press release

Embargoed until 0700 28 February 2011

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

Preliminary Results for the Year Ended 31 December 2010

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2010	Year ended 31 December 2009	**Change**
Revenue	**£710.0m**	£651.0m	**+9%**
Headline operating profit(1)	**£110.3m**	£97.3m	**+13%**
Headline profit before tax(2)	**£102.7m**	£89.5m	**+15%**
IFRS profit before tax	**£91.3m**	£107.9m	**-15%**
Headline earnings per share(2)	**107.9p**	96.4p	**+12%**
Dividend per share - final	**24.0p**	21.6p	**+11%**
- total	**34.6p**	31.2p	**+11%**

(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 £90.0m (2009: £76.0m). See Note 2 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 96.8p (2009: 115.1p). See Note 2 for reconciliation.*

- Strong performance driven by Ultra's strategies to maintain growth
  - resilience driven by the Group's range of specialist capabilities
  - organic growth* of headline operating profit, at constant currencies, of 8%
- Continuing investment to drive future growth
  - over 5% of revenue reinvested in new product and business development
  - acquisition of four specialist businesses since the start of 2010
- Headline operating margin(1) of over 15%
- Operating cash conversion* of 96% (five-year average 100%) reflecting high quality of earnings
- Robust balance sheet with headroom for further acquisitions
- Order book up 7% to £818m, maintaining good visibility

Douglas Caster, Chief Executive, commented:
"The results for 2010 underline the success of Ultra's strategies in delivering sustainable, long-term growth. The Group continues to invest, both internally and externally, in extending its portfolio of differentiated products and services which are positioned on an increasing number of international platforms and programmes in the defence, security, transport and energy markets. This broad range of positions gives resilience to the business model that drives Ultra's performance, despite market fluctuations. The self-funded acquisitions made by the Group in 2010 and since the year end have differentiated positions in growing market sectors and are an excellent fit for the Group. The continuity of Ultra's management team ensures that the expertise is retained to continue the development of the Group.

With its broad portfolio of offerings, Ultra has positioned itself within its markets on long-term programmes and in areas of preferential customer spend. Its strategies have enabled Ultra to create a resilient business model that has maintained growth momentum and that underpins continued progress in 2011."

OVERVIEW

The Group's performance in the year demonstrated the benefit of having a broad portfolio of niche activities. Ultra's 9% revenue growth, combined with a headline operating margin that increased to 15.5%, resulted in the 13% increase in headline operating profit in the year. Operating cash conversion* was 96% in 2010, maintaining the five-year average at over 100% and extending Ultra's track record of strong cash generation.

FINANCIAL RESULTS

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m	Growth
Order book			
- Aircraft & Vehicle Systems	**210.9**	210.3	+0.3%
- Information & Power Systems	**204.7**	211.0	-3.0%
- Tactical & Sonar Systems	**402.3**	340.5	+18.1%
Total order book	**817.9**	761.8	+7.4%
Revenue			
- Aircraft & Vehicle Systems	**174.1**	180.0	-3.3%
- Information & Power Systems	**224.0**	193.5	+15.8%
- Tactical & Sonar Systems	**311.9**	277.5	+12.4%
Total revenue	**710.0**	651.0	+9.1%
Organic revenue growth			+7.4%
Headline operating profit			
- Aircraft & Vehicle Systems	**23.4**	22.6	+3.5%
- Information & Power Systems	**27.5**	23.6	+16.5%
- Tactical & Sonar Systems	**59.4**	51.1	+16.2%
Total headline operating profit	**110.3**	97.3	+13.4%
Organic headline operating profit growth			+11.2%
Headline operating margin			
- Aircraft & Vehicle Systems	**13.4%**	12.6%	
- Information & Power Systems	**12.3%**	12.2%	
- Tactical & Sonar Systems	**19.0%**	18.4%	
Total headline operating margin	**15.5%**	15.0%	
Finance charges*	**(7.6)**	(7.8)	-2.6%
Headline profit before tax	**102.7**	89.5	+14.7%
Operating cash flow*	**106.4**	111.6	
Cash conversion*	**96%**	115%	
Net (cash)/debt* at year-end	**(17.8)**	28.7	
Bank interest cover	**23.2x**	19.7x	
Headline earnings per share	**107.9p**	96.4p	+11.9%

Note

operating cash flow* *is cash generated by operations, less net capital expenditure, R&D and LTIP share purchases.*
operating 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 loss on closing out foreign currency hedging contracts.*
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.*
opening firm order cover *(%)* represents the firm orders due for delivery in the next twelve months trading compared to analysts' consensus revenue forecast for the same period.*

** see note above*

Revenue was 9% higher at £710.0m (2009: £651.0m). Of the increase, acquisitions contributed about 2% as did exchange rate movements, while organic growth at constant currencies was 6%.

In the period Ultra maintained its internal investment in the development of new business and products above 5% of revenue at £40.1m (2009: £35.1m).

Headline operating profit increased 13% to £110.3m (2009: £97.3m). Organic growth at constant currencies was 8%; foreign exchange added 3% and acquisitions contributed 2%. The headline operating margin increased to 15.5% (2009: 15.0%).

Headline profit before tax increased by 15% to £102.7m (2009: £89.5m), after net financing charges* of £7.6m (2009: £7.8m)

The Group's headline tax rate in the period was 28.0% (2009: 26.5%). This increase was mainly due to the non-recurrence of one-off benefits recorded in prior years, mainly relating to research and development allowances. As a consequence of the higher tax rate in the period, the increase in headline earnings per share was constrained to 12% at 107.9p (2009: 96.4p).

Reported profit before tax was £91.3m (2009: £107.9m). Ultra's IFRS profit before tax reflected the combined effects of the elements detailed below:

All £m	**2010**	2009
Headline profit before tax	**102.7**	89.5
Amortisation of intangibles arising on acquisition	**(20.3)**	(26.3)
Profit on fair value movements on derivatives	**8.9**	55.6
Profit on disposal of property, plant and equipment, net of property-related provisions	**nil**	5.0
Loss on closing out foreign currency hedging contracts	**nil**	(15.9)
Reported profit before tax	**91.3**	107.9

The Group's balance sheet remains strong, with net interest payable on borrowings covered around 23 times by headline operating profit. Ultra had net cash* at the end of the year of £17.8m compared to net debt* of £28.7m at the end of 2009. This net cash generation of £46.5m was after a net cash expenditure on acquisitions in the year of £13.1m (2009: £30.8m) including the payment of deferred consideration in respect of acquisitions made in prior years.

In early 2010 the Group renewed £120m of its £200m revolving credit facility, providing Ultra with a secure funding position. Good progress was made in the year in negotiating the renewal of the remaining £80m of the facility with the Group's syndicate of banks and this was completed at a revised total of £90m in early 2011.

Ultra operates defined benefit pension schemes in the UK and Canada which are closed to new entrants. A full actuarial assessment of the UK scheme was carried out as of April 2010, the result of which was a funding deficit relating to past service of £63.6m before tax. It is the intention of the board to increase the deficit-reduction payments by £6.9m to £7.2m per annum for ten years commencing in 2011. These payments will affect operating cash flow* but not headline operating profit.

The proposed final dividend is 24.0p, bringing the total dividend for the year to 34.6p (2009: 31.2p). This represents an annual increase of 11%, with the dividend being covered 3.1 times (2009: 3.1 times) by headline earnings per share. If approved, the dividend will be paid on 4 May 2011 to shareholders on the register on 8 April 2011.

The order book at the end of 2010 increased by 7% to £817.9m compared to £761.8m (£776.2m at constant currencies) at the end of 2009. As noted in previous announcements, there have been delays in the award of contracts in both the UK and US and this impacted the closing order book value. Within this order book total, the level of opening firm order cover against the current consensus of analysts' forecast of Group revenue for 2011 has been maintained at its customary level of about 60%. This comprises an average of about 50% for Ultra's businesses in North America and 70% for the businesses elsewhere in the world.

REINVESTING FOR GROWTH

Ultra continued its programme of reinvestment to drive long-term growth. Investments in the year were in new products and services, in new business development and in acquisitions.

In 2010 the Group continued to invest in the F-35 JSF, Boeing 787, Airbus A400M and Gulfstream G650 programmes. These aircraft are all in their flight test programmes and will contribute to growth in the medium and long term. The Group also increased its investment in the development of the next generation of battlespace communications equipment. Ultra's internal investment in the year totalled £40.1m, compared to the 2009 total of £35.1m. Ultra focuses on investments that will generate an attractive return for the Group in the medium and long term.

In July 2010 Ultra made two acquisitions; Extec and Transmag in the UK. Transmag augments the transit power system offering of Ultra's PMES business in the Information & Power Systems division. Extec designs and manufactures thick-film hybrid electronic microcircuits and is part of the Manufacturing & Card Systems business in the Aircraft & Vehicle Systems division and will have a significant role in the production phase of the nuclear reactor control programme for the Royal Navy's submarines.

At the end of December, Ultra acquired Adaptive Materials Inc. ('AMI') in Michigan, USA which is now part of the Aircraft & Vehicle Systems division. AMI has developed fuel cells that provide more electrical power in less space than competing technologies and run on propane, a fuel that is readily available worldwide.

The initial cash consideration totalling £9.4m for these three acquisitions was financed using Ultra's existing facilities.

In early 2011 the Group also acquired 3eTI, a business in Maryland USA that designs, develops, markets and supports military grade wireless local area network access points, mesh networks, security software, and encryption technologies for military, government and commercial markets. It is part of Ultra's Tactical & Sonar Systems division.

BOARD CHANGES

The intended succession plan has been announced in which Douglas Caster becomes Chairman in 2011 and Rakesh Sharma succeeds him as Chief Executive. Accordingly, Rakesh Sharma was appointed Chief Operating Officer of the Group in January 2010 and joined the Board in April 2010.

REPORTING CHANGES

In these results and, for comparison, those for 2009, the following adjustments have been made:

1) The Group's Manufacturing & Card Systems business has been moved from the Information & Power Systems division to Aircraft & Vehicle Systems where the internal synergies are greater.
2) In order to enhance its market position within the UAE, Dascam's major activities became part of Al-Shaheen, a joint-venture with Emirates Advanced Investments, of which Ultra owns 49%. The enlarged Al-Shaheen is reported as an 'associated undertaking' with effect from 1 August.

For 2011, the following adjustment will apply in addition to the two noted above:

3) Tactical Communication Systems, based in Montreal, Canada, will be a US dollar-denominated business, thereby reducing the Group's transactional foreign exchange exposure to USD:CAD rate movements.

OPERATIONAL REVIEW

Aircraft & Vehicle Systems

Revenue in Aircraft & Vehicle Systems reduced by 3% to £174.1m (2009: £180.0m) while headline operating profit increased by 4% to £23.4m (2009: £22.6m). There was a part-year contribution from Extec, acquired in July. The division's order book was maintained at £210.9m (2009: £210.3m), as sales were made in 2010 against multi-year orders for aircraft equipment received in earlier years.

There was solid demand across the division's businesses for equipment and systems fitted to aircraft, both military and civil, and to armoured vehicles. There was a reduced level of customer-funded activity in the division associated with creating high integrity aircraft systems, primarily associated with the Boeing 787 and F-35 Joint Strike Fighter aircraft programmes. The anticipated improvement in the division's headline operating margin was constrained by the continued investment in new aircraft systems for which the bulk of the development effort has now concluded.

Highlights of activities in the year that will underpin continuing growth included:

- winning in the USA, with Raytheon, a contract to develop a multi-purpose bomb rack intended for use on a wide range of aircraft types

- incorporating Ultra's Dascam business into Al-Shaheen, an enlarged joint-venture with Emirates Advanced Investments with a focus on training and performance development within the UAE

- the achievement of major qualification and certification milestones for both F-35 and Boeing 787 aircraft ice protection systems

Information & Power Systems

Revenue in Information & Power Systems grew by 16% to £224.0m compared to £193.5m in the previous year. Headline operating profit increased by 17% to £27.5m (2009: £23.6m). These results included full-year contributions from Scytale and Tisys, acquired in 2009, and a part-year contribution from Transmag, acquired in July. The order book at the end of the year was £204.7m (2009: £211.0m), reflecting delays in contract awards, especially in the US.

Revenue and profit growth reflected strong demand for Ultra's nuclear sensors and systems, both for defence and civil applications, and for specialist power equipment for mass transit systems and naval vessels. Demand for airport IT systems rose throughout the year though profit was impacted by high bid costs for substantial overseas opportunities.

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

- qualification for flight of the integrated tactical communications system for the new Global Observer long endurance UAV ahead of its first flight early in 2011

- orders to supply trackside power for Network Rail, London Underground and the Manchester tram system extension

- a contract to supply an advanced passenger processing solution at John Wayne airport, Orange County, California

- a first production order for battery management equipment for use on US armoured fighting vehicles

Tactical & Sonar Systems

Revenue in Tactical & Sonar Systems increased by 12% to £311.9m (2009: £277.5m) and headline operating profit rose 16% to £59.4m (2009: £51.1m). These results include full-year contributions from Xerion and Avalon, acquired in 2009. The closing order book was £402.3m (2009: £340.5m), reflecting the success in winning a large UK contract for cryptographic equipment.

Revenue and profit growth reflected strong demand for Ultra's tactical communication products, including radios for the US, South Korea and the Middle East. Initial revenue from the UK cryptographic contract was supplemented by international sales of airborne encrypted data link equipment. Demand for Ultra's anti-submarine warfare systems and equipment remained strong, especially in the US.

Growth in future years will be underpinned by the following developments in 2010:

- successful flight demonstrations of Ultra's innovative high integrity data link on Watchkeeper and Fireshadow UAVs and initial development of a version suitable for land-based uninhabited vehicles

- the release of significant contract options for full development and production of new UK cryptographic equipment, following successful early development and risk reduction activities

- contracts to incorporate the latest technology in the Group's underwater acoustic transducers and to extend the operational capability of Ultra's sonar-based sea mine countermeasure system

MARKET CONDITIONS

Many countries worldwide are addressing the issues caused by high budget deficits and this is exerting pressure on government spending plans. Overall, however, budgets addressable by Ultra remain sufficiently large to give the Group headroom for further growth.

Defence and security

The level of international tension remains high, driven by the actions of rogue states and terrorist groups. This results in continuing expenditure worldwide in Ultra's main markets of defence and security.

In the US the President's budget requests for the near to medium term are for the core defence budget to grow slowly in real terms 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 and secure communications. These are all areas where Ultra has strong market positions. The current delay in authorising expenditure against the FY11 defence budget is slowing the flow of new contracts but it is anticipated that the situation will be resolved in the coming months.

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 is likely to be upgraded. This typically drives demand for advanced electronic solutions. In the short term, the imperative for change and reorganisation within the MoD is likely to restrict or delay the authorisation of new contracts.

Elsewhere, in areas where Ultra has achieved market presence, such as Australia, Turkey and the Middle East, the upward trend of defence spending is being maintained.

Modern armed forces around the world 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 and Ultra should benefit from this trend.

The broader security and intelligence markets for Ultra continue to grow, driven by an increasing level of terrorist, organised crime and state-sponsored cyber activity globally. Covert surveillance and legal intercept of electronic communications continue to be effective ways of identifying and negating the threat. The additional funding announced in the UK for addressing the cyber threat emphasises the increasing focus on this element of security concern. Ultra's highly specialised capabilities in cryptology for information assurance are well positioned in this regard.

Transport
Population growth is driving demand for civil aircraft and infrastructure investment in mass passenger transport systems. These investment decisions may, however, be slowed by overall concerns about the state of some national economies as deficit reduction plans are implemented. Demand will remain strong, however, in other, high-growth economies.

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 where Ultra has a strong capability and the Group continues to win new business around the world. Ground transport systems also require continuing investment in regions of high population density, a trend from which Ultra, with its specialist trackside power supplies, should benefit.

Energy
Around the world the strategic need to have secure access to an increasing amount of energy with a low carbon foot-print from independent sources is driving a steady increase in the 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 nuclear control systems and associated specialist sensors. The Group 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 in 2011 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 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 25 to 27 of the annual report which is available for download at www.ultra-electronics.com/investors.

The defence sector contributes 80% of Ultra's revenue and there is pressure on defence budgets. Current projections are, however, that baseline budgets, excluding supplemental funds for continuing operations, will continue to grow slowly in the US. In the UK, however, it is clear 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 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 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 about 60%

PROSPECTS

Ultra has for many years pursued strategies to spread risk and provide resilience to the Group's overall performance. Ultra has created a broad portfolio of differentiated offerings that are specified on an increasing list of international platforms and programmes. Ultra is positioned at multiple levels in the supply chain and has a broad customer base that includes governments and most of the world's major defence and aerospace prime contractors. These long-term programme positions and enduring customer relationships have a flywheel effect that maintains momentum in the Group's continuing growth.

Ultra will continue its programme of reinvestment 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 and that underpin long-term relationships with customers. This market-led innovation and the Group's agility of response to customer requirements provide a 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.

Within Ultra's overall order book of £818m, the level of opening firm order cover against the current consensus of analysts' forecast of Group revenue for 2011 has been maintained at about 60%.
While it is anticipated that the causes of recent delays in government procurement, especially in the US, will shortly be addressed, deferrals of orders in recent months may exacerbate the normal second-half weighting of Ultra's performance.

Ultra has focused on areas of preferential customer spend within its markets, specialising in electronics which is attracting an increasing proportion of available budgets even in periods of market uncertainty. The Group's offerings are positioned on both long-term new build and upgrade programmes. Ultra accesses a wide range of markets, with international sales now representing about three quarters of Group revenue. These factors provide Ultra with a resilient business model that has maintained growth momentum and gives the Board confidence in Ultra's continued progress in 2011.

- End -

Enquiries:

Ultra Electronics Holdings plc 020 8813 4321
Douglas Caster, Chief Executive www.ultra-electronics.com
Rakesh Sharma, Chief Operating Officer
Paul Dean, Group Finance Director

Media enquiries:
Susan Ellis, Senior Communications Adviser 07836 522722
James White, MHP Communications 020 3128 8756

NATURE OF ANNOUNCEMENT

This preliminary announcement of Ultra's audited results for the year ended 31 December 2010 does not serve as the dissemination announcement as required by Rule 6.3 of the Disclosure and Transparency Rules ('DTR'). A separate dissemination announcement will be made when the annual financial report is made public in accordance with DTR requirements.

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

Further information about Ultra:

Ultra Electronics is an internationally successful defence and aerospace company with a long, consistent track record of development and growth. Ultra businesses constantly innovate to create solutions to customer requirements that are different from and better than those of the Group's competitors. The Group has about one hundred and fifty distinct market or technology niches within its twenty five businesses. The diversity of niches enables Ultra to contribute to a large number of defence, aerospace and civil platforms and programmes and provides resilience to the Group's financial performance.

Ultra has world-leading positions in many of its niches and, as an independent, non-threatening partner, is able to support all of the main prime contractors with specialist capabilities and solutions. As a result of such positioning, Ultra's systems, equipment or services are often mission-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 underpin 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:

- **battlespace IT**, summarised as being the systems and equipment that allows coalition commanders to have an integrated, real-time picture of the disposition of friendly and enemy forces that is better than the one available to the enemy. This information superiority underpins rapid decision making which, together with effective command, control and communications, translates into military superiority. The use of battlespace IT is fundamental to the implementation of the military doctrines of 'network-centric warfare' or 'network-enabled capability' that are seen as transformational in the capability to win future battles. Expenditure on battlespace IT equipment therefore continues to represent an increasing share of the total defence budget in the main markets in which Ultra operates.
- **sonar systems**, expanding Ultra's traditional world-leading airborne anti-submarine warfare capability into broader activities in the underwater battlespace. These include integrated ship and submarine sonar systems, persistent seabed-deployed sensor arrays, torpedo defence and sea mine disposal systems. The fact that over forty countries have, between them, more than four hundred highly capable, stealthy submarines is continuing to focus expenditure in this sector.
- **civil and military aircraft equipment**, Ultra provides specialist sub-systems and equipment for military and civil aircraft. The main military aircraft programmes on which Ultra equipment is fitted continue to have political support, underpinned by consistent financial commitment. For civil aircraft, record order intake performance by all major aircraft manufacturers underpins increasing build rates for the medium term.
- **specialist defence equipment**, including power conversion and signature systems for naval ships and submarines. Ultra's specialist capability in high integrity controls for submarine nuclear reactors is included in this sector, for which there is continuing commitment to new platforms and the upgrade of existing boats. Ultra also supplies advanced sub-systems for modern armoured vehicles including those for electrical power management, indirect vision and weapon control. The need for increased mobility and force protection is driving a number of large military vehicle procurements in Ultra's main markets.
- **specialist civil systems and equipment**, including Ultra's advanced airport IT solutions. Airline passenger growth around the world is driving continuing expansion and upgrade of airport infrastructure. Ultra supplies trackside power equipment for rail transit systems, for which demand continues to be driven by the need to expand and upgrade rail networks. The UK market for nuclear power generation is expanding and Ultra's offering derived from its equivalent military capability is well positioned to benefit.

Ultra Electronics Holdings plc
Preliminary Results for the Year Ended 31 December 2010
Consolidated Income Statement

	Note	**2010 £'000**	2009 £'000
Continuing operations			
Revenue	1	**710,043**	651,036
Cost of sales		**(505,425)**	(462,524)
Gross profit		**204,618**	188,512
Other operating income		**943**	5,112
Distribution costs		**(1,121)**	(1,038)
Administrative expenses		**(113,781)**	(109,527)
Share of profit from associate		**2,558**	-
Other operating expenses		**(3,202)**	(7,023)
Profit from operations		**90,015**	76,036
Headline operating profit	2	**110,346**	97,330
Amortisation of intangibles arising on acquisition		**(20,331)**	(26,303)
Profit on disposal of property, plant and equipment net of property-related provisions		**-**	5,009
Profit from operations		**90,015**	76,036
Investment revenue	3	**9,587**	56,212
Finance costs	4	**(8,293)**	(24,350)
Profit before tax	1	**91,309**	107,898
Headline profit before tax	2	**102,688**	89,486
Amortisation of intangibles arising on acquisition		**(20,331)**	(26,303)
Profit on fair value movements on derivatives		**8,952**	55,630
Profit on disposal of property, plant and equipment net of property-related provisions		**-**	5,009
Loss on closing out foreign currency hedging contracts		**-**	(15,924)
Profit before tax		**91,309**	107,898
Tax	5	**(24,984)**	(29,418)
Profit for the year from continuing operations attributable to equity holders of the parent		**66,325**	78,480
Earnings per ordinary share (pence)			
From continuing operations			
- basic	7	**96.8**	115.1
- diluted	7	**96.2**	114.8

Ultra Electronics Holdings plc
Preliminary Results for the Year Ended 31 December 2010
Consolidated Statement of Comprehensive Income

	2010	2009
	£'000	£'000
Profit for the year	**66,325**	78,480
Exchange differences on translation of foreign operations	**9,868**	(18,810)
(Loss) / gain on net investment hedges	**(2,453)**	7,128
Actuarial gain / (loss) on defined benefit pension schemes	**4,778**	(16,706)
Loss on cash flow hedges	**(1,013)**	(116)
Transfer from profit and loss on cash flow hedges	**2,224**	1,759
Tax relating to components of other comprehensive income	**(2,338)**	2,728
Other comprehensive income for the year	**11,066**	(24,017)
Total comprehensive income for the year	**77,391**	54,463

Ultra Electronics Holdings plc
Preliminary Results for the Year Ended 31 December 2010
Consolidated Balance Sheet

	Note	**2010 £'000**	2009 £'000
Non-current assets			
Goodwill		**231,490**	211,712
Other intangible assets		**75,570**	90,136
Property, plant and equipment		**45,354**	36,644
Interest in associate		**3,668**	1,107
Deferred tax assets		**15,503**	18,159
Derivative financial instruments		**3,750**	4,908
		375,335	362,666
Current assets			
Inventories	8	**49,366**	50,612
Trade and other receivables	9	**158,003**	122,442
Cash and cash equivalents		**68,129**	41,809
Derivative financial instruments		**2,933**	994
		278,431	215,857
Total assets		**653,766**	578,523
Current liabilities			
Trade and other payables	10	**(206,093)**	(169,553)
Tax liabilities		**(18,847)**	(9,020)
Derivative financial instruments		**(3,411)**	(9,164)
Obligations under finance leases		**(129)**	(5)
Bank loans		**(49,992)**	(70,489)
Short-term provisions	11	**(17,086)**	(15,591)
		(295,558)	(273,822)
Non-current liabilities			
Retirement benefit obligations	12	**(78,464)**	(77,497)
Other payables	10	**(20,409)**	(18,023)
Deferred tax liabilities		**(11,217)**	(14,721)
Derivative financial instruments		**(442)**	(4,071)
Obligations under finance leases		**(183)**	-
Long-term provisions	11	**(4,358)**	(6,923)
		(115,073)	(121,235)
Total liabilities		**(410,631)**	(395,057)
Net assets		**243,135**	183,466
Equity			
Share capital		**3,436**	3,420
Share premium account		**41,134**	38,313
Own shares		**(2,653)**	(1,450)
Hedging and translation reserve		**16,867**	9,452
Retained earnings		**184,351**	133,731
Total equity		**243,135**	183,466

Ultra Electronics Holdings plc
Preliminary Results for the Year Ended 31 December 2010
Consolidated Cash Flow Statement

	Note	**2010**	2009
		£'000	£'000
Net cash flow from operating activities	13	**99,281**	102,056
Investing activities			
Interest received		**635**	582
Purchase of property, plant and equipment		**(15,526)**	(10,042)
Proceeds from disposal of property, plant and equipment		**3,813**	3,062
Expenditure on product development and other intangibles		**(3,214)**	(2,352)
Acquisition of subsidiary undertakings		**(13,459)**	(31,601)
Net cash acquired with subsidiary undertakings		**385**	843
Net cash used in investing activities		**(27,366)**	(39,508)
Financing activities			
Issue of share capital		**2,837**	1,899
Purchase of Long-Term Incentive Plan shares		**(1,569)**	-
Dividends paid		**(22,006)**	(18,749)
Loan syndication costs		**(1,388)**	-
Decrease in borrowings		**(22,068)**	(29,051)
Loan to associate		**(3,267)**	-
Repayment of obligations under finance leases		**(54)**	(104)
New finance leases		**361**	-
Loss on closing out foreign currency hedging contracts		**-**	(15,924)
Net cash used in financing activities		**(47,154)**	(61,929)
Net increase in cash and cash equivalents		**24,761**	619
Cash and cash equivalents at beginning of year		**41,809**	43,385
Effect of foreign exchange rate changes		**1,559**	(2,195)
Cash and cash equivalents at end of year		**68,129**	41,809

Ultra Electronics Holdings plc

Preliminary Results for the Year Ended 31 December 2010
Consolidated Statement of Changes in Equity

	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 year	-	-	-	-	66,325	66,325
Other comprehensive income for the year	-	-	-	7,415	3,651	11,066
Total comprehensive income for the year	**-**	**-**	**-**	**7,415**	**69,976**	**77,391**
Own shares acquired	-	-	(1,569)	-	-	(1,569)
Disposal of own shares	-	-	366	-	(366)	-
Equity-settled employee share schemes	16	2,821	-	-	1,850	4,687
Dividend to shareholders	-	-	-	-	(22,006)	(22,006)
Tax on share-based payment transactions	-	-	-	-	1,166	1,166
Balance at 31 December 2010	**3,436**	**41,134**	**(2,653)**	**16,867**	**184,351**	**243,135**
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)
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**

1. Segmental analysis

(a) Revenue by segment

	2010 External revenue £'000	**2010** Inter segment £'000	**2010** Total £'000	2009* External revenue £'000	2009* Inter segment £'000	2009* Total £'000
Aircraft & Vehicle Systems	**174,093**	**16,072**	**190,165**	180,059	8,517	188,576
Information & Power Systems	**223,999**	**6,072**	**230,071**	193,476	1,316	194,792
Tactical & Sonar Systems	**311,951**	**18,133**	**330,084**	277,501	13,982	291,483
Eliminations	**-**	**(40,277)**	**(40,277)**	-	(23,815)	(23,815)
Consolidated revenue	**710,043**	**-**	**710,043**	651,036	-	651,036

(b) Profit by segment

2010

	Aircraft & Vehicle Systems £'000	**Information & Power Systems £'000**	**Tactical & Sonar Systems £'000**	**Total £'000**
Headline operating profit	**23,420**	**27,533**	**59,393**	**110,346**
Amortisation of intangibles arising on acquisition	**(2,491)**	**(8,858)**	**(8,982)**	**(20,331)**
Profit from operations	**20,929**	**18,675**	**50,411**	**90,015**
Investment revenue				**9,587**
Finance costs				**(8,293)**
Profit before tax				**91,309**
Tax				**(24,984)**
Profit after tax				**66,325**

2009*

	Aircraft & Vehicle Systems £'000	Information & Power Systems £'000	Tactical & Sonar Systems £'000	Total £'000
Headline operating profit	22,625	23,640	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	16,530	20,301	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

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

	Capital expenditure and additions to intangibles (excluding goodwill)		Depreciation and amortisation	
	2010	2009*	**2010**	2009*
	£'000	£'000	**£'000**	£'000
Aircraft & Vehicle Systems	**3,262**	2,686	**4,966**	7,084
Information & Power Systems	**7,867**	4,161	**12,344**	14,388
Tactical & Sonar Systems	**7,611**	5,547	**14,163**	14,824
Total	**18,740**	12,394	**31,473**	36,296

The 2010 depreciation and amortisation expense includes £23,088,000 of amortisation charges (2009: £28,574,000) and £8,385,000 of property, plant and equipment depreciation charges (2009: £7,722,000).

(d) Total assets by segment

	2010	2009*
	£'000	£'000
Aircraft & Vehicle Systems	**152,083**	114,388
Information & Power Systems	**202,170**	192,345
Tactical & Sonar Systems	**209,198**	205,920
	563,451	512,653
Unallocated	**90,315**	65,870
Consolidated total assets	**653,766**	578,523

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

(e) Total liabilities by segment

	2010	2009*
	£'000	£'000
Aircraft & Vehicle Systems	**68,225**	57,207
Information & Power Systems	**70,890**	62,815
Tactical & Sonar Systems	**109,143**	90,073
	248,258	210,095
Unallocated	**162,373**	184,962
Consolidated total liabilities	**410,631**	395,057

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

(f) Revenue by destination

	2010	2009*
	£'000	£'000
United Kingdom	**192,140**	173,042
Continental Europe	**67,093**	59,453
Canada	**19,429**	13,415
USA	**354,920**	336,236
Rest of World	**76,461**	68,890
	710,043	651,036

(g) Other information (by geographic location)

	Non current assets		Total assets		Additions to property, plant & equipment and intangible assets (excluding acquisitions)	
	2010	2009	**2010**	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
United Kingdom	**117,092**	112,204	**224,925**	204,089	**10,751**	6,442
USA	**171,698**	158,529	**243,633**	220,413	**5,179**	3,519
Canada	**43,156**	44,531	**61,698**	59,447	**2,564**	2,330
Rest of World	**24,136**	24,335	**33,195**	28,704	**246**	103
	356,082	339,599	**563,451**	512,653	**18,740**	12,394
Unallocated	**19,253**	23,067	**90,315**	65,870	**-**	-
	375,335	362,666	**653,766**	578,523	**18,740**	12,394

* During 2010, the Manufacturing & Card Systems business was moved from the Group's Information & Power Systems division into the Group's Aircraft & Vehicle Systems division. The prior year segmental analysis has therefore been re-stated to reflect this change and to ensure that the presentation is on a consistent basis.

2. Additional performance measures

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

	2010	2009
	£'000	£'000
Profit from operations	**90,015**	76,036
Amortisation of intangibles arising on acquisition	**20,331**	26,303
Profit on disposal of property, plant and equipment net of property-related provisions	**-**	(5,009)
Headline operating profit	**110,346**	97,330
Profit before tax	**91,309**	107,898
Amortisation of intangibles arising on acquisition	**20,331**	26,303
Profit on fair value movements on derivatives	**(8,952)**	(55,630)
Profit on disposal of property, plant and equipment net of property-related provisions	**-**	(5,009)
Loss on closing out foreign currency hedging contracts	**-**	15,924
Headline profit before tax	**102,688**	89,486
Cash generated by operations	**122,847**	120,944
Purchase of property, plant and equipment	**(15,526)**	(10,042)
Proceeds on disposal of property, plant and equipment	**3,813**	3,062
Expenditure on product development and other intangibles	**(3,214)**	(2,352)
Purchase of Long-Term Incentive Plan shares	**(1,569)**	-
Operating cash flow	**106,351**	111,612

Headline operating profit has been shown before the amortisation of intangible assets arising on acquisitions. 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 7) were also presented before these adjustments.

2. Additional performance measures (continued)

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 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 7) 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.

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.

3. Investment revenue

	2010 £'000	2009 £'000
Bank interest	**635**	582
Fair value movement on derivatives	**8,952**	55,630
	9,587	56,212

4. Finance costs

	2010 £'000	2009 £'000
Amortisation of finance costs of debt	**507**	310
Interest payable on bank loans and overdrafts	**2,655**	3,463
Interest payable on finance leases	**5**	1
Transfers to equity on cash flow hedges	**2,224**	1,759
Total borrowing costs	**5,391**	5,533
Retirement benefit scheme finance cost	**2,902**	2,893
Loss on closing out foreign currency hedging contracts	**-**	15,924
	8,293	24,350

5. Tax

	2010 £'000	2009 £'000
Current tax		
United Kingdom	**9,030**	2,840
Overseas	**20,153**	14,089
	29,183	16,929
Deferred tax		
United Kingdom	**683**	10,621
Overseas	**(4,882)**	1,868
	(4,199)	12,489
Total	**24,984**	29,418

6. Dividends

	2010 £'000	2009 £'000
Final dividend for the year ended 31 December 2009 of 21.6p (2008:18.0p) per share	**14,755**	12,226
Interim dividend for the year ended 31 December 2010 of 10.6p (2009: 9.6p) per share	**7,251**	6,523
	22,006	18,749
Proposed final dividend for the year ended 31 December 2010 of 24.0p (2009:21.6p) per share	**16,430**	14,723

The 2010 proposed final dividend of 24.0p per share is proposed to be paid on 4 May 2011 to shareholders on the register at 8 April 2011. It was approved by the Board after 31 December 2010 and has not been included as a liability as at 31 December 2010.

7. Earnings per share

	2010 Pence	2009 Pence
Basic headline (see below)	**107.9**	96.4
Diluted headline (see below)	**107.3**	96.2
Basic	**96.8**	115.1
Diluted	**96.2**	114.8

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

	2010 £'000	2009 £'000
Earnings		
Earnings for the purposes of earnings per share being profit for the year from continuing operations	**66,325**	78,480
Headline earnings		
Profit for the year from continuing operations	**66,325**	78,480
Profit on fair value movements on derivatives (net of tax)	**(6,403)**	(39,415)
Amortisation of intangibles arising on acquisition (net of tax)	**14,035**	18,854
Profit on disposal of property, plant and equipment net of property-related provisions (net of tax)	**-**	(3,625)
Loss on closing out foreign currency hedging contracts (net of tax)	**-**	11,465
Earnings for the purposes of headline earnings per share	**73,957**	65,759

See note 2 for an explanation of the adjustments to earnings

	2010 Number of shares	2009 Number of shares
The weighted average number of shares is given below:		
Number of shares used for basic earnings per share	**68,535,805**	68,200,931
Number of shares deemed to be issued at nil consideration following exercise of share options	**379,546**	166,156
Number of shares used for fully diluted earnings per share	**68,915,351**	68,367,087

7. Earnings per share (continued)

	2010 £'000	2009 £'000
Headline profit before tax	**102,688**	89,486
Tax rate applied for the purposes of headline earnings per share	**28.0%**	26.5%

8. Inventories

	2010 £'000	2009 £'000
Raw materials and consumables	**29,247**	31,022
Work in progress	**15,782**	15,765
Finished goods and goods for resale	**4,337**	3,825
	49,366	50,612

9. Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	**93,758**	75,710
Provisions against receivables	**(961)**	(1,112)
Net trade receivables	**92,797**	74,598
Amounts due from contract customers	**44,093**	26,594
Other receivables	**16,348**	13,993
Prepayments and accrued income	**4,765**	7,257
	158,003	122,442

10. Trade and other payables

Amounts included in current liabilities	**2010 £'000**	2009 £'000
Trade payables	**70,566**	54,877
Amounts due to contract customers	**50,065**	39,105
Other payables	**33,622**	24,655
Accruals and deferred income	**51,840**	50,916
	206,093	169,553

Amounts included in non-current liabilities:	**2010 £'000**	2009 £'000
Amounts due to contract customers	**2,947**	2,467
Other payables	**15,403**	11,946
Accruals and deferred income	**2,059**	3,610
	20,409	18,023

11. Provisions

	Warranties	Contract related provisions	Total
	£'000	£'000	£'000
At 1 January 2010	7,880	14,634	22,514
Created / (released)	1,276	(31)	1,245
Utilised	(1,387)	(1,498)	(2,885)
Exchange differences	134	436	570
At 31 December 2010	**7,903**	**13,541**	**21,444**
Included in current liabilities	6,961	10,125	17,086
Included in non-current liabilities	942	3,416	4,358
	7,903	**13,541**	**21,444**

12. Retirement benefit schemes

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

	2010	2009
	£'000	£'000
Fair value of scheme assets	**143,148**	127,183
Present value of scheme liabilities	**(221,612)**	(204,680)
Scheme deficit	**(78,464)**	(77,497)
Related deferred tax asset	**21,246**	21,738
Net pension liability	**(57,218)**	(55,759)

13. Cash flow information

	2010	2009
	£'000	£'000
Profit from operations	**90,015**	76,036
Adjustments for:		
Depreciation of property, plant and equipment	**8,385**	7,722
Amortisation of intangible assets	**23,088**	28,574
Cost of equity-settled employee share schemes	**1,850**	1,490
Increase / (decrease) in post employment benefit obligation	**2,843**	(863)
Profit on disposal of property, plant and equipment, net of property related provisions	**(38)**	(4,977)
Loss on revaluation of assets transferred to held for sale	**-**	35
Share of profit from associate	**(2,558)**	-
Disposal of asset held for sale	**-**	726
(Decrease) / increase in provisions	**(1,728)**	337
Operating cash flow before movements in working capital	**121,857**	109,080
Decrease in inventories	**4,232**	31
Increase in receivables	**(28,828)**	(2,481)
Increase in payables	**25,586**	14,314
Cash generated by operations	**122,847**	120,944
Income taxes paid	**(18,823)**	(13,529)
Interest paid	**(4,743)**	(5,359)
Net cash from operating activities	**99,281**	102,056

13. Cash flow information (continued)

Reconciliation of net movement in cash and cash equivalents to movements in net cash / (debt)

	2010 £'000	2009 £'000
Net increase in cash and cash equivalents	**24,761**	619
Cash outflow from decrease in debt and finance leasing	**21,761**	29,155
Change in net debt arising from cash flows	**46,522**	29,774
Loan syndication costs	**1,388**	-
Amortisation of finance costs of debt	**(507)**	(310)
Translation differences	**(893)**	5,790
Movement in net debt in the year	**46,510**	35,254
Net debt at start of year	**(28,685)**	(63,939)
Net cash / (debt) at end of year	**17,825**	(28,685)

Net cash / (debt) comprised the following:

	2010 £'000	2009 £'000
Cash and cash equivalents	**68,129**	41,809
Bank loans	**(49,992)**	(70,489)
Obligations under finance leases included in current liabilities	**(129)**	(5)
Obligations under finance leases included in non-current liabilities	**(183)**	-
	17,825	(28,685)

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

14. Post balance sheet events

Banking facilities

On 28 January 2011 the Group entered into a new £90m banking facility which is provided by a small club led by the Royal Bank of Scotland. This facility provides revolving credit over a five year period and is denominated in Sterling, Australian dollars, Canadian dollars, Euros or US dollars and is used for balance sheet and operational needs. The facility is provided in equal proportions by the Royal Bank of Scotland, Bank of America, Barclays, Royal Bank of Canada, Australia and New Zealand Banking Group and Santander. This facility is in addition to the Group's existing £120m Revolving Credit Facility and a £15m overdraft facility for funding short-term working capital requirements.

14. Post balance sheet events (continued)

Acquisition of 3e Technologies International

On 10 January 2011, the Group announced that it had agreed to acquire the entire share capital of 3e Technologies International (3eTI) for a cash consideration of £18.6m. The acquisition was completed on 1 February 2011.

3eTI designs, develops, markets and supports military grade wireless local area network access points, mesh networks, security software and encryption technologies. Its range of products adds to Ultra's portfolio of specialist capabilities related to secure networking, communication and cyber security. The fair values of the net assets are currently being calculated and have not been finalised due to the proximity of the acquisition to the year end. A provisional assessment of the opening balance sheet values is as follows:

	Provisional fair value £'000
Intangible assets	3,173
Property, plant and equipment	291
Inventories	3,093
Receivables	629
Payables	(2,993)
Net assets acquired	4,193
Goodwill and other intangibles arising on acquisition	14,378
Purchase consideration	18,571

15. Five year review

	2006* £m	2007* £m	2008* £m	2009* £m	2010 £m
Revenue					
Aircraft & Vehicle Systems	114.9	120.0	150.3	180.0	**174.1**
Information & Power Systems	99.5	106.6	141.3	193.5	**224.0**
Tactical & Sonar Systems	162.6	186.3	223.7	277.5	**311.9**
Total revenue	377.0	412.9	515.3	651.0	**710.0**
Headline operating profit(1)					
Aircraft & Vehicle Systems	15.7	19.0	22.0	22.6	**23.4**
Information & Power Systems	16.8	16.7	19.9	23.6	**27.5**
Tactical & Sonar Systems	25.0	27.2	35.2	51.1	**59.4**
Total headline operating profit(1)	57.5	62.9	77.1	97.3	**110.3**
Margin(1)	15.3%	15.2%	15.0%	15.0%	**15.5%**
Profit / (loss) before tax	55.0	56.6	(2.9)	107.9	**91.3**
Profit after tax	39.6	41.2	1.8	78.5	**66.3**
Operating cash flow(2)	56.5	52.2	79.0	111.6	**106.4**
Free cash before dividends, acquisitions and financing(3)	40.9	36.3	54.7	93.3	**83.4**
Net (debt) / cash at year-end(4)	(7.2)	(14.2)	(63.9)	(28.7)	**17.8**
Headline earnings per share (p)(5)	58.4	65.4	80.1	96.4	**107.9**
Dividends per share (p)	18.5	21.2	26.0	31.2	**34.6**
Average employee numbers	2,989	3,054	3,582	3,961	**4,006**

* Prior year segmental information has been re-stated to reflect Manufacturing & Card Systems moving from the Group's Information & Power Systems division to the Group's Aircraft & Vehicle Systems division.

Notes:
1. Before amortisation of intangibles arising on acquisition and profit on disposal of property, plant and equipment net of property – related provisions.
2. Cash generated by operations, less net capital expenditure, R&D and LTIP share purchases.
3. Free cash flow before dividends, acquisitions and financing has been adjusted to include the purchase of Long-Term Incentive Plan shares, which are included in financing activities.
4. Bank overdrafts and loans less cash and cash equivalents.
5. Before amortisation of intangibles arising on acquisition, fair value movement on derivatives, profit on disposal of property, plant and equipment net of property – related provisions and loss on closing out foreign currency hedging contracts.

16. The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

16. (continued)

The preliminary announcement has been prepared on the basis of the accounting policies as stated in the financial statements for the year ended 31 December 2010. The company expects to publish full financial statements on 29 March 2011 (see note 17).

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