press release

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Ultra Electronics Holdings plc

("Ultra" or "the Group")

Interim Results for the six months to 30 June 2015

FINANCIAL HIGHLIGHTS

	Six months to 30 June 2015	Six months to 30 June 2014	**Change**
Revenue	**£331.7m**	£341.0m	**-2.7%**
Underlying operating profit*(1)	**£50.4m**	£53.0m	**-4.9%**
Underlying profit before tax*(2)	**£47.4m**	£50.5m	**-6.1%**
IFRS profit before tax	**£14.8m**	£45.8m	**-67.7%**
Underlying earnings per share(2)	**52.2p**	55.4p	**-5.8%**
Interim dividend per share	**13.8p**	13.2p	**+4.5%**

- First half performance in line with our expectations
- Underlying operating margin(1) of 15.2%
- US & UK government market activity subdued, reflected in order intake in first half of £310m, giving a book to bill ratio of 0.93
- Investment to support future growth maintained
  - 5.7% of revenue reinvested in R&D
  - Announcement of acquisition of EPD for US$265m
- New initiatives launched in period
  - Standardisation and Shared Services programme to create enduring savings of £20m pa
  - New segment structure reinforces market facing organisation
- Interim dividend of 13.8p, an increase of 4.5%
- Performance will be more heavily weighted to second half as previously indicated

Rakesh Sharma, Chief Executive, commented:

"The Group's first half performance is in line with our expectations and reflects a generally lower level of activity across most parts of our government related business and the expected pause in normal business given the UK and US election cycles. The uncertainty surrounding the next US fiscal budget and the potential of a Continuing Resolution in relation to Government appropriations has continued to dampen US defence revenues. Further, recent challenges to the Patriot Act are impacting revenues from our US Sotech business and, as previously advised, working capital movements and the impact of the Oman contract termination are reducing cash conversion.

The full year performance is weighted to the second half of the year and is expected to remain in line with previous guidance of a stable 2015 performance. We enter the second half with a full-year order cover of 83%, consistent with the previous year. We continue to focus our efforts on securing further long-term contracts by offering the competitive, niche capability solutions required by customers, driven through our redefined market segment approach. Investment in leading edge technology, identifying strategic acquisitions and creating sound international partnerships remain integral to our approach. Internally, we have started our standardisation initiatives to optimise efficiencies in our businesses and processes. The Board acknowledges the short-term headwinds but judges that the actions being taken should enable the Group to achieve an improved performance from 2016."

(1) before Oman contract termination and liquidation related costs, amortisation of intangibles arising on acquisitions, impairment of goodwill and adjustments to deferred consideration net of acquisition related costs. IFRS operating profit was £17.6m (2014: £48.0m). See Note 4 for reconciliation.

(2) before Oman contract termination and liquidation related costs, amortisation of intangibles arising on acquisitions, impairment of goodwill, 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 11.9p (2014: 53.3p). See Note 10 for reconciliation.

* see notes on page 2

INTERIM MANAGEMENT REPORT

FINANCIAL RESULTS

	Six months to 30 June 2015 £m	Six months to 30 June 2014 £m	Growth
Order book			
- Aerospace & Infrastructure	243.1	353.8	-31.3%
- Communications & Security	194.4	236.6	-17.8%
- Maritime & Land	324.6	286.4	+13.3%
Total order book	762.1	876.8	-13.1%
Revenue			
- Aerospace & Infrastructure	86.1	98.2	-12.3%
- Communications & Security	103.2	98.4	+4.9%
- Maritime & Land	142.4	144.4	-1.4%
Total revenue	331.7	341.0	-2.7%
Organic underlying revenue movement			-11.9%
Underlying operating profit*			
- Aerospace & Infrastructure	12.9	15.2	-15.1%
- Communications & Security	14.2	13.4	+6.0%
- Maritime & Land	23.3	24.4	-4.5%
Total underlying operating profit*	50.4	53.0	-4.9%
Organic underlying operating profit movement			-11.5%
Underlying operating margin*			
- Aerospace & Infrastructure	15.0%	15.5%	
- Communications & Security	13.8%	13.6%	
- Maritime & Land	16.4%	16.9%	
Total underlying operating margin*	15.2%	15.5%	-30bps
Finance charges*	(3.0)	(2.5)	
Underlying operating profit before tax	47.4	50.5	
Underlying operating cash flow*	15.8	42.4	-62.7%
Operating cash conversion*	31%	80%	
Net debt/EBITDA*	1.15	1.00	
Net debt* at period-end	149.9	137.8	
Bank interest cover*	16.5x	21.2x	
Underlying earnings per share*	52.2p	55.4p	-5.8%

For reporting in the former divisional format please see the appendix on page 30.

**** see notes below:***

underlying operating profit *before Oman contract termination and liquidation related costs, amortisation of intangibles arising on acquisition, impairment of goodwill and adjustments to contingent consideration net of acquisition 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 of goodwill, 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. IFRS profit before tax was £14.8m (2014: £45.8m).*
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, 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 30 June before finance costs, investment revenue, amortisation and depreciation, excluding impairments of goodwill, Oman contract termination and liquidation related costs and adjustments to contingent consideration net of acquisition 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 declined 2.7% to £331.7m (2014: £341.0m), reflecting a generally lower level of activity across most parts of government related business. Revenue decreased organically by 11.9%, primarily owing to the difficult US defence market, and the decline also included the 4.1% impact of the early termination of the Oman contract. Exchange rate movements increased revenue by 4.1%, while acquisitions contributed over 5%.

Underlying operating profit* was £50.4m (2014: £53.0m). Profit decreased organically by 11.5%, offset by a 2.5% contribution from acquisitions and 4.1% contribution from foreign exchange. The resulting underlying operating margin* was 15.2% (2014: 15.5%).

Underlying profit before tax* decreased to £47.4m (2014: £50.5m), after net financing charges* of £3.0m (2014: £2.5m).

The Group's underlying tax* rate in the period was 22.8% (2014: 23.8%) and the decrease in underlying earnings per share was 5.8% to 52.2p (2014: 55.4p).

Reported (IFRS) profit before tax was £14.8m (2014: £45.8m) and reflected the combined effects of the elements detailed below:

All £m	**2015 H1**	2014 H1
Underlying profit before tax	**47.4**	50.5
Amortisation of intangibles arising on acquisition	**(13.7)**	(12.2)
Deemed disposal of Ithra	**(16.5)**	-
Profit on fair value movements on derivatives	**2.3**	3.0
Acquisition-related adjustments	**(2.6)**	7.2
Unwinding of discount on provisions	**(0.3)**	(0.8)
Net interest charge on defined benefit pensions	**(1.8)**	(1.9)
Reported profit before tax	**14.8**	45.8

Operating cash conversion* was 31% (2014: 80%) with the operating cash flow* of £15.8m (2014: £42.4m) reflecting the expected Oman impact and other working capital movements. It is anticipated that cash conversion will improve towards more normal levels during the second half of the year. At the end of the period Ultra had net debt* of £149.9m (2014: £137.8m). The Group's balance sheet remains strong, with net debt/EBITDA* of 1.15x and net interest payable on borrowings covered around 17 times by underlying operating profit*.

Subsequent to the period end, 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.

The deemed disposal of Ithra results 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 contract.

The proposed interim dividend is 13.8p, an increase of 4.5%, with the dividend being covered 3.8 times (2014: 4.2 times) by underlying earnings per share. If approved, the dividend will be paid on 25 September 2015 to shareholders on the register on 28 August 2015.

The order book at the end of the period was £762.1m (2014: £876.8m). Excluding the removal of £92.5m of orders relating to the Oman Airport IT contract and the impact of exchange, the underlying reduction is 4%. New orders came from a range of market segments, providing a book to bill ratio for the period of 0.93. Order book cover for 2015 remains strong at 83%.

Ultra continues to invest in new product and business development, sustaining spending at its

* see notes on page 2

customary high levels. Internal investment in the period was 5.7% of revenue at £18.8m (2014: £19.8m). Of this, £1.5m of investment was capitalised on specific long term programmes.

OPERATIONAL REVIEW

The three new divisions each comprise the following businesses:

Aerospace & Infrastructure	Communications & Security	Maritime & Land
Airport Systems	3eTI	3 Phoenix
Controls	Advanced Tactical Systems	Avalon Systems
Nuclear Control Systems	Communication & Integrated Systems	Command & Control Systems
Nuclear Sensors & Process Instrumentation	Forensic Technology	EMS
Precision Air & Land Systems	GigaSat	Flightline Systems
	ID	Maritime Systems
	ProLogic/Sotech	Ocean Systems
	TCS	PMES
		Sonar Systems
		USSI

Aerospace & Infrastructure

Revenue in Aerospace & Infrastructure decreased by 12% to £86.1m (2014: £98.2m) and underlying operating profit decreased by 15% to £12.9m (2014: £15.2m). The order book decreased by 31% to £243.1m (2014: £353.8m) largely reflecting the removal of the Oman Airport IT order.

The £12m reduction in revenue from the same period in the prior year primarily reflects the termination of the Oman contract. The general lower level of activity in government spending was reflected in a reduction in aftermarket sales and the timing of JSF controller deliveries. Further, pressures being experienced by EDF across the UK reactor fleet impacted revenue in our UK nuclear business. Against this, there were revenue contributions from the acquisitions of ICE Corporation and Lab Impex Systems in the prior year.

Following the securing of a number of new orders to develop products for the commercial aerospace sector, R&D investment increased in the period. However, there was a contribution from acquisitions and margin was also impacted by the termination of the Oman contract, on which no profit was recognised in the prior year. As a result the divisional margin was 15.0% (2014: 15.5%).

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

- Development contracts for the landing gear control unit and nose steering wheel system on the MA700 aircraft

- An award to complete an IT upgrade at Orange County Airport, USA

- Completion of a fully self-sufficient test facility for supplying neutron flux detectors

Communications & Security

Revenue in Communications & Security increased by 5% to £103.2m (2014: £98.4m). Underlying operating profit increased by 6% to £14.2m (2014: £13.4m). The divisional margin was 13.8% (2014: 13.6%). The order book at the end of the period was reduced by 18% to £194.4m (2014: £236.6m).

Revenues benefited from the acquisition of Forensic Technology in the prior year, an increase in revenue from the ECU RP programme which is now in its production phase and an increase in security and surveillance sales. There was also a positive contribution from foreign exchange. The general slowdown in our US defence procurement, together with the loss of domestic revenues from our Sotech business largely offset these positive movements.

The reduction in the high-margin Sotech revenue, together with restructuring costs to address its market challenges, was offset by an increase in margin in our ECU RP programme as well as the benefits of prior year restructuring.

The order book decline reflected the reduction in US contract placement over the last twelve months 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:

- Continued support for Air Defense Systems Integrator (ADSI) software resulting in orders of $15m in June

- Recurring maintenance contracts from the Bureau of Alcohol, Tobacco, Firearms and Explosives for our law enforcement products

- Contract award for test equipment for an Ethiopian digital television service worth £6m

Maritime & Land

Revenue in Maritime & Land decreased slightly to £142.4m (2014: £144.4m). The division's underlying operating profit decreased by 5% to £23.3m (2014: £24.4m). The order book increased by 13% to £324.6m (2014: £286.4m).

This division continues to benefit from the 'pivot to the Pacific', with increased sales from our Australian and US maritime businesses. There was also a contribution from the prior year acquisition of 3 Phoenix as well as foreign exchange. Against this was the general impact of the lower level of activity on our defence businesses, together with a reduction in revenue owing to the phasing of milestones on the Fatahillah programme.

Margins at 16.4% (2014: 16.9%) were impacted by the release of some contract risk reserve in the prior year comparative, and the product mix within our sonobuoy businesses.

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

- Award of an £18m contract from the MoD to supply sonobuoys for the Royal Navy's Merlin Maritime Patrol Helicopter
- Successful, collaborative partnership with Rolls Royce resulting in an £18m contract relating to the design and development of reactor control and cooling systems for Royal Navy submarines
- Contract worth AUD$11m from the Royal Australian Navy for Countermeasures

MARKET ENVIRONMENT

In the US, as elsewhere, there is growing recognition that the global security environment is as uncertain and unpredictable as at any time since the Cold War. Defence and security forces must expect to respond to numerous demands over several theatres simultaneously. While budget pressures and uncertainties remain, spending to preserve military advantage, deliver ISTAR[1] and

[1] ISTAR – Intelligence, Surveillance, Targeting and Reconnaissance

support multiple, medium-scale access and intervention operations will receive priority. Otherwise resource will be applied to life extension and upgrade of existing equipment, as well as more comprehensive solutions. Increased global insecurity will improve demand for border security, critical infrastructure protection and cyber-security solutions, especially in vulnerable regions.

Aerospace (19% of 2015 H1 Group revenue) - In the large civil aircraft market record backlogs at Airbus and Boeing will generate Ultra revenue growth through developed positions on aircraft now delivering to market. Future development will see some consolidation of supply and increased competition from COMAC[2]. 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[3] and ice protection.

Infrastructure (3% of 2015 H1 Group revenue) - As airport passenger processing becomes increasingly commoditised and passenger self-management more common, there is a greater focus and demand for integrated systems and database management that covers the whole airport enterprise. DC rail substation and transformer upgrades in the UK offer Ultra opportunities but these electrification programmes are likely to be delayed.

Nuclear (6% of 2015 H1 Group revenue) – While funding difficulties have slowed the new-build, nuclear power plant programme in the West, Ultra’s specialist sensors and design capability is well-positioned in this market and on the strong China build programme (56% of new construction). 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 highly regulated market are high.

Communications (14% of 2015 H1 Group revenue) - In the UK and US the defence encryption markets have stalled with greater reliance on commercial solutions and fewer platforms. Opportunities remain in remote and automatic key-management. Tactical communications and data link demand is suppressed as UK and US land forces consolidate but export markets remain attractive for light, mobile, high-bandwidth, software-defined radios and tactical data link systems.

C2ISR (25% of 2015 H1 Group revenue) – The increased threat is driving demand for ISTAR, particularly unmanned and remote systems. 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. Where legal constraints allow, Legal Intercept demand remains high against rapidly evolving commercial communications. Command & Control (C2) solutions require overlay with existing sensors and systems to compete effectively.

Underwater Warfare (25% of 2015 H1 Group revenue) – High global investment in modern, quiet conventional submarines is 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.

Maritime (5% of 2015 H1 Group revenue) - While the number of new maritime platforms is reducing and existing programmes are being stretched, long-term submarine programmes in the US and UK provide the Group with a sound revenue platform. Opportunities for small ship refits and capability upgrades in overseas markets are an increasingly attractive alternative source of orders.

Land (3% of 2015 H1 Group revenue) - Major new investments have been curtailed or cancelled as Army budgets have reduced. However, there is opportunity in upgrade and life extension programmes. The Group has developed a sound position in vehicle electrical architectures and power management, in both core and export markets.

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[2] Commercial Aircraft Corporation of China
[3] HUMS – Health Usage Monitoring Systems

RISKS AND UNCERTAINTIES

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance in 2015 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 2014. 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 60% 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. 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.

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:

- Cyber-attack
- Changing market environment
- Execution of major contracts
- Pensions
- Business Control (e.g. US Proxy Board)
- Currency fluctuations
- Major geopolitical crisis
- Sustaining product differentiation
- Material legal /regulatory breach
- Staff retention

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

The Group's first half performance is in line with our expectations and reflects a generally lower level of activity across most parts of our government related business and the expected pause in normal business given the UK and US election cycles. The uncertainty surrounding the next US fiscal budget and the potential of a Continuing Resolution in relation to Government appropriations has continued to dampen US defence revenues. Further, recent challenges to the Patriot Act are impacting revenues from our US Sotech business and as previously advised, working capital movements and the impact of the Oman contract termination are reducing cash conversion.

The full year performance is weighted to the second half of the year and is expected to remain in line with previous guidance of a stable 2015 performance. We enter the second half with a full-year order cover of 83%, consistent with the previous year. We continue to focus our efforts on securing further long-term contracts by offering the competitive, niche capability solutions required by customers, driven through our redefined market segment approach. Investment in leading edge technology, identifying strategic acquisitions and creating sound international partnerships remain integral to our approach. Internally, we have started our standardisation initiatives to optimise efficiencies in our businesses and processes. The Board acknowledges the short-term headwinds but judges that the actions being taken should enable the Group to achieve an improved performance from 2016.

- End –

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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
Financial Highlights
for the half-year ended 30 June 2015

	Six months to 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Revenue	**331,709**	340,953	713,741
Underlying operating profit	**50,400**	53,007	118,066
Operating profit	**17,598**	47,998	39,543
Underlying profit before tax	**47,351**	50,512	112,034
Profit before tax	**14,750**	45,845	21,462
Underlying earnings per share (pence)	**52.2**	55.4	123.1
Basic earnings per share (pence)	**11.9**	53.3	29.8
Dividend per share (pence)	**13.8**	13.2	44.3

Ultra Electronics Holdings plc
Condensed Consolidated Income Statement
for the half-year ended 30 June 2015

	Note	**Six months to 30 June 2015 £'000**	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Revenue	3	**331,709**	340,953	713,741
Cost of sales		**(234,760)**	(246,157)	(494,294)
Gross profit		**96,949**	94,796	219,447
Other operating income		**642**	7	4,748
Distribution costs		**(449)**	(521)	(1,893)
Administrative expenses		**(60,437)**	(53,980)	(137,698)
Share of (loss)/profit from associate		**(200)**	1,301	1,957
Other operating expenses		**(1,359)**	(1,969)	(1,149)
Contingent consideration (cost)/release	3	**(1,101)**	8,364	8,364
Impairment of goodwill		**-**	-	(7,355)
Deemed disposal of Ithra	5	**(16,447)**	-	-
Oman contract termination costs	5	**-**	-	(46,878)
Operating Profit	3	**17,598**	47,998	39,543
Investment revenue	6	**2,372**	3,082	108
Finance costs	7	**(5,220)**	(5,235)	(18,189)
Profit before tax		**14,750**	45,845	21,462
Tax	8	**(6,409)**	(8,802)	(14,964)
Profit for the period		**8,341**	37,043	6,498
Attributable to:				
Owners of the Company		**8,341**	37,125	20,799
Non-controlling interests		**-**	(82)	(14,301)
Earnings per ordinary share (pence)				
Basic	10	**11.9**	53.3	29.8
Diluted	10	**11.9**	53.2	29.7

All results are derived from continuing operations.

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 30 June 2015

	Six months to 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Profit for the period	**8,341**	37,043	6,498
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit pension schemes	**-**	-	(5,704)
Tax relating to items that will not be reclassified	**-**	-	1,299
Total items that will not be reclassified to profit or loss	**-**	-	(4,405)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	**(10,001)**	(7,162)	10,974
Reclassification of exchange differences on deemed disposal of Ithra	**2,696**	-	-
Gain/(loss) on net investment hedges	**592**	2,078	(4,161)
Tax relating to items that may be reclassified	**-**	-	(804)
Total items that may be reclassified to profit or loss	**(6,713)**	(5,084)	6,009
Other comprehensive income for the period	**(6,713)**	(5,084)	1,604
Total comprehensive income for the period	**1,628**	31,959	8,102
Attributable to:			
Owners of the Company	**1,756**	32,041	22,407
Non-controlling interests	**(128)**	(82)	(14,305)

Ultra Electronics Holdings plc
Condensed Consolidated Balance Sheet
as at 30 June 2015

	Note	**At 30 June 2015 £'000**	At 30 June 2014 £'000	At 31 December 2014 £'000
Non-current assets				
Goodwill		**295,596**	318,218	298,960
Other intangible assets		**146,715**	140,487	162,512
Property, plant and equipment	11	**59,230**	63,108	62,569
Interest in associate		**7,849**	8,383	8,105
Deferred tax assets		**6,568**	7,483	4,494
Derivative financial instruments	18	**2,089**	4,624	1,117
Trade and other receivables	12	**13,088**	8,064	4,694
		531,135	550,367	542,451
Current assets				
Inventories		**76,108**	64,417	73,745
Trade and other receivables	12	**160,104**	233,533	190,186
Tax assets		**2,250**	-	1,814
Cash and cash equivalents		**41,881**	46,095	41,259
Derivative financial instruments	18	**2,529**	5,290	1,725
		282,872	349,335	308,729
Total assets	3	**814,007**	899,702	851,180
Current liabilities				
Trade and other payables	13	**(184,703)**	(255,935)	(231,954)
Tax liabilities		**(8,903)**	(14,369)	(7,166)
Derivative financial instruments	18	**(1,815)**	(296)	(1,920)
Obligations under finance leases		**-**	(23)	-
Short-term provisions	14	**(23,203)**	(8,793)	(27,105)
		(218,624)	(279,416)	(268,145)
Non-current liabilities				
Retirement benefit obligations		**(85,249)**	(84,030)	(87,263)
Other payables	13	**(6,589)**	(8,158)	(9,512)
Deferred tax liabilities		**(5,374)**	(113)	(6,192)
Derivative financial instruments	18	**(1,243)**	(89)	(1,678)
Obligations under finance leases		**-**	(8)	-
Borrowings		**(191,797)**	(183,842)	(170,754)
Long-term provisions	14	**(5,367)**	(9,710)	(4,190)
		(295,619)	(285,950)	(279,589)
Total liabilities	3	**(514,243)**	(565,366)	(547,734)
Net assets		**299,764**	334,336	303,446
Equity				
Share capital	15	**3,503**	3,493	3,498
Share premium account		**57,695**	54,686	56,131
Own shares		**(2,581)**	(2,581)	(2,581)
Hedging reserve		**(12,738)**	(7,091)	(13,330)
Translation reserve		**20,042**	9,109	27,219
Retained earnings		**233,843**	276,151	246,132
Total equity attributable to equity holders of the parent		**299,764**	333,767	317,069
Non-controlling interest		**-**	569	(13,623)
Total equity		**299,764**	334,336	303,446

Ultra Electronics Holdings plc
Condensed Consolidated Cash Flow Statement
for the half-year ended 30 June 2015

	Note	**Six months to 30 June 2015 £'000**	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Net cash inflow from operating activities	16	**7,896**	35,290	68,717
Investing activities				
Interest received		**56**	40	108
Dividends received from equity accounted investments		**-**	-	1,619
Purchase of property, plant and equipment		**(1,975)**	(5,057)	(8,362)
Proceeds from disposal of property, plant and equipment		**-**	-	55
Expenditure on product development and other intangibles		**(1,957)**	(3,822)	(9,289)
Acquisition of subsidiary undertakings		**(3,250)**	(109,802)	(111,285)
Net cash acquired with subsidiary undertakings		**-**	6,733	6,737
Net cash used in investing activities		**(7,126)**	(111,908)	(120,417)
Financing activities				
Issue of share capital		**1,569**	781	2,231
Dividends paid		**(21,695)**	(20,530)	(29,722)
Funding from government loans		**869**	415	687
Loan syndication costs		**-**	-	(1,495)
Repayments of borrowings		**(50,000)**	(45,979)	(68,331)
Proceeds from borrowings		**71,000**	158,473	161,700
Increase in loan to associate		**-**	-	(1,654)
Repayment of obligations under finance leases		**-**	(32)	(63)
Net cash used in financing activities		**1,743**	93,128	63,353
Net increase in cash and cash equivalents		**2,513**	16,510	11,653
Cash and cash equivalents at beginning of period		**41,259**	30,570	30,570
Effect of foreign exchange rate changes		**(1,891)**	(985)	(964)
Cash and cash equivalents at end of period		**41,881**	46,095	41,259

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity
for the half-year ended 30 June 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	-	-	-	-	-	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 half-year ended 30 June 2014

	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 2014	**3,490**	**53,908**	**(2,581)**	**(9,169)**	**16,240**	**258,609**	**682**	**321,179**
Profit for the period	-	-	-	-	-	37,125	(82)	37,043
Other comprehensive income for the period	-	-	-	2,078	(7,131)	-	(31)	(5,084)
Total comprehensive income for the period	**-**	**-**	**-**	**2,078**	**(7,131)**	**37,125**	**(113)**	**31,959**
Equity-settled employee share schemes	3	778	-	-	-	947	-	1,728
Dividend to shareholders	-	-	-	-	-	(20,530)	-	(20,530)
Balance at 30 June 2014	**3,493**	**54,686**	**(2,581)**	**(7,091)**	**9,109**	**276,151**	**569**	**334,336**

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity (continued)
for the year ended 31 December 2014

	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 2014	**3,490**	**53,908**	**(2,581)**	**(9,169)**	**16,240**	**258,609**	**682**	**321,179**
Profit for the period	-	-	-	-	-	20,799	(14,301)	6,498
Other comprehensive income for the period	-	-	-	(4,161)	10,979	(5,210)	(4)	1,604
Total comprehensive income for the period	**-**	**-**	**-**	**(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. General information

The information for the year ended 31 December 2014 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 31 July 2015, 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, except as described below.

The following Standards and interpretations were adopted as at 1 January 2015:
- Annual Improvements to IFRSs: 2011-2013 Cycle

The implementation of these standards has not impacted the Group's financial position or performance.

3. Segment information

	Six months to 30 June 2015			Six months to 30 June 2014		
	External revenue £'000	**Internal revenue £'000**	**Total £'000**	External revenue £'000	Internal revenue £'000	Total £'000
Revenue						
Aerospace & Infrastructure	**86,061**	**4,132**	**90,193**	98,137	6,774	104,911
Communications & Security	**103,238**	**725**	**103,963**	98,416	2,245	100,661
Maritime & Land	**142,410**	**9,181**	**151,591**	144,400	8,014	152,414
Eliminations	**-**	**(14,038)**	**(14,038)**	-	(17,033)	(17,033)
Consolidated revenue	**331,709**	**-**	**331,709**	340,953	-	340,953

3. Segment information (continued)

	Aerospace & Infrastructure £'000	Communications & Security £'000	Maritime & Land £'000	Six months to 30 June 2015 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)**
Deemed disposal of Ithra	**(16,447)**	**-**	**-**	**(16,447)**
Adjustments to deferred consideration net of acquisition related costs	**(5)**	**(2,611)**	**-**	**(2,616)**
Operating profit/(loss)	**(5,599)**	**4,456**	**18,741**	**17,598**
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	Six months to 30 June 2014 * as restated Total £'000
Underlying operating profit	15,215	13,349	24,443	53,007
Amortisation of intangibles arising on acquisition	(1,909)	(6,918)	(3,379)	(12,206)
Adjustments to deferred consideration net of acquisition related costs ^	(145)	7,629	(287)	7,197
Operating profit	13,161	14,060	20,777	47,998
Investment revenue				3,082
Finance costs				(5,235)
Profit before tax				45,845
Tax				(8,802)
Profit after tax				37,043

^ 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.

	Aerospace & Infrastructure £'000	Communications & Security £'000	Maritime & Land £'000	Year to 31 December 2014 * as restated Total £'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 of goodwill	(7,355)	-	-	(7,355)
Operating profit/(loss)	(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

* see page 21

3. Segment information (continued)

	At 30 June 2015 **£'000**	At 30 June 2014 * as restated £'000	At 31 December 2014 * as restated £'000
Total assets by segment			
Aerospace & Infrastructure	**221,550**	282,972	241,927
Communications & Security	**294,544**	310,803	320,390
Maritime & Land	**242,596**	242,435	238,454
	758,690	836,210	800,771
Unallocated	**55,317**	63,492	50,409
Total assets	**814,007**	899,702	851,180

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

	At 30 June 2015 **£'000**	At 30 June 2014 * as restated £'000	At 31 December 2014 * as restated £'000
Total liabilities by segment			
Aerospace & Infrastructure	**72,981**	100,392	99,464
Communications & Security	**71,176**	97,450	81,591
Maritime & Land	**81,648**	89,287	97,434
	225,805	287,129	278,489
Unallocated	**288,438**	278,237	269,245
Total liabilities	**514,243**	565,366	547,734

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

	Six months to 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Revenue by geographical destination			
United Kingdom	**101,609**	110,604	227,419
Continental Europe	**34,986**	25,889	70,186
Canada	**7,468**	7,169	15,051
USA	**137,094**	139,298	296,736
Rest of World	**50,552**	57,993	104,349
	331,709	340,953	713,741

***** Reporting segment restatement

During the period 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. Whereas previously results were reported as Aircraft & Vehicle Systems, Information & Power Systems and Tactical & Sonar Systems they will now be reported as Aerospace & Infrastructure, Communication & Security and Maritime & Land. Prior period comparatives have been restated as indicated. Pro-forma results have also been presented under the former divisional format and can be found in the appendix on page 30.

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 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Operating profit	**17,598**	47,998	39,543
Amortisation of intangibles arising on acquisition	**13,739**	12,206	28,791
Impairment of goodwill	**-**	-	7,355
Adjustments to contingent consideration net of acquisition related costs	**2,616**	(7,197)	(4,501)
Deemed disposal of Ithra	**16,447**	-	-
Oman contract termination costs	**-**	-	46,878
Underlying operating profit	**50,400**	53,007	118,066
Profit before tax	**14,750**	45,845	21,462
Amortisation of intangibles arising on acquisition	**13,739**	12,206	28,791
Impairment of goodwill	**-**	-	7,355
Adjustments to contingent consideration net of acquisition related costs	**2,616**	(7,197)	(4,501)
Unwinding of discount on provisions	**315**	799	1,172
(Profit)/loss on fair value movements on derivatives	**(2,316)**	(3,042)	7,243
Net interest charge on defined benefit pensions	**1,800**	1,901	3,634
Deemed disposal of Ithra	**16,447**	-	-
Oman contract termination costs	**-**	-	46,878
Underlying profit before tax	**47,351**	50,512	112,034
Cash generated by operations (see note 16)	**19,151**	50,255	96,067
Purchase of property, plant and equipment	**(1,975)**	(5,057)	(8,362)
Proceeds on disposal of property, plant and equipment	**-**	-	55
Expenditure on product development and other intangibles	**(1,957)**	(3,822)	(9,289)
Dividend from equity accounted investment	**-**	-	1,619
Acquisition related payments	**599**	1,008	2,982
Operating cash flow	**15,818**	42,384	83,072

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 20 for further details.

5. 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:

	Six months to 30 June 2015 £’000	Six months to 30 June 2014 £’000	Year to 31 December 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

6. Investment revenue

	Six months to 30 June 2015 £’000	Six months to 30 June 2014 £’000	Year to 31 December 2014 £’000
Bank interest	**56**	40	108
Fair value movement on derivatives	**2,316**	3,042	-
	2,372	3,082	108

7. Finance costs

	Six months to 30 June 2015 £’000	Six months to 30 June 2014 £’000	Year to 31 December 2014 £’000
Amortisation of finance costs of debt	**255**	167	662
Interest payable on bank loans, overdrafts and other loans	**2,850**	2,364	5,478
Interest payable on finance leases	**-**	4	-
Total borrowing costs	**3,105**	2,535	6,140
Retirement benefit scheme finance cost	**1,800**	1,901	3,634
Unwinding of discount on provisions	**315**	799	1,172
Fair value movement on derivatives	**-**	-	7,243
	5,220	5,235	18,189

8. Tax

	Six months to 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Current tax			
United Kingdom	**3,486**	6,602	8,423
Overseas	**4,565**	2,987	7,498
	8,051	9,589	15,921
Deferred tax			
United Kingdom	**(1,026)**	(792)	(776)
Overseas	**(616)**	5	(181)
	(1,642)	(787)	(957)
Total tax charge	**6,409**	8,802	14,964

The main rate of UK corporation tax reduced from 21% to 20% from 1 April 2015. UK deferred tax balances have been calculated at 20% as the rate reduction was enacted before the balance sheet date.

9. Ordinary dividends

	Six months to 30 June 2015 £'000	Six months to 30 June 2014 £'000
Final dividend for the year ended 31 December 2014 of 31.1p (2013: 29.5p) per share	**21,695**	20,528
Proposed interim dividend for the year ended 31 December 2015 of 13.8p (2014: 13.2p) per share	**9,636**	9,194

The interim 2015 dividend of 13.8 pence per share will be paid on 25 September 2015 to shareholders on the register at 28 August 2015. It was approved by the Board after 30 June 2015 and has not been included as a liability at 30 June 2015.

10. Earnings per share

	Six months to 30 June 2015	Six months to 30 June 2014	Year to 31 December 2014
	Pence	Pence	Pence
From continuing operations			
Basic underlying (see below)	**52.2**	55.4	123.1
Diluted underlying (see below)	**52.2**	55.3	122.8
Basic	**11.9**	53.3	29.8
Diluted	**11.9**	53.2	29.7

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

	Six months To 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Earnings			
Earnings for the purposes of earnings per share being profit for the period	**8,341**	37,125	20,799
Underlying earnings			
Profit for the period	**8,341**	37,125	20,799
(Profit)/loss on fair value movements on derivatives (net of tax)	**(1,853)**	(2,434)	5,794
Amortisation of intangibles arising on acquisition (net of tax)	**9,848**	8,793	20,417
Unwinding of discount on provisions	**251**	799	1,172
Acquisition related costs net of contingent consideration (net of tax)	**2,086**	(7,197)	(4,960)
Net interest charge on defined benefit pensions (net of tax)	**1,436**	1,492	2,851
Impairment of goodwill (net of tax)	**-**	-	7,355
Oman contract termination costs (net of tax)	**-**	-	46,878
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	**36,556**	38,578	86,005

The weighted average number of shares is given below:

	Six months to 30 June 2015	Six months to 30 June 2014	Year to 31 December 2014
Number of shares used for basic earnings per share	**69,979,021**	69,603,845	69,864,755
Number of shares deemed to be issued at nil consideration following exercise of share options	**93,858**	191,340	158,862
Number of shares used for fully diluted earnings per share	**70,072,879**	69,795,185	70,023,617

	Six months to 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Underlying profit before tax	**47,351**	50,512	112,034
Taxation charge on underlying profit	**(10,795)**	(12,016)	(26,029)
Non-controlling interest	**-**	82	-
Underlying profit after tax attributable to equity shareholders	**36,556**	38,578	86,005
Tax rate applied for the purposes of underlying earnings per share	**22.8%**	23.8%	23.23%

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 30 June 2015 £'000	At 30 June 2014 £'000	At 31 December 2014 £'000
Trade receivables	**147**	5,790	7,279
Provision against receivables	**-**	-	(6,884)
Amounts due from contract customers	**12,941**	2,274	4,299
	13,088	8,064	4,694

Current	At 30 June 2015 £'000	At 30 June 2014 £'000	At 31 December 2014 £'000
Trade receivables	**66,779**	72,752	92,617
Provisions against receivables	**(1,440)**	(908)	(1,043)
Net trade receivables	**65,339**	71,844	91,574
Amounts due from contract customers	**71,919**	124,536	110,612
Provision against amounts due from contract customers	**-**	-	(32,249)
Net amounts due from contract customers	**71,919**	124,536	78,363
Prepayments & other receivables	**22,846**	37,153	20,249
	160,104	233,533	190,186

13. Trade and other payables

	At 30 June 2015 £'000	At 30 June 2014 £'000	At 31 December 2014 £'000
Amounts included in current liabilities:			
Trade payables	**67,615**	89,884	92,855
Amounts due to contract customers	**65,930**	107,097	69,257
Other payables	**51,158**	58,954	69,842
	184,703	255,935	231,954
Amounts included in non-current liabilities:			
Amounts due to contract customers	**844**	-	881
Other payables	**5,745**	8,158	8,631
	6,589	8,158	9,512

14. Provisions

	Warranty £'000	Contractual £'000	Total £'000
At 30 June 2014	5,550	12,953	18,503
At 31 December 2014	4,616	26,679	31,295
At 30 June 2015	**4,371**	**24,199**	**28,570**
Included in current liabilities	2,147	21,056	23,203
Included in non-current liabilities	2,224	3,143	5,367
	4,371	**24,199**	**28,570**

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 30 June 2015 the contingent consideration provision is £3,007,000 (2014: £3,028,000), 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.

15. Share capital

102,637 shares, with a nominal value of £5,135 have been allotted in the first six months of 2015 under the terms of the Group's various share option schemes. The aggregate consideration received by the Company was £1,569,000.

16. Cash flow information

	Six months to 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Operating profit	**17,598**	47,998	39,543
Adjustments for:			
Depreciation of property, plant and equipment	**4,938**	5,309	10,827
Amortisation of intangible assets	**15,560**	13,735	32,202
Impairment of goodwill	**-**	-	7,355
Deemed disposal of Ithra	**16,447**	-	-
Cost of equity-settled employee share schemes	**1,065**	947	1,783
Adjustment for pension funding	**(3,814)**	(3,948)	(8,448)
Loss/(profit) on disposal of property, plant and equipment	**12**	-	(3)
Share of loss/(profit) of associate	**200**	(1,301)	(1,957)
(Decrease)/increase in provisions	**(2,376)**	(9,360)	2,564
Operating cash flow before movements in working capital	**49,630**	53,380	83,866
(Increase)/decrease in inventories	**(3,866)**	261	(4,443)
Decrease/(increase) in receivables	**19,768**	24,012	73,977
Decrease in payables	**(46,381)**	(27,398)	(57,333)
Cash generated by operations	**19,151**	50,255	96,067
Income taxes paid	**(8,181)**	(12,692)	(22,899)
Interest paid	**(3,074)**	(2,273)	(4,451)
Net cash inflow from operating activities	**7,896**	35,290	68,717

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

	Six months to 30 June 2015 £'000	Six months to 30 June 2014 £'000	Year to 31 December 2014 £'000
Net increase in cash and cash equivalents	**2,513**	16,510	11,653
Cash (inflow)/outflow from (increase)/decrease in debt and finance leasing	**(21,869)**	(112,877)	(94,817)
Change in net debt arising from cash flows	**(19,356)**	(96,367)	(83,164)
Loan syndication costs	**-**	-	1,495
Amortisation of finance costs of debt	**(255)**	(167)	(662)
Translation differences	**(810)**	913	(5,007)
Movement in net debt in the period	**(20,421)**	(95,621)	(87,338)
Net debt at start of period	**(129,495)**	(42,157)	(42,157)
Net debt at end of period	**(149,916)**	(137,778)	(129,495)

Net debt comprised the following:

	At 30 June 2015 £'000	At 30 June 2014 £'000	At 31 December 2014 £'000
Cash and cash equivalents	**41,881**	46,095	41,259
Borrowings	**(191,797)**	(183,842)	(170,754)
Obligations under finance leases	**-**	(31)	-
	(149,916)	(137,778)	(129,495)

17. Going Concern

Subsequent to the period end, the Group extended the expiry date of its existing £100 million revolving credit from December 2017 to August 2019.

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 30 June 2015 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 30 June 2015 £'000	At 30 June 2014 £'000	At 31 December 2014 £'000
Financial assets:			
Derivatives used for hedging	**4,618**	9,914	2,842
Total	**4,618**	9,914	2,842
Financial liabilities:			
Derivatives used for hedging	**(3,058)**	(385)	(3,598)
Total	**(3,058)**	(385)	(3,598)

19. Acquisitions

Electronic Products Division of Kratos Defense & Security Solutions

On 1 June 2015, the Group announced that it had agreed to acquire the Electronic Products Division ("EPD") of Kratos Defense & Security Solutions for a cash consideration of up to $265m. The transaction remains subject inter alia to US regulatory approvals. Assuming satisfaction of all closing conditions and approvals, the transaction is expected to close in the third quarter of 2015. Under the terms of the acquisition, Ultra will pay $260m in cash at closing, and up to another $5m in cash expected to be paid over the next 12 months. The acquisition will be financed using the Group's existing facilities and a new 4 year Term Loan provided by four banks from Ultra's existing core banking group.

20. Other matters

Seasonality

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

Related party transactions

At 30 June 2015, a loan of £2,409,000 (30 June 2014: £625,000) was due from Al Shaheen Adventure LLC (ASA), the Group's 49% equity accounted investment. During the period repayments of £nil were received in respect of this loan. A small amount of trading also occurs with ASA, in the normal course of business and on an arm's length basis. Balances are settled on normal trade terms and the amounts outstanding at 30 June 2015 were insignificant.

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

20. 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.
- Material costs or reversals arising from a significant restructuring of the Group's operations are presented separately.
- Disposals of entities or investments in associates or joint ventures.
- The amortisation of intangible assets arising on acquisitions and impairment of goodwill 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.

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	Mary Waldner
Chief Executive	Group Finance Director
31 July 2015	

Appendix

As set out in note 3 of the Interim Results for the six months to 30 June 2015, the pro-forma results for the Group presented under the former divisional format are set out as follows:

	Six months to 30 June 2015 £m	Six months to 30 June 2014 Restated† £m	Growth
Order book			
- Aircraft & Vehicle Systems	140.4	166.7	-15.8%
- Information & Power Systems	204.2	271.0	-24.6%
- Tactical & Sonar Systems	417.5	439.1	-4.9%
Total order book	762.1	876.8	-13.1%
Revenue			
- Aircraft & Vehicle Systems	67.6	64.6	+4.6%
- Information & Power Systems	79.5	106.9	-25.6%
- Tactical & Sonar Systems	184.6	169.5	+8.9%
Total revenue	331.7	341.0	-2.7%
Underlying operating profit*			
- Aircraft & Vehicle Systems	10.5	12.5	-16.0%
- Information & Power Systems	12.5	13.4	-6.7%
- Tactical & Sonar Systems	27.4	27.1	+1.1%
Total underlying operating profit*	50.4	53.0	-4.9%
Underlying operating margin*			
- Aircraft & Vehicle Systems	15.5%	19.3%	
- Information & Power Systems	15.7%	12.5%	
- Tactical & Sonar Systems	14.8%	16.0%	
Total underlying operating margin*	15.2%	15.5%	-30bps

† During 2014 the Command & Control business moved from the Group's Information & Power Systems division into the Tactical & Sonar Systems division and the MSI and AMI businesses moved from the Aircraft & Vehicle Systems division into the Information & Power Systems division and Tactical & Sonar Systems divisions respectively. The H1 2014 segmental analysis has been restated to reflect these changes.