Ultra Electronics Holdings plc
Interim Report and Accounts **2010**

strategies for growth…

10

…driving resilience

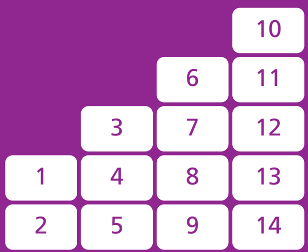
Ultra ELECTRONICS

Cautionary Statement

This document contains forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

Ultra's strategies for growth drive resilience in the Group's financial performance.

Ultra businesses constantly innovate to create solutions to customer requirements that are different from and better than those of the Group's competitors.



1 Each US Navy MH-60R anti-submarine warfare helicopter has a digital sonobuoy receiver supplied by Ultra

2 Ultra supplies specialist sensors and control equipment for US Navy warships

3 Ultra is developing five separate systems for the Airbus A400M military transport aircraft

4 Ultra supplies 'sensors-to-displays' for long-range airborne anti-submarine warfare operations

5 Ultra supplies trackside electrical power equipment for modern mass transit systems

6 Ultra supplies the cannon control electronics for the upgrade of the British Army's Warrior armoured vehicles

7 Ultra is the world's leading supplier of high capacity line of sight tactical radio systems

8 The Royal Navy's new Astute class of submarines contains a broad range of Ultra's specialist electrical and electronic systems

9 Ultra has a broad range of systems and equipment that give modern naval ships an advantage in the underwater battlespace

10 US Navy P-3 and EP-3 aircraft are being upgraded with Ultra's modern battlespace IT equipment and systems

11 Ultra is providing modern Chinese airports with advanced, integrated IT solutions

12 Ultra supplies modern high integrity nuclear reactor control systems suitable for new build and upgrades to existing plant

13 Boeing's new 787 Dreamliner aircraft relies on Ultra's innovative wing ice protection system

14 Ultra supplies weapons ejection equipment and ice protection systems for the new F-35 Joint Strike Fighter aircraft

Financial highlights

	Six months to 2 July 2010	Six months to 30 June 2009	Change
Revenue	**£350.9m**	£325.5m	**+8%**
Headline operating profit(1)	**£51.4m**	£44.3m	**+16%**
Headline profit before tax(2)	**£47.6m**	£40.2m	**+18%**
IFRS profit before tax	**£35.7m**	£62.9m	**-43%**
Headline earnings per share(2)	**50.0p**	43.4p	**+15%**
Dividend per share	**10.6p**	9.6p	**+10%**

- **Resilient performance reflecting the continuing success of Ultra's growth strategies to**
  – increase the Group's portfolio of specialist capabilities
  – broaden Ultra's range of positions on long-term platforms and programmes
  – extend the Group's geographic footprint
- **Continuing investment to drive future growth**
  – new product and business development
  – acquisition of specialist businesses
- **Headline operating margin increased to 15%**
- **Robust cash generation**
- **Strong balance sheet with headroom for further acquisitions**
- **Order book up 8% to £832m**
  – firm order cover* for next twelve months at customary level of over 60%
  – good order intake since period end with a pipeline of further opportunities

Financial highlights
At a glance
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Business addresses

(1) before amortisation of intangibles arising on acquisition and profit on disposal of property, plant and equipment net of property-related provisions. IFRS profit from operations £41.0m (2009: £34.6m). *See Note 4 for reconciliation.*

(2) before amortisation of intangibles arising on acquisition, fair value movements on derivatives, profit on disposal of property, plant and equipment net of property-related provisions and loss on closing out foreign currency hedging contracts. Basic EPS 38.0p (2009: 67.7p). *See Note 4 for reconciliation.*

*see footnote on page 05

Ultra at a glance

The company

Why Ultra is different

Ultra Electronics is an internationally successful defence, security, transport and energy company with a long, consistent track record of development and growth, achieving 16% compound annual growth of total shareholder return since flotation in 1996.

Ultra businesses constantly innovate to create solutions to customer requirements that are different from and better than those of the Group's competitors. By applying these differentiated solutions to a wide range of international platforms and programmes, Ultra has built an exceptionally broad range of niche market positions.

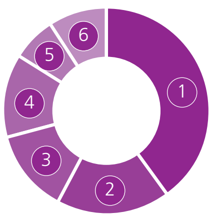
Ultra offers support to its customers through the design, delivery and support phases of a programme. Ultra businesses have a high degree of operational autonomy so that they may provide exceptionally agile and responsive support to customers and partners.

Major market sectors

The major market sectors in which Ultra operates are:

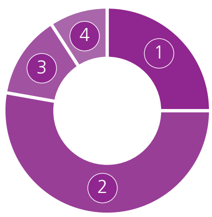
- battlespace IT systems and equipment
- sonar systems
- equipment for civil and military aircraft
- specialist equipment for defence and security applications
- specialist systems and equipment for the transport and energy sectors

Revenue by sector



1 Battlespace IT	**40%**
2 Sonar	**18%**
3 Civil equipment	**13%**
4 Defence equipment & consultancy	**13%**
5 Civil aircraft equipment	**7%**
6 Military aircraft equipment	**9%**

Revenue by region



1 United Kingdom	**25%**
2 North America	**53%**
3 Middle East & Asia Pacific	**13%**
4 Mainland Europe	**9%**

Major customers

Ultra's independence allows it to work with all of the world's major defence, security, transport and energy customers and prime contractors including:

• BAE Systems • Boeing • British Energy (EdF) • EADS • GE • Kongsberg • L3 • Lockheed Martin • Raytheon • Rolls-Royce • Thales • UAE Armed Forces • UK MoD • US DoD • UTC

Structure

Operationally, the Group is organised into three divisions: Aircraft & Vehicle Systems, Information & Power Systems and Tactical & Sonar Systems.

Aircraft & Vehicle Systems

Major systems and products

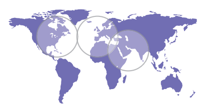
Airframe ice protection systems; Active noise and vibration control; Aircraft system electronics; Aircraft system test equipment; Consultancy and training solutions; High integrity data bus network nodes; Armoured vehicle electronic systems; High integrity software and systems; HiPPAG airborne compressors; Human/machine interface equipment; Manned and unmanned vehicle control equipment; Portable oxygen generating equipment; Specialist pneumatic sub-systems; Remote weapon station control equipment; Performance consultancy; Rugged aircraft harness systems; Specialist sensors; Structural health monitoring systems; Training solutions

Employees

980

Locations in:

United Kingdom, North America and the UAE



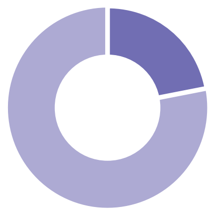
Revenue H1

£76.5m

2009 H1 £83.7m

-9%

2009 H1 +42.1%



22% of Group revenue

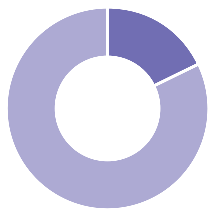
Headline operating profit H1*

£9.1m

2009 H1 £10.9m

-17%

2009 H1 +17.2%



18% of Group headline operating profit*

Key events H1

- confirmation, post-election, that development will proceed of the FRES Scout Variant armoured vehicle for the British Army
- selection to provide additional electronic control systems for Mitsubishi's new regional jet aircraft
- initial sales for trials purposes of Ultra's new ASIS system for detecting cracks in the airframes of ageing metal aircraft; the trials will be on P-3 aircraft

*see note on page 05

Ultra concentrates on providing its customers with capabilities and systems using the Group's electronic and software solutions for niche markets in defence, security, transport and energy. Within these market sectors Ultra focuses on developing specialist capabilities that provide differentiated solutions to customers' requirements.

Information & Power Systems

Major systems and products

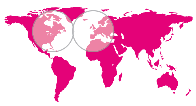
Airport information management systems; Airport-wide systems integration; Combat systems; Command, control and information systems; Command information management systems; Enterprise IT solutions; Intelligence processing infrastructures; IT consultancy; Nuclear reactor control and instrumentation; Nucleonic sensors; Data fusion systems; Local situational awareness systems; ID card printers; Radar and electro-optic systems; Surveillance and tracking systems; Naval power conversion; Gas turbine electric start and regeneration systems; Signature measurement and control systems for naval vessels; Transit system power conversion and controls

Employees

1,660

Locations in:

United Kingdom and North America



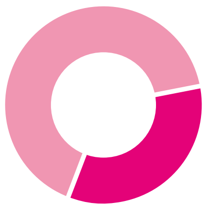
Revenue H1

£119.5m

2009 H1 £101.0m

+18%

2009 H1 +53.0%



34% of Group revenue

Headline operating profit H1*

£14.8m

2009 H1 £11.5m

+29%

2009 H1 +23.7%

29% of Group headline operating profit*

Key events H1

- selection of Ultra's ADSI™ real-time command and control system for a new 'anti rocket and mortar' application
- the award of multi-year contracts to supply specialist, civil, nuclear-qualified sensors for use in China
- receipt of contracts for additional trackside electrical power equipment for UK rail and underground systems

Tactical & Sonar Systems

Major systems and products

Acoustic countermeasure systems; Airborne anti-submarine warfare systems; Autonomous underwater surveillance systems; Airborne targeting pods; Communications network interfacing equipment; Data recording and analysis solutions; Cryptographic equipment; Data link communication systems; Gunfire location systems; Loitering munition systems; Radio communication systems; Sea mine disposal systems; Secure video communication systems; Sonar transducers and systems; Sonobuoys; Submarine tactical communication systems; Tactical radio systems; Torpedo defence systems; Underwater acoustic countermeasures; Video, voice and data communication systems

Employees

1,515

Locations in:

United Kingdom, North America and Australia

Revenue H1

£154.9m

2009 H1 £140.8m

+10%

2009 H1 +31.6%

44% of Group revenue

Headline operating profit H1*

£27.5m

2009 H1 £21.9m

+26%

2009 H1 +57.6%

53% of Group headline operating profit*

Key events H1

- continuing strong US and international demand for the Group's enhanced line-of-sight tactical radios with US demand being covered by an IDIQ contract worth up to $650m
- the award of a development and production contract worth £76m for new UK cryptographic equipment and a further contract to supply high grade cryptos in the US
- selection in July to provide new sonar systems for the Royal Netherlands Navy

strategies for growth…
…driving resilience

*see footnote on page 05

Interim Management Report

"The results for the period emphasise the success of Ultra's strategies to underpin sustainable, long-term growth. Ultra continues to invest in a portfolio of differentiated products and services which are positioned on a large number of international platforms and programmes in the defence, security, transport and energy markets. This broad range of positions has created a flywheel effect that drives its performance year after year and provides resilience against market fluctuations.

Ultra has focused on high growth sectors within its markets, specialising in electronics, which is attracting an increasing proportion of customer budgets, even in periods of market uncertainty. The Group has an extensive portfolio of offerings positioned on long-term new build and upgrade programmes. Ultra has a broad customer base and accesses a wide range of markets, with international sales now representing three quarters of Group revenue. These factors provide Ultra with a resilient business model that underpins future order intake and supports its progress in 2010 and beyond."

Douglas Caster, Chief Executive

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

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

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

Financial Results

	Six months ended 2 July 2010 £m	Six months ended 30 June 2009 £m	Growth
Order book			
Aircraft & Vehicle Systems	**204.8**	213.3	-4.0%
Information & Power Systems	**208.5**	204.7	+1.9%
Tactical & Sonar Systems	**418.8**	349.4	+19.9%
Total order book	**832.1**	767.4	+8.4%
Revenue			
Aircraft & Vehicle Systems	**76.5**	83.7	-8.6%
Information & Power Systems	**119.5**	101.0	+18.3%
Tactical & Sonar Systems	**154.9**	140.8	+10.0%
Total revenue	**350.9**	325.5	+7.8%
Organic revenue growth			+5.9%
Headline operating profit			
Aircraft & Vehicle Systems	**9.1**	10.9	-16.5%
Information & Power Systems	**14.8**	11.5	+28.7%
Tactical & Sonar Systems	**27.5**	21.9	+25.6%
Total headline operating profit	**51.4**	44.3	+16.0%
Organic headline operating profit growth			+11.4%
Headline operating margin			
Aircraft & Vehicle Systems	**11.9%**	13.0%	
Information & Power Systems	**12.4%**	11.4%	
Tactical & Sonar Systems	**17.8%**	15.6%	
Total headline operating margin	**14.6%**	13.6%	
Finance charges*	**(3.8)**	(4.1)	-7.3%
Headline profit before tax	**47.6**	40.2	+18.4%
Operating cash flow	**40.3**	33.3	
Cash conversion*	**78%**	75%	
Net debt* at period-end	**17.4**	68.1	
Bank interest cover	**22.0x**	16.7x	
Headline earnings per share	**50.0p**	43.4p	+15.2%

Note

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 and profit on disposal of property, plant and equipment net of property-related provisions.

net debt* comprises bank overdrafts and loans less cash and cash equivalents.

finance charges* exclude fair value movements on derivatives and the 2009 loss on closing out foreign currency hedging contracts.

organic revenue growth* is the annual rate of increase in revenue that was achieved, assuming that acquisitions made during the prior year were only included for the same proportion of the current year.

opening firm order cover (%)* represents the firm orders due for delivery in the next twelve months trading as a percentage of analysts' consensus revenue forecast for the same period.

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…driving resilience

Revenue in the period was 8% higher at £350.9m (2009: £325.5m). Of the increase, acquisitions contributed 2% and, with a negligible exchange rate effect, organic growth at constant currencies was a robust 5%.

In the period Ultra maintained its investment in the development of new business and products above 5% of revenue at £18.0m (2009: £18.9m).

Headline operating profit increased 16% to £51.4m (2009: £44.3m). Organic growth at constant currencies was 9.8% and acquisitions contributed 4.6%. The headline operating margin increased to 14.6% (2009: 13.6%).

Headline profit before tax increased by 18% to £47.6m (2009: £40.2m), after net financing charges* of £3.8m, broadly unchanged from £4.1m in 2009.

The Group's headline tax rate in the period was 28.0% (2009: 26.5%). This increase was mainly caused by the higher proportion of Group profits that are generated in North America where the marginal rate of taxation is higher. As a consequence of the higher tax rate in the period, the increase in headline earnings per share was 15% at 50.0p (2009: 43.4p).

Reported profit before tax was £35.7m (2009: £62.9m). Ultra's IFRS profit before tax reflected the combined effects of the elements detailed below:

	2010	2009
	£m	£m
Headline profit before tax	**47.6**	40.2
Amortisation of intangibles arising on acquisition	**(10.4)**	(14.7)
Loss on closing out foreign currency hedging contracts	**-**	(15.9)
(Loss)/profit on fair value movements on derivatives	**(1.5)**	48.3
Profit on disposal of property, plant and equipment, net of property-related provisions	**-**	5.0
Reported profit before tax	**35.7**	62.9

Operating cash conversion* was 78%, reflecting the Group's customary focus on cash management. This follows the strong performance in the second half of 2009 and, as usual, is measured after capital expenditure and the capitalisation of certain development costs. In cash terms, Ultra made an investment in the period of £17.7m (2009: £18.6m) on the development of new products and business, of which £0.2m was capitalised (2009: £0.2m) as an intangible asset.

The Group's balance sheet remains strong, with net interest payable on borrowings covered around 22 times by headline operating profit. Net debt* at the end of the period reduced to £17.4m compared to £28.7m at the end of 2009. This decrease of £11.3m was after a net cash expenditure on acquisitions in the period of £3.7m (2009: £10.1m) including the payment of deferred consideration in respect of acquisitions made in prior years. The movement of sterling against US and Canadian dollars at the period end increased net debt by £2.8m.

The proposed interim dividend is 10.6p, an increase of 10%, which will be paid on 24 September to shareholders on the register on 20 August 2010.

The order book at the end of the period was £832.1m, an increase of 8% over the value at the same time last year and an increase of 4% at constant currencies. Within this total, firm order cover for the next twelve months trading has been maintained at its customary level of above 60%. A contract to supply advanced sonar systems for the Royal Netherlands Navy was announced after the end of the period.

Investing for growth

Ultra continued to invest to support its strategy to deliver long term growth. Investments in the period were in new products and services, in new business development as well as in acquisitions.

In 2010 the Group has continued to invest in the Boeing 787, F-35 Joint Strike Fighter, Airbus A400M and Gulfstream G650 aircraft programmes which will all contribute to growth in the medium and long term. The Group also invested in developing the next generation of battlespace communications equipment. Ultra's internal investment in the period in new product and business development to drive future growth totalled £18.0m, similar to the same period of 2009 (£18.9m).

Since the end of the period Ultra has made two bolt-in acquisitions; Extec and Transmag, both in the UK and each for around £3m.

Transmag Power Transformers Ltd. ('Transmag') supplies large, specialist electrical transformers for various applications in the rail, mining and renewable energy markets. Transmag augments the transit power system offering of Ultra's PMES business in the Group's Information & Power Systems division. It is based in Birmingham and will operate as part of PMES.

Extec Integrated Systems Ltd. ('Extec') based in Portchester, near Fareham, Hants, designs and manufactures thick-film hybrid electronic microcircuits. This specialist method of packaging electronic circuits has some inherent advantages when used in high reliability space, defence, aerospace and civil applications such as Ultra's new electronic control systems for nuclear reactors. Extec will operate as part of the Group's Manufacturing & Card Systems business in the Aircraft & Vehicle Systems division.

The initial cash consideration for these acquisitions was financed using Ultra's existing facilities.

*see note on page 05

Operational review

Aircraft & Vehicle Systems

Revenue in Aircraft & Vehicle Systems was £76.5m compared to £83.7m in 2009 and headline operating profit reduced by 17% to £9.1m (2009: £10.9m). The division's order book reduced by 4% in the period to £204.8m (2009: £213.3m) reflecting delayed contract awards for FRES and Warrior equipment together with the trading of multi-year Eurofighter aircraft equipment contracts.

The division continues to focus on investing in new programmes, principally ice protection systems for the Boeing 787 and F-35 Joint Strike Fighter; the production phases of these programmes will drive growth in the medium and long term. The system development phase of these programmes which, in 2009, received partial customer funding, has been completed and superseded by Ultra-funded system qualification. This phase is nearing completion but adversely affected revenue and headline operating profit in the period.

Elsewhere, there was solid demand across the division's businesses for equipment and systems fitted to production aircraft, both military and civil, and to armoured vehicles together with increased demand for performance consultancy and training in the UAE.

Highlights of activities in the period that underpin continuing growth included:

- confirmation, post-election, that development will proceed of the FRES Scout Variant armoured vehicle for the British Army
- selection to provide additional electronic control systems for Mitsubishi's new regional jet aircraft
- initial sales for trials purposes of Ultra's new ASIS system for detecting cracks in the airframes of ageing metal aircraft; the trials will be on P-3 aircraft

Information & Power Systems

Revenue in Information & Power Systems grew by 18% to £119.5m compared to £101.0m in 2009. Headline operating profit increased by 29% to £14.8m (2009: £11.5m) as operating margin recovered to 12.4% (2009: 11.4%). There were small contributions from Tisys and Scytale, both acquired in 2009. Growth in the order book at the end of the period was restricted to 2% at £208.5m (2009: £204.7m) reflecting delays in contract placement, principally the production phase of nuclear reactor controls for UK submarines.

Revenue and profit growth reflected strong demand for Ultra's specialist intelligence and surveillance systems, including those for air defence and for systems to protect the British Army's deployed operating bases. In the transport sector, good demand for IT systems at various airports around the world was matched by that for specialist power equipment for mass transit systems and naval ships.

Features of the division's performance in the period that support continuing growth included:

- selection of Ultra's ADSI™ real-time command and control system for a new 'anti rocket and mortar' application
- the award of multi-year contracts to supply specialist, civil, nuclear-qualified sensors for use in China
- receipt of contracts for additional trackside electrical power equipment for UK rail and underground systems

Tactical & Sonar Systems

Revenue in Tactical & Sonar Systems increased by 10% to £154.9m (2009: £140.8m) and headline operating profit rose 26% to £27.5m (2009: £21.9m). These results include small contributions from Xerion and Avalon, acquired in 2009. The closing order book was £418.8m (2009: £349.4m), an increase of 20% in the period reflecting strong order intake for battlespace IT systems and equipment.

Deliveries of Ultra's advanced anti-submarine warfare systems and equipment to domestic and international customers made a good contribution to growth in the period. There was also strong international battlespace IT demand, especially for tactical radio and data link systems.

Growth in the future is underpinned as a result of the following developments in the period:

- continuing strong US and international demand for the Group's enhanced line-of-sight tactical radios with US demand being covered by an IDIQ contract worth up to $650m
- the award of a development and production contract worth £76m for new UK cryptographic equipment and a further contract to supply high grade cryptos in the US
- selection in July to provide new sonar systems for the Royal Netherlands Navy

Market conditions

Overall, budgets addressable by Ultra around the world will remain sufficiently large to give the Group considerable headroom for further growth.

Defence and security

The level of international tension is not reducing, driven by the actions of potentially rogue states and terrorist groups. This underpins continuing expenditure worldwide on defence and security. In Ultra's main markets, the relevance of major defence projects is being reviewed against these evolved defence priorities, as outlined in the Quadrennial Defense Review ('QDR') in the US and the continuing UK Strategic Defence and Security Review. These highlight the significant competing pressures for funds that have caused recent contract delays.

In the US the President's budget requests for the near to medium term are for the core defence budget to grow at about 3% per annum with substantial additional funds for continuing operations in Afghanistan and Iraq. The focus of expenditure is on improving information superiority, command and control, unmanned sensors and systems, communications and cyber-warfare. These are all areas where Ultra has strong market positions.

In the UK defence budgets will be reduced, though, for Ultra, UK defence represents only about 12% of Group revenue. As a consequence of the squeeze, fewer new platforms will be built so the military capability of existing platforms will have to be upgraded. This typically drives demand for advanced electronic solutions.

All modern armed forces rely on many forms of sophisticated electronic systems to achieve smart capability for precision targeting, information superiority as well as interoperability between coalition forces. As a result, an increasing proportion of defence and security budgets is being spent on electronics.

Elsewhere, in areas where Ultra has recently achieved market presence, such as Australia, Turkey and the Middle East, defence spending continues to rise in real terms.

The broader security and intelligence markets for Ultra continue to grow, driven by an undiminished level of terrorist activity globally. Covert surveillance and legal intercept of electronic communications continue to be effective ways of identifying and negating the threat.

The Group's broad portfolio of specialist capabilities that contribute to smart electronic solutions positions it well to secure further work in the medium term to satisfy future operational requirements. The Group's independence allows it to work with all the major prime contractors on new platforms as well as upgrade programmes.

Transport

In the transport sector, population growth drives demand for civil aircraft, infrastructure investment in airports and in mass passenger transit systems – all areas where Ultra has a strong capability. Increases have been announced in production rates at both Boeing and Airbus reflecting their long order books. Sales of equipment for the Boeing 787, when it enters airline service, will be additive to the Group's performance.

The long-term, worldwide increase in air travel drives investment in infrastructure including airport IT systems. The Group continues to win new business around the world, reflecting the global nature of this market sector. Ground transport systems also require continuing investment in regions of high population density, a trend from which Ultra benefits.

Energy

Around the world the strategic need to have secure access to an increasing amount of energy from independent sources is driving a higher level of investment in civil nuclear power generation. This investment is in extending the life of existing plant as well as building new reactors. Ultra has niche capabilities in the supply of high integrity control systems and the associated specialist sensors and is therefore well placed to benefit as market opportunities develop globally.

Risks and uncertainties

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance over the second half of the year and which could cause actual results to differ materially from expected and historical costs. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the Group's Annual Report for 2009. An explanation of the risks detailed below, and the robust business strategies that Ultra uses to manage and mitigate those risks and uncertainties, can be found on pages 23 to 27 of the Annual Report which is available for download at www.ultra-electronics.com/investors.

About three-quarters of Ultra's revenue are from the defence sector and there will be pressure on defence budgets. Current projections are, however, that baseline budgets, excluding supplemental funds for continuing operations, will continue to grow in the US. In the UK, however, it is anticipated that defence budgets will reduce. Nevertheless, the overall size of defence budgets worldwide, relative to the Group's revenue, provides sufficient headroom to support Ultra's continuing growth.

There is a risk of programme delays or cancellations but this has always been a feature of the Group's markets. Additionally, no single programme represents more than 5% of Ultra's revenue in any year. The cancellation or curtailment of any single programme is therefore unlikely to have a material impact on the Group.

Movements in foreign currency exchange rates result in both transaction and translation effects on the Group's results. Ultra's projected net transaction exposure is mitigated by the use of forward hedging contracts. The current expectation is that there will be a favourable impact on profit in 2011 as the effective hedge rate for US dollars moves from $1.93:£1.00 in 2010 to $1.55:£1.00 in 2011. By their nature, currency translation risks cannot be mitigated.

Confirmation of going concern

The Directors have considered the guidance issued by the Financial Reporting Council in October 2009 and hereby confirm that the Group continues to adopt the 'going concern' basis in preparing its accounts.

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

- the Group's track record of delivering high quality profits growth
- the adequacy of Ultra's banking facilities
- Ultra's positions in growth sectors of its markets
- the long-term nature of Ultra's markets and contracts
- that the Group has maintained firm order cover for analysts' consensus revenue forecast for the next twelve months at over 60%

Reporting changes for 2010

When the Group announces its 2010 preliminary results on 28 February 2011, the following adjustments will be reflected:

1. The Group's Manufacturing & Card Systems business will be moved from the Information & Power Systems division to Aircraft & Vehicle Systems where the internal synergies are greater.
2. The results of the Dascam business in Aircraft & Vehicle Systems will be reported as an 'associated undertaking' with effect from 1 August. In order to enhance its market position within the UAE, Dascam will become part of Al-Shaheen, an enlarged joint-venture with Emirati Advanced Investments with a focus on training and performance development. Ultra will own 49% of this enlarged joint venture.

Prospects

Ultra has a broad portfolio of differentiated offerings specified on an increasing list of international platforms and programmes. This spreads risk and gives resilience to the Group's overall performance. These long-term programme positions have a flywheel effect, providing a solid base that underpins the Group's continuing growth.

Within Ultra's overall order book, valued at £832m, 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.

Ultra will continue its programme of investment to drive further organic and acquisition growth. Internally, the Group is investing in innovative, differentiated products and services that can be positioned on long-term programmes. This market-led innovation and the Group's agility of response to customer requirements provide the competitive edge that allows Ultra to succeed in its markets. Ultra's strong balance sheet can support the purchase of businesses that would further enhance the Group's portfolio and to which ownership by Ultra would add value.

Ultra has focused on high growth sectors within its markets, specialising in electronics which is attracting an increasing proportion of customer budgets even in periods of market uncertainty. The Group has an extensive portfolio of offerings positioned on long-term new build and upgrade programmes. Ultra has a broad customer base and accesses a wide range of markets, with international sales now representing three-quarters of Group revenue. These factors provide Ultra with a resilient business model that underpins future order intake and gives the Board confidence in Ultra's progress in 2010 and beyond.

Condensed Consolidated Income Statement

For the half-year ended 2 July 2010

	Note	**Six months to 2 July 2010 £'000**	Six months to 30 June 2009 £'000	Year to 31 December 2009 £'000
Continuing operations				
Revenue	*3*	**350,946**	325,486	651,036
Cost of sales		**(256,327)**	(237,380)	(462,524)
Gross profit		**94,619**	88,106	188,512
Other operating income		**1,131**	5,264	5,112
Distribution costs		**(406)**	(391)	(1,038)
Administrative expenses		**(53,745)**	(49,589)	(109,527)
Other operating expenses		**(577)**	(8,818)	(7,023)
Profit from operations	*3*	**41,022**	34,572	76,036
Headline operating profit	*4*	**51,388**	44,298	97,330
Amortisation of intangibles arising on acquisition		**(10,366)**	(14,730)	(26,303)
Profit on disposal of property, plant and equipment net of property-related provisions		**-**	5,004	5,009
Profit from operations		**41,022**	34,572	76,036
Investment revenue	*5*	**361**	48,637	56,212
Finance costs	*6*	**(5,694)**	(20,265)	(24,350)
Profit before tax		**35,689**	62,944	107,898
Headline profit before tax	*4*	**47,600**	40,204	89,486
Amortisation of intangibles arising on acquisition		**(10,366)**	(14,730)	(26,303)
(Loss)/profit on fair value movements on derivatives		**(1,545)**	48,390	55,630
Profit on disposal of property, plant and equipment net of property-related provisions		**-**	5,004	5,009
Loss on closing out foreign currency hedging contracts		**-**	(15,924)	(15,924)
Profit before tax		**35,689**	62,944	107,898
Tax	*7*	**(9,672)**	(16,817)	(29,418)
Profit for the period from continuing operations attributable to equity holders of the parent		**26,017**	46,127	78,480
Earnings per ordinary share (pence)				
From continuing operations				
Basic	*9*	**38.0**	67.7	115.1
Diluted	*9*	**37.8**	67.5	114.8

Condensed Consolidated Statement of Compehensive Income

For the half-year ended 2 July 2010

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
	£'000	£'000	£'000
Profit for the period	**26,017**	46,127	78,480
Exchange differences on translation of foreign operations	**10,198**	(22,791)	(18,810)
(Loss)/gain on net investment hedges	**(3,388)**	9,192	7,128
Actuarial losses on defined benefit pension schemes	**-**	-	(16,706)
(Loss)/gain on cash flow hedges	**(645)**	537	(116)
Transfer from profit and loss on cash flow hedges	**960**	755	1,759
Tax relating to components of other comprehensive income	**-**	-	2,728
Other comprehensive income for the period	**7,125**	(12,307)	(24,017)
Total comprehensive income for the period	**33,142**	33,820	54,463

Financials

Condensed Consolidated Balance Sheet

As at 2 July 2010

	Note	**At 2 July 2010 £'000**	At 30 June 2009 £'000	At 31 December 2009 £'000
Non-current assets				
Intangible assets		**301,602**	296,230	301,848
Property, plant and equipment	*10*	**37,895**	32,501	36,644
Interest in associate		**1,177**	1,988	1,107
Deferred tax assets		**21,462**	23,198	18,159
Derivative financial instruments		**1,943**	5,469	4,908
		364,079	359,386	362,666
Current assets				
Inventories		**45,327**	46,835	50,612
Trade and other receivables	*11*	**151,731**	132,009	122,442
Cash and cash equivalents		**59,323**	52,449	41,809
Derivative financial instruments		**1,727**	801	994
		258,108	232,094	215,857
Total assets	*3*	**622,187**	591,480	578,523
Current liabilities				
Trade and other payables	*12*	**(171,621)**	(159,470)	(169,553)
Tax liabilities		**(17,058)**	(8,946)	(9,020)
Derivative financial instruments		**(7,839)**	(11,532)	(9,164)
Obligations under finance leases		**-**	(13)	(5)
Bank loans		**-**	-	(70,489)
Short-term provisions	*13*	**(14,428)**	(9,741)	(15,591)
		(210,946)	(189,702)	(273,822)
Non-current liabilities				
Retirement benefit obligations		**(79,013)**	(59,934)	(77,497)
Other payables	*12*	**(20,208)**	(17,513)	(18,023)
Deferred tax liabilities		**(14,181)**	(15,345)	(14,721)
Derivative financial instruments		**(4,394)**	(9,667)	(4,071)
Obligations under finance leases		**-**	(4)	-
Bank loans		**(76,709)**	(120,534)	-
Long-term provisions	*13*	**(12,711)**	(12,039)	(6,923)
		(207,216)	(235,036)	(121,235)
Total liabilities	*3*	**(418,162)**	(424,738)	(395,057)
Net assets		**204,025**	166,742	183,466
Equity				
Share capital	*14*	**3,427**	3,408	3,420
Share premium account		**39,587**	36,640	38,313
Own shares		**(1,085)**	(1,450)	(1,450)
Hedging and translation reserve		**16,262**	9,016	9,452
Retained earnings		**145,834**	119,128	133,731
Total equity attributable to equity holders of the parent		**204,025**	166,742	183,466

Condensed Consolidated Cash Flow Statement

For the half-year ended 2 July 2010

	Note	**Six months to 2 July 2010 £'000**	Six months to 30 June 2009 £'000	Year to 31 December 2009 £'000
Net cash flow from operating activities	*15*	**33,792**	29,332	102,056
Investing activities				
Interest received		**361**	247	582
Purchase of property, plant and equipment		**(4,745)**	(4,865)	(10,042)
Proceeds from disposal of property, plant and equipment		**2,846**	3,242	3,062
Expenditure on product development and other intangibles		**(770)**	(1,100)	(2,352)
Acquisition of subsidiary undertakings		**(3,661)**	(10,902)	(31,601)
Net cash acquired with subsidiary undertakings		**-**	843	843
Net cash used in investing activities		**(5,969)**	(12,535)	(39,508)
Financing activities				
Issue of share capital		**1,281**	214	1,899
Dividends paid		**(14,755)**	(12,226)	(18,749)
Increase/(decrease) in borrowings		**4,000**	22,389	(29,051)
Loan syndication costs		**(1,388)**	-	-
Repayment of obligations under finance leases		**(5)**	(93)	(104)
Loss on closing out foreign currency hedging contracts		**-**	(15,924)	(15,924)
Net cash used in financing activities		**(10,867)**	(5,640)	(61,929)
Net increase in cash and cash equivalents		**16,956**	11,157	619
Cash and cash equivalents at beginning of period		**41,809**	43,385	43,385
Effect of foreign exchange rate changes		**558**	(2,093)	(2,195)
Cash and cash equivalents at end of period		**59,323**	52,449	41,809

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 2 July 2010

Equity attributable to equity holders of the parent

	Share capital £'000	Share premium account £'000	Reserve for own shares £'000	Hedging and translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2010	**3,420**	**38,313**	**(1,450)**	**9,452**	**133,731**	**183,466**
Profit for the period	-	-	-	-	26,017	26,017
Other comprehensive income for the period	-	-	-	6,810	315	7,125
Total comprehensive income for the period	**-**	**-**	**-**	**6,810**	**26,332**	**33,142**
Disposal of own shares	-	-	365	-	(365)	-
Equity settled employee share schemes	7	1,274	-	-	891	2,172
Dividend to shareholders	-	-	-	-	(14,755)	(14,755)
Balance at 2 July 2010	**3,427**	**39,587**	**(1,085)**	**16,262**	**145,834**	**204,025**
Balance at 1 January 2009	**3,407**	**36,427**	**(1,974)**	**22,615**	**83,594**	**144,069**
Profit for the period	-	-	-	-	46,127	46,127
Other comprehensive income for the period	-	-	-	(13,599)	1,292	(12,307)
Total comprehensive income for the period	**-**	**-**	**-**	**(13,599)**	**47,419**	**33,820**
Disposal of own shares	-	-	524	-	(524)	-
Equity settled employee share schemes	1	213	-	-	865	1,079
Dividend to shareholders	-	-	-	-	(12,226)	(12,226)
Balance at 30 June 2009	**3,408**	**36,640**	**(1,450)**	**9,016**	**119,128**	**166,742**
Balance at 1 January 2009	**3,407**	**36,427**	**(1,974)**	**22,615**	**83,594**	**144,069**
Profit for the year	-	-	-	-	78,480	78,480
Other comprehensive income for the year	-	-	-	(13,163)	(10,854)	(24,017)
Total comprehensive income for the year	**-**	**-**	**-**	**(13,163)**	**67,626**	**54,463**
Disposal of own shares	-	-	524	-	(524)	-
Equity settled employee share schemes	13	1,886	-	-	1,490	3,389
Dividend to shareholders	-	-	-	-	(18,749)	(18,749)
Deferred tax on share-based payment transactions	-	-	-	-	294	294
Balance at 31 December 2009	**3,420**	**38,313**	**(1,450)**	**9,452**	**133,731**	**183,466**

Notes to the Condensed Consolidated Interim Financial Statements

For the half-year ended 2 July 2010

1 General information

The information for the year ended 31 December 2009 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors 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 2010, have not been audited or reviewed by the Auditors.

2 Accounting policies

The annual financial statements of Ultra Electronics Holdings plc are prepared in accordance with International Financial Reporting Standards (IFRS). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, except as described below.

IFRS 3 (revised) "Business Combinations". The standard continues to apply the acquisition method to business combinations, with some significant changes. For example IFRS 3 (revised) amends the treatment of acquisition costs incurred in respect of business combinations. These costs were previously capitalised within intangible assets. As from 1 January 2010 the Group expenses all acquisition related transaction costs. Whilst this is an accounting policy change for the Group, it is not expected to have a material impact on the information presented in the Group's financial statements.

In addition, IFRS 3 (revised) requires that changes to the fair value of contingent consideration arising from events after the acquisition date, for acquisitions made on or after 1 January 2010, are no longer to be treated as measurement period adjustments. Instead they are recognised in the income statement. This accounting policy change has not had a material impact in the period to 2 July 2010. However, the amount of contingent consideration paid could differ significantly from the amount originally estimated and therefore this change in accounting policy could have a significant impact on the Group's results going forward.

3 Segment information

	Six months to 2 July 2010			Six months to 30 June 2009		
	External revenue £'000	**Internal revenue £'000**	**Total £'000**	External revenue £'000	Internal revenue £'000	Total £'000
Revenue						
Aircraft & Vehicle Systems	**76,494**	**266**	**76,760**	83,698	703	84,401
Information & Power Systems	**119,545**	**3,819**	**123,364**	101,014	1,606	102,620
Tactical & Sonar Systems	**154,907**	**9,782**	**164,689**	140,774	5,898	146,672
Eliminations	**-**	**(13,867)**	**(13,867)**	-	(8,207)	(8,207)
Consolidated revenue	**350,946**	**-**	**350,946**	325,486	-	325,486

	Six months to 2 July 2010			
	Aircraft & Vehicle Systems	**Information & Power Systems**	**Tactical & Sonar Systems**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Headline operating profit	9,077	14,772	27,539	51,388
Amortisation of intangibles arising on acquisition	(1,330)	(4,506)	(4,530)	(10,366)
Profit from operations	7,747	10,266	23,009	41,022
Investment revenue				361
Finance costs				(5,694)
Profit before tax				35,689
Tax				(9,672)
Profit after tax				26,017

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3 Segment information (continued)

	Six months to 30 June 2009			
	Aircraft & Vehicle Systems	**Information & Power Systems**	**Tactical & Sonar Systems**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Headline operating profit	10,869	11,511	21,918	44,298
Amortisation of intangibles arising on acquisition	(2,649)	(6,161)	(5,920)	(14,730)
Profit on disposal of property, plant and equipment net of property related provisions	(1,380)	7,484	(1,100)	5,004
Profit from operations	6,840	12,834	14,898	34,572
Investment revenue				48,637
Finance costs				(20,265)
Profit before tax				62,944
Tax				(16,817)
Profit after tax				46,127

	Year to 31 December 2009			
	Aircraft & Vehicle Systems	**Information & Power Systems**	**Tactical & Sonar Systems**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Headline operating profit	20,940	25,325	51,065	97,330
Amortisation of intangibles arising on acquisition	(4,715)	(10,828)	(10,760)	(26,303)
Profit on disposal of property, plant and equipment net of property related provisions	(1,380)	7,489	(1,100)	5,009
Profit from operations	14,845	21,986	39,205	76,036
Investment revenue				56,212
Finance costs				(24,350)
Profit before tax				107,898
Tax				(29,418)
Profit after tax				78,480

	At 2 July 2010	At 30 June 2009	At 31 December 2009
	£'000	£'000	£'000
Total assets by segment			
Aircraft & Vehicle Systems	**130,364**	115,999	104,141
Information & Power Systems	**162,603**	193,313	202,592
Tactical & Sonar Systems	**244,765**	200,251	205,920
	537,732	509,563	512,653
Unallocated	**84,455**	81,917	65,870
Total assets	**622,187**	591,480	578,523

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

3 Segment information (continued)

	At 2 July 2010	At 30 June 2009	At 31 December 2009
	£'000	£'000	£'000
Total liabilities by segment			
Aircraft & Vehicle Systems	**50,773**	46,585	52,421
Information & Power Systems	**66,773**	65,095	67,601
Tactical & Sonar Systems	**101,422**	87,100	90,073
	218,968	198,780	210,095
Unallocated	**199,194**	225,958	184,962
Total liabilities	**418,162**	424,738	395,057

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

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
	£'000	£'000	£'000
Revenue by geographical destination			
United Kingdom	**86,306**	85,907	173,042
Continental Europe	**30,653**	29,355	59,453
Canada	**9,383**	6,402	13,415
USA	**177,502**	173,412	336,236
Rest of World	**47,102**	30,410	68,890
	350,946	325,486	651,036

During the period to 2 July 2010 there was 1 direct customer (2009: 1) that individually accounted for greater than 10% of the Group's turnover. Sales to this customer during the period to 2 July 2010 were £106m (2009: £92m).

4 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:

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
	£'000	£'000	£'000
Profit from operations	**41,022**	34,572	76,036
Amortisation of intangibles arising on acquisition	**10,366**	14,730	26,303
Profit on disposal of property, plant and equipment net of property-related provisions	**-**	(5,004)	(5,009)
Headline operating profit	**51,388**	44,298	97,330
Profit before tax	**35,689**	62,944	107,898
Loss/(profit) on fair value movements on derivatives	**1,545**	(48,390)	(55,630)
Loss on closing out foreign currency hedging contracts	**-**	15,924	15,924
Amortisation of intangibles arising on acquisition	**10,366**	14,730	26,303
Profit on disposal of property, plant and equipment net of property-related provisions	**-**	(5,004)	(5,009)
Headline profit before tax	**47,600**	40,204	89,486
Cash generated by operations *(see note 15)*	**42,980**	36,042	120,944
Purchase of property, plant and equipment	**(4,745)**	(4,865)	(10,042)
Proceeds on disposal of property, plant and equipment	**2,846**	3,242	3,062
Expenditure on product development and other intangibles	**(770)**	(1,100)	(2,352)
Operating cash flow	**40,311**	33,319	111,612

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. In addition during 2009, headline operating profit was stated before the profit on the disposal of property, plant and equipment net of property-related provisions, which included the net profit recognised on the disposal of the Armitage Road, Rugeley property and was after deducting a dilapidations provision relating to a number of properties. Headline profit before tax and headline earnings per share *(see note 9)* were also presented before these adjustments.

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. During 2009, the Group reviewed its level of hedging cover for the following years and reduced it to match the expected net inflow of US dollars. In doing so, during the six months ended 30 June 2009, the Group incurred one-off costs of £15.9m associated with closing out the hedging contracts. These costs do not affect the underlying operating performance of the Group. Headline profit before tax and headline earnings per share *(see note 9)* are stated before changes in the valuation of foreign currency derivative instruments and the costs associated with the reduction in the level of hedging cover so that the headline operating performance of the Group can be seen more clearly.

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 on 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.

5 Investment revenue

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
	£'000	£'000	£'000
Interest income	**361**	247	582
Fair value movement on derivatives	**-**	48,390	55,630
	361	48,637	56,212

6 Finance costs

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
	£'000	£'000	£'000
Amortisation of finance costs of debt	**220**	126	310
Interest payable on bank loans and overdrafts	**1,518**	2,011	3,463
Interest payable on finance leases	**-**	2	1
Transfers to equity on cash flow hedges	**960**	755	1,759
Total borrowing costs	**2,698**	2,894	5,533
Retirement benefit scheme finance cost	**1,451**	1,447	2,893
Fair value movement on derivatives	**1,545**	-	-
Loss on closing out foreign currency hedging contracts	**-**	15,924	15,924
	5,694	20,265	24,350

7 Tax

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
	£'000	£'000	£'000
Current tax			
United Kingdom	**4,933**	13,866	2,840
Overseas	**9,086**	4,808	14,089
	14,019	18,674	16,929
Deferred tax			
United Kingdom	**(1,934)**	(5,284)	10,621
Overseas	**(2,413)**	3,427	1,868
	(4,347)	(1,857)	12,489
Total tax charge	**9,672**	16,817	29,418

8 Ordinary dividends

	Six months to 2 July 2010	Six months to 30 June 2009
	£'000	£'000
Final dividend for the year ended 31 December 2009 of 21.6p (2008: 18.0p) per share	**14,755**	12,226
Proposed interim dividend for the year ended 31 December 2010 of 10.6p (2009: 9.6p) per share	**7,247**	6,523

The interim 2010 dividend of 10.6 pence per share will be paid on 24 September 2010 to shareholders on the register at 20 August 2010. It was approved by the Board after 2 July 2010 and has not been included as a liability at 2 July 2010.

Financials

9 Earnings per share

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
	pence	pence	pence
From continuing operations			
Basic headline *(see below)*	**50.0**	43.4	96.4
Diluted headline *(see below)*	**49.7**	43.2	96.2
Basic	**38.0**	67.7	115.1
Diluted	**37.8**	67.5	114.8

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

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
	£'000	£'000	£'000
Earnings			
Earnings for the purposes of earnings per share being profit for the period from continuing operations	**26,017**	46,127	78,480
Headline earnings			
Profit for the period from continuing operations	**26,017**	46,127	78,480
Loss/(profit) on fair value movements on derivatives (net of tax)	**1,097**	(34,214)	(39,415)
Loss on closing out foreign currency hedging contracts (net of tax)	**-**	11,465	11,465
Profit on disposal of property, plant and equipment net of property-related provisions (net of tax)	**-**	(3,678)	(3,625)
Amortisation of intangibles arising on acquisition (net of tax)	**7,153**	9,850	18,854
Earnings for the purposes of headline earnings per share	**34,267**	29,550	65,759

The weighted average number of shares is given below:

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
Number of shares used for basic earnings per share	**68,501,769**	68,147,980	68,200,931
Number of shares deemed to be issued at nil consideration following exercise of share options	**401,036**	209,648	166,156
Number of shares used for fully diluted earnings per share	**68,902,805**	68,357,628	68,367,087

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
	£'000	£'000	£'000
Headline profit before tax	**47,600**	40,204	89,486
Tax rate applied for the purposes of headline earnings per share	**28.0%**	26.5%	26.5%

10 Property, plant and equipment

During the period, the Group spent £4.7m on the acquisition of property, plant and equipment. The Group did not make any significant disposals during the period, although it did receive £2.8m of deferred consideration relating to the sale during 2009 of its Rugeley property.

11 Trade and other receivables

	At 2 July 2010	At 30 June 2009	At 31 December 2009
	£'000	£'000	£'000
Trade receivables	**89,273**	76,875	75,710
Provisions against receivables	**(948)**	(1,344)	(1,112)
Net trade receivables	**88,325**	75,531	74,598
Amounts due from contract customers	**37,854**	39,746	26,594
Prepayments and other receivables	**25,552**	16,732	21,250
	151,731	132,009	122,442

12 Trade and other payables

	At 2 July 2010	At 30 June 2009	At 31 December 2009
	£'000	£'000	£'000
Amounts included in current liabilities:			
Trade payables	**61,664**	53,601	54,877
Amounts due to contract customers	**35,723**	36,165	39,105
Other payables	**74,234**	69,704	75,571
	171,621	159,470	169,553
Amounts included in non current liabilities:			
Amounts due to contract customers	**2,378**	4,956	2,467
Other payables	**17,830**	12,557	15,556
	20,208	17,513	18,023

13 Provisions

	Warranty	Contract related	Total
	£'000	£'000	£'000
At 30 June 2009	7,902	13,878	21,780
At 31 December 2009	7,880	14,634	22,514
At 2 July 2010	**8,167**	**18,972**	**27,139**
Included in current liabilities	6,299	8,129	14,428
Included in non current liabilities	1,868	10,843	12,711
	8,167	**18,972**	**27,139**

14 Share capital

155,254 shares, with a nominal value of £7,763 have been allotted in the first six months of 2010 under the terms of the Group's various share option schemes. The aggregate consideration received by the Company was £1,280,735.

Financials

15 Cash flow information

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
	£'000	£'000	£'000
Profit from operations	**41,022**	34,572	76,036
Depreciation of property, plant and equipment	**4,076**	4,404	7,722
Amortisation of intangible assets	**11,553**	16,106	28,574
Cost of equity settled employee share schemes	**891**	865	1,490
Increase/(decrease) in post employment benefit obligation	**65**	(274)	(863)
Profit on disposal of property, plant and equipment net of property-related provisions	**-**	(5,004)	(4,977)
Loss on revaluation of assets transferred to held for sale	**-**	67	35
Share of profit of associate	**-**	(134)	-
Disposal of assets held for sale	**-**	761	726
Increase/(decrease) in provisions	**4,054**	(94)	337
Operating cash flow before movements in working capital	**61,661**	51,269	109,080
Decrease in inventories	**6,714**	3,110	31
Increase in receivables	**(29,308)**	(16,305)	(2,481)
Increase/(decrease) in payables	**3,913**	(2,032)	14,314
Cash generated by operations	**42,980**	36,042	120,944
Income taxes paid	**(6,780)**	(3,873)	(13,529)
Interest paid	**(2,408)**	(2,837)	(5,359)
Net cash inflow from operating activities	**33,792**	29,332	102,056

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

	Six months to 2 July 2010	Six months to 30 June 2009	Year to 31 December 2009
	£'000	£'000	£'000
Net increase in cash and cash equivalents	**16,956**	11,157	619
Cash (inflow)/outflow from (increase)/decrease in debt and finance leasing	**(3,995)**	(22,296)	29,155
Change in net debt arising from cash flows	**12,961**	(11,139)	29,774
Amortisation of finance costs of debt	**(220)**	(123)	(310)
Loan syndication costs	**1,388**	-	-
Translation differences	**(2,830)**	7,099	5,790
Movement in net debt in the period	**11,299**	(4,163)	35,254
Net debt at start of period	**(28,685)**	(63,939)	(63,939)
Net debt at end of period	**(17,386)**	(68,102)	(28,685)

Net debt comprised the following:

	At 2 July 2010	At 30 June 2009	At 31 December 2009
	£'000	£'000	£'000
Cash and cash equivalents	**59,323**	52,449	41,809
Bank loans	**(76,709)**	(120,534)	(70,489)
Finance leases	**-**	(17)	(5)
	(17,386)	(68,102)	(28,685)

16 Going concern

On 5 February 2010, the Group renewed its £120m banking facility which is provided by a small syndicate led by the Royal Bank of Scotland. This renewed facility provides revolving credit over a three and a half year period. As such, the Board's view is that Ultra has adequate resources to continue in operational existence for the foreseeable future and that the business outlook remains strong. Accordingly, the Group continues to adopt a going concern basis in preparing the accounts.

17 Post balance sheet events

a) Acquisitions

On 9 July 2010, the Group acquired the entire share capital of Extec Integrated Systems Limited, a Company based in Porchester, Hampshire, for a cash consideration of £2.9m.

On 26 July 2010, the Group acquired the entire share capital of Transmag Power Transformers Limited, a Company based in Birmingham, for a cash consideration of £3.0m.

b) Change in UK corporation tax rate

The UK government has announced its intention to reduce the rate of UK corporation tax from 28% to 24% over a four year period from 1 April 2011 to 1 April 2014. The first reduction, to 27% is due to take effect from 1 April 2011 with subsequent annual 1% reductions thereafter. In accordance with IAS 12 (Income Taxes), as this rate was not enacted or substantively enacted at 2 July 2010, the relevant deferred tax assets and liabilities at 2 July 2010 have been calculated at 28%.

The main estimated impact on the balance sheet of the reduction in rate to 27% will be to reduce the deferred tax asset in respect of retirement benefit obligations by approximately £0.8m at 31 December 2010. The reduction in rate is not anticipated to have a significant effect on the Group's tax charge reported in the income statement for the year ended 31 December 2010. Subsequent tax rate reductions announced are not expected to be substantively enacted before 31 December 2010 and are therefore anticipated to be non-adjusting events arising after the reporting period as defined in IAS 10 (Events after the Reporting Period).

18 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.

Responsibility statement

We confirm that to the best of our knowledge:

(a) these condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting";

(b) this half year report includes a fair review of the information required by Disclosure and Transparency Rule (DTR) 4.2.7R (indication of important events during the period and description of principal risks and uncertainties for the remainder of the financial year); and

(c) this half year report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Douglas Caster
Chief Executive

Paul Dean
Group Finance Director

30 July 2010

Business addresses

Aircraft & Vehicle Systems

Controls
417 Bridport Road
Greenford
Middlesex UB6 8UA
England
Tel: +44 (0) 20 8813 4444
www.ultra-controls.com

Electrics
Kingsditch Lane
Cheltenham
Gloucestershire GL51 9PG
England
Tel: +44 (0) 1242 221166
www.ultra-electrics.com

Manufacturing & Card Systems
Waverley House
Hampshire Road
Granby Estate
Weymouth
Dorset DT4 9XD
England
Tel: +44 (0) 1305 767100
www.ultra-cems.com
www.magicard.com

Measurement Systems Inc.
50 Barnes Park North
Suite 102
Wallingford
Connecticut 06492
USA
Tel: +1 203 949 3500
www.ultra-msi.com

Precision Air Systems
Anson Business Park
Cheltenham Road East
Gloucester GL2 9QN
England
Tel: +44 (0) 1452 714382
www.ultra-pas.com

Information & Power Systems

Advanced Tactical Systems
3300 Duval Road, Suite 200
Austin
Texas 78759
USA
Tel: +1 512 327 6795
www.ultra-ats.com

Airport Systems
The Oaks
Crewe Road
Wythenshawe
Manchester M23 9SS
England
Tel: +44 (0) 161 946 3600
www.ultra-as.com

Command & Control Systems
Knaves Beech Business Centre
Loudwater
High Wycombe
Buckinghamshire HP10 9UT
England
Tel: +44 (0) 1628 530000
www.ultra-ccs.com

EMS Development Corporation
95 Horseblock Road, Unit 2
Yaphank
New York 11980
USA
Tel: +1 631 345 6200
www.ultra-ems.com

Nuclear Sensors
& Process Instrumentation
707 Jeffrey Way
P.O. Box 300
Round Rock
Texas 78680-0300
USA
Tel: +1 512 434 2800
www.ultra-nspi.com

PMES
Towers Business Park
Wheelhouse Road
Rugeley
Staffordshire WS15 1UZ
England
Tel: +44 (0) 1889 503300
www.ultra-pmes.com

ProLogic
2000 Green River Drive
Suite 115
Fairmont
West Virginia 26554
USA
Tel: +1 304 534 5160
www.ultra-prologic.com

Tactical & Sonar Systems

TACTICAL SYSTEMS

AudioSoft
3 Longwood Court
Love Lane
Cirencester
Gloucestershire GL7 1YG
England
Tel: +44 (0) 1285 883800
www.ultra-audiosoft.com

Communication
& Integrated Systems
419 Bridport Road
Greenford
Middlesex UB6 8UA
England
Tel: +44 (0) 20 8813 4567
www.ultra-cis.com

Criticom
4211 Forbes Boulevard
Lanham
Maryland 20706
USA
Tel: +1 301 306 0600
www.ultra-criticom.com

DNE Technologies
50 Barnes Park North
Wallingford
Connecticut 06492-5912
USA
Tel: +1 203 265 7151
www.ultra-dne.com

Maritime Systems
40 Atlantic Street
Dartmouth
Nova Scotia B2Y 4N2
Canada
Tel: +1 902 466 7491
www.ultra-uems.com

Tactical Communication Systems
5990 Côte de Liesse
Montreal, Québec
H4T 1V7
Canada
Tel: +1 514 855 6363
www.ultra-tcs.com

SONAR & UNDERSEA SYSTEMS

Avalon Systems
12 Douglas Drive
Technology Park
Mawson Lakes
Adelaide
South Australia 5095
Australia
Tel: +61 (0) 8 8169 1200
www.avalon.com.au
www.ultra-electronics.com.au

Flightline Systems
7625 Omnitech Place
Victor
New York 14564-9795
USA
Tel: +1 585 924 4000
www.ultra-fei.com

Ocean Systems
115 Bay State Drive
Braintree
Massachusetts 02184-5203
USA
Tel: +1 781 848 3400
www.ultra-os.com

Sonar Systems
419 Bridport Road
Greenford
Middlesex UB6 8UA
England
Tel: +44 (0) 20 8813 4567
www.ultra-sonar.com

USSI
4578 East Park 30 Drive
Columbia City
Indiana 46725-8869
USA
Tel: +1 260 248 3500
www.ultra-ussi.com

Photography

Platforms/end applications
courtesy of:
BAE Systems, Boeing, EADS,
General Dynamics, Lockheed Martin
and US DoD.

Registered Office:
Ultra Electronics Holdings plc
417 Bridport Road
Greenford
Middlesex UB6 8UA
England
Tel: +44 (0) 20 8813 4321
Fax: +44 (0) 20 8813 4322
www.ultra-electronics.com
information@ultra-electronics.com

Design: HAT Associates +44 (0)1242 253112