press release

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Ultra Electronics Holdings plc

(“Ultra” or “the Group”)

Interim Results for the six months to 30 June 2014

FINANCIAL HIGHLIGHTS

	Six months to 30 June 2014	Six months to 30 June 2013	**Change**
Revenue	**£341.0m**	£367.7m	**-7.3%**
Underlying operating profit*(1)	**£53.0m**	£57.9m	**-8.5%**
Underlying profit before tax*(2)	**£50.5m**	£55.4m	**-8.8%**
IFRS profit before tax	**£45.8m**	£39.6m	**+15.7%**
Underlying earnings per share(2)	**55.4p**	59.5p	**-6.9%**
Interim dividend per share	**13.2p**	12.7p	**+3.9%**

- Order intake in first half of £408.2m increased order book by 13% (since December 2013 at constant currencies)
- Revenue and operating profit performance in line with expectations
- Underlying operating margin(1) of 15.5%
- Cash conversion at 80%
- Investment to drive future growth maintained
    - over 5% of revenue reinvested by Ultra in new products and business development
    - acquisition spend of £104.1m on four specialist business
- Balance sheet remains robust at 1x net debt/EBITDA; refinancing preserves investment capacity at advantageous rates

Rakesh Sharma, Chief Executive, commented:

“The interim results are in line with the Group’s expectations. As indicated in March, Ultra’s 2014 performance will be weighted towards the second half, principally reflecting constraints in the US defence procurement process at the start of the period. The Group has seen the positive effects of increasing stability in the US and UK defence markets, as evidenced by increased order placement towards the end of the first half. The security & cyber, transport and nuclear energy markets, now 43% of the Group’s business, remain stable with good trading in the period.

Ultra continues to position for profitable growth. In addition to the four businesses acquired in the period, R&D investment in new products and business development has been maintained. Encouraging progress has been made across a number of projects such as the successful US Army field trials of Ultra’s ground-breaking ORION radio. Ultra’s businesses continue to optimise their size to match market conditions through cost management. The Group’s order cover for the remainder of the year, together with IDIQs and annual contracts, is at normal levels, although a potential US Congress Continuing Resolution, in relation to defence appropriations, could constrain orders after October 2014. Subject to no further currency fluctuations, the Board is confident that this positioning will support performance in the second half and will enable expectations to be broadly met for the full year.”

(1) before amortisation of intangibles arising on acquisitions, impairment of goodwill and adjustments to deferred consideration net of acquisition costs. IFRS operating profit was £48.0m (2013: £52.6m). See Note 2 for reconciliation.

(2) before amortisation of intangibles arising on acquisitions, impairment of goodwill, fair value movements on derivatives, unwinding of discount on provisions, defined benefit pension interest charges and adjustments to contingent consideration net of acquisition costs and, in the case of underlying earnings per share, before related taxation. Basic EPS 53.3p (2013: 46.5p). See Note 2 for reconciliation.

* see notes on page 2

INTERIM MANAGEMENT REPORT

FINANCIAL RESULTS

	Six months to 30 June 2014 £m		Six months to 30 June 2013		Growth
Order book					
- Aircraft & Vehicle Systems	**170.3**		162.6		+4.7%
- Information & Power Systems	**318.6**		405.9		-21.5%
- Tactical & Sonar Systems	**387.9**		308.7		+25.7%
Total order book		**876.8**		877.2	-
Revenue					
- Aircraft & Vehicle Systems	**67.7**		74.3		-8.9%
- Information & Power Systems	**124.8**		154.8		-19.4%
- Tactical & Sonar Systems	**148.5**		138.6		+7.1%
Total revenue		**341.0**		367.7	-7.3%
Organic underlying revenue movement at constant currencies					-8.6%
Underlying operating profit*					
- Aircraft & Vehicle Systems	**11.8**		16.0		-26.3%
- Information & Power Systems	**17.3**		20.4		-15.2%
- Tactical & Sonar Systems	**23.9**		21.5		+11.2%
Total underlying operating profit*		**53.0**		57.9	-8.5%
Organic underlying operating profit movement at constant currencies					-5.9%
Underlying operating margin*					
- Aircraft & Vehicle Systems	**17.4%**		21.5%		
- Information & Power Systems	**13.9%**		13.2%		
- Tactical & Sonar Systems	**16.1%**		15.5%		
Total underlying operating margin*		**15.5%**		15.7%	-20bps
Finance charges*		**(2.5)**		(2.5)	
Underlying profit before tax*		**50.5**		55.4	-8.8%
Underlying operating cash flow*		**42.4**		46.7	
Operating cash conversion*		**80%**		81%	
Net debt/EBITDA*		**1.0**		0.4	
Net debt* at period-end		**137.8**		46.7	
Bank interest cover*		**21.2x**		23.5x	
Underlying earnings per share		**55.4p**		59.5p	-6.9%

**** see notes below:***
underlying operating profit *before amortisation of intangibles arising on acquisition, impairment of goodwill and adjustments to contingent consideration net of acquisition costs. IFRS operating profit was £48.0m (2013: £52.6m).*
organic growth *(of revenue or profit) is the annual rate of increase in revenue or profit that was achieved, assuming that acquisitions made during the prior year were only included for the same proportion of the current year at constant currencies.*
underlying operating margin *is the underlying operating profit as a percentage of revenue.*
finance charges *exclude fair value movements on derivatives, defined benefit pension interest charges and discount on provisions.*
underlying profit before tax *before amortisation of intangibles arising on acquisition, impairment of goodwill, fair value movements on derivatives, unwinding of discount on provisions, defined benefit pension interest charges and adjustments to contingent consideration net of acquisition costs. IFRS profit before tax was £45.8m (2013: £39.6m).*
underlying tax *is the tax charge on underlying profit before tax. The underlying tax rate is underlying tax expressed as a percentage of underlying profit before tax.*
underlying operating cash flow *is cash generated by operations and dividends from associates, less net capital expenditure, R&D and LTIP share purchases.*
operating cash conversion *is underlying operating cash flow as a percentage of underlying operating profit*
EBITDA *is the statutory profit before tax for the rolling 12 months ended 30 June before finance costs, investment revenue, amortisation and depreciation, excluding adjustments to contingent consideration net of acquisition costs.*
net debt *comprises loans and overdrafts less cash and cash equivalents.*
bank interest cover *is the ratio of underlying operating profit to finance costs associated with borrowings.*

Revenue in the period was £341.0m (2013: £367.7m) reflecting the expected second half weighting for the year. Underlying revenue at constant currencies fell by 8.6% primarily owing to the difficult US defence market. Exchange rate movements further reduced revenue by 4.2%, while acquisitions contributed over 5%.

Underlying operating profit* was £53.0m (2013: £57.9m). Organic operating profit at constant currencies declined by 5.9% and there was a small contribution from acquisitions. Foreign exchange impacted profits by 3.0%. The resulting underlying operating margin* was 15.5% (2013: 15.7%).

Underlying profit before tax* decreased to £50.5m (2013: £55.4m), after net financing charges* of £2.5m (2013: £2.5m).

The Group's underlying tax* rate in the period was 23.8% (2013: 24.5%) and the decrease in underlying earnings per share was 6.9% to 55.4p (2013: 59.5p).

Reported (IFRS) profit before tax was £45.8m (2013: £39.6m) and reflected the combined effects of the elements detailed below:

All £m	**2014 H1**	2013 H1
Underlying profit before tax	**50.5**	55.4
Amortisation of intangibles arising on acquisition	**(12.2)**	(14.5)
Profit/(loss) on fair value movements on derivatives	**3.0**	(7.7)
Acquisition-related adjustments	**7.2**	9.3
Unwinding of discount on provisions	**(0.8)**	(0.6)
Net interest charge on defined benefit pensions	**(1.9)**	(2.3)
Reported profit before tax	**45.8**	39.6

Operating cash conversion* was 80% (2013: 81%) with an operating cash flow* of £42.4m (2013: £46.7m). At the end of the period Ultra had net debt* of £137.8m (2013: £46.7m), primarily reflecting net cash expenditure on acquisitions in the period of £104.1m (2013: £14.2m). The Group's balance sheet remains strong, with net debt/EBITDA* of 1x and net interest payable on borrowings covered around 21 times by underlying operating profit*.

Subsequent to the period end, Ultra's £90m revolving credit facility was replaced with a new £200m facility, which expires in 2019, with significantly improved interest terms.

The proposed interim dividend is 13.2p, an increase of 3.9%, with the dividend being covered 4.2 times (2013: 4.7 times) by underlying earnings per share. If approved, the dividend will be paid on 26 September 2014 to shareholders on the register on 29 August 2014.

The order book at the end of the period was held at £876.8m (2013: £877.2m), which at constant currencies reflects a 4% increase on the prior year. New orders came from a range of market segments, providing a book to bill ratio for the period of 1.2. Order book cover for 2014 remains strong at 82%. This does not include any second half orders from spares & repairs or from indefinite delivery indefinite quantity (IDIQ) contract vehicles.

INVESTING FOR GROWTH

Ultra continues to invest in new product and business development, sustaining spending at its customary high levels. Internal investment in the period was 5.8% of revenue at £19.8m (2013: £20.3m). Of this, £2.3m of investment was capitalised on specific long term programmes.

Ultra spent a total of £104.1m in the period on acquisitions:

- February 2014 - 3 Phoenix Inc (3Pi), based in the US is a leading supplier of specialist sonar, radar intelligence, surveillance and reconnaissance products and solutions. 3Pi forms part of

* see notes on page 2

Ultra's Tactical & Sonar division where there are many internal and external synergies. Since acquisition it has won over $21m in US Navy contracts.

- May 2014 - Forensic Technology (FT), headquartered in Canada, provides automated firearm ballistics identification and forensic analysis to law enforcement agencies in over 65 countries. FT is part of Ultra's Tactical & Sonar Systems division.

- May 2014 - ICE Corporation Inc (ICE), located in the US, designs, develops, manufactures and supports aerospace products including; motor control electronics, electrothermal ice protection controllers, pneumatic valve controls and engine control interface units. ICE will continue to operate from its own facilities but is part of the Controls business within Ultra's Aircraft & Vehicle Systems division.

- June 2014 - Lab Impex Systems Ltd (LIS), located in the UK & US, develops and supplies radiation measurement solutions and services within the nuclear industry. LIS provides systems engineering, installation and support of full environmental radiation monitoring and associated safety systems. LIS is part of Ultra's Nuclear Control Systems business within Ultra's Information & Power division.

OPERATIONAL REVIEW

Aircraft & Vehicle Systems

Revenue in Aircraft & Vehicle Systems decreased by 8.9% to £67.7m (2013: £74.3m) and underlying operating profit decreased by 26.3% to £11.8m (2013: £16.0m). The order book increased by 4.7% to £170.3m (2013: £162.6m).

The unfavourable comparison with the same period in 2013 reflects in part the award and delivery of an £8m urgent operational requirement in the first half of last year, which was at higher than average margins. Foreign exchange also impacted both revenues and profits.

Elsewhere, increased sales of specialist ice protection systems were offset by a reduction in revenues from US land systems. Following the securing of a number of new orders to develop products for the commercial aerospace sector, there has been increased R&D investment that also impacted the divisional profit. As a result the divisional margin was 17.4% (2013: 21.5%).

The order book increase reflected the award in the second half of 2013 of the Lockheed Martin Warrior contract and the increase in aerospace contracts.

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

- Selection by Airbus to design, develop, supply and support an electrical ground door opening system (eGDO) for its new A350 family of aircraft. The programme value is expected to be in excess of £60m.

- In China, Ultra has received a letter of intent and is in negotiations to supply various products, including fuel tank inerting systems and steering control systems, to the XAC MA 700 aircraft.

- Award from Airbus for a series of high integrity, safety critical modules on the Airbus A400M Transport Aircraft. The Ultra Network Interface Module (NIM) is an innovative system that will support increased capability whilst reducing the loading and unloading time of the A400M.

Information & Power Systems

Revenue in Information & Power Systems decreased by 19.4% to £124.8m (2013: £154.8m). Underlying operating profit decreased by 15.2% to £17.3m (2013: £20.4m). The order book at the end of the period was reduced by 21.5% to £318.6m (2013: £405.9m).

This division is the one most impacted by delays in the US defence and security contract placement process and its results are also reduced due to foreign exchange movements.

The division saw decreased sales from the Oman Airport IT programme following the prolongation of the contract and reduced US demand for both law enforcement & security products and communications systems. This was partially offset by increased revenues from the Virginia class submarine programme. There were also good contributions from both the Indonesian Fatahillah corvette upgrade contract and sales of nuclear sensors into the EDF detector management programme in the UK.

Overall, these factors resulted in a decline in profits, although the divisional margin increased slightly to 13.9% as a result of the reduced contribution from the lower-margin Oman Airport IT contract.

The order book decline reflected the lack of US contract placement over the last twelve months as well as the trading of both the Oman and Fatahillah contracts.

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

- Continuing Ultra's strategic relationship with EDF, another contract worth £12.9m was awarded for the supply and support of specialist instrumentation for use in the current UK nuclear power stations.

- Award of a multi-year contract, totalling over US$21m, from General Dynamics Electric Boat Corporation for the production of naval computer controlled power supply systems, with deliveries over the next five years.

- Contract award worth £8.4 million for the provision of the main-static converter for a number of UK Royal Navy submarines.

Tactical & Sonar Systems

Revenue in Tactical & Sonar Systems increased by 7.1% to £148.5m (2013: £138.6m). The division's underlying operating profit increased by 11.2% to £23.9m (2013: £21.5m). The order book was increased by 25.7% to £387.9m (2013: £308.7m).

This division is benefitting from the US 'pivot to the Pacific', although it has also been impacted by foreign exchange. In addition the two larger acquisitions made in 2014, 3Pi and FT, have been integrated into this division.

Revenue increased reflecting additional sales of sonobuoys in the US and Australia offset by reduced sales of Litening Pods. There was also a contribution from the acquisitions.

Profit and margin rose, reflecting increased volume and margins on sonobuoys, together with the positive impact of the prior year restructuring at Ultra's TCS radio business. The investment in the next generation sonar system at Ultra's Canadian maritime business has been re-phased to match the Canadian shipbuilding programme. This has been partially offset by the impact of integration costs relating to 3Pi.

The order book increase included the first year's order from the recent IDIQ sonobuoy award from the US Navy, as well as the Litening Pod CLS extension. This was supplemented by the acquisitions, which were partially offset by the impact of foreign exchange.

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

- A contract extension of £60.4m for the in-service support of the UK MoD's Litening Pods.

- Award of a $19m three-year contract from the US Navy for the production of the Naval Acoustic Electromechanical Beacon expendable countermeasure.

- Successful completion of the ORION radio trials during the U.S. Army Network Integration Evaluation.

- Order worth $166m awarded to Ultra's joint venture, ERAPSCO for the manufacture of the full range of sonobuoys for the US Navy.

MARKET ENVIRONMENT

In the US and UK, government spending budgets have stabilised but pressures remain evident. Within many of the market niches that Ultra targets, funding is being sustained and even increased, while long-term investment in new markets and directed investment is generating additional opportunities. Increasingly, focus is on life extension of equipment as much as new build, and customers are seeking mature, proven and comprehensive solutions that match their specific need and environment.

Defence (57% of Group revenue)

The two-year, cross-party agreement made in January this year has stabilised US defence funding and resulted in more normal contract placement towards the end of the first half. However, a Continuing Resolution is now more likely in the final months of 2014. Attention now focuses on the detail of major programmes within these budget limits and the impact of future reductions in contingency (OCO) funding. Defence priorities continue to reflect a shift from land-air operations toward maritime, air and special forces capabilities. Tensions and conflict in Eastern Europe and the Middle East highlight the increasing demand for intelligence, surveillance and reconnaissance (ISR) capabilities.

In the UK, defence strategy mirrors the US while procurement remains contained within a core programme with additional financial contingency. In 2015, the UK will conduct a Strategic Defence & Security Review and it is likely that budget pressures will remain. Restructuring of the procurement agencies provides greater input from the front line commands helping to direct spend to current capability gaps.

In other parts of the world, Australia's commitment to return defence spending back to 2% of GDP within a decade will take time to deliver. India's ambitious defence modernisation programme provides Ultra with significant opportunities, through partners, requiring long-term engagement. Turkey remains a valuable market but with a growing demand and capability for indigenous solutions. Middle East defence spending is increasing, partly in response to concerns about US realignment and in the face of regional tensions.

Security & Cyber (22% of Group revenue)

Border security, critical national infrastructure protection and cyber security concerns are evident in many regions. Ultra's portfolio approach, UK government endorsement and access to well-established partners make the Group attractive in this space. The demand for intelligence surveillance, while complicated by the Snowden leaks, remains strong but is shaped by government-to-government relationships.

Transport & Energy (21% of Group revenue)

Commercial passenger aircraft order books remain at record levels, providing revenue confidence in long-established positions. Developments to increase fuel efficiency or reduce weight are highly attractive. Investment in the UK transport infrastructure market is shifting from commuter lines to high speed rail. The export market remains strong and continues to grow. There are good opportunities in life extension and safety system improvements in the nuclear energy sector. The debate continues to be driven by growing capacity demands and low-carbon footprint, both of which make nuclear energy an important part of the energy diversity mix.

RISKS AND UNCERTAINTIES

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance in 2014 and beyond and which could cause actual results to differ materially from expected and historical levels. The directors do not consider that the principal risks and uncertainties have changed substantially since the publication of the Group's Annual Report for 2013. An explanation of the risks detailed below, and the robust business strategies that Ultra uses to manage and mitigate those risks and uncertainties, can be found in the annual report which is available for download at www.ultra-electronics.com/investors/annual-reports.aspx.

The Group's security and cyber sectors remained steady. Within the defence sector, which contributes around 57% of Ultra's revenue, the overall size of defence budgets worldwide, relative to the Group's revenue, provides sufficient headroom to support Ultra's focus on positioning for growth.

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

Timely delivery of the Oman programme remains at risk owing to the delayed access to buildings. Should this prolongation continue, the Group would consider the need for further provision against final recovery of revenue under the agreed contractual arrangements covered by FIDIC rules.

Movements in foreign currency exchange rates result in both transaction and translation effects on the Group's results. Ultra's projected net transaction exposure is mitigated by the use of forward hedging contracts. By their nature, currency translation risks cannot be mitigated.

CONFIRMATION OF GOING CONCERN

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

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

- the Group's record of delivering high quality profits growth
- the adequacy of Ultra's financing facilities
- Ultra's positions in growth sectors of its markets
- the long-term nature of Ultra's markets and contracts
- the Group's minimal exposure to trading denominated in the Euro
- the risks as discussed above

PERFORMANCE & PROSPECTS

The interim results are in line with the Group's expectations. As indicated in March, Ultra's 2014 performance will be weighted towards the second half, principally reflecting constraints in the US defence procurement process at the start of the period. The Group has seen the positive effects of increasing stability in the US and UK defence markets, as evidenced by increased order placement towards the end of the first half. The security & cyber, transport and nuclear energy markets, now 43% of the Group's business, remain stable with good trading in the period.

Ultra continues to position for profitable growth. In addition to the four businesses acquired in the period, R&D investment in new products and business development has been maintained. Encouraging progress has been made across a number of projects such as the successful US Army field trials of Ultra's ground-breaking ORION radio. Ultra's businesses continue to optimise their size to match market conditions through cost management. The Group's order cover for the remainder of the year, together with IDIQs and annual contracts, is at normal levels, although a potential US Congress Continuing Resolution, in relation to defence appropriations, could constrain orders after October 2014. Subject to no further currency fluctuations, the Board is confident that this positioning will support performance in the second half and will enable expectations to be broadly met for the full year.

- End –

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NATURE OF ANNOUNCEMENT

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

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

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

Further information about Ultra:

Ultra Electronics is a group of businesses which manage a portfolio of specialist capabilities, generating highly differentiated solutions and products in the defence & aerospace, security & cyber, transport and energy markets by applying electronic and software technologies in demanding and critical environments to meet customer needs

Ultra has world-leading positions in many of its specialist capabilities and, as an independent, non-threatening partner, is able to support all of the main prime contractors in its sectors. As a result of such positioning, Ultra's systems, equipment or services are often mission or safety-critical to the successful operation of the platform to which they contribute. In turn, this mission-criticality secures Ultra's positions for the long term which underpins the superior financial performance of the Group.

Ultra offers support to its customers through the design, delivery and support phases of a programme. Ultra businesses have a high degree of operational autonomy where the local management teams are empowered to devise and implement competitive strategies that reflect their expertise in their specific niches. The Group has a small head office and executive team that provide to the individual businesses the same agile, responsive support that they provide to customers as well as formulating Ultra's overarching, corporate strategy.

Across the Group's three divisions, the major market sectors in which Ultra operates are:

Defence: Ultra supplies advanced electronic and electrical systems and equipment to coalition defence forces around the world. The Group innovates to provide battle-winning, specialist capabilities that are tailored to the customer's need and environment. Ultra has world-class capabilities in sonar systems, command & control, platform electrics, surveillance systems and network communications solutions.

Security: Ultra provides highly differentiated systems and capabilities to the broad security, intelligence and cyber market. Ultra has highly specialised capabilities in secure communications, networks and cryptographic equipment, key management systems and surveillance systems and intelligence gathering systems.

Transport: Ultra provides specialist software, systems and equipment for use in mass passenger transport systems. This includes high integrity real-time controls for civil aircraft, advanced IT solutions for modern airports and trackside power equipment for transit rail systems.

Energy: Ultra has a range of safety critical sensors and controls used in existing and new build nuclear reactors. The Group has innovative portable energy sources powered by readily available propane gas.

Ultra Electronics Holdings plc
Condensed Consolidated Income Statement
for the half-year ended 30 June 2014

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Revenue	**340,953**	367,744	745,154
Underlying operating profit	**53,007**	57,882	121,717
Operating profit	**47,998**	52,642	57,398
Underlying profit before tax	**50,512**	55,415	116,806
Profit before tax	**45,845**	39,630	49,281
Underlying earnings per share (pence)	**55.4**	59.5	127.1
Basic earnings per share (pence)	**53.3**	46.5	54.8
Dividend per share (pence)	**13.2**	12.7	42.2

Ultra Electronics Holdings plc
Condensed Consolidated Income Statement
for the half-year ended 30 June 2014

	Note	**Six months to 30 June 2014 £'000**	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Revenue	3	**340,953**	367,744	745,154
Cost of sales		**(246,157)**	(258,893)	(523,687)
Gross profit		**94,796**	108,851	221,467
Other operating income		**7**	725	497
Distribution costs		**(521)**	(321)	(1,883)
Administrative expenses		**(53,980)**	(65,163)	(126,371)
Share of profit from associate		**1,301**	293	1,424
Other operating expenses		**(1,969)**	(1,106)	(2,860)
Contingent consideration release	3	**8,364**	9,363	9,363
Impairment of goodwill		**-**	-	(44,239)
Operating Profit	3	**47,998**	52,642	57,398
Investment revenue	5	**3,082**	39	1,606
Finance costs	6	**(5,235)**	(13,051)	(9,723)
Profit before tax		**45,845**	39,630	49,281
Tax	7	**(8,802)**	(6,797)	(11,124)
Profit for the period		**37,043**	32,833	38,157
Attributable to:				
Owners of the Company		**37,125**	32,348	38,157
Non-controlling interests		**(82)**	485	-
Earnings per ordinary share (pence)				
Basic	9	**53.3**	46.5	54.8
Diluted	9	**53.2**	46.4	54.7

All results are derived from continuing operations.

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 30 June 2014

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Profit for the period	**37,043**	32,833	38,157
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	**-**	7,598	(5,677)
Tax relating to items that will not be reclassified	**-**	(1,746)	(1,321)
Total items that will not be reclassified to profit or loss	**-**	5,852	(6,998)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	**(7,162)**	17,533	(4,896)
Gain/(loss) on net investment hedges	**2,078**	(3,122)	810
Tax relating to items that may be reclassified	**-**	-	748
Total items that may be reclassified to profit or loss	**(5,084)**	14,411	(3,338)
Other comprehensive income for the period	**(5,084)**	20,263	(10,336)
Total comprehensive income for the period	**31,959**	53,096	27,821
Attributable to:			
Owners of the Company	**32,041**	52,611	27,821
Non-controlling interests	**(82)**	485	-

Ultra Electronics Holdings plc
Condensed Consolidated Balance Sheet
as at 30 June 2014

	Note	**At 30 June 2014 £'000**	At 30 June 2013 £'000	At 31 December 2013 £'000
Non-current assets				
Goodwill		**318,218**	312,020	252,115
Other intangible assets		**140,487**	132,283	125,445
Property, plant and equipment	10	**63,108**	62,417	59,146
Interest in associate		**8,383**	8,561	7,317
Deferred tax assets		**7,483**	4,533	5,147
Derivative financial instruments	17	**4,624**	405	4,226
Trade and other receivables	11	**8,064**	4,444	9,622
		550,367	524,663	463,018
Current assets				
Inventories		**64,417**	49,435	57,774
Trade and other receivables	11	**233,533**	202,430	239,916
Tax assets		**-**	-	2,454
Cash and cash equivalents		**46,095**	50,331	30,570
Derivative financial instruments	17	**5,290**	467	3,307
		349,335	302,663	334,021
Total assets	3	**899,702**	827,326	797,039
Current liabilities				
Trade and other payables	12	**(255,935)**	(235,618)	(269,907)
Tax liabilities		**(14,369)**	(11,619)	(16,927)
Derivative financial instruments	17	**(296)**	(2,226)	(777)
Obligations under finance leases		**(23)**	(54)	(44)
Borrowings		**-**	(46,809)	-
Short-term provisions	13	**(8,793)**	(16,562)	(18,140)
		(279,416)	(312,888)	(305,795)
Non-current liabilities				
Retirement benefit obligations		**(84,030)**	(74,302)	(86,078)
Other payables	12	**(8,158)**	(22,426)	(4,773)
Deferred tax liabilities		**(113)**	(6,465)	(222)
Derivative financial instruments	17	**(89)**	(1,290)	(269)
Obligations under finance leases		**(8)**	(15)	(19)
Borrowings		**(183,842)**	(50,113)	(72,664)
Long-term provisions	13	**(9,710)**	(8,481)	(6,040)
		(285,950)	(163,092)	(170,065)
Total liabilities	3	**(565,366)**	(475,980)	(475,860)
Net assets		**334,336**	351,346	321,179
Equity				
Share capital	14	**3,493**	3,479	3,490
Share premium account		**54,686**	50,993	53,908
Own shares		**(2,581)**	(2,581)	(2,581)
Hedging reserve		**(7,091)**	(13,101)	(9,169)
Translation reserve		**9,109**	38,608	16,240
Retained earnings		**276,151**	272,720	258,609
Total equity attributable to equity holders of the parent		**333,767**	350,118	320,497
Non-controlling interest		**569**	1,228	682
Total equity		**334,336**	351,346	321,179

Ultra Electronics Holdings plc
Condensed Consolidated Cash Flow Statement
for the half-year ended 30 June 2014

	Note	**Six months to 30 June 2014 £'000**	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Net cash inflow from operating activities	15	**35,290**	40,884	63,932
Investing activities				
Interest received		**40**	39	136
Dividends received from equity accounted investments		**-**	1,296	2,825
Purchase of property, plant and equipment		**(5,057)**	(9,211)	(13,857)
Proceeds from disposal of property, plant and equipment		**-**	159	1,280
Expenditure on product development and other intangibles		**(3,822)**	(3,758)	(7,657)
Acquisition of subsidiary undertakings		**(109,802)**	(18,508)	(26,374)
Net cash acquired with subsidiary undertakings		**6,733**	4,388	4,623
Net cash used in investing activities		**(111,908)**	(25,595)	(39,024)
Financing activities				
Issue of share capital		**781**	2,250	5,176
Dividends paid		**(20,530)**	(19,259)	(28,071)
Funding from government loans		**415**	837	1,282
Loan syndication costs		**-**	(181)	(181)
Increase/(decrease) in borrowings		**112,494**	18,551	(2,317)
Repayment of obligations under finance leases		**(32)**	(18)	(24)
Net cash used in financing activities		**93,128**	2,180	(24,135)
Net increase in cash and cash equivalents		**16,510**	17,469	773
Cash and cash equivalents at beginning of period		**30,570**	30,840	30,840
Effect of foreign exchange rate changes		**(985)**	2,022	(1,043)
Cash and cash equivalents at end of period		**46,095**	50,331	30,570

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

	Equity attributable to equity holders of the parent							
	Share capital £'000	**Share premium account £'000**	**Reserve for own shares £'000**	**Hedging reserve £'000**	**Translation reserve £'000**	**Retained earnings £'000**	**Non Controlling Interest £'000**	**Total equity £'000**
Balance at 1 January 2014	**3,490**	**53,908**	**(2,581)**	**(9,169)**	**16,240**	**258,609**	**682**	**321,179**
Profit for the period	-	-	-	-	-	37,125	(82)	37,043
Other comprehensive income for the period	-	-	-	2,078	(7,131)	-	(31)	(5,084)
Total comprehensive income for the period	**-**	**-**	**-**	**2,078**	**(7,131)**	**37,125**	**(113)**	**31,959**
Equity-settled employee share schemes	3	778	-	-	-	947	-	1,728
Dividend to shareholders	-	-	-	-	-	(20,530)	-	(20,530)
Balance at 30 June 2014	**3,493**	**54,686**	**(2,581)**	**(7,091)**	**9,109**	**276,151**	**569**	**334,336**

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity (continued)
for the half-year ended 30 June 2013

	Equity attributable to equity holders of the parent							
	Share capital £'000	**Share premium account £'000**	**Reserve for own shares £'000**	**Hedging reserve £'000**	**Translation reserve £'000**	**Retained earnings £'000**	**Non Controlling Interest £'000**	**Total equity £'000**
Balance at 1 January 2013	**3,470**	**48,752**	**(2,581)**	**(9,979)**	**21,119**	**252,745**	**699**	**314,225**
Profit for the period	-	-	-	-	-	32,348	485	32,833
Other comprehensive income for the period	-	-	-	(3,122)	17,489	5,852	44	20,263
Total comprehensive income for the period	**-**	**-**	**-**	**(3,122)**	**17,489**	**38,200**	**529**	**53,096**
Equity-settled employee share schemes	9	2,241	-	-	-	1,034	-	3,284
Dividend to shareholders	-	-	-	-	-	(19,259)	-	(19,259)
Balance at 30 June 2013	**3,479**	**50,993**	**(2,581)**	**(13,101)**	**38,608**	**272,720**	**1,228**	**351,346**

Ultra Electronics Holdings plc
Condensed Consolidated Statement of Changes in Equity (continued)
for the year ended 31 December 2013

	Equity attributable to equity holders of the parent							
	Share capital £'000	**Share premium account £'000**	**Reserve for own shares £'000**	**Hedging reserve £'000**	**Translation reserve £'000**	**Retained earnings £'000**	**Non-Controlling Interest £'000**	**Total equity £'000**
Balance at 1 January 2013	**3,470**	**48,752**	**(2,581)**	**(9,979)**	**21,119**	**252,745**	**699**	**314,225**
Profit for the year	-	-	-	-	-	38,157	-	38,157
Other comprehensive income for the year	-	-	-	810	(4,879)	(6,250)	(17)	(10,336)
Total comprehensive income for the year	**-**	**-**	**-**	**810**	**(4,879)**	**31,907**	**(17)**	**27,821**
Equity-settled employee share schemes	20	5,156	-	-	-	1,859	-	7,035
Dividend to shareholders	-	-	-	-	-	(28,071)	-	(28,071)
Tax on share-based payment transactions	-	-	-	-	-	169	-	169
Balance at 31 December 2013	**3,490**	**53,908**	**(2,581)**	**(9,169)**	**16,240**	**258,609**	**682**	**321,179**

1. General information

The information for the year ended 31 December 2013 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These interim Financial Statements, which were approved by the Board of Directors on 1 August 2014, have not been audited or reviewed by the Auditor.

2. Accounting policies

The annual financial statements of Ultra Electronics Holdings plc are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed consolidated financial statements included in this half-yearly financial report have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

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

The following Standards and interpretations were adopted as at 1 January 2014:

- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interests in Other Entities"
- IAS 27 "Separate Financial Statements"
- IAS 28 "Investments in Associates and Joint Ventures"
- IAS 32 "Offsetting Financial Assets and Financial Liabilities (Amendments)"
- IAS 36 "Recoverable Amounts (Amendments)"

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

3. Segment information

	Six months to 30 June 2014			Six months to 30 June 2013		
	External revenue £'000	**Internal revenue £'000**	**Total £'000**	External revenue £'000	Internal revenue £'000	Total £'000
Revenue						
Aircraft & Vehicle Systems	**67,697**	**6,141**	**73,838**	74,344	9,417	83,761
Information & Power Systems	**124,789**	**3,116**	**127,905**	154,775	3,776	158,551
Tactical & Sonar Systems	**148,467**	**7,776**	**156,243**	138,625	11,587	150,212
Eliminations		**(17,033)**	**(17,033)**	-	(24,780)	(24,780)
Consolidated revenue	**340,953**	**-**	**340,953**	367,744	-	367,744

3. Segment information (continued)

	Aircraft & Vehicle Systems £'000	Information & Power Systems £'000	Tactical & Sonar Systems £'000	Six months to 30 June 2014 Total £'000
Underlying operating profit	**11,765**	**17,361**	**23,881**	**53,007**
Amortisation of intangibles arising on acquisition	**(2,198)**	**(1,816)**	**(8,192)**	**(12,206)**
Adjustments to deferred consideration net of acquisition costs ^	**(107)**	**(39)**	**7,343**	**7,197**
Profit from operations	**9,460**	**15,506**	**23,032**	**47,998**
Investment revenue				**3,082**
Finance costs				**(5,235)**
Profit before tax				**45,845**
Tax				**(8,802)**
Profit after tax				**37,043**

^ A provision of £8,364,000 was released in the period (2013: £9,363,000) relating to the GigaSat earn-out agreement for which the final 2014 target was not met. GigaSat is in the Tactical & Sonar Systems division.

	Aircraft & Vehicle Systems £'000	Information & Power Systems £'000	Tactical & Sonar Systems £'000	Six months to 30 June 2013 Total £'000
Underlying operating profit	15,972	20,404	21,506	57,882
Amortisation of intangibles arising on acquisition	(1,392)	(5,355)	(7,798)	(14,545)
Adjustments to deferred consideration net of acquisition costs ^	(63)	-	9,368	9,305
Profit from operations	14,517	15,049	23,076	52,642
Investment revenue				39
Finance costs				(13,051)
Profit before tax				39,630
Tax				(6,797)
Profit after tax				32,833

	Aircraft & Vehicle Systems £'000	Information & Power Systems £'000	Tactical & Sonar Systems £'000	Year to 31 December 2013 Total £'000
Underlying operating profit	32,400	41,205	48,112	121,717
Amortisation of intangibles arising on acquisition	(4,586)	(9,375)	(15,122)	(29,083)
Adjustments to deferred consideration net of acquisition costs ^	364	(36)	8,675	9,003
Impairment of goodwill	-	(44,239)	-	(44,239)
Profit from operations	28,178	(12,445)	41,665	57,398
Investment revenue				1,606
Finance costs				(9,723)
Profit before tax				49,281
Tax				(11,124)
Profit after tax				38,157

3. Segment information (continued)

	At 30 June 2014 £'000	At 30 June 2013 £'000	At 31 December 2013 £'000
Total assets by segment			
Aircraft & Vehicle Systems	**179,863**	170,015	180,941
Information & Power Systems	**256,412**	289,914	276,097
Tactical & Sonar Systems	**399,935**	311,661	294,297
	836,210	771,590	751,335
Unallocated	**63,492**	55,736	45,704
Total assets	**899,702**	827,326	797,039

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

	At 30 June 2014 £'000	At 30 June 2013 £'000	At 31 December 2013 £'000
Total liabilities by segment			
Aircraft & Vehicle Systems	**40,318**	40,112	39,755
Information & Power Systems	**120,971**	100,403	145,802
Tactical & Sonar Systems	**125,840**	142,641	117,702
	287,129	283,156	303,259
Unallocated	**278,237**	192,824	172,601
Total liabilities	**565,366**	475,980	475,860

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

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Revenue by geographical destination			
United Kingdom	**110,604**	129,165	243,650
Continental Europe	**25,889**	26,557	61,860
Canada	**7,169**	8,503	17,130
USA	**139,298**	154,346	313,352
Rest of World	**57,993**	49,173	109,162
	340,953	367,744	745,154

4. Additional performance measures

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

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Operating profit	**47,998**	52,642	57,398
Amortisation of intangibles arising on acquisition	**12,206**	14,545	29,083
Impairment of goodwill	**-**	-	44,239
Adjustments to contingent consideration net of acquisition costs	**(7,197)**	(9,305)	(9,003)
Underlying operating profit	**53,007**	57,882	121,717
Profit before tax	**45,845**	39,630	49,281
Amortisation of intangibles arising on acquisition	**12,206**	14,545	29,083
Impairment of goodwill	**-**	-	44,239
Adjustments to contingent consideration net of acquisition costs	**(7,197)**	(9,305)	(9,003)
Unwinding of discount on provisions	**799**	634	1,268
(Profit)/loss on fair value movements on derivatives	**(3,042)**	7,661	(1,470)
Net interest charge on defined benefit pensions	**1,901**	2,250	3,408
Underlying profit before tax	**50,512**	55,415	116,806
Cash generated by operations (see note 15)	**50,255**	58,146	93,476
Purchase of property, plant and equipment	**(5,057)**	(9,211)	(13,857)
Proceeds on disposal of property, plant and equipment	**-**	159	1,280
Expenditure on product development and other intangibles	**(3,822)**	(3,758)	(7,657)
Dividend from equity accounted investment	**-**	1,296	2,825
Acquisition related payments	**1,008**	63	2,973
Operating cash flow	**42,384**	46,695	79,040

Underlying operating profit has been shown before adjustments to contingent consideration net of acquisition related costs, the amortisation of intangible assets arising on acquisitions and impairment of goodwill. To maintain a consistent presentation of financial performance over the longer term, these charges have been excluded from underlying operating profit. Underlying profit before tax and underlying earnings per share (see note 9) have also been presented before these adjustments.

IAS 37 requires the Group to discount provisions using a pre-tax discount rate that reflects the current assessment of the time value of money and the risks specific to the liability. In the case of the provision relating to the acquisition contingent consideration, to maintain a consistent presentation of financial performance over the longer term, underlying profit before tax and underlying earnings per share (see note 9) are stated before the unwinding of discount on the provision.

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. Underlying profit before tax and underlying earnings per share (see note 9) are stated before changes in the valuation of foreign currency derivative instruments.

The Group presents underlying profit before tax and underlying earnings per share (see note 9) before the net interest charge on defined benefit pensions so that the underlying 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 under-reporting of the true cash cost of sustaining a growing business.

5. Investment revenue

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Interest income	**40**	39	136
Fair value movement on derivatives	**3,042**	-	1,470
	3,082	39	1,606

6. Finance costs

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Amortisation of finance costs of debt	**167**	451	616
Interest payable on bank loans and overdrafts	**2,364**	2,052	4,430
Interest payable on finance leases	**4**	3	1
Total borrowing costs	**2,535**	2,506	5,047
Net interest charge on defined benefit pensions	**1,901**	2,250	3,408
Unwinding of discount on provisions	**799**	634	1,268
Fair value movement on derivatives	**-**	7,661	-
	5,235	13,051	9,723

7. Tax

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Current tax			
United Kingdom	**6,602**	5,370	17,306
Overseas	**2,987**	3,481	7,652
	9,589	8,851	24,958
Deferred tax			
United Kingdom	**(792)**	(1,427)	(3,711)
Overseas	**5**	(627)	(10,123)
	(787)	(2,054)	(13,834)
Total tax charge	**8,802**	6,797	11,124

The main rate of UK corporation tax reduced from 23% to 21% from 1 April 2014. The rate will further reduce to 20% from 1 April 2015. UK deferred tax balances have been calculated at 20% as the rate reduction was enacted before the balance sheet date.

8. Ordinary dividends

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000
Final dividend for the year ended 31 December 2013 of 29.5p (2012: 27.8p) per share	**20,530**	19,259
Proposed interim dividend for the year ended 31 December 2014 of 13.2p (2013: 12.7p) per share	**9,193**	8,812

The interim 2014 dividend of 13.2 pence per share will be paid on 26 September 2014 to shareholders on the register at 29 August 2014. It was approved by the Board after 30 June 2014 and has not been included as a liability at 30 June 2014.

9. Earnings per share

	Six months to 30 June 2014	Six months to 30 June 2013	Year to 31 December 2013
	Pence	Pence	pence
From continuing operations			
Basic underlying (see below)	**55.4**	59.5	127.1
Diluted underlying (see below)	**55.3**	59.3	126.7
Basic	**53.3**	46.5	54.8
Diluted	**53.2**	46.4	54.7

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

	Six months To 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Earnings			
Earnings for the purposes of earnings per share being profit for the period from continuing operations	**37,125**	32,348	38,157
Underlying earnings			
Profit for the period from continuing operations	**37,125**	32,348	38,157
Loss/(profit) on fair value movements on derivatives (net of tax)	**(2,434)**	5,899	(1,322)
Amortisation of intangibles arising on acquisition (net of tax)	**8,793**	10,196	20,727
Unwinding of discount on provisions	**799**	488	973
Acquisition related costs net of contingent consideration (net of tax)	**(7,197)**	(9,305)	(9,061)
Net interest charge on defined benefit pensions (net of tax)	**1,492**	1,727	2,609
Impairment of goodwill (net of tax)	**-**	-	36,394
Earnings for the purposes of underlying earnings per share	**38,578**	41,353	88,477

The weighted average number of shares is given below:

	Six months to 30 June 2014	Six months to 30 June 2013	Year to 31 December 2013
Number of shares used for basic earnings per share	**69,603,845**	69,491,696	69,588,526
Number of shares deemed to be issued at nil consideration following exercise of share options	**191,340**	186,470	218,397
Number of shares used for fully diluted earnings per share	**69,795,185**	69,678,166	69,806,923

	Six months to 30 June 2014	Six months to 30 June 2013	Year to 31 December 2013
	£'000	£'000	£'000
Underlying profit before tax	**50,512**	55,415	116,806
Taxation charge on underlying profit	**(12,016)**	(13,577)	(28,329)
Non-controlling interest	**82**	(485)	-
Underlying profit after tax attributable to equity shareholders	**38,578**	41,353	88,477
Tax rate applied for the purposes of underlying earnings per share	**23.8%**	24.5%	24.25%

10. Property, plant and equipment

During the period, the Group spent £5.1m on the acquisition of property, plant and equipment. The Group did not make any significant disposals during the period.

11. Trade and other receivables

Non-current	**At 30 June 2014 £'000**	At 30 June 2013 £'000	At 31 December 2013 £'000
Trade receivables	**5,790**	4,444	5,296
Amounts due from contract customers	**2,274**	-	4,326
	8,064	4,444	9,622

Current	**At 30 June 2014 £'000**	At 30 June 2013 £'000	At 31 December 2013 £'000
Trade receivables	**72,752**	85,734	87,174
Provisions against receivables	**(908)**	(1,318)	(1,605)
Net trade receivables	**71,844**	84,416	85,569
Amounts due from contract customers	**124,536**	82,762	129,042
Prepayments & other receivables	**37,153**	35,252	25,305
	233,533	202,430	239,916

12. Trade and other payables

	At 30 June 2014 £'000	At 30 June 2013 £'000	At 31 December 2013 £'000
Amounts included in current liabilities:			
Trade payables	**89,884**	75,805	85,709
Amounts due to contract customers	**107,097**	96,087	122,856
Other payables	**58,954**	63,726	61,342
	255,935	235,618	269,907
Amounts included in non-current liabilities:			
Amounts due to contract customers	**-**	12,077	1,266
Other payables	**8,158**	10,349	3,507
	8,158	22,426	4,773

13. Provisions

	Warranty £'000	Contractual £'000	Total £'000
At 30 June 2013	7,219	17,824	25,043
At 31 December 2013	6,274	17,906	24,180
At 30 June 2014	**5,550**	**12,953**	**18,503**
Included in current liabilities	2,835	5,958	8,793
Included in non-current liabilities	2,715	6,995	9,710
	5,550	**12,953**	**18,503**

Warranty provisions are based on an assessment of future claims with reference to past experience. Such costs are generally incurred within two years after delivery. Contract related provisions will be utilised over the period as stated in the contract to which the specific provision relates. Contract related provisions also include contingent consideration and dilapidation costs. Dilapidations will be payable at the end of the contracted life which is up to fifteen years. Contingent consideration is payable when earnings targets are met: £8,364,000 of provision was released in the period when the 2014 final GigaSat earn-out target was not met. As at 30 June 2014 the contingent consideration provision is £3,028,000 (2013: £7,679,000), payment of which is contingent on acquisition earn-out targets for periods up to 31 December 2016.

14. Share capital

75,939 shares, with a nominal value of £3,797 have been allotted in the first six months of 2014 under the terms of the Group's various share option schemes. The aggregate consideration received by the Company was £781,000.

15. Cash flow information

	Six months to 30 June 2014 £'000	Six months To 30 June 2013 £'000	Year to 31 December 2013 £'000
Operating profit	**47,998**	52,642	57,398
Adjustments for:			
Depreciation of property, plant and equipment	**5,309**	5,511	11,365
Amortisation of intangible assets	**13,735**	15,562	31,967
Impairment of goodwill	**-**	-	44,239
Cost of equity-settled employee share schemes	**947**	1,034	1,859
Adjustment for pension funding	**(3,948)**	(3,444)	(6,103)
Loss on disposal of property, plant and equipment	**-**	76	130
Share of profit of associate	**(1,301)**	(293)	(1,424)
Decrease in provisions	**(9,360)**	(12,567)	(13,508)
Operating cash flow before movements in working capital	**53,380**	58,521	125,923
Decrease/(increase) in inventories	**261**	4,948	(4,197)
Decrease/(increase) in receivables	**24,012**	5,756	(43,144)
(Decrease)/increase in payables	**(27,398)**	(11,079)	14,894
Cash generated by operations	**50,255**	58,146	93,476
Income taxes paid	**(12,692)**	(15,124)	(25,591)
Interest paid	**(2,273)**	(2,138)	(3,953)
Net cash inflow from operating activities	**35,290**	40,884	63,932

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

	Six months to 30 June 2014 £'000	Six months to 30 June 2013 £'000	Year to 31 December 2013 £'000
Net increase in cash and cash equivalents	**16,510**	17,469	773
Cash (inflow)/outflow from (increase)/decrease in debt and finance leasing	**(112,877)**	(19,371)	521
Change in net debt arising from cash flows	**(96,367)**	(1,902)	1,294
Amortisation of finance costs of debt	**(167)**	(451)	(616)
Translation differences	**913**	(1,307)	165
Movement in net debt in the period	**(95,621)**	(3,660)	843
Net debt at start of period	**(42,157)**	(43,000)	(43,000)
Net debt at end of period	**(137,778)**	(46,660)	(42,157)

Net debt comprised the following:

	At 30 June 2014 £'000	At 30 June 2013 £'000	At 31 December 2013 £'000
Cash and cash equivalents	**46,095**	50,331	30,570
Borrowings	**(183,842)**	(96,922)	(72,664)
Obligations under finance leases	**(31)**	(69)	(63)
	(137,778)	(46,660)	(42,157)

16. Going Concern

Subsequent to the period end, the Group replaced its existing £90 million revolving credit facility with a new £200 million revolving credit facility that expires in August 2019.

After making due enquiries, and in accordance with the FRC's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009", the Directors' view is that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these condensed consolidated half year financial statements.

17. Financial Instruments

Exposure to currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to all significant fluctuations in foreign exchange rates. All of the Group's financial instruments have been assessed as Level 2 and comprise foreign exchange forward contracts.

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

Fair value measurements as at 30 June 2014 are set out in the table below. These forward exchange contracts have been fair valued using forward exchanges rates that are quoted in an active market.

	At 30 June 2014 £'000	At 30 June 2013 £'000	At 31 December 2013 £'000
Financial assets:			
Derivatives used for hedging	**9,914**	872	7,533
Total	**9,914**	872	7,533
Financial liabilities:			
Derivatives used for hedging	**(385)**	(3,516)	(1,046)
Total	**(385)**	(3,516)	(1,046)

18. Acquisitions

3 Phoenix Inc

On 18 February 2014, the Group acquired the entire share capital of 3 Phoenix Inc ("3Pi") for cash consideration of £46.0m. A further sum, estimated at the time of acquisition as £1.4m (discounted), is payable if certain earnings targets are met for the years ending 31 December 2014, 2015 and 2016. This contingent consideration has been recorded against goodwill in accordance with IFRS 3. Additional amounts of up to £6.0m will be payable subject to performance and retention of certain members of staff over the next three years and will be expensed to the income statement as incurred, in accordance with IFRS 3.

3Pi is a leading supplier of specialist sonar, radar, intelligence, surveillance and reconnaissance products and solutions. The company has a 10 year track record of delivering critical real-time sensor and processing systems, primarily to the US Navy, but also to commercial customers. 3Pi is a bolt-on acquisition to Ultra's existing Tactical & Sonar Systems division, with which there are a significant number of internal and external synergies.

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

	Book value £'000	Revaluations £'000	Provisional fair value £'000
Intangible assets	249	27,481	27,730
Property, plant and equipment	765	-	765
Cash and cash equivalents	2,873	-	2,873
Inventories	-	-	-
Receivables	6,353	-	6,353
Payables	(4,581)	-	(4,581)
Net assets acquired	5,659	27,481	33,140
Goodwill arising on acquisition			14,306
Purchase consideration			47,446

The goodwill arising on the acquisition is attributable to the assembled workforce of 3 Phoenix, the immediate access to certain technology / know-how and US Navy programmes and the strategic premium to gain access to the 3 Phoenix market niche relative to an organic entry.

Acquisition costs of £0.3m were charged to the income statement during the half year.

The total goodwill on this acquisition expected to be deductible for tax is £14.3m.

18. Acquisitions (continued)

Forensic Technology WAI Inc

On 13 May 2014, the Group acquired the entire share capital of Forensic Technology WAI Inc ("Forensic Technology") for initial cash consideration of £54.7m. Additional payments, estimated at the time of acquisition as £0.9m (discounted), are payable if certain earnings targets are met for the years ending 31 December 2014 and 2015. This contingent consideration has been recorded against goodwill in accordance with IFRS 3.

Forensic Technology provides automated firearm ballistics identification and forensic analysis systems to law enforcement agencies in over 65 countries. The company is currently developing a number of document security and analytic products based on its existing capabilities and areas of expertise.

The fair values of the net assets acquired are currently being calculated and have not been finalised due to the proximity of the acquisition to the period end. A provisional assessment of the opening balance sheet is as follows:

	Provisional fair value £'000
Intangible assets	178
Development costs	2,551
Property, plant and equipment	2,986
Cash and cash equivalents	3,380
Inventories	6,260
Receivables	6,692
Payables	(10,738)
Net assets acquired	11,309
Goodwill and other intangible assets arising on acquisition	44,302
Purchase consideration	55,611

The accounting exercise for calculating the fair value of acquired intangibles and deferred tax has not yet been completed. Acquisition costs of £0.7m were charged to the income statement during the half year.

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

ICE Corporation Inc

On 5 May 2014, the Group acquired the entire share capital of ICE Corporation Inc ("ICE") for initial cash consideration of £5.1m. Additional payments, estimated at the time of acquisition as £0.6m (discounted), are payable subject to certification, and future sales, of the new WheelTug electric taxi system for which ICE provides essential parts. This contingent consideration has been recorded against goodwill in accordance with IFRS 3.

ICE designs, develops, manufactures and supports aerospace products including, motor control electronics, electrothermal ice protection controllers, pneumatic valve controls and engine control interface units.

The fair values of the net assets acquired are currently being calculated and have not been finalised due to the proximity of the acquisition to the period end. A provisional assessment of the opening balance sheet is as follows:

	Provisional fair value £'000
Intangible assets	-
Property, plant and equipment	1,052
Cash and cash equivalents	480
Inventories	1,154
Receivables	1,044
Payables	(1,002)
Net assets acquired	2,728
Goodwill and other intangible assets arising on acquisition	2,922
Purchase consideration	5,650

19. Acquisitions (continued)

The accounting exercise for calculating the fair value of acquired intangibles and deferred tax has not yet been completed. Acquisition costs of £0.1m were charged to the income statement during the half year.

Lab Impex Systems

On 15 June 2014, the Group acquired the trade and assets of Lab Impex Systems Limited ("LIS") for initial cash consideration of £3.2m.

LIS is a developer and supplier of radiation measurement solutions and services for use within the nuclear industry. LIS provides systems engineering, installation and support of full environmental radiation monitoring systems, including alpha, beta, gamma radiation and associated safety systems. The acquisition extends Ultra's radiation monitoring product capabilities, strengthens the Group's nuclear qualified engineering expertise and Ultra's position within the global nuclear sector.

The fair values of the net assets acquired are currently being calculated and have not been finalised due to the proximity of the acquisition to the period end. A provisional assessment of the opening balance sheet is as follows:

	Provisional fair value £'000
Intangible assets	20
Property, plant and equipment	108
Cash and cash equivalents	-
Inventories	1,797
Receivables	650
Payables	(1,327)
Net assets acquired	1,248
Goodwill and other intangible assets arising on acquisition	1,952
Purchase consideration	3,200

The accounting exercise for calculating the fair value of acquired intangibles and deferred tax has not yet been completed. Acquisition costs of £nil were charged to the income statement during the half year.

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

20. Other matters

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

Related party transactions
At 30 June 2014, a loan of £625,000 (30 June 2013: £701,000) was due from Al Shaheen Adventure LLC (ASA), the Group's 49% equity accounted investment. During the period repayments of £nil were received in respect of this loan. A small amount of trading also occurs with ASA, in the normal course of business and on an arm's length basis. Balances are settled on normal trade terms and the amounts outstanding at 30 June 2014 were insignificant.

There were no other 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

Rakesh Sharma	Mary Waldner
Chief Executive	Group Finance Director
1 August 2014	