For Immediate Release 30 July 2020

Ultra Electronics Holdings plc
("Ultra" or "the Group")
Interim Results for the six months ended 30 June 2020

Strong performance, continued progress

£m	**6 months to 30 June 2020**	6 months to 30 June 2019	Change % Reported	Organic[2]
Order book	**1,173.2**	1,014.1	+15.7	+14.0
Revenue	**413.1**	387.1	+6.7	+5.8
Underlying[1]				
Operating profit	**53.4**	52.9	+1.0	-1.7
Profit before tax	**47.9**	46.5	+3.0	
EPS (p)	**54.7**	52.5	+4.2	
Statutory				
Operating profit	**45.3**	41.0	+10.5	
Profit before tax	**29.8**	37.9	-21.4	
EPS (p)	**34.2**	43.3	-21.0	
Interim dividend per share (p)	**15.4**	15.0	+2.7	
Net debt to EBITDA[3]	**x1.20**	x1.96		
Cash Conversion	**98%**	25%		
ROIC[7]	**17.5%**	16.7%		

- **Good strategic progress**
  - Positive technology and capability developments
  - Important new contract wins
  - Strong order book
  - Transformation on track
- **Robust underlying performance**
  - Limited COVID 19 impact
  - Solid revenue growth
  - Underlying profit progress and better than anticipated cash conversion
  - Postponed FY 2019 and Interim 2020 dividends to be paid in September
- **Positive momentum into H2**
  - Major markets solid
  - Commercial aviation challenges
  - Further orderbook progression and excellent visibility
  - Accelerating cultural change

Simon Pryce, Chief Executive, commented:
"I am very proud of the performance of the Ultra team in the first half. Our primary objective as we manage through the pandemic is the safety of our people, our families and the communities in which we operate. We've responded with great agility by rapidly adapting our processes and working practices whilst continuing to deliver for our stakeholders and particularly our customers. Any minor productivity issues were more than compensated for by lower than anticipated SG&A costs associated with the changes in ways of working. We also made good progress on our transformation initiatives. As a result, we have delivered a strong financial performance in H1, despite the impact of COVID.

We have very good visibility entering H2. Our major markets remain stable, but we do expect weak commercial aerospace demand to be more of a headwind during the second half. We expect SG&A costs to normalise and we are accelerating some of our transformation initiatives. Despite this, we remain confident that 2020 will, as anticipated, be a year of good progress for Ultra. We will therefore be paying both the final 2019 dividend as originally recommended and an interim 2020 dividend.

We are continuing to make good strategic progress. Our technology and capabilities are well positioned to address customers' existing and emerging needs. We continue to win good positions on long-term programmes and are pleased with the transformation momentum we have created. We are therefore confident in our ability to create exceptional value for all our stakeholders and in Ultra's exciting future."

Webcast
Ultra will host a live webinar with Q&A to analysts and investors on 30 July 2020 at 11.00am BST. The webinar will be broadcast via the following link https://bit.ly/ULE_H120_webinar.

A recording of the presentation and results materials will be available on Ultra's website later today.

Notes:
(1) Underlying profit, cash flow and earnings per share (EPS) are used to measure the trading performance of the Group as set out in notes 4 and 10. Underlying operating margin is the underlying operating profit as a percentage of revenue. Operating cash conversion is underlying operating cash flow as a percentage of underlying operating profit.
(2) Organic movements are the change in revenue, profit and order book at constant currency translation when compared to the prior year results as adjusted for any acquisitions or disposals to reflect the comparable period of ownership.
(3) Net debt to EBITDA: EBITDA is the underlying operating profit for the twelve months preceding the period end, before depreciation charges and before amortisation arising on non-acquired intangible assets and adjusted to remove the EBITDA generated by businesses up to the date of their disposal in the period. Net debt in this metric comprises borrowings including pension liabilities and IFRS 16 lease liabilities, less cash and cash equivalents. On a covenant basis, net debt to EBITDA, when excluding pension liabilities and IFRS 16 lease liabilities, is x0.46.
(4) 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.
(5) Net finance charges exclude fair value movements on derivatives.
(6) Bank interest cover is the ratio of underlying operating profit to finance charges associated with borrowings (excluding IFRS 16 liabilities).
(7) ROIC is calculated as underlying operating profit for the twelve months preceding the period end expressed as a percentage of invested capital (average of opening and closing balance sheets). Invested capital is defined as net assets of the Group, excluding net debt and lease liability, pension obligations, tax and derivatives.
(8) "Five-eyes" nations include Australia, Canada, New Zealand, UK & USA
(9) Average Working Capital Turn (AWCT) is the ratio of the 12-month average month-end working capital (defined as the total of inventory, receivables and payables excluding IFRS 16 lease liabilities) to gross revenue for the twelve months preceding the period end, calculated at constant FX rates.
(10) On 1 January 2020 the operating segments were renamed from Communications & Security to Intelligence & Communications, from Maritime & Land to Maritime, and from Aerospace & Infrastructure to Critical Detection & Control. Forensic Technology, which was within the Communications & Security operating segment, was moved into Critical Detection & Control. Certain capabilities and technologies from Maritime & Land were transferred to the Critical Detection & Control operating segment. In accordance with IFRS 8, the prior period segmental analysis has been restated to reflect these changes.
(11) Next Generation Surface Ship Radar
(12) C2I is Command, Control & Intelligence. C3I is Command, Control, Communication and Intelligence including Cyber

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About Ultra:
Ultra provides application-engineered tailored solutions. We focus on our customers' mission critical and intelligent systems in the defence, security, critical detection & control markets.
www.ultra.group

STRATEGIC REVIEW

Financial summary

We made a good start to 2020 with strong order intake on existing programmes. These include a $101m Sonobuoy order under ERAPSCO's existing 5-year IDIQ and a $45m MK54 lightweight Torpedo array order. Despite the marketing challenges created by the global pandemic, we have also won number of key new strategic contracts. These include a new sole source contract to provide software for the MADIS (Marine Air Defense Integrated System) program for development of Counter Air and Counter Unmanned Aerial Systems and a new $31m IDIQ to continue supporting the secure, digital, jam-resistant advanced Link 16 network over the Alaskan air space.

Defence spend remains robust in all our key "five-eyes"[8] markets, despite the impact of COVID. Our order book is growing strongly with a 14% organic increase versus H1 2019 and we enter H2 with 93% order cover (H1 2019: 93%). This growth was delivered despite some COVID-19 delays, the usual H2 weighting of ORION radio sales & ADSI license fees, and, continued pressure on Nuclear sensor sales in our Energy business.

We achieved organic revenue growth in two out of three of our business units. Overall, organic revenue growth was up 5.8% with a particularly strong first half in Intelligence & Communications which grew 11%. This was driven by the anticipated increased ORION radio orders in H1 and strong command & control system sales.

Underlying operating profit was down 1.7% organically and underlying operating margins were 12.9%. Both were impacted by a change in phasing of bonus accruals to better weight them between the first and second half of the year, with a larger proportion now booked in H1. This resulted in an increased H1 bonus accrual of £4.5m. Excluding this increased H1 bonus accrual, underlying operating margin would have been 14.0% (H1 2019: 13.7%). Statutory profit before tax reduced by 21.4%, due to a mark to market loss on forward foreign exchange contracts as GBP weakened relative to our USD forward contract rate.

As expected, transformation related expenses, including IT, restructuring and process improvement costs increased in the period to £3.4m (H1 2019: £0.7m) as we increase the pace of our Focus; Fix; Grow transformation.

Underlying operating cash conversion was better than expected at 98% (H1 2019: 25%). This was mainly due to increased advanced payments from customers during the COVID pandemic, deferred sales tax, prompt payment of receivables (rather than any real structural improvement in average working capital turn) and reduced capital expenditure due to a change in ERP strategy. The new ERP strategy focuses on improving our business processes at all levels of the organisation, supported by some global best of breed systems to interface with our existing ERPs, rather than a higher risk large capital expenditure plan.

Strong cash generation has helped ROIC improve to 17.5% (H1 2019: 16.7%). This remains a key measure for management as we pursue our strategy and transformation initiatives.

Group Operational Summary

Operationally, the Group has performed very well during the pandemic, with no site closures and limited production inefficiency associated with changing working patterns. We also managed the supply chain effectively, where we saw limited disruption.

As previously announced, there was some limited impact due to changing shop floor working practices to enable social distancing and some isolated customer delays, however, this was mostly offset by reduced travel and marketing expenses and more modest growth in Internal Research & Development than expected due to COVID related delays and resource constraints (3.4% of revenue versus H1 2019: 3.3%). The overall level of R&D investment in the period was 17.9% of overall sales (H1 2019: 18.1%). Travel and marketing expenses are expected to return to more normal levels in H2 and the rate of investment in Internal Research &

Development and Marketing is expected to increase in the second half of the year.

The Group continues to operate broadly as normal, despite the pandemic; no employees have been furloughed related to COVID and we do not intend to defer any VAT payments into 2021 due to our strong cash performance. We continue to monitor and adapt to the changing situation in all our markets.

ONE Ultra progress

In addition to maintaining our operations during the pandemic, we have also increased the pace of our transformation.

As a reminder, we are transforming to ONE Ultra through our Focus; Fix; Grow transformation plan:

- Focusing on our core strengths through executing a clear strategy
- Fixing the things that will allow us to deliver real parenting value
- Growing value for all our stakeholders

During the half we have increased the pace of our transformation programme with higher focus on standardisation of processes (for example bid process, project execution, purchase to pay, learning & development) and continuous improvement.

Our Focus; Fix; Grow transformation is a broad based and multi-year programme and will ultimately affect every part of the business. It supports delivering improved and exceptional outcomes for all our stakeholders through focussing on what we are good at, improving underlying delivery and performance and accelerating growth. We are making good progress and continue to identify additional potential for performance improvement that we will realise in the medium term.

Our transformation programme is split into six work streams, made up of several individual initiatives at various stages of development and execution, each owned by a team with central oversight. The pace of transformation increased in H1, and we have enhanced our transformation office capability as a result. All work streams made good progress in H1:

Workstream	Goal	Progress in H1
Operating Model	Improved alignment to strategy, greater empowerment and collaboration, improved operational oversight, enhanced leadership and reduced management layers.	Operating model agreed. Organisational re-design on plan. Role definition complete, good progress on filling roles, on track for implementation in January 2021. Stronger operational oversight.
Site Excellence	Improved working environment & sustainability, optimised manufacturing and utilisation of space.	Property review complete. Specific planning to improve utilisation of space commenced in line with organisational design. Reflects anticipated permanent changes in working practices post pandemic.
Operation and Functional Excellence	Process standardisation, improvement and efficiency. Initially focussed on improved commercial acumen, internal R&D investment, knowledge sharing and strategy, global sales, HR, project execution and finance processes that can be continuously improved. Additional processes to be reviewed over time.	Process definition to support operating model commenced. Process standardisation commenced in HR, Finance and IT. Data standardisation on track. Reviewed ERP strategy, existing

		installations to be reconfigured once process standardisation complete.
Procurement	Better integration of supply chain into design and manufacture, improved aggregation of spend, better supplier collaboration and management.	Head of Procurement appointed. Internal high complexity, low volume, rapid prototyping PCB capability finalised to mitigate supply chain risk. Direct procurement aggregation opportunities commenced. Indirect procurement initiatives launched.
ONE Ultra Culture	Leadership and talent to support ONE Ultra strategy.	Common vision, mission, values agreed, launched and being embedded. Leadership capability assessment complete. Assessment tools, performance management and remuneration all aligned to ONE Ultra needs and values. Leadership training developed to address capability gaps and development needs for Q4 launch. Broader leadership training aligned. The Ultra Way system for continuous improvement being developed, resources being deployed.
Technology Enablement	Improved collaboration and efficiency of IT infrastructure and application suite.	Infrastructure and IT backbone investment back on track and accelerating.

During the period transformation costs (including redundancy and restructuring) of £3.4m were incurred, (H1 2019: £0.7m). We also invested £4.0m of capital expenditure on transformation initiatives, mostly comprising Technology, HR and payment process improvement initiatives. The early initiatives under our transformation workstreams have confirmed good opportunities for productivity and efficiency improvements. We see the opportunity to accelerate some of our transformation initiatives in H2.

OPERATIONAL REVIEW

Maritime (44% of Group revenue)

A partner in the maritime defence domain, focusing on mission-centric equipment and systems primarily across the "five-eyes"[(8)] nations. We specialise in maritime sonar, radar, acoustic expendables, signature management and power systems.

£m	2020 H1	[(10)]2019 H1	[(10)]2019 H1 for organic measure	Growth %	Organic[(2)] growth %
Order book	605.8	451.1	456.3	+34.3	+32.8
Revenue	184.3	168.8	170.7	+9.2	+8.0
Underlying operating profit[(1)]	27.3	29.5	30.4	-7.5	-10.2
Underlying operating margin[(1)]	14.8%	17.5%	17.8%		
Statutory operating profit	26.8	25.4		+5.5	

Market

Ongoing geopolitical disputes and associated naval threats continue to drive growth in naval platforms and underwater systems. The pivot in national security doctrine, particularly in the US, to pursue technologies aimed at countering near peer adversaries is particularly favourable for Ultra given our strength and capability in underwater expendables, sonar sensors and systems, anti-submarine warfare and surface radar markets. Ultra is also a potential beneficiary of the growth in signature and power management to combat threat development while platform evolutions are increasingly driving demand for SWaP (Size, Weight and Power) and alternative propulsion technology, all of which are areas of existing Ultra expertise.

Beyond traditional capabilities, future navies will require a suite of new technologies that broaden full-spectrum capabilities and expand sonar detection, increasingly for deployment on unmanned vehicles to operate in anti-access, anti-denial environments. Ultra is also well placed to benefit from increased investment in innovations such as vector sensors, advanced materials to yield more system performance in the same space-weight-power envelope, unmanned surface/sub-surface air vehicles for remotely-operated ASW (Anti-Submarine Warfare), and deployable autonomous systems for distributed persistent undersea surveillance.

Performance

The Maritime business unit had a strong first half with order book increasing 34.3%. This was driven by: (i) a $101m order under the 5-year ERAPSCO IDIQ (received after period end in H1 2019); (ii) strong acoustic and torpedo countermeasure orders; (iii) a $45m order for MK54 torpedo arrays under an existing contract; and (iv) an increase in development funding for the Next Generation Surface Search Radar increase in development funding.

Organic revenue increased 8.0% to £184.3m during the first half, reflecting strong ASW receiver sales, increased NGSSR development revenue, and signature management awards. Key program milestones were also reached with the first S2150 Hull Mount Sonar installed on HMS Portland and an updated 3-year contract for electro-optical tracking systems for UK Type 45 destroyer.

Underlying operating profit however, decreased organically by 10.2% to £27.3m. This was predominantly due to: (i) the £3m H1 change to bonus accrual phasing (as explained above); (ii) increased Internal Research & Development (mainly in the Sonobuoy market); and (iii) increased transformation and restructuring investments.

As a result, operating margins reduced from 17.5% in H1 2019 to 14.8% in H1 2020. Excluding the one-time change to bonus accrual phasing, operating margins would have been 16.4%. Margins are expected to remain broadly flat vs 2019 for this division, with the non-repeat of the £8.8m of contract losses mostly balanced out by higher transformation and R&D costs and adverse sales mix.

Internal Research & Development during this half focused on Sonobuoy development, Radar and UAV technology. We also saw good progress in the Maritime Business Unit’s transformation priorities, most notably, delivering better aligned organisational design, improving leadership capability, enhanced financial discipline and improved project oversight and execution.

Intelligence & Communications (28% of Group revenue)

A defence supplier engineering world-class, mission-critical, multi-domain intelligence, communications, command & control, cyber security and electronic warfare solutions.

£m	2020 H1	(10)2019 H1	(10)2019 H1 for organic measure	Growth %	Organic(2) growth %
Order book	230.9	236.6	241.1	-2.4	-4.2
Revenue	114.1	102.0	102.7	+11.9	+11.1
Underlying operating profit(1)	12.3	9.9	10.7	+24.2	+15.0
Underlying operating margin(1)	10.8%	9.7%	10.4%		
Statutory operating profit	7.1	4.7		+51.1	

Market

Ultra is well positioned to support the multi-domain, hyper-enabled battlespace of tomorrow, which will require decreased latency, autonomous decision making and advanced application support to get the right information to forces quickly and effectively. Support for the customer will become increasingly software-centric as operators are given broader connectivity capabilities through network modernisation programs. In an increasingly contested environment, secure solutions that provide near-instantaneous situational awareness and secure communications to the warfighter will require distributed decision making and cognitive support tools, along with multi-platform and multi-user interoperability.

As a network centric C3I[12] provider with capabilities currently extending across various radio frequencies, C2I[12], tactical communications and cyber security Ultra is well positioned to support this continuous evolution of the multi-domain battlespace and today is delivering information advantage to the warfighter. In addition to delivering existing technologies across C3I, incorporating future market technologies such as machine learning/artificial intelligence, analytics, intelligent networking, combat systems, 5G and reduced-size weight and power for micro-electronics, Ultra is working to support the customer requirements of today and tomorrow.

Performance

The Intelligence & Communications business unit won a number of new contracts in the half including: (i) $31m IDIQ to continue supporting the secure, digital, jam-resistant advanced Link 16 network over the Alaskan air space; (ii) a sole source contract to provide initial software for the US MADIS program (Marine Air Defense Integrated System) for development of Counter Air and Counter Unmanned Aerial Systems; and (iii) a new contract with the United States National Guard Bureau for three JET systems (Joint Interface Control Cell Extended Trainer solution) to meet the unique training, test and evaluation needs of their Air National Guard components.

Order book however declined due to increased ORION radio sales in H1 2020 versus H1 2019 for the US Army's Network Modernisation programme.

Organic revenue increased by 11.1% to £114.1m during the first half, reflecting increased US DoD radio equipment sales, and sales of tactical data link and command & control systems.

Underlying operating profit increased organically by 15.0% to £12.3m. Higher Internal Research & Development and transformation costs were more than offset by performance in ORION radio system sales, Specialist RF and ADSI ("Air Defence Systems Integrator"). We expect some growth in margins in this business unit in H2 to reflect the usual H2 ORION radio weighting and improved productivity.

Internal Research & Development during this half focused on advanced radio and networking including artificial intelligence and machine learning and virtual ADSI, leveraging hardware to deploy specialised real-time C2 functionality. The Intelligence & Communications business unit has made good progress with their Focus; Fix; Grow initiatives, appointing a dedicated transformation lead for this division, optimising their portfolio, improving governance and standardising KPIs. Strong progress has also been made in implementing technology and product roadmaps and processes to support innovation and internal investment.

Critical Detection & Control (28% of Group revenue)

In Precision Control Systems (PCS), we design and supply market-leading safety and mission-critical solutions, primarily to the military and commercial aerospace markets.

Forensic Technology is the world-leader in ballistic identification and forensic analysis solutions.

In Energy, we focus on the design and supply of safety critical sensors and systems and selected products for industrial applications, focusing on the UK, North American and Chinese markets.

£m	**2020 H1**	(10)**2019 H1**	(10)**2019 H1** for organic measure	Growth %	Organic(2) growth %
Order book	336.5	326.3	331.6	+3.1	+1.5
Revenue	114.7	116.3	117.1	-1.4	-2.0
Underlying operating profit(1)	13.8	13.5	13.2	+2.2	+4.5
Underlying operating margin(1)	12.0%	11.6%	11.3%		
Statutory operating profit	12.0	11.4		+5.3	

Markets

Aerospace - The increasing pace of the modernisation cycle is projected to continuously drive future defence aerospace growth in the "five-eyes" nations. These target markets retain growth prospects as customers are continuing to acquire new aircraft, upgrade ageing fleets or develop indigenous platforms. Ultra retains strong positions on major global platforms. There is a growing need for aircraft systems that require Ultra's innovative power and control technologies that are ideally suited to modern aircraft needs. The ever-increasing need for highly reliable, mission and safety critical sensing and control systems positions Ultra's capabilities in an increasingly competitive market. The industry is moving towards more environmental, cost-effective solutions for both traditional platforms and novel developments such as Urban Air Mobility and aircraft electrification. Ultra is well placed as an existing supplier of relevant technologies to early adopters.

COVID-19 has, however, significantly impacted the commercial aerospace industries outlook given the restrictions on domestic and international passenger air travel. While the realisation of the total long-term impact is not yet clear, and it had limited impact on Ultra in the first half, it is likely to have greater impact in the second half of this year.

Forensics - Effective solutions are needed to provide timely crime-gun intelligence and investigative leads spanning local, municipal, national and international networks. The latest innovations in 3D, quantum microscopy is unlocking the potential for objective methods to assist expert conclusions in Court on the potential match between firearms and bullets. As customers increasingly seek to construct preventative crime gun strategies which not only enable them to respond timelier to incidents but increases their lead generation abilities and the provision of intelligence, forensic technology remains at the forefront of building these strategies. In conjunction with these unique drivers artificial intelligence, machine learning and cloud base technologies are expected to gradually be introduced to the market.

Energy - Although COVID-19 has negatively impacted the energy sector in 2020, global demand is expected to recover and continue to increase in the long-term. Coupled with a growing need to decarbonise the power sector, this creates a need for increased investment in the civil nuclear power market. Ultra provides critical safety systems and detector capabilities to nuclear facilities around the world, safeguarding nuclear workers and the public. Ultra is positioned at the forefront of emerging technologies being developed for increased efficiency and decreased cost of nuclear power generation, such as advanced Small Modular Reactor technologies (SMRs).

Performance

As expected, the Critical Detection & Control order book only increased modestly year on year. This is predominantly due to the impact of COVID-19 on total commercial aerospace orders (2019 sales: c£65m). Forensic Technology also saw some COVID related delays, although orders for Safeguard services were robust and a $12m task order from the Bureau of Alcohol, Tobacco, Firearms and Explosives was received under a pre-existing 5-year contract. In Energy, a new contract was won to manufacture and supply a neutron monitoring system for SHINE Medical, an isotope production facility in Wisconsin.

Organic revenue decreased by 2.0%. Higher IBIS and Safeguard sales (Integrated Ballistic Identification System) in Forensic Technology and strong JSF orders on HiPPAG (High Pressure Air Generator), EIPS Controllers and harnesses in PCS were more than offset by shortfalls in Nuclear sensor sales due to recent COVID-19 order deferrals from nuclear plant operators in our Energy business. In PCS, we are experiencing significant reductions in commercial aerospace demand which we were able to mitigate with increased military sales in H1. This mitigation will not continue and therefore we anticipate there will be a much greater adverse financial impact in H2 from continued commercial aerospace weakness.

Underlying operating profit increased by 4.5% organically, mainly due to transactional FX tailwinds and cost reductions in this business unit, offset by the previously mentioned H1 bonus accrual phasing change of £1m. As a result, underlying operating margins were 12.0% vs 11.3% in H1 2019.

It is expected there will be significant pressure on PCS in the second half of the year due to reduced commercial aerospace orders and revenue which will impact the total 2020 performance and operating margins of this Business Unit.

FINANCIAL REVIEW

Orders

The order book increased organically by 14.0% to £1,173.2m (2019: £1,014.1m) compared to the prior period and showed 10.0% organic growth from the 31 December 2019 position of £1,022.9m, reflecting improving defence budgets, notably in the US, and some key wins on new and existing programmes. Order intake in the period grew organically by 13.5% to £515.3m (2019: £449.9m) and represents a book to bill ratio of 1.25 (2019: 1.16). The opening order cover for the second half is 93% (2019: 93%).

Total revenue

	£m	% impact
Six months to June 2019	387.1	
Currency translation	6.2	+1.6
Disposals	(2.8)	-0.7
Six months to June 2019 (for organic measure)	390.5	
Organic growth	**22.6**	**+5.8**
Six months to June 2020	413.1	+6.7

Total revenue grew by 6.7% to £413.1m compared to the prior period. This represents organic[2] growth of 5.8%, reflecting improved conditions in our US market. Specific programmes include revenue from the recently won Next Generation Surface Search Radar development contract, military aircraft platforms and tactical command and control systems. Sterling weakened during the period, increasing reported revenue by 1.6%. The average US dollar rate in the six months to 30 June 2020 was $1.26 compared to $1.29 in the prior period. The disposal of the Airport Systems and Paygate businesses in H1 2019 and the Ottawa based electronic intelligence business in January 2020 reduced revenue by 0.7% on a like-for-like basis.

Statutory operating profit

£m	**2020**	2019
Statutory operating profit	**45.3**	41.0
Amortisation of intangibles arising on acquisition	6.6	10.5
Significant legal charges and expenses	0.7	0.7
Acquisition and disposal related costs	0.8	0.7
Underlying operating profit	**53.4**	52.9

Statutory operating profit increased by 10.5% to £45.3m (2019: £41.0m). This reflects reducing amortisation costs as assets created by historical acquisitions become fully amortised.

Underlying operating profit and margins[1]

	£m	% impact
Six months to June 2019	52.9	
Currency translation	0.8	+1.5
Disposals	0.6	+1.1
Six months to June 2019 (for organic measure)	54.3	
Organic decline	**(0.9)**	**-1.7**
Six months to June 2020	53.4	+1.0

Underlying operating profit was £53.4m (2019: £52.9m), an increase of 1.0% on the prior year. The weakening of sterling increased profit by 1.5% and the impact of business disposals resulted in a 1.1% increase in like-for-like profit. The organic profit decline was 1.7%, consequently the underlying operating margin[1] was lower than H1 2019 and declined to 12.9% (H1 2019: 13.7%), due to:

- "Fix" related transformation investment, including redundancy and restructuring costs of £3.4m;
- H1 bonus accrual phasing change, resulting in additional H1 2020 charge of £4.5m compared to H1 2019; and
- Higher Internal Research & Development investment.

Research and development

Ultra continued its programme of R&D, with total spend in the period of £73.7m (2019: £70.0m). Internal Research & Development investment increased to £14.2m (2019: £13.0m) which represents 3.4% of revenue (2019: 3.3%), while customer funding increased to £59.5m (2019: £57.0m). The overall level of R&D investment in the year was 17.9% of revenue (2019: 18.1%). The increase in company funded spend was more modest than originally envisaged due to engineering resource constraints and COVID related customer funding delays at the beginning of the year.

Finance charges

Net financing charges[5] decreased by £1.0m to £5.5m (2019: £6.5m). This decrease was a result of lower average debt levels and reductions in US and UK interest rates. The interest payable on borrowings was covered 14 times (2019: 11 times) by underlying operating profit.

Profit before tax

Statutory profit before tax decreased to £29.8m (2019: £37.9m). Underlying profit before tax[1] increased to £47.9m (2019: £46.5m), as set out below:

£m	2020	2019
Statutory profit before tax	**29.8**	37.9
Amortisation of intangibles arising on acquisition	6.6	10.5
Acquisition and disposal related costs	0.8	0.7
Gain on disposal	-	(0.8)
Loss/(gain) on derivatives	10.0	(2.5)
Significant legal charges and expenses	0.7	0.7
Underlying profit before tax[1]	**47.9**	46.5

Amortisation costs arising from acquisitions declined by £4.0m as assets created by historical acquisitions become fully amortised. The loss on forward foreign exchange contracts was £10.0m (2019: £2.5m gain) as GBP weakened relative to our forward contract rate.

Tax and earnings per share

The Group's underlying tax rate[4] in the period decreased slightly to 19.0% (2019: 20.0%). The statutory tax rate on statutory profit before tax is 18.5% (2019: 19.2%).

Underlying earnings per share[1] increased 4.0% to 54.7p (2019: 52.5p), reflecting the increase in profit compared to the prior year. The weighted average number of shares in issue was 71.0m (2019: 70.9m). Basic earnings per share decreased to 34.2p (2019: 43.3p). At 30 June 2020, the number of shares in issue was 71,013,464.

Operating cash flow and working capital

Cash generated by operations was £65.8m (2019: £25.8m). Underlying operating cash flow[1] was £52.4m (2019: £13.4m) resulting in underlying operating cash conversion of 98% (2019: 25%). Working capital and provisions decreased by £7.1m. The working capital decrease was principally due increases in advances from customers. Our focus on improving working capital turn continues to be successful with the average working capital turn[9] for the Group improving to 8.5x (June 2019: 6.8x). Capital expenditure, including expenditure on transformation initiatives, increased to £10.0m (2019: £8.4m). Inventory increased during the year, reflecting revenue growth.

Net debt
Ultra's net debt at the end of the period was £107.4m (2019: £208.2m), this includes £43.7m of lease liability. Net debt/EBITDA[3] when including pension liabilities and lease liabilities was 1.20 times (2019: 1.96 times). On a covenant basis, which excludes pension liabilities and IFRS 16 lease liabilities, the figure is 0.46 times (2019: 1.32 times).

The Group's committed facilities comprise a £300m revolving credit facility (RCF), of which £250m has a maturity to November 2024 and £50m has a maturity to November 2023, and Pricoa loan notes: £50m with an expiry date of October 2025 and $70m with expiry dates of January 2026 and January 2029. At 30 June 2020 the drawings under the RCF were £41.0m leaving £259.0m of committed headroom, as well as liquid cash resources across the Group of £93.1m.

Conduct of business investigations update
As previously announced, investigations associated with conduct of business issues in Algeria and the Philippines continue with no material changes to report.

2020 FINANCIAL GUIDANCE

Ultra has had a strong start to H2 with a new $42m production contract awarded for our Next Generation Surface Ship Radar, a $28m Extended Range Directional Frequency Analysis and Recording Sonobuoy contract and an additional $33m Q-125 Sonobuoy order earlier this month.

We expect revenue growth in H2 to be broadly similar to H1, despite headwinds from commercial aerospace. Underlying operating margins will improve in H2, although we do expect increased spend in Internal R&D, transformation and travel & marketing costs. As previously flagged, we expect underlying operating margins to remain stable in the mid-teens range during our transformation.

Transformation expenses remain in the previously expected £8-12m range and are expected to accelerate in the second half. Capital expenditure will be within a range of £20-25m, factoring in the previously mentioned change in the ERP strategy (2019: £21.8m).

Our internal R&D spend will accelerate in the second half, although is expected to be around 4% of revenue in 2020 due to COVID related customer delays and resourcing constraints.

Due principally to increased advanced payments, good receivables performance, improved milestone payment terms and VAT deferrals, operating cash conversion is now expected to be above our previous 60-75% guidance, more in line with our medium-term cash conversion target of 80-90%.

DIVIDEND

As announced on 14 April 2020, as a precautionary measure due to the COVID-19 pandemic, the Board decided to postpone payment of its 2019 final dividend of 39.2 pence per share. Based on the Board's current knowledge, the robust liquidity position, the strong H1 performance and expected full year performance relative to the COVID-19 scenario modelling undertaken, an additional interim dividend equivalent to the postponed full year 2019 dividend of 39.2 pence per share will now be paid on 18 September 2020 to shareholders on the register at 28 August 2020.

The 2020 interim dividend of 15.4p (2019: 15.0p) will also be paid on the same date as the postponed 2019 dividend (18 September 2020 to shareholders on the register at 28 August 2020). Remaining cautious to the current pandemic the proposed amount is 2.7% increase versus the prior year, with the interim dividend being covered 3.6 times (2019: 3.5 times) by underlying earnings per share.

SUMMARY & OUTLOOK

The Group is trading in line with expectations with strong cash flow, increasing Return on Invested Capital, and we are increasingly confident of the benefits of our ONE Ultra transformation.

We remain well positioned in several areas of priority defence spend. Order book and demand remains strong in our key markets. The duration of the COVID-19 virus and its impact remains uncertain, but it is not significantly impacting current trading and we don't currently believe it will have any material long term impact. We are continuing to monitor the situation closely.

Ultra has an exciting strategy and is pursuing a transformation agenda to continue to drive growth in market share and to deliver exceptional value creation for all our stakeholders. We have increased the pace of this change in the past 6 months. It will take time before the benefits can be seen but there is a considerable opportunity with our transformation to become ONE Ultra and we remain excited about the prospects of the Group.

Simon Pryce
Chief Executive

Jos Sclater
Chief Financial Officer

30 July 2020

RISKS AND UNCERTAINTIES

The Group faces a number of potential risks and uncertainties that may have a material impact on second half performance in 2020 (and beyond). As a consequence, actual results may differ materially from those expected and/or from historical results. The Group's principal risks are listed below. These risks are managed by the Executive Team and are key matters for the Board. An explanation of principal risks, and the business strategies that Ultra uses to manage and mitigate such risks, can be found in the 2019 annual report which is available for download at https://www.ultra.group/investors/results-centre/

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

The principal risks faced by the business continue to be driven by Ultra's mission, markets and business model, but also reflect the importance of delivering change, as we have continued through 2020 with our focus on transition under the ONE Ultra Strategy, against a backdrop of successful day-job management of the challenges of COVID-19. These are not the only risks that may impact the Group but are the ones that we believe are the most significant at this time:

- Geopolitical Risk
- Defence Sector Cycle Risk
- Bid and Contract Risks
- Programme Risk
- Delivering Change
- Talent Retention and Recruitment
- Security and Cyber Risks
- Business Interruption
- Governance, Compliance and Internal Controls
- Pensions
- Health Safety and Environment

Current events or specific factors within the defined principal risks above include:

- COVID-19 (Business Interruption). The rapid global spread of the new coronavirus, and governmental responses to it, have threatened supply chains and continuity of operations for businesses universally. Ultra's approach to management of its supply chain and customer engagement, and revision of operating procedures to comply with regulatory and medical advice in all areas in which we operate, have to date maintained our operations as a designated critical defence supplier. This approach will continue to be used and adapted to manage second or subsequent peaks of the virus. However, the scale or breadth of further peaks, or new governmental restrictions, could escalate the level of impact seen to date on our supply chain and customers' operations, or introduce new restrictions on our operational capacity, potentially challenging performance to current expectations in the second half of 2020 into the start of 2021. Additionally, the effect of COVID-19 on aviation markets is expected to continue to impact the civil aerospace sector, but the consequential downward pressure on Ultra revenues overall is assessed as manageable for 2020 into the start of 2021.
- Brexit (Geopolitical Risk). The advent of COVID-19 may have exacerbated the risk that the United Kingdom and European Union might fail to agree a comprehensive long term trade deal by the end of 2020, when the current transitional arrangements expire. Whilst Ultra's direct exposure to business disruption from Brexit is limited, we have drawn on our prior experience and preparation for hard Brexit scenarios from last year, to minimise potential consequences. Supply chain interruption contingency plans will be maintained and adapted, drawing on Supply chain relationships which have been strengthened as a consequence of COVID-19, as we monitor and respond to any developing Brexit risk through the remainder of 2020.
- Regulatory Incidents (Governance, Compliance and Internal Controls). As previously reported, Ultra is cooperating with authorities in relation to two conduct of business issues in Algeria and the Philippines.

NATURE OF ANNOUNCEMENT

This announcement has been prepared solely to provide additional information to enable shareholders to assess Ultra's strategies and the potential for those strategies to succeed. It should not be relied upon by any other party or for any other purpose.

This announcement contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This 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 whole.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events and their impact during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,

Simon Pryce
Chief Executive

Jos Sclater
Chief Financial Officer

30 July 2020

Ultra Electronics Holdings plc

Results for the Six Months Ended 30 June 2020

Consolidated Unaudited Statement of Comprehensive Income

	Note	**Six months to 30 June 2020 £m**	Six months to 30 June 2019 £m	Year to 31 December 2019 £m
Revenue	3, 5	**413.1**	387.1	825.4
Cost of sales		**(301.4)**	(282.7)	(586.3)
Gross profit		**111.7**	104.4	239.1
Other operating income		**1.6**	0.4	1.0
Administrative expenses		**(65.0)**	(58.9)	(135.6)
Other operating expenses		**(2.3)**	(4.2)	(8.9)
Significant legal charges and expenses	3	**(0.7)**	(0.7)	(1.4)
Operating profit	3	**45.3**	41.0	94.2
Gain/(loss) on disposal and held for sale	18	**-**	0.8	(0.9)
Investment revenue	6	**0.1**	2.8	11.3
Finance costs	7	**(15.6)**	(6.7)	(13.6)
Profit before tax		**29.8**	37.9	91.0
Tax	8	**(5.5)**	(7.3)	(16.4)
Profit for the period		**24.3**	30.6	74.6
Attributable to:				
Owners of the Company		**24.3**	30.7	74.5
Non-controlling interests		**-**	(0.1)	0.1
Earnings per ordinary share (pence)				
- basic	10	**34.2**	43.3	105.1
- diluted	10	**34.1**	43.3	104.9

All results are derived from continuing operations.

Ultra Electronics Holdings plc

Results for the Six Months Ended 30 June 2020

Consolidated Unaudited Statement of Comprehensive Income

	Six months to 30 June 2020 £m	Six months to 30 June 2019 £m	Year to 31 December 2019 £m
Profit for the period	**24.3**	30.6	74.6
Items that will not be reclassified to profit or loss:			
Actuarial profit/(loss) on defined benefit pension schemes	**-**	-	(9.3)
Tax relating to items that will not be reclassified	**-**	-	1.6
Total items that will not be reclassified to profit or loss	**-**	-	(7.7)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	**24.7**	8.7	(17.5)
Transfer to profit and loss on cash flow hedge	**-**	(0.3)	(0.3)
Profit/(loss) on loans used in net investment hedges	**4.5**	(0.8)	3.1
Tax relating to items that may be reclassified	**-**	-	0.1
Total items that may be reclassified to profit or loss	**29.2**	7.6	(14.6)
Other comprehensive income/(expense) for the period	**29.2**	7.6	(22.3)
Total comprehensive income for the period	**53.5**	38.2	52.3
Attributable to:			
Owners of the Company	**53.5**	38.3	52.2
Non-controlling interests	**-**	(0.1)	0.1

Ultra Electronics Holdings plc

Results for the Six Months Ended 30 June 2020

Consolidated Unaudited Balance Sheet

	Note	**At 30 June 2020 £m**	At 30 June 2019 £m	At 31 December 2019 £m
Non-current assets				
Goodwill		**385.8**	379.7	365.9
Other intangible assets		**93.3**	108.8	92.7
Property, plant and equipment	11	**67.3**	61.2	64.2
Leased assets	12	**40.0**	34.3	36.1
Deferred tax assets		**10.0**	18.1	10.0
Derivative financial instruments	19	**0.2**	0.2	1.7
Trade and other receivables	13	**14.1**	20.0	13.7
		610.7	622.3	584.3
Current assets				
Inventories		**110.0**	99.7	90.7
Trade and other receivables	13	**210.2**	216.8	205.4
Tax assets		**20.4**	6.9	19.5
Cash and cash equivalents		**93.1**	92.9	82.2
Derivative financial instruments	19	**0.2**	0.3	3.2
Assets classified as held for sale	18	**2.2**	-	11.5
		436.1	416.6	412.5
Total assets	3	**1,046.8**	1,038.9	996.8
Current liabilities				
Trade and other payables	14	**(225.9)**	(191.5)	(192.3)
Tax liabilities		**(8.5)**	-	(4.7)
Derivative financial instruments	19	**(4.0)**	(3.4)	(0.5)
Borrowings		**(9.3)**	(74.5)	(8.2)
Liabilities classified as held for sale	18	**(0.5)**	-	(5.3)
Short-term provisions	15	**(18.7)**	(12.2)	(16.6)
		(266.9)	(281.6)	(227.6)
Non-current liabilities				
Retirement benefit obligations		**(68.7)**	(68.5)	(73.3)
Other payables	14	**(11.8)**	(19.1)	(11.8)
Deferred tax liabilities		**(17.3)**	(12.0)	(16.3)
Derivative financial instruments	19	**(2.2)**	(0.9)	(0.2)
Borrowings		**(191.2)**	(226.7)	(228.8)
Long-term provisions	15	**(3.5)**	(5.9)	(8.2)
		(294.7)	(333.1)	(338.6)
Total liabilities	3	**(561.6)**	(614.7)	(566.2)
Net assets		**485.2**	424.2	430.6
Equity				
Share capital	16	**3.6**	3.5	3.5
Share premium account		**203.5**	201.0	203.2
Capital redemption reserve		**0.4**	0.3	0.4
Reserve for own shares		**(1.4)**	(2.6)	(1.4)
Hedging reserve		**(52.3)**	(60.7)	(56.8)
Translation reserve		**123.7**	125.2	99.0
Retained earnings		**207.6**	157.4	182.6
Equity attributable to owners of the company		**485.1**	424.1	430.5
Non-controlling interest		**0.1**	0.1	0.1
Total equity		**485.2**	424.2	430.6

Ultra Electronics Holdings plc
Results for the Six Months Ended 30 June 2020
Consolidated Unaudited Cash Flow Statement

	Note	**Six months to 30 June 2020 £m**	Six months to 30 June 2019 £m	Year to 31 December 2019 £m
Net cash inflow from operating activities	17	**61.3**	14.0	94.6
Investing activities				
Interest received		**0.1**	0.1	0.7
Purchase of property, plant and equipment		**(5.0)**	(4.0)	(14.9)
Proceeds from disposal of property, plant and equipment		**-**	-	0.1
Expenditure on product development and other intangibles		**(4.9)**	(5.1)	(8.0)
Disposal of subsidiary undertakings		**4.8**	20.5	22.4
Net cash (used in)/from investing activities		**(5.0)**	11.5	0.3
Financing activities				
Issue of share capital		**0.4**	-	3.3
Share buy-back (including transaction costs)		**-**	(8.6)	(8.6)
Dividends paid		**-**	(26.1)	(36.7)
Loan syndication costs		**-**	-	(0.3)
Repayments of borrowings		**(64.5)**	(108.7)	(315.2)
Proceeds from borrowings		**21.0**	117.7	259.9
Principal payment on leases		**(5.4)**	(4.5)	(7.8)
Net cash used in financing activities		**(48.5)**	(30.2)	(105.4)
Net increase/(decrease) in cash and cash equivalents		**7.8**	(4.7)	(10.5)
Cash and cash equivalents at beginning of period		**82.2**	96.3	96.3
Effect of foreign exchange rate changes		**3.1**	1.3	(3.6)
Cash and cash equivalents at end of period		**93.1**	92.9	82.2

Ultra Electronics Holdings plc
Results for the Six Months Ended 30 June 2020
Consolidated Unaudited Statement of Changes in Equity

Equity attributable to equity holders of the parent

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Reserve for own shares £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 31 December 2019 as originally presented	**3.5**	**203.2**	**0.4**	**(1.4)**	**(56.8)**	**99.0**	**182.6**	**0.1**	**430.6**
Profit for the period	-	-	-	-	-	-	24.3	-	24.3
Other comprehensive income for the period	-	-	-	-	4.5	24.7	-	-	29.2
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**4.5**	**24.7**	**24.3**	**-**	**53.5**
Equity-settled employee share schemes	0.1	0.3	-	-	-	-	0.7	-	1.1
Dividend to shareholders	-	-	-	-	-	-	-	-	-
Balance at 30 June 2020	**3.6**	**203.5**	**0.4**	**(1.4)**	**(52.3)**	**123.7**	**207.6**	**0.1**	**485.2**

Ultra Electronics Holdings plc
Results for the Six Months Ended 30 June 2019
Consolidated Unaudited Statement of Changes in Equity

Equity attributable to equity holders of the parent

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Reserve for own shares £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 31 December 2018 as originally presented	**3.6**	**201.0**	**0.3**	**(2.6)**	**(59.7)**	**116.5**	**161.7**	**-**	**420.8**
Adoption of IFRS 16	-	-	-	-	-	-	(1.3)	-	(1.3)
Restated total equity at 1 January 2019	**3.6**	**201.0**	**0.3**	**(2.6)**	**(59.7)**	**116.5**	**160.4**	**-**	**419.5**
Profit for the period	-	-	-	-	-	-	30.7	(0.1)	30.6
Other comprehensive income for the period	-	-	-	-	(1.0)	8.6	-	-	7.6
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(1.0)**	**8.6**	**30.7**	**(0.1)**	**38.2**
Equity-settled employee share schemes	-	-	-	-	-	-	1.2	-	1.2
Shares purchased in buy-back	-	-	-	-	-	-	(8.6)	-	(8.6)
Dividend to shareholders	-	-	-	-	-	-	(26.1)	-	(26.1)
Balance at 30 June 2019	**3.6**	**201.0**	**0.3**	**(2.6)**	**(60.7)**	**125.1**	**157.6**	**(0.1)**	**424.2**

Ultra Electronics Holdings plc

Results for the Twelve Months Ended 31 December 2019

Consolidated Statement of Changes in Equity

Equity attributable to equity holders of the parent

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Reserve for own shares £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance at 31 December 2018	**3.6**	**201.0**	**0.3**	**(2.6)**	**(59.7)**	**116.5**	**161.7**	**-**	**420.8**
Adoption of IFRS 16	-	-	-	-	-	-	(2.0)	-	(2.0)
Restated total equity at 1 January 2019	**3.6**	**201.0**	**0.3**	**(2.6)**	**(59.7)**	**116.5**	**159.7**	**-**	**418.8**
Profit for the year	-	-	-	-	-	-	74.5	0.1	74.6
Other comprehensive income for the year	-	-	-	-	2.9	(17.5)	(7.7)	-	(22.3)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**2.9**	**(17.5)**	**66.8**	**0.1**	**52.3**
Equity-settled employee share schemes	-	2.2	-	-	-	-	1.9	-	4.1
Transfer from own shares	-	-	-	1.2	-		(1.2)	-	-
Tax on share-based payment transactions	-	-	-	-	-		0.7	-	0.7
Shares purchased in buy-back	(0.1)	-	0.1	-	-	-	(8.6)	-	(8.6)
Dividend to shareholders	-	-	-	-	-	-	(36.7)	-	(36.7)
Balance at 31 December 2019	**3.5**	**203.2**	**0.4**	**(1.4)**	**(56.8)**	**99.0**	**182.6**	**0.1**	**430.6**

1. General information

The information for the year ended 31 December 2019 does not constitute statutory accounts as defined in section 434 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 30 July 2020, 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 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

3. Segment information

On 1 January 2020 the operating segments were renamed from Communications & Security to Intelligence & Communications, from Maritime & Land to Maritime, and from Aerospace & Infrastructure to Critical Detection & Control. Forensic Technology, which was within the Communications & Security operating segment, was moved into Critical Detection & Control. Certain capabilities and technologies from Maritime & Land were transferred to the Critical Detection & Control operating segment. In accordance with IFRS 8, the prior period segmental analysis has been restated to reflect these changes.

(i) Revenue by segment

	Six months to 30 June 2020			Six months to 30 June 2019 as restated		
	External revenue £m	**Internal revenue £m**	**Total £m**	External revenue £m	Internal revenue £m	Total £m
Revenue						
Maritime	**184.3**	**6.7**	**191.0**	168.9	7.6	176.5
Intelligence & Communications	**114.1**	**0.8**	**114.9**	101.9	0.2	102.1
Critical Detection & Control	**114.7**	**4.2**	**118.9**	116.3	3.6	119.9
Eliminations	**-**	**(11.7)**	**(11.7)**	-	(11.4)	(11.4)
Consolidated revenue	**413.1**	**-**	**413.1**	387.1	-	387.1

3. Segment information (continued)

(ii) Profit by segment

	Maritime £m	Intelligence & Communications £m	Critical Detection & Control £m	Unallocated £m	Six months to 30 June 2020 Total £m
Underlying operating profit	**27.3**	**12.3**	**13.8**	**-**	**53.4**
Amortisation of intangibles arising on acquisition	**(0.3)**	**(4.6)**	**(1.7)**	**-**	**(6.6)**
Significant legal charges and expenses	**-**	**-**	**(0.1)**	**(0.6)**	**(0.7)**
Acquisition & disposal related costs	**(0.2)**	**(0.6)**	**-**	**-**	**(0.8)**
Operating profit/(loss)	**26.8**	**7.1**	**12.0**	**(0.6)**	**45.3**
Investment revenue					**0.1**
Finance costs					**(15.6)**
Profit before tax					**29.8**
Tax					**(5.7)**
Profit after tax					**24.1**

Significant legal charges and expenses include £0.7m (2019: £0.6m) of anti-bribery and corruption investigation costs and legal costs relating to the Ithra contract. Unallocated items are specific corporate level costs that cannot be allocated to a specific division.

3. Segment information (continued)

As restated	Maritime £m	Intelligence & Communications £m	Critical Detection & Control £m	Unallocated £m	Six months to 30 June 2019 Total £m
Underlying operating profit	29.6	9.8	13.5	-	52.9
Amortisation of intangibles arising on acquisition	(4.1)	(4.7)	(1.7)	-	(10.5)
Significant legal charges and expenses	-	-	(0.2)	(0.5)	(0.7)
Acquisition & disposal related costs	(0.1)	(0.4)	(0.2)	-	(0.7)
Operating profit/(loss)	25.4	4.7	11.4	(0.5)	41.0
Gain on disposal					0.8
Investment revenue					2.8
Finance costs					(6.7)
Profit before tax					37.9
Tax					(7.3)
Profit after tax					30.6

As restated	Maritime £m	Intelligence & Communications £m	Critical Detection & Control £m	Unallocated £m	Year to 31 December 2019 Total £m
Underlying operating profit	52.5	30.2	35.5	-	118.2
Amortisation of intangibles arising on acquisition	(8.2)	(10.0)	(3.5)	-	(21.7)
Significant legal charges and expenses	-	-	(0.2)	(1.2)	(1.4)
Acquisition & disposal related costs	(0.4)	(0.2)	(0.3)	-	(0.9)
Operating profit/(loss)	43.9	20.0	31.5	(1.2)	94.2
Loss on disposal and held for sale					(0.9)
Investment revenue					11.3
Finance costs					(13.6)
Profit before tax					91.0
Tax					(16.4)
Profit after tax					74.6

3. Segment information (continued)

(iii) Total assets by segment

	At 30 June 2020 £m	At 30 June 2019 £m as restated	At 31 December 2019 £m as restated
Maritime & Land	**287.3**	278.8	262.0
Intelligence & Communications	**381.4**	366.4	357.7
Critical Detection & Control	**252.1**	275.1	260.5
	920.8	920.3	880.2
Unallocated	**126.0**	118.6	116.6
Consolidated total assets	**1,046.8**	1,038.9	996.8

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

(iv) Total liabilities by segment

	At 30 June 2020 £m	At 30 June 2019 £m as restated	At 31 December 2019 £m as restated
Maritime & Land	**148.1**	120.5	122.8
Intelligence & Communications	**93.8**	91.7	93.7
Critical Detection & Control	**70.5**	62.1	68.4
	312.4	274.3	284.9
Unallocated	**249.2**	340.4	281.3
Consolidated total liabilities	**561.6**	614.7	566.2

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

(v) Revenue by destination

	Six months to 30 June 2020 £m	Six months to 30 June 2019 £m	Year to 31 December 2019 £m
North America	**264.3**	236.8	502.5
United Kingdom	**82.8**	84.3	171.1
Rest of World	**39.4**	42.4	95.9
Continental Europe	**26.6**	23.6	55.9
	413.1	387.1	825.4

4. Additional performance measures

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

	Six months to 30 June 2020 £m	Six months to 30 June 2019 £m	Year to 31 December 2019 £m
Operating profit	**45.3**	41.0	94.2
Amortisation of intangibles arising on acquisition	**6.6**	10.5	21.7
Significant legal charges and expenses	**0.7**	0.7	1.4
Acquisition and disposal related costs	**0.8**	0.7	0.9
Underlying operating profit	**53.4**	52.9	118.2
Profit before tax	**29.8**	37.9	91.0
Amortisation of intangibles arising on acquisition	**6.6**	10.5	21.7
Acquisition and disposal related costs	**0.8**	0.7	0.9
Loss/(Gain) on fair value movements on derivatives	**10.0**	(2.5)	(10.6)
(Gain)/Loss on disposal and held for sale	**-**	(0.8)	0.9
Significant legal charges and expenses	**0.7**	0.7	1.4
Underlying profit before tax	**47.9**	46.5	105.3
Cash generated by operations	**65.8**	25.8	114.9
Principal payments on finance leases	**(5.4)**	(4.5)	(7.8)
Purchase of property, plant and equipment	**(5.0)**	(4.0)	(14.9)
Disposal of property, plant and equipment	**-**	-	0.1
Expenditure on product development and other intangibles	**(4.9)**	(5.2)	(8.0)
Significant legal charges and expenses	**1.0**	0.9	1.9
Acquisition and disposal related payments	**0.9**	0.4	0.6
Underlying operating cash flow	**52.4**	13.4	86.8
Underlying operating cash conversion	**98%**	25%	73%
Net cash flow from operating activities	**61.3**	14.0	94.6
Interest received	**0.1**	0.1	0.7
Purchase of property, plant and equipment	**(5.0)**	(4.0)	(14.9)
Disposal of property, plant and equipment	**-**	-	0.1
Expenditure on product development and other intangibles	**(4.9)**	(5.1)	(8.0)
Free cash flow	**51.5**	5.0	72.5

4. Additional performance measures (continued)

	Rolling twelve months to 30 June 2020 £m	Rolling twelve months to 30 June 2019 £m	Year to 31 December 2019 £m
Underlying operating profit (preceding 12 months)	**118.7**	117.8	118.2
Remove impact of disposed businesses	**0.6**	0.8	-
Depreciation of property, plant and equipment	**10.2**	9.2	9.7
Depreciation of leased assets	**8.6**	9.2	9.3
Amortisation of internally generated intangible assets	**2.9**	1.5	2.9
Amortisation of software, patents and trademarks	**4.7**	2.8	4.0
EBITDA (preceding 12 months)	**145.7**	141.3	144.1

	30 June 2020 £m	30 June 2019 £m
Net assets	**485.2**	424.2
Net debt	**107.4**	208.2
Retirement benefit obligations	**68.7**	68.5
Net derivative financial instruments	**5.8**	3.8
Net tax assets	**(4.6)**	(13.0)
Total invested capital	**662.5**	691.7
Average invested capital	**677.1**	
Underlying operating profit (preceding 12 months)	**118.7**	
ROIC	**17.5%**	

Organic growth for order book, revenue and underlying operating profit is calculated as follows:

	Order book		**Revenue**		**Underlying operating profit**	
	£m	% impact	£m	% impact	£m	% impact
Six months to June 2019	1,014.1		387.1		52.9	
Currency translation	15.5	+1.5	6.2	+1.6	0.8	+1.5
Disposals	(0.6)	-0.1	(2.8)	-0.7	0.6	+1.1
Six months to June 2019 (for organic measure)	1,029.0		390.5		54.3	
Organic growth	**144.2**	**+14.0**	**22.6**	**+5.8**	**(0.9)**	**-1.7**
Six months to June 2020	**1,173.2**	+15.7	**413.1**	+6.7	**53.4**	+1.0

The above analysis of the Group's operating results and cash flows is presented to provide readers with additional performance indicators that are prepared on a non-statutory basis and includes the KPIs, underlying operating profit, underlying operating cash conversion and ROIC. 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 below:

4. Additional performance measures (continued)

- 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. Significant legal charges and expenses are also separately disclosed; these are the charges arising from investigations and settlement of litigation that are not in the normal course of business.
- Material costs or reversals arising from a significant restructuring of the Group's operations and costs of closure of product lines, businesses or facilities, are presented separately.
- Disposals of businesses 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.
- Acquisition and disposal-related costs comprise external legal and adviser costs directly related to mergers and acquisitions activity, adjustments to contingent consideration, payment of retention bonuses, and fair value adjustments for acquired inventory calculated in accordance with IFRS 13.
- 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 IFRS 9. 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 related tax effects of the above items are reflected when determining underlying earnings per share, as set out in note 10.

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 underlying 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.

EBITDA is the underlying operating profit for the preceding 12 month period, before depreciation charges and before amortisation arising on non-acquired intangible assets, and adjusted to remove the EBITDA generated by businesses up to the date of their disposal in the period. Net debt used in the net debt/EBITDA metric comprises borrowings, including pension liabilities and IFRS 16 lease liabilities, less cash and cash equivalents. (For covenant purposes, net debt does not include pension liabilities and all impacts of IFRS 16 are removed from EBITDA and net debt.)

ROIC is calculated as underlying operating profit for the preceding 12 month period expressed as a percentage of invested capital (average of opening and closing balance sheets). Invested capital is defined as net assets of the Group, excluding net debt and lease liability, pension obligations, tax and derivatives. This allows ROIC to be calculated on the operating assets of the business within the control of management.

5. Revenue

An analysis of the Group's revenue is as follows:

H1 2020	**Maritime £m**	**Intelligence & Communications £m**	**Critical Detection & Control £m**	**Six months to 30 June 2020 Total £m**
Point in time	55.4	49.2	56.7	161.3
Over time	128.9	64.9	58.0	251.8
	184.3	114.1	114.7	413.1

H1 2019	**Maritime £m**	**Intelligence & Communications £m**	**Critical Detection & Control £m**	**Six months to 30 June 2019 Total £m**
Point in time	37.0	39.7	74.9	151.6
Over time	131.9	62.2	41.4	235.5
	168.9	101.9	116.3	387.1

6. Investment revenue

	Six months to 30 June 2020 £m	Six months to 30 June 2019 £m	Year to 31 December 2019 £m
Bank interest	**0.1**	0.3	0.7
Fair value movement on derivatives	**-**	2.5	10.6
	0.1	2.8	11.3

7. Finance costs

	Six months to 30 June 2020 £m	Six months to 30 June 2019 £m	Year to 31 December 2019 £m
Amortisation of finance costs of debt	**0.3**	0.5	0.7
Interest payable on loans and overdrafts	**3.5**	4.6	9.5
Finance charge on leases	**0.8**	0.7	1.5
Total borrowing costs	**4.6**	5.8	11.7
Retirement benefit scheme finance cost	**1.0**	0.9	1.9
Fair value movement on derivatives	**10.0**	-	-
	15.6	6.7	13.6

8. Tax

	Six months to 30 June 2020 £m	Six months to 30 June 2019 £m	Year to 31 December 2019 £m
Current tax			
United Kingdom	**1.5**	1.5	0.8
Overseas	**3.0**	3.6	8.4
	4.5	5.1	9.2
Deferred tax	**1.0**	2.2	7.2
Total tax charge	**5.5**	7.3	16.4

The main rate of UK corporation tax was 19% at 1 April 2020.

9. Ordinary dividends

	Six months to 30 June 2020 £m	Six months to 30 June 2019 £m
Proposed additional interim dividend of 39.2p per share (equivalent to the postponed final dividend) and final dividend for the year ended 31 December 2018 of 37.0p per share	**27.8**	26.1
Proposed interim dividend for the year ended 31 December 2020 of 15.4p (2019: 15.0p) per share	**10.9**	10.6

As announced on 14 April 2020, as a precautionary measure the Board decided to postpone payment of its 2019 final dividend by withdrawing the proposed recommendation to pay a final 2019 dividend of 39.2 pence per share from the resolutions being put at the May AGM. An additional interim dividend of the same amount will be paid on 18 September 2020 to shareholders on the register at 30 August 2020. It was approved by the Board after 30 June 2020 and has not been included as a liability as at 30 June 2020.

The interim 2020 dividend of 15.4 pence per share will be paid on 18 September 2020 to shareholders on the register at 30 August 2020. It was approved by the Board after 30 June 2020 and has not been included as a liability as at 30 June 2020.

10. Earnings per share

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 December 2019
	Pence	Pence	Pence
From continuing operations			
Basic underlying (see below)	**54.7**	52.5	119.5
Diluted underlying (see below)	**54.5**	52.5	119.4
Basic	**34.2**	43.3	105.1
Diluted	**34.1**	43.3	104.9

10. Earnings per share (continued)

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

	Six months to 30 June 2020 £m	Six months to 30 June 2019 £m	Year to 31 December 2019 £m
Earnings			
Earnings for the purposes of earnings per share being profit for the period	**24.3**	30.7	74.5
Underlying earnings			
Profit for the period	**24.3**	30.7	74.5
Amortisation of intangibles arising on acquisition (net of tax)	**5.0**	8.3	16.9
Acquisition and disposal related costs (net of tax)	**0.8**	0.7	0.1
Loss/(profit) on fair value movements on derivatives (net of tax)	**8.1**	(2.2)	(8.8)
Gain/(loss) on disposal & held for sale (net of tax)	**-**	(0.8)	0.9
Significant legal charges and expenses (net of tax)	**0.6**	0.5	1.1
Earnings for the purposes of underlying earnings per share	**38.8**	37.2	84.7

The adjustments to profit are explained in note 4.

The weighted average number of shares is given below:

	Six months to 30 June 2020	Six months to 30 June 2019	Year to 31 December 2019
Number of shares used for basic earnings per share	**70,981,130**	70,870,331	70,893,867
Effect of dilutive potential ordinary shares – share options	**175,585**	5,078	93,523
Number of shares used for fully diluted earnings per share	**71,156,715**	70,875,409	70,987,390

	Six months to 30 June 2020 £m	Six months to 30 June 2019 £m	Year to 31 December 2019 £m
Underlying profit before tax	**47.9**	46.5	105.3
Tax rate applied for the purposes of underlying earnings per share	**19.0%**	20.0%	19.4%

10. Earnings per share (continued)

During the first six months of 2020, no shares have been purchased and cancelled by the company. In 2019, the company purchased and cancelled 634,996 shares in the first six months. No further shares were purchased and cancelled in the full year. See note 16.

11. Property, plant and equipment

During the period, the Group spent £5.0m on the acquisition of property, plant and equipment. The Group did not make any significant disposals during the period.

12. Leased assets

During the period, the Group acquired new leases of £5.3m in their leased assets. The Group did not make any significant disposals during the period.

13. Trade and other receivables

	At 30 June 2020 £m	At 30 June 2019 £m	At 31 December 2019 £m
Non-current:			
Amounts receivable from over time contract customers	**14.1**	20.0	13.7
	14.1	20.0	13.7

	At 30 June 2019 £m	At 30 June 2019 £m	At 31 December 2019 £m
Current:			
Trade receivables	**92.0**	100.9	108.4
Provisions against receivables	**(1.7)**	(3.5)	(1.8)
Net trade receivables	**90.3**	97.4	106.6
Amounts receivable from over time contract customers	**93.2**	97.0	77.0
Prepayments and other receivables	**26.7**	22.4	21.8
	210.2	216.8	205.4

14. Trade and other payables

	At 30 June 2020 £m	At 30 June 2019 £m	At 31 December 2019 £m
Amounts included in current liabilities:			
Trade payables	**49.4**	55.0	49.9
Amounts due to over time contract customers	**74.0**	63.5	57.5
Other payables	**102.5**	73.0	84.9
	225.9	191.5	192.3
Amounts included in non-current liabilities:			
Amounts due to over time contract customers	**7.1**	14.3	9.8
Other payables	**4.7**	4.8	2.0
	11.8	19.1	11.8

15. Provisions

	Warranties £m	Contract related provisions £m	Other £m	Total £m
At 30 June 2019	6.0	5.7	6.4	18.1
At 31 December 2019	4.8	13.9	6.1	24.8
At 30 June 2020	**4.9**	**11.6**	**5.7**	**22.2**
Included in current liabilities	3.7	11.6	3.4	18.7
Included in non-current liabilities	1.2	-	2.3	3.5
	4.9	**11.6**	**5.7**	**22.2**

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, for example including provisions for agent fees, are utilised over the period as stated in the contract to which the specific provision relates.. Other provisions include re-organisation costs, deferred consideration and dilapidation costs. Reorganisation costs will be incurred over the period of the reorganisation, which is typically up to two years. Contingent consideration is payable when earnings targets are met. Dilapidations will be payable at the end of the contracted life, which is up to fifteen years. To provide greater clarity to readers of the financial statements, all provisions relating to contract execution and delivery, which had been included within the over-time contract balances for June 2019 and prior periods, have been classified into the contract-related provisions disclosure for December 2019 and June 2020 above.

16. Share capital

51,937 shares, with a nominal value of £2,597 have been allotted in the first six months of 2020 under the terms of the Group’s various share option schemes. The aggregate consideration received by the Company was £424,000.

During the first six months of 2020 no shares have been purchased and cancelled by the Company.

17. Cash flow information

	Six months to 30 June 2020 £m	Six months to 30 June 2019 £m	Year to 31 December 2019 £m
Operating profit	**45.3**	41.0	94.2
Adjustments for:			
Depreciation of property, plant and equipment	**5.0**	4.6	9.7
Amortisation of intangible assets	**9.2**	12.4	28.6
Amortisation of leased assets	**4.1**	4.6	9.3
Cost of equity-settled employee share schemes	**0.7**	1.2	0.8
Adjustment for pension funding	**(5.6)**	(5.4)	(10.8)
Loss on disposal of property, plant and equipment	**-**	-	0.1
(Decrease)/increase in provisions	**(3.8)**	(1.5)	5.5
Operating cash flow before movements in working capital	**54.9**	56.9	137.4
Increase in inventories	**(14.8)**	(9.4)	(5.7)
Decrease/(increase) in receivables	**5.4**	(4.7)	(2.9)
Increase/(decrease) in payables	**20.3**	(17.0)	(13.9)
Cash generated by operations	**65.8**	25.8	114.9
Income taxes paid	**(0.2)**	(6.9)	(9.5)
Interest paid	**(3.5)**	(4.2)	(9.3)
Finance lease interest paid	**(0.8)**	(0.7)	(1.5)
Net cash inflow from operating activities	**61.3**	14.0	94.6

17. Cash flow information (continued)

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

	Six months to 30 June 2020 £m	Six months to 30 June 2019 £m	Year to 31 December 2019 £m
Net increase/(decrease) in cash and cash equivalents	**7.8**	(4.7)	(10.5)
Cash inflow/(outflow) from movement in debt and finance leasing	**43.5**	(9.0)	55.3
Change in net debt arising from cash flows	**51.3**	(13.7)	44.8
Loan syndication costs	**-**	-	0.3
Lease liability movement	**(2.5)**	(37.2)	(41.2)
Amortisation of finance costs of debt	**(0.3)**	(0.4)	(0.7)
Translation differences	**(1.1)**	0.5	(0.5)
Movement in net debt in the period	**47.4**	(50.8)	2.7
Net debt at start of period	**(154.8)**	(157.4)	(157.5)
Net debt at end of period	**(107.4)**	(208.2)	(154.8)

Net debt comprised the following:	**At 30 June 2020 £m**	At 30 June 2019 £m	At 31 December 2019 £m
Cash and cash equivalents	**93.1**	92.9	82.2
Borrowings	**(200.5)**	(301.1)	(237.0)
	(107.4)	(208.2)	(154.8)

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

Reconciliation of changes in financing liabilities:

	At 30 June 2019 £m	At 30 June 2019 £m	At 31 December 2019 £m
Borrowings at start of period	**(237.0)**	(253.8)	(253.8)
Repayments of borrowings	**64.5**	108.7	315.3
Proceeds from borrowings	**(21.0)**	(117.7)	(259.9)
Loan syndication costs	**-**	-	0.3
Amortisation of finance costs of debt	**(0.3)**	(0.4)	(0.7)
Lease liability movement	**(2.5)**	(37.2)	(41.2)
Translation differences	**(4.2)**	(0.7)	3.0
Borrowings at end of period	**(200.5)**	(301.1)	(237.0)

18. Disposals and assets classified as held for sale

As disclosed in note 30 of the 2019 Annual Report, certain assets from the Communications & Security division (now the Intelligence & Communications SBU) were classified as held for sale at 31 December 2019. During the period the decision was taken to cease classifying these assets as held for sale due to uncertainty over the likelihood of disposal; there was no impact to the current period or prior year financial results.

As disclosed in note 30 of the 2019 Annual Report, in October 2019 agreement was reached to dispose of the Intelligence & Security SBU's small Ottawa-based electronic intelligence business. The disposal completed in January 2020. There was no residual gain or loss to recognise in the period ending 30 June 2020.

The total assets and liabilities classified as held for sale at 30 June 2020, which are planned to be disposed in the following 12 months, are shown in the table below at their fair value. These assets and liabilities are from certain non-core aircraft product lines from the former Flightline business in the Maritime SBU. In the period, £6.7m was received relating to the pending sale of these non-core assets, however the disposal is pending completion of certain contract novations and the trading assets remain under Ultra's control; as the disposal is not complete no gain has been recognised in the income statement. A liability of £6.7m has been recorded within other payables: the liability will be derecognised, and the profit on disposal will be recognised once the divestment has completed in H2 2020.

	2020 £m
Inventories	1.7
Trade and other receivables	0.5
Total assets classified as held for sale	**2.2**
Trade and other payables	(0.5)
Total liabilities classified as held for sale	**(0.5)**
Net assets classified as held for sale	**1.7**

19. Financial instruments

Exposure to currency and interest rate 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 and interest rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted (unadjusted) active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of Ultra's financial instruments have been assessed as Level 2 or Level 3 and comprise foreign exchange forward contracts and interest rate swaps as Level 2 and the Strategic Aerospace and Defence Initiative ("SADI") loan as Level 3. For further information refer to notes 22 and 24 of our 2019 Annual Report.

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

During the period a mark to market loss on forward foreign exchange contracts of £10.0m (2019 H1 gain: £2.5m) was incurred as GBP weakened relative to our USD forward contract rate.

Fair value measurements as at 30 June 2020 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 2020 £m	At 30 June 2019 £m	At 31 December 2019 £m
Financial assets:			
Foreign exchange derivative financial instruments (through profit and loss, level 2)	**0.4**	0.5	4.9
Total	**0.4**	0.5	4.9
Financial liabilities:			
Foreign exchange derivative financial instruments (through profit and loss, level 2)	**6.2**	4.3	0.7
SADI loan (level 3)	**8.7**	8.4	9.5
Total	**14.9**	12.7	10.2

20. Going concern

The liquidity of the Group is strong, with cash of £93.1m and access to our committed £300m Revolving Credit Facility ("RCF"), of which £259m is undrawn. The majority of the facility is committed to November 2024, along with long-term committed Private Placement debt of £50m and $70m, as well as other smaller uncommitted short-term overdraft facilities. Net debt to EBITDA (on a covenant basis when excluding pension liabilities and IFRS 16 lease liabilities) is x0.46, well below the maximum permitted of x3.00.

The Directors have considered the guidance issued by the Financial Reporting Council and are satisfied 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.

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 risks as discussed in detail in the Risks and Uncertainties section, including consideration of Covid-19.
- the modelling of realistic worst-case financial impacts to the Group of the Covid-19 pandemic over the period, which included an assumption of 4-8 week long closures of all sites, similarly significant disruption to the supply chain, and increased workforce absence through illness;
- the reverse stress tests and sensitivity analysis applied to the forecasts;
- the nature and impact of mitigating actions that could be taken to conserve cash;
- the actual performance of the Group in H1, compared to the realistic worst-case Covid-19 related impacts modelled earlier in 2020;
- the adequacy of Ultra's existing committed financing facilities, and availability of alternative sources of funding if necessary;
- the forecast financial covenant headroom over the assessment period;
- the impact to the Group of paying dividends;
- the Group's long-term record of delivering profits and generating cash;
- Ultra's positions in growth sectors of its markets; and
- the long-term nature of Ultra's markets, the Group's customer base and long-term contracts.

The duration of the Covid-19 pandemic and its impact remains uncertain, but it is not significantly impacting current trading and we do not currently believe it will have any material long term impact. We are continuing to monitor the situation closely.

21. Contingent liabilities

As noted in note 10 of our 2019 Annual Report, the company has benefited from a certain exemption in the UK Controlled Foreign Company (CFC) rules. On 2 April 2019, the European Commission concluded that the exemption, as applicable for years from 2013 through 2018, partly constituted illegal state aid. Ultra, the UK Government and other affected taxpayers have separately appealed this decision to the EU General Court. In common with other UK-based international companies whose arrangements were in line with UK CFC legislation, which applied up to 2018, HMRC may seek to recover alleged illegal aid from Ultra pending the resolution of EU litigation. HMRC initiated enquiries during 2019 in respect of this issue but to date no substantive progress has been made and the range of potential outcomes remains nil to £21m. No provision for this potential liability is made in these interim financial statements as it is not clear what, if any, the eventual financial result will be.

As noted in note 33 of our 2019 Annual Report, the nature of much of the contracting work performed by the Group means that there are occasional contractual issues, variations and renegotiations that arise. In addition, the Group is, from time to time, party to legal proceedings and claims which arise in the ordinary course of business. The Oman Airport IT contract between the Sultanate of Oman, Ministry of Transport & Communications and Ithra (Ultra Electronics in collaboration with Oman Investment Corporation LLC, the legal entity established with the sole purpose of delivering that contract and which was placed into voluntary liquidation in March 2015) was terminated in February 2015 and there are various proceedings in relation to that contract and its termination. There remains significant uncertainty regarding the likely outcome of these proceedings and it is not possible to reliably estimate the financial effect that may result from the ultimate outcome.

As noted in note 33 of our 2019 Annual Report, investigations associated with conduct of business issues in Algeria and the Philippines are ongoing, and Ultra continues to cooperate with the relevant authorities. It is not yet possible to estimate the time scale in which these investigations might be resolved, or to reliably predict their outcomes.

22. Other matters

Seasonality

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

Related party transactions

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

Organic performance measures

The Divisional management teams, the Executive Team and the Board review and compare current and prior period divisional and group order book, revenue and underlying operating profit at constant exchange rates and adjusted for any acquisitions or disposals to reflect the comparable period of ownership from the organic performance measures. The constant exchange comparison retranslates the prior period results from the prior period's average exchange rates into the current period's average exchange rates.