press **information**

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Ultra Electronics Holdings plc
("Ultra" or "the Group")

Preliminary Audited Results for the Year Ended 31 December 2007

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2007	Year ended 31 December 2006	**Change**
Revenue	**£412.9m**	£377.0m	**+10%**
Headline operating profit(1)	**£62.9m**	£57.5m	**+9%**
Headline profit before tax(2)	**£61.1m**	£54.9m	**+11%**
Headline earnings per share(2)	**65.4p**	58.4p	**+12%**
Dividend per share - final	**14.5p**	12.6p	**+15%**
- total	**21.2p**	18.5p	**+15%**

(1) *before amortisation of intangibles arising on acquisition. IFRS profit from operations £59.0m (2006: £53.9m). See Note 2 for reconciliation.*
(2) *before amortisation of intangibles arising on acquisition and profit on fair value movements on derivatives. IFRS profit before tax £56.6m (2006: £55.0m). Basic EPS 60.9p (2006: 58.8p). See Note 2 for reconciliation.*

- Good Group performance underpinned by broad mix of activities
- Operating margin* maintained above 15% despite currency impact and high new product development costs
- Investment continues in new programmes to underpin medium-term growth
- Good operating cash* conversion of 83%
- Four acquisitions completed in the year, broadening the Group's portfolio
- Strong balance sheet gives headroom for further acquisitions
- Order book increased to £621m, providing good earnings visibility
- Recommended total dividend per share increased 15%, maintaining dividend cover at about three times

Douglas Caster, Chief Executive, commented:
"Ultra has again demonstrated good growth in revenue and profits. At constant currencies, the growth in revenue was over 13% and the increase in profit before tax* was 18%. Ultra has a wide spread of activities in the defence and civil sectors, a strong order book and a reputation for delivering customer satisfaction through the successful execution of contracts. The four acquisitions made in 2007 broaden the portfolio of niche products and services that the Group provides to its customers. Combined, these factors provide Ultra with an excellent basis for further progress and give the Board confidence in the Group's prospects for 2008."

* see footnote on page 2

FINANCIAL RESULTS

	Year ended 31 December 2007 £m		Year ended 31 December 2006 £m		Growth
Order book					
- Aircraft & Vehicle Systems	**181.6**		176.9		+2.7%
- Information & Power Systems	**133.6**		110.2		+21.2%
- Tactical & Sonar Systems	**305.8**		296.5		+3.1%
Total order book		**621.0**		583.6	+6.4%
Revenue					
- Aircraft & Vehicle Systems	**100.0**		93.9		+6.5%
- Information & Power Systems	**126.6**		120.5		+5.1%
- Tactical & Sonar Systems	**186.3**		162.6		+14.6%
Total revenue		**412.9**		377.0	+9.5%
Organic growth					+6.5%
Operating profit*					
- Aircraft & Vehicle Systems	**16.1**		13.2		+22.0%
- Information & Power Systems	**19.6**		19.3		+1.6%
- Tactical & Sonar Systems	**27.2**		25.0		+8.8%
Total operating profit*		**62.9**		57.5	+9.4%
Operating margin*					
- Aircraft & Vehicle Systems	**16.1%**		14.1%		
- Information & Power Systems	**15.5%**		16.0%		
- Tactical & Sonar Systems	**14.6%**		15.4%		
Total operating margin*		**15.2%**		15.3%	
Interest		**(1.8)**		(2.6)	-30.8%
Profit before tax*		**61.1**		54.9	+11.3%
Operating cash flow*		**52.2**		56.5	
Cash conversion*		**83%**		98%	
Net debt* at year-end		**14.2**		7.2	
Bank interest cover		**29.2x**		21.6x	
Earnings per share*		**65.4p**		58.4p	+12.0%

Footnote
*Throughout this document, the terms **headline operating profit**, **headline profit before tax** and **headline earnings per share** have the same meaning as, and are used interchangeably with, **operating profit***, **profit before tax*** and **earnings per share*** respectively.*
headline operating profit, operating profit* and ***operating margin**** *are before amortisation of intangibles arising on acquisition.*
headline profit before tax *and* ***earnings per share**** *are before amortisation of intangibles arising on acquisition and fair value movement on derivatives.*
operating cash flow* *is cash generated by operations, less net capital expenditure, R&D and LTIP share purchases.*
cash conversion* *is cash generated by operations, less net capital expenditure, R&D and LTIP share purchases as % of profit from operations before amortisation of intangibles arising on acquisition.*
net debt* *comprises bank overdrafts and loans less cash and cash equivalents.*

The resilience of Ultra's performance in 2007 reflected the Group's broad portfolio and spread of niche market positions. Ultra made good progress in the year, achieving a strong underlying rate of revenue and profit growth. Margins were maintained despite the continuing currency headwind and further investment in systems for new platforms that will support further growth of the Group. While most of the growth achieved was organic, last year's acquisitions, Polyflex and Winfrith, were included for a full year. There were also contributions from the four acquisitions made in 2007, two of which were acquired so late in the year that they only made a small impact.

* see footnote on page 2

Revenue was 9.5% higher at £412.9m (2006: £377.0m)

- of this revenue growth, 6.5% was organic
- at constant exchange rates, revenue growth was 13.4%

Operating profit* increased 9% to £62.9m (2006: £57.5m)

- operating margin* was maintained above 15%
- at constant exchange rates, operating profit* growth was 16.0%

Operating cash conversion* was 83%. The Group continues to invest cash in the Boeing 787 and Airbus A400M aircraft programmes which will contribute to future growth. There was a total company-funded cash investment of £30.2m (2006: £22.9m) on new product and business development, of which £4.1m was capitalised (2006: £3.8m) as an intangible asset.

The profit impact of the fair value movement on derivatives and the amortisation of intangibles arising on acquisition was a charge of £4.5m compared to a gain of £0.1m in 2006.

Foreign exchange rate movements continued to impact adversely the Group's profitability with the further weakening of the US dollar having the greatest effect. More than half of Ultra's sales are denominated either in US or Canadian dollars and these currencies weakened, on average, against sterling by 8% and 3% respectively in the year. The result was a negative translation impact on revenue of 4%. The effect on operating profit* was a reduction of 3%, equivalent to £2.2m. Ultra's policy is to hedge forward its foreign currency trading exposure in order to reduce uncertainty - the typical forward cover is 18-24 months for US dollar-denominated sales in the UK and Canada. The hedged rates also weakened during the period, with an overall adverse transaction impact on operating profit* of £1.7m. Operating profit* at constant currencies would therefore have been £3.9m higher in total, representing growth of 16%.

Net interest payable was 31% lower at £1.8m (2006: £2.6m) due mainly to lower borrowings through the year. All Ultra's acquisitions except Criticom and Telemus closed so late in the year that the effect on interest payable was small.

Headline profit before tax was £61.1m (2006: £54.9m), an increase of 11%. There was a reduction in the Group's effective tax rate from 28.0% to 27.1% in the year, reflecting the tax benefits of recent acquisitions in the USA and an associated increase in borrowings in that country. Profit after tax rose by 4.1% to £41.2m (2006: £39.6m) and earnings per share* increased 12.0% to 65.4p (2006: 58.4p).

Net debt* at the end of the year was £14.2m compared to £7.2m at the end of 2006. The Group's balance sheet remains strong, with net interest payable on borrowings covered approximately 29 times by operating profit*.

The proposed final dividend is 14.5p, bringing the total dividend for the year to 21.2p (2006: 18.5p). This represents an annual increase of 15%, with the dividend being covered 3.1 times by earnings per share*. If approved, the dividend will be paid on 6 May 2008 to shareholders on the register on 11 April 2008.

The order book at the end of the year was £621m, an increase of 6.4% over the value at the same time last year and an increase of 24.0% over the last two years. The order book, at its closing level, maintains historic levels of firm order cover for the coming year and so provides the Group's customary level of forward visibility.

* see footnote on page 2

Acquisitions

Ultra made four acquisitions in 2007; Criticom, Telemus, Atkins and BCF Designs. They have enhanced the Group's portfolio of offerings and they all have the strong positions in growing niche markets that are typical of Ultra businesses. The total cash consideration for these acquisitions was £31.0m including expenses, financed largely using Ultra's cash resources. The combined revenue of the four acquisitions on a full-year basis for 2007 would have been about £21m.

- Criticom, based in Maryland, US, designs, supplies and supports custom secure and non-secure video conferencing solutions. It is part of the Tactical & Sonar Systems division.

- Telemus, based in Ontario, Canada, provides specialist electronic warfare and surveillance equipment. It is now part of Ultra's Tactical Communication Systems business, also within the Group's Tactical & Sonar Systems division.

- Atkins is a business that specialises in the supply of software solutions for emergency planning, command & control, crisis & incident management and computer based training & briefing. It is now part of the Datel business in the Group's Aircraft & Vehicle Systems division.

- BCF Designs specialises in the design and production of electronic testing solutions for military and civil aircraft systems. It is now part of Ultra's Electrics business which is also in the Aircraft & Vehicle Systems division.

OPERATIONAL REVIEW

Aircraft & Vehicle Systems

Revenue in Aircraft & Vehicle Systems increased by 6% to £100.0m compared to £93.9m in 2006 and operating profit* increased 22% to £16.1m (2006: £13.2m). These results include a contribution from Atkins and BCF Designs, both acquired late in the year. The division's order book at the end of the period was £181.6m (2006: £176.9m).

Revenue growth continued to be driven by the buoyant civil aerospace market and by customer-funded development programmes. In addition to sales of landing gear computers and noise cancellation systems for civil aircraft, the division benefited from good sales of specialist equipment for military aircraft programmes, especially the HiPPAG airborne compressor. There was continuing demand for systems and equipment that help improve the mobility and survivability of armoured vehicles being used in expeditionary operations including hand controls for vehicle-mounted, remotely controlled weapon stations in the US.

In spite of adverse currency effects and continuing investment in new aircraft systems, operating profit* growth for the division reflected increased sales of HiPPAG, the benefit of having integrated Polyflex in 2006 and higher sales of specialist hand controls.

Highlights of the division's performance in the year that will underpin continuing growth in future years included:

- delivery of flightworthy wing ice protection equipment for Boeing's new 787 aircraft together with systems for use in the avionics validation and integration rigs. Ultra's system also successfully completed a challenging set of tests that constitute a major milestone in the airworthiness qualification process for the equipment.

* see footnote on page 2

- delivery of a functioning ice protection system meeting an interim design standard for the Pratt & Whitney F-135 engine on the new F-35 Joint Strike Fighter aircraft. Ultra was also selected in the year to adapt this system to provide ice protection for the lift fan that is required for the short take-off, vertical landing variant of the aircraft. Separately, Ultra's airborne HiPPAG compressor passed the necessary stringent environmental qualification tests for its role in the weapons ejection systems of the Joint Strike Fighter.

- successful entry into service of Ultra's innovative vision system for the British Army's new Mastiff armoured vehicle delivered to Afghanistan and Iraq in response to an urgent operational requirement. Ultra's equipment allows improved usage of the vehicles in day and night operations.

Information & Power Systems

Revenue in Information & Power Systems grew by 5% to £126.6m compared to £120.5m in the previous year. Operating profit* was £19.6m (2006: £19.3m). The order book at the end of the year had increased by 21% to £133.6m (2006: £110.2m) reflecting increased demand for Ultra's specialist power control equipment for both defence and transit system applications.

Revenue continued to benefit from strong growth in airport IT systems and increased demand for a range of command & control systems including specialist border and harbour surveillance. As predicted, sales in 2007 of Ultra's higher margin ADSI systems reduced to a more normal level following the exceptionally strong demand in 2006 driven by operations in Afghanistan and Iraq. Revenue also benefited from sales of specialist electrical power equipment, including high integrity 'rod control' systems that manage the activity levels of Rolls-Royce submarine nuclear reactors.

Operating profit* grew broadly in line with the revenues of the division, with the growth achieved by most businesses being offset by the lower level of profit from ADSI system sales. In particular, sales of specialist power equipment and strong demand for identity card printers helped this profit growth. The Group's continuing focus on cost control contributed to the operational performance of several businesses.

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

- increased development activity for Rolls-Royce on a replacement high integrity control and instrumentation system for submarine nuclear reactors. In the year, initial contract cover for the production phase of the programme was received.

- selection by VT Shipbuilding to supply an integrated combat and surveillance system for three armed 90m ships with sophisticated radar and electro-optical target tracking and fire control capabilities for the Trinidad & Tobago government. This is Ultra's first contract for a modular system that addresses the growing market for advanced offshore patrol vessels of this class.

- significant contract awards for Ultra's innovative transit system trackside power solutions. These included an initial contract to supply equipment for London's overground train network which is being upgraded in time for the 2012 Olympics.

* see footnote on page 2

Tactical & Sonar Systems

Revenue in Tactical & Sonar Systems increased by 15% to £186.3m (2006: £162.6m) and operating profit* rose 9% to £27.2m (2006: £25.0m). These results include the contributions from Criticom and Telemus, both acquired mid-year. The closing order book of £305.8m (2006: £296.5m) reflected strong demand from the US Army for tactical radio systems.

Revenue growth was driven by further sales of airborne targeting pods for UK Tornado aircraft and strong demand for battlespace IT products, notably tactical radios and network interfacing equipment for the US DoD. In both instances, the need to improve the capability of armed forces in current operations focused customer demand. Revenue also benefited from initial work on a technology demonstration for a new 'loitering munition' to provide precision attack capability at long range for the British Army. Delivery of Ultra's new sea mine disposal systems to the Royal Navy partially compensated for the reduction in sales of torpedo defence systems as that programme transitioned to its support phase during 2007.

The operating margin* reduced following the completion, in 2006, of the production phase of the UK torpedo defence system contract. Investment continued in 2007 in redesigning Ultra's complete range of firefighter voice communications products to ensure compliance with updated national standards that became effective late in the year. Operating profit* benefited from improved margins on sales of US sonobuoys and from increased sales of battlespace IT equipment, especially a new, higher capacity tactical radio for the US Army.

Growth in future years will be underpinned as a result of the following events in 2007:

- the award of a contract relating to the supply of upgraded secure communications systems for the UK's Tornado GR4 aircraft fleet. There is potential for a through-life support contract for this equipment and for exports to other users of the Tornado aircraft.

- the receipt of a contract from the MoD to demonstrate a new submarine hunting system known as 'multi-static active' which will greatly improve the ability to detect stealthy, small but highly capable submarines. Ultra is also involved in programmes to improve anti-submarine warfare capabilities in the US.

- the award of an initial production contract by the US DoD for the KG-40AR cryptographic system which provides encryption for tactical data links used by NATO forces. Further production phases are planned for the KG-40AR, a modern replacement for an obsolete system of which many are still in service.

PROSPECTS

Ultra applies its exceptionally broad range of differentiated technologies to an increasing list of international platforms and programmes and this gives resilience to the Group's overall performance. Ultra operates at all levels in the supply chain, selling to governments and to most major defence and aerospace prime contractors. The Group is structured to allow it to operate in a flexible, agile, customer-led manner and Ultra's businesses are encouraged constantly to pursue product and process innovation and to provide differentiated products, services and solutions to meet customer needs.

In defence markets, budgets continue to be focused on the provision of smart systems that will enhance the capability for persistent surveillance, rapid identification of targets, precision attack, mobility, communications and interoperability between different forces. Existing platforms must be upgraded to provide these capabilities, often on an urgent basis, in addition to designing them into new programmes. Ultra's ability to innovate, combined with its proven track record of teaming to

* see footnote on page 2

access complementary technologies and capabilities, enables the Group to deliver best-of-breed system solutions, for new build as well as retrofit requirements. In Ultra's traditional underwater battlespace activities, including anti-submarine warfare, there is evidence of increasing investment in platforms that will increase the usage of Ultra's specialist products.

The current high levels of activity in Iraq and Afghanistan may reduce in the medium-term. While Ultra has benefited in some of its niche areas from these operations, the diversion of funds from other activities has had an offsetting adverse impact elsewhere in the Group. Overall, it is felt that the impact of the potential reduction in current activities would not be material to the Group.

The growth in demand for civil aircraft is strongest in those areas of the world where rapid population growth is combined with rising disposable incomes and competitive pressures are increasing the demand for new, fuel-efficient aircraft. This growth in air travel also encourages further investment in enhanced airport infrastructure. Ultra is well positioned to benefit from the demand in both of these market sectors.

There are some exciting opportunities in other civil markets. Investment is increasing in the UK rail transit system infrastructure, driven partly by the 2012 London Olympic Games. Around the world, continuing security concerns are resulting in further expenditure on surveillance solutions and access control systems. In the UK the need to reduce carbon emissions and the strategic need to maintain independent energy supplies are causing higher investment in civil nuclear power generation, a market in which Ultra has a niche capability in the supply of high integrity control systems. This includes both the refurbishment and life extension of existing installations and the supply of new power stations.

Within Ultra's overall order book valued at £621m, firm order coverage for the next twelve months' trading for the Group has been maintained at its traditional level of over 60%, thereby giving good visibility of future earnings.

Investment to drive future growth remains a key element of Ultra's strategy, whether internally in new products or externally in acquisitions. The Group will continue to pursue opportunities to invest in long-term programmes. While Ultra made a number of acquisitions during 2007, its strong balance sheet can support the purchase of further businesses that would enhance the Group's portfolio. Target companies are actively being sought that have a proven track record and can be acquired at value-enhancing prices.

In summary, Ultra's strong positioning, broad spread of activities, investment in growth markets and track record for delivery and service continue to give the Board confidence in the Group's prospects for 2008.

- Ends -

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* see footnote on page 2

Ultra Electronics Holdings plc
Preliminary Audited Results for the Year Ended 31 December 2007
Consolidated Income Statement

	Note	**2007 £000**	2006 £000
Continuing operations			
Revenue	1	**412,890**	377,040
Cost of sales		**(300,380)**	(274,466)
Gross profit		**112,510**	102,574
Other operating income	3	**5,050**	1,505
Distribution costs		**(875)**	(810)
Administrative expenses		**(56,687)**	(46,335)
Other operating expenses	4	**(992)**	(2,987)
Profit from operations		**59,006**	53,947
Headline operating profit	2	**62,921**	57,509
Amortisation of intangibles arising on acquisition		**(3,915)**	(3,562)
Profit from operations		**59,006**	53,947
Investment revenue	5	**1,092**	4,939
Finance costs	6	**(3,500)**	(3,874)
Profit before tax	1	**56,598**	55,012
Headline profit before tax	2	**61,069**	54,915
Amortisation of intangibles arising on acquisition		**(3,915)**	(3,562)
(Loss)/profit on fair value movements on derivatives		**(556)**	3,659
Profit before tax		**56,598**	55,012
Tax	7	**(15,363)**	(15,404)
Profit for the year from continuing operations attributable to equity holders of the parent		**41,235**	39,608
Earnings per ordinary share (pence)			
From continuing operations			
- Basic	9	**60.9**	58.8
- Diluted	9	**60.5**	58.3

Ultra Electronics Holdings plc
Preliminary Audited Results for the Year Ended 31 December 2007
Consolidated Balance Sheet

	Note	**2007 £000**	2006 £000
Non-current assets			
Intangible assets		**179,254**	149,758
Property, plant and equipment		**24,235**	20,814
Deferred tax assets		**10,634**	11,223
		214,123	181,795
Current assets			
Inventories	10	**42,417**	29,198
Trade and other receivables	11	**84,226**	83,599
Cash and cash equivalents		**27,419**	25,628
		154,062	138,425
Total assets		**368,185**	320,220
Current liabilities			
Trade and other payables	12	**(118,393)**	(110,235)
Tax liabilities		**(9,123)**	(7,387)
Obligations under finance leases		**(25)**	(22)
Short-term provisions	13	**(10,644)**	(10,459)
		(138,185)	(128,103)
Non-current liabilities			
Retirement benefit obligations	14	**(40,390)**	(35,143)
Other payables	12	**(830)**	(1,158)
Deferred tax liabilities		**(2,619)**	(2,830)
Obligations under finance leases		**(29)**	(48)
Bank loans		**(41,608)**	(32,722)
Long-term provisions	13	**(2,630)**	(2,825)
		(88,106)	(74,726)
Total liabilities		**(226,291)**	(202,829)
Net assets		**141,894**	117,391
Equity			
Share capital		**3,394**	3,378
Share premium account		**35,061**	33,180
Own shares		**(1,972)**	(2,692)
Hedging and translation reserve		**(6,282)**	(4,837)
Retained earnings		**111,693**	88,362
Total equity		**141,894**	117,391

Ultra Electronics Holdings plc

Preliminary Audited Results for the Year Ended 31 December 2007
Consolidated Cash Flow Statement

	Note	**2007**	2006
		£000	£000
Net cash flow from operating activities	15	**49,558**	49,550
Investing activities			
Interest received		**791**	1,216
Purchase of property, plant and equipment		**(8,569)**	(4,759)
Proceeds from disposal of property, plant and equipment		**-**	34
Expenditure on product development and other intangibles		**(5,489)**	(4,676)
Acquisition of subsidiary undertakings (net of cash acquired)		**(31,016)**	(7,799)
Net cash used in investing activities		**(44,283)**	(15,984)
Financing activities			
Issue of share capital		**1,897**	1,518
Purchase of Long-Term Incentive Plan shares		**-**	(513)
Dividends paid		**(12,978)**	(11,102)
Increase/(repayment) of borrowings		**6,551**	(36,315)
Repayments of obligations under finance leases		**(16)**	(33)
Net cash used in financing activities		**(4,546)**	(46,445)
Net increase/(decrease) in cash and cash equivalents		**729**	(12,879)
Cash and cash equivalents at beginning of year		**25,628**	40,193
Effect of foreign exchange rate changes		**1,062**	(1,686)
Cash and cash equivalents at end of year		**27,419**	25,628

Ultra Electronics Holdings plc
Preliminary Audited Results for the Year Ended 31 December 2007
Consolidated Statement of Recognised Income and Expense

	2007	2006
	£000	£000
Exchange differences on translation of foreign operations	**(1,445)**	(3,847)
Actuarial (losses)/gains on defined benefit pension schemes (net of related deferred tax and exchange rate movements)	**(4,250)**	7,827
Profit on cash flow hedge	**45**	226
Tax on items taken directly to equity (excluding pensions)	**(602)**	(1,923)
Net (expense)/income recognised directly in equity	**(6,252)**	2,283
Transfer to profit and loss on cash flow hedges	**(154)**	(28)
Profit for the year	**41,235**	39,608
Total recognised income and expense for the year	**34,829**	41,863

Ultra Electronics Holdings plc

Notes:

1. Segmental analysis

(a) Revenue by division

	2007 External revenue £000	**2007** Internal revenue £000	**2007** Total £000	2006 External revenue £000	2006 Internal revenue £000	2006 Total £000
Aircraft & Vehicle Systems	**99,993**	**5,856**	**105,849**	93,907	3,423	97,330
Information & Power Systems	**126,623**	**11,062**	**137,685**	120,517	8,964	129,481
Tactical & Sonar Systems	**186,274**	**5,939**	**192,213**	162,616	11,813	174,429
Eliminations	**-**	**(22,857)**	**(22,857)**	-	(24,200)	(24,200)
Consolidated revenue	**412,890**	**-**	**412,890**	377,040	-	377,040

(b) Profit by division

	2007 £000	2006 £000
Aircraft & Vehicle Systems	**16,070**	13,190
Information & Power Systems	**19,645**	19,333
Tactical & Sonar Systems	**27,206**	24,986
Headline operating profit	**62,921**	57,509
Amortisation of intangibles arising on acquisition (see 1 (c))	**(3,915)**	(3,562)
Profit from operations	**59,006**	53,947
Investment revenue	**1,092**	4,939
Finance costs	**(3,500)**	(3,874)
Profit before tax	**56,598**	55,012

(c) Amortisation of intangibles arising on acquisition

	2007 £000	2006 £000
Aircraft & Vehicle Systems	**564**	505
Information & Power Systems	**75**	174
Tactical & Sonar Systems	**3,276**	2,883
	3,915	3,562

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

	Capital expenditure and additions to intangibles (excluding goodwill)		Depreciation and amortisation	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Aircraft & Vehicle Systems	**4,460**	4,579	**1,684**	3,697
Information & Power Systems	**4,963**	2,142	**2,936**	2,930
Tactical & Sonar Systems	**4,635**	2,992	**6,567**	5,439
Total	**14,058**	9,713	**11,187**	12,066

The 2007 depreciation and amortisation expense includes £5,467,000 of amortisation charges (2006: £6,536,000) and £5,720,000 of property, plant and equipment depreciation charges (2006: £5,530,000).

(e) Total assets by division

	2007	2006
	£000	£000
Aircraft & Vehicle Systems	**99,879**	80,857
Information & Power Systems	**71,473**	68,656
Tactical & Sonar Systems	**153,397**	129,684
	324,749	279,197
Unallocated	**43,436**	41,023
Consolidated total assets	**368,185**	320,220

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

(f) Total liabilities by division

	2007	2006
	£000	£000
Aircraft & Vehicle Systems	**30,362**	36,032
Information & Power Systems	**45,682**	40,296
Tactical & Sonar Systems	**53,004**	46,792
	129,048	123,120
Unallocated	**97,243**	79,709
Consolidated total liabilities	**226,291**	202,829

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

Ultra Electronics Holdings plc

(g) Revenue by destination

	2007 £000	2006 £000
United Kingdom	**171,729**	150,645
Continental Europe	**43,556**	35,700
Canada	**17,788**	16,022
USA	**154,032**	144,506
Rest of world	**25,785**	30,167
	412,890	377,040

(h) Other information (by geographic location)

	Total assets		**Additions to property, plant & equipment and intangible assets (excluding acquisitions)**	
	2007 £000	2006 £000	**2007 £000**	2006 £000
United Kingdom	**168,529**	146,564	**9,340**	6,089
North America	**156,220**	132,633	**4,718**	3,624
	324,749	279,197	**14,058**	9,713

2. Additional performance measures

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

	2007	2006
	£000	£000
Profit from operations	**59,006**	53,947
Amortisation of intangibles arising on acquisition	**3,915**	3,562
Headline operating profit	**62,921**	57,509
Profit before tax	**56,598**	55,012
Loss/(profit) on fair value movements on derivatives	**556**	(3,659)
Amortisation of intangibles arising on acquisition	**3,915**	3,562
Headline profit before tax	**61,069**	54,915
Cash generated by operations	**66,249**	66,414
Purchase of property, plant and equipment	**(8,569)**	(4,759)
Proceeds on disposal of property, plant and equipment	**-**	34
Expenditure on product development and other intangibles	**(5,489)**	(4,676)
Purchase of Long-Term Incentive Plan shares	**-**	(513)
Operating cash flow	**52,191**	56,500

Headline operating profit has been shown before the amortisation of intangible assets arising on acquisitions, which relates to acquired intellectual property, customer relationships and profit in acquired order book. To maintain a consistent presentation of financial performance over the longer term, this charge has been excluded from headline operating profit. Headline profit before tax and headline earnings per share are also presented before the amortisation of intangible assets arising on acquisition.

IAS 39 requires the Group to 'fair value' the derivative instruments used to manage Ultra's foreign exchange exposures. This creates volatility in the valuation of the outstanding instruments as exchange rates move over time. This will have minimal impact on profit over the full term of the instruments, but can cause significant volatility on particular balance sheet dates. Ultra is therefore stating headline profit before tax and headline earnings per share before changes in the valuation of these instruments so that the headline operating performance of the Group can more clearly be seen.

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, Ultra 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. The Group believes that using cash generated by operations, with the exclusion of net expenditure in property, plant and equipment and outflows for capitalised product development and other intangibles, would result in an understatement of the true cash cost of sustaining a growing business.

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3. Other operating income

	2007	2006
	£000	£000
Foreign exchange gains	**5,050**	1,505
	5,050	1,505

4. Other operating expenses

	2007	2006
	£000	£000
Amortisation of development costs	**949**	2,234
Foreign exchange losses	**43**	753
	992	2,987

5. Investment revenue

	2007	2006
	£000	£000
Bank interest	**791**	1,216
Fair value movement on derivatives	**-**	3,659
Retirement benefit scheme finance income	**301**	64
	1,092	4,939

6. Finance costs

	2007	2006
	£000	£000
Amortisation of finance costs of debt	**71**	65
Interest payable on bank loans and overdrafts	**3,025**	3,835
Interest payable on finance leases	**2**	2
Transfers from equity on cash flow hedges	**(154)**	(28)
Total borrowing costs	**2,944**	3,874
Fair value movement on derivatives	**556**	-
	3,500	3,874

7. Tax

	2007	2006
	£000	£000
Current tax		
United Kingdom	**7,510**	7,812
Overseas	**7,939**	5,190
	15,449	13,002
Deferred tax		
United Kingdom	**(649)**	1,118
Overseas	**563**	1,284
	(86)	2,402
Total	**15,363**	15,404

8. Dividends

	2007 £000	2006 £000
Final dividend for the year ended 31 December 2006 of 12.6p (2005:10.7p) per share	**8,463**	7,150
Interim dividend for the year ended 31 December 2007 of 6.7p (2006:5.9p) per share	**4,515**	3,952
	12,978	11,102
Proposed final dividend for the year ended 31 December 2007 of 14.5p (2006:12.6p) per share	**9,792**	8,450

The 2007 proposed final dividend was approved by the Board after 31 December 2007 and has not been included as a liability as at 31 December 2007.

9. Earnings per share

	2007 pence	2006 pence
Basic headline (see below)	**65.4**	58.4
Diluted headline (see below)	**65.0**	57.9
Basic	**60.9**	58.8
Diluted	**60.5**	58.3

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

	2007 £000	2006 £000
Earnings		
Earnings for the purposes of earnings per share being profit for the period from continuing operations	**41,235**	39,608
Headline earnings		
Profit for the period from continuing operations	**41,235**	39,608
Loss/(profit) on fair value movements on derivatives (net of tax)	**492**	(2,616)
Amortisation of intangibles arising on acquisition (net of tax)	**2,576**	2,349
Earnings for the purposes of headline earnings per share	**44,303**	39,341

See note 2 for an explanation of the adjustments to earnings

	Number of shares	Number of shares
The weighted average number of shares is given below:		
Number of shares used for basic earnings per share	**67,714,368**	67,421,160
Number of shares deemed to be issued at nil consideration following exercise of share options	**434,033**	529,555
Number of shares used for fully diluted earnings per share	**68,148,401**	67,950,715

10. Inventories

	2007 £000	2006 £000
Raw materials and consumables	**26,523**	18,029
Work in progress	**12,804**	9,323
Finished goods and goods for resale	**3,090**	1,846
	42,417	29,198

11. Trade and other receivables

	2007 £000	2006 £000
Trade receivables	**52,059**	52,783
Provisions against receivables	**(527)**	(640)
Net trade receivables	**51,532**	52,143
Amounts due from contract customers	**21,475**	23,072
Derivatives at fair value	**5,383**	4,172
Other receivables	**3,233**	1,876
Prepayments and accrued income	**2,603**	2,336
	84,226	83,599

12. Trade and other payables

Amounts included in current liabilities	2007 £000	2006 £000
Trade payables	**42,929**	37,868
Amounts due to contract customers	**24,552**	29,176
Derivatives at fair value	**3,503**	1,627
Other payables	**15,178**	12,830
Accruals and deferred income	**32,231**	28,734
	118,393	110,235

Amounts included in non-current liabilities:	2007 £000	2006 £000
Other payables	**255**	541
Accruals and deferred income	**575**	617
	830	1,158

13. Provisions

	Warranties £000	Contract related provisions £000	Total £000
At 1 January 2007	7,899	5,385	13,284
Created	278	2,421	2,699
Utilised	(1,485)	(1,509)	(2,994)
Exchange differences	87	198	285
At 31 December 2007	**6,779**	**6,495**	**13,274**
Included in current liabilities	5,606	5,038	10,644
Included in non-current liabilities	1,173	1,457	2,630
	6,779	**6,495**	**13,274**

14. Retirement benefit schemes

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

	2007 £000	2006 £000
Fair value of scheme assets	**127,636**	119,675
Present value of scheme liabilities	**(168,026)**	(154,818)
Scheme deficit	**(40,390)**	(35,143)
Related deferred tax asset	**11,284**	10,543
Net pension liability	**(29,106)**	(24,600)

15. Cash flow information

	2007 £000	2006 £000
Profit from operations	**59,006**	53,947
Adjustments for:		
Depreciation of property, plant and equipment	**5,720**	5,530
Amortisation of intangible assets	**5,467**	6,258
Cost of equity settled employee share schemes	**1,186**	648
Increase/(decrease) in post employment benefit obligation	**797**	(259)
Loss on disposal of property, plant and equipment	**31**	21
(Decrease)/increase in provisions	**(312)**	2,553
Operating cash flow before movements in working capital	**71,895**	68,698
Increase in inventories	**(12,055)**	(3,419)
Decrease/(increase) in receivables	**6,116**	(6,929)
Increase in payables	**293**	8,064
Cash generated by operations	**66,249**	66,414
Income taxes paid	**(13,723)**	(13,032)
Interest paid	**(2,968)**	(3,832)
Net cash from operating activities	**49,558**	49,550

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

	2007 £000	2006 £000
Net increase/(decrease) in cash and cash equivalents	**729**	(12,879)
Cash (inflow)/outflow from (increase)/decrease in debt and finance leasing	**(6,535)**	36,348
Change in net debt arising from cash flows	**(5,806)**	23,469
Amortisation of finance costs of debt	**(71)**	(65)
Translation differences	**(1,202)**	3,709
Movement in net debt in the year	**(7,079)**	27,113
Net debt at start of year	**(7,164)**	(34,277)
Net debt at end of year	**(14,243)**	(7,164)

Net debt comprised the following:

	2007 £000	2006 £000
Cash and cash equivalents	**27,419**	25,628
Bank loans	**(41,608)**	(32,722)
Obligations under finance leases included in current liabilities	**(25)**	(22)
Obligations under finance leases included in non-current liabilities	**(29)**	(48)
	(14,243)	(7,164)

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

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16. Five year review

	UK GAAP restated 2003 £m	IFRS 2004 £m	2005 £m	2006 £m	**2007 £m**
Revenue					
Aircraft & Vehicle Systems	79.9	76.6	84.4	93.9	**100.0**
Information & Power Systems	95.5	113.7	117.3	120.5	**126.6**
Tactical & Sonar Systems	109.0	120.4	140.7	162.6	**186.3**
Total revenue	284.4	310.7	342.4	377.0	**412.9**
Headline operating profit(1)					
Aircraft & Vehicle Systems	13.9	14.9	15.9	13.2	**16.1**
Information & Power Systems	11.0	15.0	18.1	19.3	**19.6**
Tactical & Sonar Systems	12.6	13.4	17.1	25.0	**27.2**
Total headline operating profit(1)	37.5	43.3	51.1	57.5	**62.9**
Headline margin(1)	13.2%	13.9%	14.9%	15.3%	**15.2%**
Profit before tax	34.4	40.1	40.7	55.0	**56.6**
Profit after tax	20.4	29.2	29.4	39.6	**41.2**
Operating cash flow(2)	48.3	46.9	53.8	56.5	**52.2**
Free cash before dividends, acquisitions and financing(3)	35.7	36.0	38.1	40.9	**36.3**
Net debt at year-end(4)	(30.3)	(24.1)	(34.3)	(7.2)	**(14.2)**
Headline earnings per share (p)(5)	38.2	43.7	50.7	58.4	**65.4**
Dividends per share (p)(6)	12.3	13.8	15.9	18.5	**21.2**
Average employee numbers	2,505	2,678	2,880	2,989	**3,054**

Notes:

1. Before amortisation of goodwill and amortisation of intangibles arising on acquisition.
2. Cash generated by operations, less net capital expenditure, R&D and LTIP share purchases.
3. Free cash flow before dividends, acquisitions and financing has been adjusted to include the purchase of Long-Term Incentive Plan shares, which are included in financing activities.
4. Bank overdrafts and loans less cash and cash equivalents.
5. Before goodwill amortisation and amortisation of intangibles arising on acquisition and fair value movement on derivatives.
6. Represents dividends per share on a dividends declared basis.

17. The financial information set out above, prepared in accordance with IFRS, does not constitute the Company's statutory accounts for the years ended 31 December 2007 or 2006, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s237 (2) or (3) Companies Act 1985.

The preliminary announcement has been prepared on the basis of the accounting policies as stated in the financial statements for the year ended 31 December 2006. Whilst the financial information included in the preliminary announcement has been completed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The company expects to publish full financial statements that comply with IFRS on 28 March 2008 (see note 18 below).

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