	**8,462**	7,355
Cost of equity-settled employee share schemes	**967**	1,783
Adjustment for pension funding	**(8,015)**	(8,448)
Profit on disposal of property, plant and equipment	**(559)**	(3)
Share of loss/(profit) from associate	**581**	(1,957)
(Decrease)/increase in provisions	**(2,073)**	2,564
Operating cash flow before movements in working capital	**111,374**	83,866
Decrease/(increase) in inventories	**6,607**	(4,443)
(Increase)/decrease in receivables	**(2,261)**	73,977
Decrease in payables	**(44,381)**	(57,333)
Cash generated by operations	**71,339**	96,067
Income taxes paid	**(17,252)**	(22,899)
Interest paid	**(6,309)**	(4,451)
Net cash from operating activities	**47,778**	68,717

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

	2015 **£'000**	2014 £'000
Net increase in cash and cash equivalents	**5,916**	11,653
Cash inflow from movement in debt and finance leasing	**(157,054)**	(94,817)
Change in net debt arising from cash flows	**(151,138)**	(83,164)
Loan syndication costs	**1,347**	1,495
Amortisation of finance costs of debt	**(649)**	(662)
Other non-cash movements	**(872)**	-
Translation differences	**(14,765)**	(5,007)
Movement in net debt in the year	**(166,077)**	(87,338)
Net debt at start of year	**(129,495)**	(42,157)
Net debt at end of year	**(295,572)**	(129,495)

Net debt comprised the following:

	2015 **£'000**	2014 £'000
Cash and cash equivalents	**45,474**	41,259
Borrowings	**(341,046)**	(170,754)
	(295,572)	(129,495)

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

16. Significant acquisitions

Electronic Products Division of Kratos Defense & Security Solutions - Herley

On 21 August 2015, the Group acquired the entire share capital of the Electronic Products Division ("EPD") of Kratos Defense & Security Solutions, now known as Ultra Electronics Herley, for cash consideration of £161.5m. A further £3.2m was paid in January 2016.

Ultra Electronics Herley is a leading designer and producer of RF and microwave integrated systems and subsystems for use in EW, radar, communication, missile, flight test and simulation applications. It is a sole-source provider of proprietary technology on numerous established strategic platforms, including P-8A Poseidon, Trident II D5 missile, F-16 Fighting Falcon, Eurofighter, AMRAAM missile, and EA-18G Growler. Ultra Electronics Herley is also well-positioned for opportunities on the F-35 Joint Strike Fighter and on multiple, next-generation strategic national defence and security programmes. The company has a proven track record of more than 20 years of successful participation on major defence programmes and long-standing relationships with a diverse international customer base. Ultra Electronics Herley operates within Ultra's Communications & Security Division.

The provisional fair values of the net assets acquired are stated below:

	Book value	Revaluations	Provisional fair value
	£'000	£'000	£'000
Intangible assets	-	61,928	61,928
Property, plant and equipment	12,622	-	12,622
Cash and cash equivalents	724	-	724
Inventories	14,064	3,048	17,112
Receivables	15,777	-	15,777
Payables	(9,535)	(1,927)	(11,462)
Net assets acquired	33,652	63,049	96,701
Goodwill arising on acquisition			67,970
Purchase consideration			164,671

The goodwill arising on the acquisition is attributable to the assembled workforce of Herley, the immediate access to certain technology / know-how and US Navy programmes and the strategic premium to gain access to the Herley market niche relative to an organic entry.

Acquisition costs of £5.3m were charged to the income statement during the year.

The total goodwill on this acquisition expected to be deductible for tax is £55.5m.

17. Five-year review

* as restated	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
Revenue					
Aerospace & Infrastructure	229.3	226.6	230.4	198.6	**193.2**
Communications & Security	228.7	268.9	237.7	224.4	**239.3**
Maritime & Land	273.7	265.3	277.1	290.7	**293.8**
Total revenue	731.7	760.8	745.2	713.7	**726.3**
Underlying operating profit(1)					
Aerospace & Infrastructure	37.2	45.1	46.2	29.6	**28.7**
Communications & Security	42.8	32.9	27.5	37.0	**40.4**
Maritime & Land	41.7	43.8	48.0	51.5	**50.9**
Total underlying operating profit(1)	121.7	121.8	121.7	118.1	**120.0**
Margin(1)	16.6%	16.0%	16.3%	16.5%	**16.5%**
Profit before tax	89.1	79.8	49.3	21.5	**34.8**
Profit after tax	64.6	61.3	38.2	6.5	**25.0**
Operating cash flow(2)	133.7	89.6	79.0	83.1	**81.3**
Free cash before dividends, acquisitions and financing(3)	100.1	57.4	43.8	51.2	43.1
Net debt at year-end(4)	(46.1)	(43.0)	(42.2)	(129.5)	(295.6)
Underlying earnings per share (p)(5)	121.1	125.5	127.1	123.1	**123.9**
Dividends per share (p)	38.5	40.0	42.2	44.3	**46.1**
Average employee numbers	4,206	4,430	4,274	4,787	**4,843**

Notes:

1) Before acquisition-related costs, amortisation of intangibles arising on acquisition, the S3 programme, impairment charges and Oman contact termination and liquidation related costs.
2) Cash generated by operations, and dividends from associates less net capital expenditure, R&D and LTIP share purchases.
3) Free cash flow before dividends, acquisitions and financing has been adjusted to include the purchase of LTIP shares, which are included in financing activities.
4) Loans and overdrafts less cash and cash equivalents.
5) Before acquisition-related costs, amortisation of intangibles arising on acquisition, the S3 programme, impairment charges, fair value movement on derivative financial instruments, defined benefit pension interest charges and unwinding of discount on provisions.

* Restatement of prior year comparatives

During 2015 the Group amended its internal organisation to better reflect the markets that the Group addresses so that business groupings better reflect its capabilities, evolving product offerings and market facing segments. As a result of this change the Group has re-assessed its reporting segments under IFRS 8. Previously results were reported as Aircraft & Vehicle Systems, Information & Power Systems and Tactical & Sonar Systems, they are now reported as Aerospace & Infrastructure, Communications & Security and Maritime & Land. Prior year comparatives have been restated as indicated.

18. Financial Information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2015 or 2014, but is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the company's annual general meeting. The auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The preliminary announcement has been prepared on the basis of the accounting policies as stated in the financial statements for the year ended 31 December 2014. The company expects to publish full financial statements on 23 March 2016.

The following IFRIC interpretations, amendments to existing standards and new standards have been adopted in the current year but have not impacted the reported results or the financial position:

- Annual Improvements to IFRSs: 2011-2013 Cycle

The following standards were also adopted in the current year:

- None

Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS.

Copies of the annual report will be sent to shareholders who have elected to receive a copy of the annual report in due course and will also be available from the Company's registered office at 417 Bridport Road, Greenford, Middlesex, UB6 8UA. The report will also be available on the Company's website: www.ultra-electronics.com.