press release

Embargoed until 0700 4 March 2013

Ultra Electronics Holdings plc

("Ultra" or "the Group")

Preliminary Results for the Year Ended 31 December 2012

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2012	Year ended 31 December 2011	**Change**
Revenue	**£760.8m**	£731.7m	**+4.0%**
Underlying operating profit(1)	**£122.2m**	£122.1m	**+0.1%**
Underlying profit before tax(2)	**£115.6m**	£114.9m	**+0.6%**
IFRS profit before tax	**£82.8m**	£91.2m	**-9.2%**
Underlying earnings per share(2)	**124.5p**	120.2p	**+3.6%**
Dividend per share - final	**27.8p**	26.8p	**+3.7%**
- total	**40.0p**	38.5p	**+3.9%**

(1) *before amortisation of intangibles arising on acquisition and adjustments to deferred consideration net of acquisition costs. IFRS operating profit was £88.7m (2011: £99.2m). See Note 2 for reconciliation.*

(2) *before amortisation of intangibles arising on acquisition, fair value movements on derivatives, unwinding of discount on provisions and adjustments to contingent consideration net of acquisition costs. Basic EPS 91.5p (2011: 96.2p). See Note 2 for reconciliation.*

- Revenue increased despite mixed market conditions across the Group's broad portfolio
- Increased investment to drive future growth
  - revenue reinvested by Ultra in new product and business development up to £49m from £41m in 2011
  - acquisition of three specialist businesses in the year
- Underlying operating margin(1) of 16.1%
- Operating cash conversion* of 73% (five-year average 98%)
- Robust balance sheet with headroom for further acquisitions
- Order book of £905m, with opening order cover for 2013 of 58% (2012: 54%) against current consensus of analysts forecast

Rakesh Sharma, Chief Executive, commented:

"Ultra's results reflect good performances in the transport, energy, security & cyber sectors, offset by the challenges the Group faces in its traditional defence markets. The UK and US defence markets have experienced a year of budget uncertainty that has delayed the start of new programmes and resulted in incremental-only funding of others, notably in the land domain. Mixed conditions across Ultra's sectors are reflected in the Group's underlying organic performance. Nevertheless, the Group continued its strategy of investment in differentiated specialist capabilities to underpin medium and long-term growth, through increased R&D and through acquisitions. In the year, Ultra also added three businesses in the communication, cyber and power sectors that the Group has identified as growth areas. Ultra's constant focus to optimise the cost base of each business has enabled the Group's underlying operating margin to be maintained at over 16%.

Ultra's resilience stems from its wide portfolio of capabilities, products and services, positioned on a large number of international platforms and programmes. The Group recognises the changing dynamics in a pressurised defence market and is responding with cost effective and differentiated solutions tailored to customer needs. In this sector and in non-defence, Ultra is focussing R&D investment in areas of preferential customer spend to position for future opportunities. The Group will continue to broaden and diversify its customer base and markets worldwide. Revenue in security, transport and energy now represents 44% of the Group total, with revenue outside Europe and North America at 15%. Ultra's proven business model reinforces the Board's confidence that the Group will maintain business performance in the short term whilst continuing to position to achieve medium and long-term growth".

*see notes on page 2

FINANCIAL RESULTS

	Year ended 31 December 2012 £m		Year ended 31 December 2011 £m		Growth
Order book					
- Aircraft & Vehicle Systems	**163.6**		177.4		-7.8%
- Information & Power Systems	**391.4**		442.2		-11.5%
- Tactical & Sonar Systems	**350.0**		330.7		+5.8%
Total order book		**905.0**		950.3	-4.8%
Revenue					
- Aircraft & Vehicle Systems	**147.0**		166.1		-11.5%
- Information & Power Systems	**315.8**		257.0		+22.9%
- Tactical & Sonar Systems	**298.0**		308.6		-3.4%
Total revenue		**760.8**		731.7	+4.0%
Organic underlying revenue movement at constant currencies					-4.2%
Underlying operating profit*					
- Aircraft & Vehicle Systems	**30.8**		31.1		-1.0%
- Information & Power Systems	**45.0**		30.5		+47.5%
- Tactical & Sonar Systems	**46.4**		60.5		-23.3%
Total underlying operating profit*		**122.2**		122.1	+0.1%
Organic underlying operating profit movement at constant currencies					-6.3%
Underlying operating margin*					
- Aircraft & Vehicle Systems	**21.0%**		18.7%		
- Information & Power Systems	**14.2%**		11.9%		
- Tactical & Sonar Systems	**15.6%**		19.6%		
Total underlying operating margin*		**16.1%**		16.7%	
Finance charges*		**(6.6)**		(7.2)	-8.3%
Underlying profit before tax		**115.6**		114.9	+0.6%
Operating cash flow*		**89.6**		133.7	
Operating cash conversion*		**73%**		110%	
Net debt/EBITDA		**0.32**		0.34	
Net debt* at year-end		**43.0**		46.1	
Bank interest cover*		**22.9x**		23.4x	
Underlying earnings per share		**124.5p**		120.2p	+3.6%

**** see notes below***

underlying operating profit *before amortisation of intangibles arising on acquisition and adjustments to contingent consideration net of acquisition costs. IFRS operating profit was £88.7m (2011: £99.2m). See Note 2 for reconciliation.*
underlying profit before tax *before amortisation of intangibles arising on acquisition, fair value movements on derivatives, unwinding of discount on provisions and adjustments to contingent consideration net of acquisition costs. Basic EPS 91.5p (2011: 96.2p). See Note 2 for reconciliation.*
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 cash generated by operations and dividends from associates, less net capital expenditure, R&D and LTIP share purchases as % of operating profit before the costs of acquisitions and amortisation of intangibles arising on acquisition.*
net debt *comprises loans and overdrafts less cash and cash equivalents.*
finance charges *exclude fair value movements on derivatives and discount on provisions.*
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.*
bank interest cover *is the ratio of underlying operating profit to finance costs associated with borrowings.*

Revenue was 4% higher at £760.8m (2011: £731.7m). Acquisitions contributed over 7%, whilst exchange rate movements increased revenue by a further 1%. Underlying revenue at constant currencies fell by 4%.

In the year, Ultra increased its internal investment in the development of new business and products to 6.5% of revenue at £49.2m (2011: £41.4m), well above the Group's normal level of around 5%. The Group's businesses also remain focused on constantly restructuring their cost base to match market conditions.

Underlying operating profit was maintained at £122.2m (2011: £122.1m). Organic operating profit growth at constant currencies declined by 6%, compensated by a foreign exchange contribution of 1% and acquisition growth of 5%. The resulting underlying operating margin was 16.1% (2011: 16.7%).

Underlying profit before tax increased marginally to £115.6m (2011: £114.9m), after net financing charges* of £6.6m (2011: £7.2m).

The Group's underlying tax rate in the year was 25.3% (2011: 28.0%) and the increase in underlying earnings per share was 3.6% to 124.5p (2011: 120.2p).

Reported (IFRS) profit before tax was £82.8m (2011: £91.2m) and reflected the combined effects of the elements detailed below:

All £m	**2012**	2011
Underlying profit before tax	**115.6**	114.9
Amortisation of intangibles arising on acquisition	**(32.1)**	(23.1)
Profit/(loss) on fair value movements on derivatives	**1.4**	(0.8)
Acquisition-related costs and adjustments	**(1.5)**	0.2
Unwinding of discount on provisions	**(0.6)**	0.0
Reported profit before tax	**82.8**	91.2

The Group's balance sheet remains strong, with net debt/EBITDA of 0.32 and net interest payable on borrowings covered around 23 times by underlying operating profit. Operating cash flow* in the year was £89.6m (2011: £133.7m). Ultra had net debt* at the end of the year of £43.0m compared to £46.1m at the end of 2011. Net cash expenditure on acquisitions in the year was £37.0m (2011: £142.1m) including the payment of deferred consideration in respect of acquisitions made in prior years.

The renewal of £120m of the Group's revolving credit facility with the Group's syndicate of banks was completed at a revised total of £100m in early 2013. The Group has agreed a 'shelf facility' with Prudential Investment Management Inc. that gives the Group access to the US private placement market on a bilateral basis. The facility is non-committed but is for up to $150m. As at the end of the year $70m of loan notes were issued, at a blended interest rate of 3.6%, which will mature in 2018 and 2019.

The proposed final dividend is 27.8p, bringing the total dividend for the year to 40.0p (2011: 38.5p). This represents an annual increase of 3.9%, with the dividend being covered 3.1 times (2011: 3.1 times) by underlying earnings per share. If approved, the dividend will be paid on 3 May 2013 to shareholders on the register on 12 April 2013.

The order book at the end of 2012 was £905.0m compared to £950.3m in the previous year. If the effect of the Oman contract is removed, the order book (adjusting for foreign exchange and acquisitions) increased marginally. The level of opening firm order cover against the current consensus of analysts' forecast of Group revenue for 2013 is 58% (prior year: 54%). Within this, Ultra's businesses in North America have an average opening order cover of 48% (2011: 40%) while the average for businesses elsewhere in the world is 67% (prior year: 65%).

* see notes on page 2

INVESTING FOR GROWTH

Ultra continued its programme of investment to position for long-term growth, with total spending in 2012 of £86.2m (2011: £183.5m), comprising £37.0m (2011: £142.1m) on acquisitions and £49.2m (2011: £41.4m) on new products and services and in new business development. In addition, customer-funding for new product development was £97.9m (2011: £85.8m).

In the year, the Group developed new specialist capabilities in aircraft fuel tank inerting, with a view to regulation changes and opportunities in China and Brazil. The Group continued its investment in the next generation of battlefield radios with recognised success in US Army field trials, proving the ability to flow real-time tactical information down to the warfighter 'on the move'. Significant development work was also undertaken across the range of Ultra's encryption and secure network products for both core markets and wider export opportunities. The Group is targeting the next generation of nuclear reactors with development of a new high-temperature neutron flux detector, while investing in production facilities for current sensors to meet increased demand from legacy reactor plants. Having successfully completed & delivered a power-dense electric start motor for the Rolls Royce Trent gas turbine engine, Ultra is now further developing this capability in order to open up other gas turbine markets. At the end of the year, Ultra initiated a major development in sonar towed array technology which will enable Ultra to access new markets and smaller platforms with its Anti-Submarine Warfare (ASW) products.

In May 2012 the Group acquired GigaSat, a UK business that develops, manufactures, sells and supports fixed, mobile and transportable satellite earth stations, or satcom terminals. Its products and services are provided to the military, government and commercial markets around the world. GigaSat is part of Ultra's Tactical & Sonar Systems division.

In June, Ultra acquired specialist cyber security companies Barron McCann Technology Limited and Barron McCann Payments Limited (BeMac). BeMac provides baseline grade cryptographic and key management services to the UK Government, military, law enforcement agencies and the finance sector. BeMac's proprietary products are accredited by CESG/GCHQ, the UK government's technical authority for secure electronic communications. BeMac has been integrated into Ultra's AEP Networks business to form a centre of excellence for baseline and enhanced-grade cryptographic and secure communication products and services. This business is also part of Ultra's Tactical & Sonar Systems division.

In August the Group acquired RFI, a specialist US electronic component company that manufactures high-voltage, power conversion subsystems and a variety of other products designed for industrial, military and commercial applications. RFI has now been integrated into Ultra's EMS business in Long Island, USA and is a part of Ultra's Information & Power Systems division.

BOARD CHANGES

As previously reported, Ian Griffiths, non-executive, stood down his position as a Non-Executive Director on the Board on 2 July 2012 after 9 years. He was replaced by Martin Broadhurst OBE, who had been Chief Executive of Marshall Aerospace for 15 years until his retirement in 2011.

As previously announced, Mary Waldner will succeed Paul Dean as Group Financial Director. Mary will join Ultra on 1 July 2013 and will be appointed to the Board. Paul will leave Ultra at the end of March 2013 after four years of service with Ultra, during which time he contributed significantly to the growth and development of the Group. In the interim period, the function of Group Finance Director will be carried out by Mark Nelson. Mark was the Group's Financial Controller until 2012, when he was appointed Divisional Finance Director for the Group's Sonar & Undersea Systems division.

OPERATIONAL REVIEW

Aircraft & Vehicle Systems

Revenue in Aircraft & Vehicles reduced by 12% to £147.0m (2011: £166.1m) and underlying operating profit reduced by 1% to £30.8m (2011: £31.1m). The order book was reduced by 8% to £163.6m (2011: £177.4m).

The division's revenue reflected a slower than expected build up in sales of the Group's noise and vibration products on a number of programmes, while funding delays impacted sales to the UK Scout and Warrior Capability Sustainment armoured vehicle programmes. US budget constraint also resulted in the delay of a UAV fuel cell order. There was some continuing impact from a previously announced cancellation relating to a European military aircraft programme. Underlying operating profit reflected lower sales, offset by cost reductions and reduced investment spend as this division moves out of a development phase and starts to ramp up into a long production phase for its aerospace products. This was reflected in the underlying operating margin which rose to 21.0% (2011: 18.7%).

Highlights of activities in the year that will underpin the division's future performance included:

- establishment of a five-year agreement with Kongsberg for the CROWS3 remote vehicle weapon station for the US Army

- positions on Boeing 787 and Gulfstream aircraft that will provide long-term returns as the new build programmes ramp up to full-rate production

- award of a contract for a range of equipment for Embraer's KC-390, reflecting growing business with this the world's third largest aircraft manufacturer

Information & Power Systems

Revenue in Information & Power Systems grew by 23% to £315.8m (2011: £257.0m). Underlying operating profit increased by 48% to £45.0m (2011: £30.5m*).* The order book at the end of the period was reduced by 12% to £391.4m (2011: £442.2m), largely reflecting the trading of the Oman contract.

Revenue growth was achieved across the division, notably from the ramping up of Ultra's Oman airport IT project, and strong sales of TACPOD and power products. These offset a lull in sales activity from the Command & Control business. SOTECH, a recent acquisition, also performed strongly. Underlying operating profit was boosted by full contributions from recent acquisitions and reflected increased confidence in the delivery of the Oman airport IT project as engineering risks are mitigated. Underlying operating margin increased to 14.2% (2011: 11.9%) largely driven by the acquisition of SOTECH and ZU.

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

- signing of a 'preferred supplier' MoU with Areva that positions Ultra for new build UK nuclear plants as well as upgrades to legacy power plants globally

- success in winning additional contracts to develop and fit Ultra's TACPOD product onto US unmanned air vehicles

- development and provision of electrical power management equipment to current and future UK submarines (Astute, Vanguard and 'Successor')

Tactical & Sonar Systems

Revenue in Tactical & Sonar Systems reduced by 3% to £298.0m (2011: £308.6m). The division's underlying operating profit reduced by 23% to £46.4m (2011: £60.5m). Order book was increased by 6% to £350.0m (2011: £330.7m).

US ground force reductions, budget constraints and planned phasing of the army tactical radio programme led to a 50% reduction in the sales of tactical radios compared with 2011. Ultra's North American radio business has reacted quickly to restructure in the face of this shrinking demand, while preserving investment in the next generation of multi-band and internet protocol (IP) enabled radios demanded by emerging US doctrine and export markets. Elsewhere, the division saw good revenue growth in the Group's crypto and sonobuoy businesses. US sonobuoy orders remained buoyant as the US shifts focus to the Asia-Pacific theatre. In secure communications the Group continues to enjoy an active interest and demand in its portfolio of encryption and cryptographic-key management capabilities. Ultra also achieved substantial sales in perimeter surveillance and power monitoring systems. Underlying operating profit was impacted by restructuring costs and maintenance of investment for future growth, reducing the division's underlying operating margin to 15.6% compared to 19.6% last year.

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

- an End Cryptographic Unit Replacement Programme (ECU-RP) contract successfully renegotiated following the volume adjustments to reflect the UK's defence review outcomes

- orders for additional Litening advanced targeting pods and associated support for the UK's Typhoon aircraft, following acknowledged excellent performance during operations in Libya, further strengthening Ultra's position for opportunities linked to Typhoon exports

- a further contract for a torpedo defence system to Turkey for their Landing Ship Tank programme, building on recent success of sales for similar systems for the Turkish Navy's MILGEM corvette

MARKET ENVIRONMENT

In US and UK markets, government spending continues to be affected by budget uncertainties driven by national deficit pressures. Nevertheless, within the areas of preferential spend that the Group is targeting, significant funding remains available, although securing this funding requires a close understanding of the customer's need. Ultra recognises that government contracting officers are under additional scrutiny, are often under-resourced and are more likely to seek product upgrade or life extension solutions over new platform development. In emerging markets, customers are seeking highly differentiated but mature, proven and comprehensive solutions that match their specific need and environment. Working closely across the Group and with world-class partners, Ultra is responding to these changing demands. Ultra's strategy for growth encompasses diversification into wider markets, both geographic and new platforms & programmes, improving the balance between these emerging and traditional US and UK markets. To this end the Group has focused its resources upon a number of specific regions where there is market headroom and growth.

Defence (56% of Group revenue)

Within Ultra's core markets, defence forces are readjusting to the end of long-running land campaigns in Iraq and Afghanistan, against the backdrop of significant and continuing government fiscal uncertainty. Yet international tensions are undiminished and the demands for military presence and focused intervention remain high, driven by threats from terrorism, insurgency and regional competition. Military forces will be asked to do more with less, leading to a greater dependency on unmanned systems, greater use of intelligence-led, Special Operations and rapid-reaction forces, and improved situational awareness and networking for the lower number of troops on the ground. C4ISR, defence IT and cyber will receive priorities and each of these capabilities lie within the established strengths of Ultra's portfolio.

In the US budget uncertainty will continue through 2013, with Sequestration (under the 2011 Budget Control Act) now enacted and an extension of the current Continuing Resolution judged more likely than not. Reductions will be most evident in land warfare programmes as the strategic emphasis shifts back toward mainly air and maritime expeditionary capabilities. US strategy will shift focus to the Asia-Pacific region, with a strong focus on undersea dominance. Ultra's long-standing expertise in all aspects of underwater capability leave it well positioned to exploit this resurgence of focus on ASW capability, with both the US and regional maritime forces.

In the UK the defence equipment budget has been reset around a defined core programme, providing some relief from the damage of overspend on major projects impacting across the programme as a whole. Further defence budget cuts appear likely in the next Comprehensive Spending Review as the UK Government struggles with its own deficit problem, but there are signs that the equipment acquisition budget will remain stable for the short-term. Ongoing reorganisation of the UK MOD's procurement process generates risks of additional delays and programme uncertainty.

Looking outside the US and UK, there is a general upward trend of defence spending which continues to focus on the acquisition of established and proven, high-end systems while protecting and building national defence industrial capability. In Turkey, Ultra has teamed with indigenous industry partners to develop the next generation of ship torpedo defence. Such engagement secures Ultra's position as a leading and committed supplier of sonar systems to the Turkish Navy, while encouraging interest in the Group's wider portfolio of capabilities. Ultra is applying these lessons in India, which is investing heavily in defence and improving its 'blue water' naval capability, with a build programme of some five or six new ships a year for the next ten years. There is strong interest in Ultra's sonar capabilities and the Group's expertise in armoured fighting vehicle electrical architectures, in addition to Ultra's long-standing engagement in army radio systems. While Australia has implemented short-term defence cuts as a contribution to deficit reduction ahead of the next general election, the long-term programme provides further opportunities in Ultra's areas of strength. The Group also remains well positioned in the Middle East and is evaluating an emerging set of opportunities in Brazil.

Security & Cyber (24% of Group revenue)

We continue to target the preferential customer spend arising from terrorism, organised crime, drug trafficking and cyber-security threats. Governments are responding with demands for integrated solutions, which combine surveillance and protection capabilities with improved intelligence and C3 systems. Border security and critical national infrastructure protection remain key opportunities in both core and emerging markets. Within both government and private sectors, there is a growing understanding of the scale and potential threat from individual and state-sponsored cyber-attacks on critical national and commercial infrastructures. Ultra is seeing an increased demand for tailored solutions in the Group's core markets of the US and UK, as well as new opportunities in the Middle East and Australia.

Transport & Energy (20% of Group revenue)

Population growth, shifts in global trade and the proliferation of low-cost airlines worldwide is driving demand for civil aircraft and infrastructure investment in passenger transport systems. While in established economies infrastructure investment is upgrading capabilities, in emerging economies such investment is being used to secure growth, build national capacity and deliver prestigious projects. Ultra's role as a master systems integrator, for the Muscat and Salalah airports in Oman, has clearly established the Group's capability in this market, with further opportunities expected within the region in future years. The investment in ground transport systems and specifically rail infrastructure is predicted to exceed airport investment over the next decade; an opportunity which should benefit Ultra with its established, specialist trackside power capability.

Reports on the Fukushima disaster underwrote the need for high-integrity safety systems and remote monitoring in civil nuclear power. Nevertheless, the imperative to deliver low-carbon energy remains high. In the US, the government approved four new-build Westinghouse reactors, each of which uses Ultra's specialist sensors. The Group's involvement continues in China's civil nuclear reactor build programme, by far the largest in the world. Elsewhere, there has been a growing emphasis on reactor plant life extension as new builds are delayed; this plays well to the Group's safety system experience and specialist sensor provision.

RISKS AND UNCERTAINTIES

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance in 2013 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 2011. 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 will be available for download at www.ultra-electronics.com/investors in due course.

In the Group's security and cyber fields demand continues to grow. However, within the defence sector, which contributes around 56% of Ultra's revenue, there is continuing pressure on US and UK defence budgets. In the US, a full year of Continuing Resolution funding appears more likely than not and Sequestration has now been enacted. In 2012 the normal defence procurement processes in the US and UK have been disrupted and this will continue into 2013. 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. Excluding the Oman Airport IT project, no single 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.

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

PROSPECTS

Ultra's resilience stems from its wide portfolio of capabilities, products and services, positioned on a large number of international platforms and programmes. The Group recognises the changing dynamics in a pressurised defence market and is responding with cost effective and differentiated solutions tailored to customer needs. In this sector and in non-defence, Ultra is focussing R&D investment in areas of preferential customer spend to position for future opportunities. The Group will continue to broaden and diversify its customer base and markets worldwide. Revenue in security, transport and energy now represents 44% of the Group total, with revenue outside Europe and North America at 15%. Ultra's proven business model reinforces the Board's confidence that the Group will maintain business performance in the short term whilst continuing to position to achieve medium and long-term growth.

- End -

Enquiries:

Ultra Electronics Holdings plc 020 8813 4307
Rakesh Sharma, Chief Executive www.ultra-electronics.com
Paul Dean, Group Finance Director

Media enquiries:
Susan Ellis, Corporate Affairs 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 2012 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, security, transport and energy 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 eighty distinct market or technology niches within its twenty eight businesses. The diversity of niches enables Ultra to contribute to a large number of 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:

Defence: Ultra supplies advanced electronic and electrical systems and equipment to defence forces around the world. The Group innovates to provide battle-winning, specialist capabilities that are tailored to the customer's need and environment. By focusing on delivering comparative military advantage, Ultra can gain market share and exploit the headroom for growth that is available in defence budgets worldwide.

Security and cyber: Ultra provides highly differentiated systems and capabilities to the broad security, intelligence and cyber market. Driven by the actions of rogue states, terrorist groups and organised crime, governments worldwide are focusing expenditure preferentially on addressing these threats. Ultra has highly specialised capabilities in secure communications, networks and cryptographic equipment, key management systems and surveillance 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. Demand in all areas is driven by rising populations in affluent and developing regions of the world.

Energy: Countries around the world are addressing the strategic need to have secure access to increasing amounts of low carbon 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
Preliminary Results for the Year Ended 31 December 2012
Consolidated Income Statement

	Note	**2012 £'000**	2011 £'000
Continuing operations			
Revenue	1	**760,826**	731,733
Cost of sales		**(534,622)**	(514,944)
Gross profit		**226,204**	216,789
Other operating income		**2,008**	2,037
Distribution costs		**(1,264)**	(1,141)
Administrative expenses		**(140,109)**	(116,653)
Share of profit from associate		**3,487**	2,793
Other operating expenses		**(1,655)**	(4,610)
Operating profit		**88,671**	99,215
Investment revenue	3	**1,583**	296
Finance costs	4	**(7,448)**	(8,332)
Profit before tax	1	**82,806**	91,179
Tax	5	**(19,240)**	(25,015)
Profit for the year from continuing operations		**63,566**	66,164
Attributable to:			
Owners of the Company		**63,257**	65,884
Non-controlling interests		**309**	280
Earnings per ordinary share (pence)			
From continuing operations			
- basic	7	**91.5**	96.2
- diluted	7	**91.2**	95.8

Ultra Electronics Holdings plc
Preliminary Results for the Year Ended 31 December 2012
Consolidated Statement of Comprehensive Income

	2012	2011
	£'000	£'000
Profit for the year	**63,566**	66,164
Exchange differences on translation of foreign operations	**(12,803)**	2,719
Gain on net investment hedges	**4,044**	289
Actuarial loss on defined benefit pension schemes	**(6,097)**	(8,312)
Loss on cash flow hedges	**-**	(84)
Transfer from profit and loss on cash flow hedges	**-**	1,702
Tax relating to components of other comprehensive income	**(33)**	98
Other comprehensive income for the year	**(14,889)**	(3,588)
Total comprehensive income for the year	**48,677**	62,576
Attributable to:		
Owners of the Company	**48,368**	62,296
Non-controlling interests	**309**	280

Ultra Electronics Holdings plc
Preliminary Results for the Year Ended 31 December 2012
Consolidated Balance Sheet

	Note	**2012 £'000**	2011 £'000
Non-current assets			
Goodwill		**291,824**	278,125
Other intangible assets		**139,160**	140,333
Property, plant and equipment		**57,756**	48,587
Interest in associate		**8,989**	6,610
Deferred tax assets		**1,138**	11,911
Derivative financial instruments		**3,152**	1,948
Trade and other receivables	9	**4,133**	-
		506,152	487,514
Current assets			
Inventories	8	**52,185**	47,672
Trade and other receivables	9	**201,039**	197,071
Cash and cash equivalents		**30,840**	41,051
Derivative financial instruments		**2,454**	2,746
		286,518	288,540
Total assets		**792,670**	776,054
Current liabilities			
Trade and other payables	10	**(242,858)**	(235,709)
Tax liabilities		**(13,428)**	(19,721)
Derivative financial instruments		**(490)**	(263)
Obligations under finance leases		**(37)**	(63)
Borrowings		**(27,544)**	(78,912)
Short-term provisions	11	**(22,474)**	(14,457)
		(306,831)	(349,125)
Non-current liabilities			
Retirement benefit obligations	12	**(83,096)**	(82,871)
Other payables	10	**(20,987)**	(27,861)
Deferred tax liabilities		**(7,079)**	(11,942)
Derivative financial instruments		**(99)**	(804)
Obligations under finance leases		**(50)**	(76)
Borrowings		**(46,209)**	(8,148)
Long-term provisions	11	**(14,094)**	(10,059)
		(171,614)	(141,761)
Total liabilities		**(478,445)**	(490,886)
Net assets		**314,225**	285,168
Equity			
Share capital		**3,470**	3,449
Share premium account		**48,752**	43,862
Own shares		**(2,581)**	(2,581)
Hedging reserve		**(9,979)**	(14,023)
Translation reserve		**21,119**	33,898
Retained earnings		**252,745**	220,149
Equity attributable to owners of the Company		**313,526**	284,754
Non-controlling interest		**699**	414
Total equity		**314,225**	285,168

Ultra Electronics Holdings plc
Preliminary Results for the Year Ended 31 December 2012
Consolidated Cash Flow Statement

	Note	**2012 £'000**	**2011 £'000**
Net cash flow from operating activities	13	**83,737**	115,413
Investing activities			
Interest received		**193**	296
Dividends received from equity accounted investments		**765**	-
Purchase of property, plant and equipment		**(20,470)**	(12,099)
Proceeds from disposal of property, plant and equipment		**67**	-
Expenditure on product development and other intangibles		**(4,659)**	(3,055)
Acquisition of subsidiary undertakings (incl. acquisition costs)		**(42,398)**	(146,180)
Net cash acquired with subsidiary undertakings		**5,445**	4,033
Net cash used in investing activities		**(61,057)**	(157,005)
Financing activities			
Issue of share capital		**4,911**	2,741
Purchase of Long-Term Incentive Plan shares		**-**	(422)
Dividends paid		**(26,877)**	(24,469)
Funding from government loans		**1,298**	1,621
Loan syndication costs		**(722)**	(771)
(Decrease)/increase in borrowings		**(10,145)**	35,776
Decrease in loan to associate		**577**	1,948
Minority investment		**-**	134
Repayment of obligations under finance leases		**(52)**	(173)
Net cash generated (used in)/from financing activities		**(31,010)**	16,385
Net decrease in cash and cash equivalents		**(8,330)**	(25,207)
Cash and cash equivalents at beginning of year		**41,051**	68,129
Effect of foreign exchange rate changes		**(1,881)**	(1,871)
Cash and cash equivalents at end of year		**30,840**	41,051

Ultra Electronics Holdings plc

Preliminary Results for the Year Ended 31 December 2012

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 reserve £'000	Translation reserve £'000	Retained earnings £'000	Non controlling interest £'000	Total equity £'000
Balance at 1 January 2012	**3,449**	**43,862**	**(2,581)**	**(14,023)**	**33,898**	**220,149**	**414**	**285,168**
Profit for the year	-	-	-	-	-	63,257	309	63,566
Other comprehensive income for the year	-	-	-	4,044	(12,779)	(6,130)	(24)	(14,889)
Total comprehensive income for the year	**-**	**-**	**-**	**4,044**	**(12,779)**	**57,127**	**285**	**48,677**
Equity-settled employee share schemes	21	4,890	-	-	-	1,974	-	6,885
Dividend to shareholders	-	-	-	-	-	(26,877)	-	(26,877)
Tax on share-based payment transactions	-	-	-	-	-	372	-	372
Balance at 31 December 2012	**3,470**	**48,752**	**(2,581)**	**(9,979)**	**21,119**	**252,745**	**699**	**314,225**
Balance at 1 January 2011	**3,436**	**41,134**	**(2,653)**	**(15,930)**	**31,179**	**185,969**	**-**	**243,135**
Profit for the year	-	-	-	-	-	65,884	280	66,164
Other comprehensive income for the year	-	-	-	1,907	2,719	(8,214)	-	(3,588)
Total comprehensive income for the year	**-**	**-**	**-**	**1,907**	**2,719**	**57,670**	**280**	**62,576**
Own shares acquired	-	-	(422)	-	-	-	-	(422)
Disposal of own shares	-	-	494	-	-	(494)	-	-
Equity-settled employee share schemes	13	2,728	-	-	-	1,974	-	4,715
Non-controlling interest's investment made in subsidiary	-	-	-	-	-	-	134	134
Dividend to shareholders	-	-	-	-	-	(24,469)	-	(24,469)
Tax on share-based payment transactions	-	-	-	-	-	(501)	-	(501)
Balance at 31 December 2011	**3,449**	**43,862**	**(2,581)**	**(14,023)**	**33,898**	**220,149**	**414**	**285,168**

1. Segmental information

(a) Revenue by segment

	2012			2011		
	External revenue £'000	**Inter segment £'000**	**Total £'000**	External revenue £'000	Inter segment £'000	Total £'000
Aircraft & Vehicle Systems	**147,017**	**18,440**	**165,457**	166,061	21,201	187,262
Information & Power Systems	**315,835**	**13,815**	**329,650**	257,012	18,388	275,400
Tactical & Sonar Systems	**297,974**	**20,261**	**318,235**	308,660	19,703	328,363
Eliminations	**-**	**(52,516)**	**(52,516)**	-	(59,292)	(59,292)
Consolidated revenue	**760,826**	**-**	**760,826**	731,733	-	731,733

(b) Profit by segment

	2012			
	Aircraft & Vehicle Systems £'000	**Information & Power Systems £'000**	**Tactical & Sonar Systems £'000**	**Total £'000**
Underlying operating profit	**30,798**	**45,048**	**46,398**	**122,244**
Amortisation of intangibles arising on acquisition	**(3,571)**	**(14,005)**	**(14,503)**	**(32,079)**
Adjustments to deferred consideration net of acquisition costs	**(315)**	**(518)**	**(661)**	**(1,494)**
Operating profit	**26,912**	**30,525**	**31,234**	**88,671**
Investment revenue				**1,583**
Finance costs				**(7,448)**
Profit before tax				**82,806**
Tax				**(19,240)**
Profit after tax				**63,566**

	2011			
	Aircraft & Vehicle Systems £'000	Information & Power Systems £'000	Tactical & Sonar Systems £'000	Total £'000
Underlying operating profit	31,140	30,517	60,459	122,116
Amortisation of intangibles arising on acquisition	(4,168)	(8,270)	(10,695)	(23,133)
Adjustments to deferred consideration net of acquisition costs	1,559	(371)	(956)	232
Operating profit	28,531	21,876	48,808	99,215
Investment revenue				296
Finance costs				(8,332)
Profit before tax				91,179
Tax				(25,015)
Profit after tax				66,164

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

	Capital expenditure and additions to intangibles (excluding goodwill)		Depreciation and amortisation	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Aircraft & Vehicle Systems	**7,511**	2,991	**6,784**	10,673
Information & Power Systems	**7,088**	4,739	**18,770**	12,278
Tactical & Sonar Systems	**10,530**	7,424	**20,570**	15,620
Total	**25,129**	15,154	**46,124**	38,571

The 2012 depreciation and amortisation expense includes £35,242,000 of amortisation charges (2011: £29,431,000) and £10,882,000 of property, plant and equipment depreciation charges (2011: £9,140,000).

(d) Total assets by segment

	2012	2011
	£'000	£'000
Aircraft & Vehicle Systems	**146,872**	137,340
Information & Power Systems	**296,411**	311,576
Tactical & Sonar Systems	**311,803**	269,482
	755,086	718,398
Unallocated	**37,584**	57,656
Consolidated total assets	**792,670**	776,054

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

(e) Total liabilities by segment

	2012	2011
	£'000	£'000
Aircraft & Vehicle Systems	**42,594**	49,572
Information & Power Systems	**121,273**	113,620
Tactical & Sonar Systems	**139,547**	126,713
	303,414	289,905
Unallocated	**175,031**	200,981
Consolidated total liabilities	**478,445**	490,886

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

(f) Revenue by destination

	2012	2011
	£'000	£'000
United Kingdom	**225,671**	215,227
Continental Europe	**55,769**	67,882
Canada	**19,038**	22,123
USA	**349,145**	333,266
Rest of World	**111,203**	93,235
	760,826	731,733

(g) Other information (by geographic location)

	Non current assets		Total assets		Additions to property, plant & equipment and intangible assets (excluding acquisitions)	
	2012	2011	**2012**	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
United Kingdom	**200,453**	134,649	**339,855**	252,530	**16,404**	7,791
USA	**216,746**	273,768	**292,022**	345,790	**4,227**	5,429
Canada	**55,831**	40,081	**71,191**	56,613	**2,795**	1,321
Rest of World	**28,831**	25,157	**69,477**	63,465	**1,703**	613
	501,861	473,655	**772,545**	718,398	**25,129**	15,154
Unallocated	**4,291**	13,859	**20,125**	57,656	**-**	-
	506,152	487,514	**792,670**	776,054	**25,129**	15,154

2. 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:

	2012	2011
	£'000	£'000
Operating profit	**88,671**	99,215
Amortisation of intangibles arising on acquisition	**32,079**	23,133
Adjustments to contingent consideration net of acquisition costs	**1,494**	(232)
Underlying operating profit	**122,244**	122,116
Profit before tax	**82,806**	91,179
Amortisation of intangibles arising on acquisition	**32,079**	23,133
Adjustments to contingent consideration net of acquisition costs	**1,494**	(232)
Unwinding of discount on provisions	**577**	-
(Profit)/loss on fair value movements on derivatives	**(1,390)**	821
Underlying profit before tax	**115,566**	114,901
Cash generated by operations	**113,881**	149,318
Purchase of property, plant and equipment	**(20,470)**	(12,099)
Proceeds on disposal of property, plant and equipment	**67**	-
Expenditure on product development and other intangibles	**(4,659)**	(3,055)
Dividend from equity accounted investment	**765**	-
Purchase of Long-Term Incentive Plan shares	**-**	(422)
Operating cash flow	**89,584**	133,742

Underlying operating profit has been shown before acquisition related costs and the amortisation of intangible assets arising on acquisitions. 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 7) are also presented before these adjustments.

2. Additional performance measures (continued)

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. The liability relates to acquisition deferred consideration, therefore, to maintain a consistent presentation of financial performance over the longer term, underlying profit before tax and underlying earnings per share (see note 7) 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. Headline profit before tax and headline earnings per share (see note 7) are stated before changes in the valuation of foreign currency derivative instruments.

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

	2012	2011
	£'000	£'000
Bank interest	**193**	296
Fair value movement on derivatives	**1,390**	-
	1,583	296

4. Finance costs

	2012	2011
	£'000	£'000
Amortisation of finance costs of debt	**591**	670
Interest payable on bank loans, overdrafts and other loans	**4,943**	3,137
Interest payable on finance leases	**1**	1
Transfers to equity on cash flow hedges	**-**	1,702
Total borrowing costs	**5,535**	5,510
Retirement benefit scheme finance cost	**1,336**	2,001
Unwinding of discount on provisions	**577**	-
Fair value movement on derivatives	**-**	821
	7,448	8,332

5. Tax

	2012	2011
	£'000	£'000
Current tax		
United Kingdom	**13,023**	13,724
Overseas	**9,905**	16,590
	22,928	30,314
Deferred tax		
United Kingdom	**679**	(1,469)
Overseas	**(4,367)**	(3,830)
	(3,688)	(5,299)
Total	**19,240**	25,015

6. Dividends

	2012 £'000	2011 £'000
Final dividend for the year ended 31 December 2011 of 26.8p (2010: 24.0p) per share	**18,466**	16,446
Interim dividend for the year ended 31 December 2012 of 12.2p (2011:11.7p) per share	**8,411**	8,023
	26,877	24,469
Proposed final dividend for the year ended 31 December 2012 of 27.8p (2011: 26.8p) per share	**19,230**	18,424

The 2012 proposed final dividend of 27.8p per share is proposed to be paid on 3 May 2013 to shareholders on the register at 12 April 2013. It was approved by the Board after 31 December 2012 and has not been included as a liability as at 31 December 2012.

7. Earnings per share

	2012 Pence	2011 Pence
Basic underlying (see below)	**124.5**	120.2
Diluted underlying (see below)	**124.1**	119.8
Basic	**91.5**	96.2
Diluted	**91.2**	95.8

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

	2012 £'000	2011 £'000
Earnings		
Earnings for the purposes of earnings per share being profit for the year from continuing operations	**63,257**	66,164
Underlying earnings		
Profit for the year from continuing operations	**63,257**	66,164
(Profit)/loss on fair value movements on derivatives (net of tax)	**(1,155)**	524
Amortisation of intangibles arising on acquisition (net of tax)	**22,266**	15,896
Unwinding of discount on provisions (net of tax)	**436**	-
Acquisition related costs net of contingent consideration (net of tax)	**1,273**	129
Earnings for the purposes of underlying earnings per share	**86,077**	82,713

See note 2 for an explanation of the adjustments to earnings

	2012 Number of shares	2011 Number of shares
The weighted average number of shares is given below:		
Number of shares used for basic earnings per share	**69,165,099**	**68,809,084**
Effect of dilutive potential ordinary shares – share options	**215,138**	**261,857**
Number of shares used for fully diluted earnings per share	**69,380,237**	**69,070,941**

	2012 £'000	2011 £'000
Underlying profit before tax	**115,566**	114,901
Tax rate applied for the purposes of underlying earnings per share	**25.25%**	28.0%

8. Inventories

	2012	2011
	£'000	£'000
Raw materials and consumables	**32,850**	30,045
Work in progress	**11,621**	10,053
Finished goods and goods for resale	**7,714**	7,574
	52,185	47,672

9. Trade and other receivables

	2012	2011
	£'000	£'000
Non-current:		
Trade receivables	**4,133**	-
	4,133	-

	2012	2011
	£'000	£'000
Current:		
Trade receivables	**96,355**	124,654
Provisions against receivables	**(1,445)**	(1,743)
Net trade receivables	**94,910**	122,911
Amounts due from contract customers	**87,727**	53,027
Other receivables	**11,402**	14,609
Prepayments and accrued income	**7,000**	6,524
	201,039	197,071

10. Trade and other payables

Amounts included in current liabilities:	**2012**	2011
	£'000	£'000
Trade payables	**75,773**	76,565
Amounts due to contract customers	**96,620**	82,656
Other payables	**22,943**	31,160
Accruals and deferred income	**47,522**	45,328
	242,858	235,709

Amounts included in non-current liabilities:	**2012**	2011
	£'000	£'000
Amounts due to contract customers	**11,333**	19,414
Other payables	**5,578**	5,986
Accruals and deferred income	**4,076**	2,461
	20,987	27,861

11. Provisions

	Warranties	Contract related provisions	Total
	£'000	£'000	£'000
At 1 January 2012	8,650	15,866	24,516
Created	1,934	21,087	23,021
Reversed	(493)	(5,205)	(5,698)
Utilised	(1,330)	(4,270)	(5,600)
Unwinding of discount	-	577	577
Exchange differences	(80)	(168)	(248)
At 31 December 2012	**8,681**	**27,887**	**36,568**
Included in current liabilities	5,393	17,081	22,474
Included in non-current liabilities	3,288	10,806	14,094
	8,681	**27,887**	**36,568**

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:

	2012	2011
	£'000	£'000
Fair value of scheme assets	**163,397**	149,084
Present value of scheme liabilities	**(246,493)**	(231,955)
Scheme deficit	**(83,096)**	(82,871)
Related deferred tax asset	**19,227**	20,873
Net pension liability	**(63,869)**	(61,998)

13. Cash flow information

	2012	2011
	£'000	£'000
Operating profit	**88,671**	99,215
Adjustments for:		
Depreciation of property, plant and equipment	**10,882**	9,140
Amortisation of intangible assets	**35,242**	29,431
Acquisition costs and adjustments	**1,494**	(232)
Cost of equity-settled employee share schemes	**1,974**	1,974
Adjustment for pension funding	**(7,209)**	(5,968)
Loss on disposal of property, plant and equipment	**137**	61
Share of profit from associate	**(3,487)**	(2,793)
(Decrease)/increase in provisions	**(3,088)**	2,701
Operating cash flow before movements in working capital	**124,616**	133,529
(Increase)/decrease in inventories	**(2,719)**	5,382
Increase in receivables	**(5,969)**	(26,488)
(Decrease)/increase in payables	**(2,047)**	36,895
Cash generated by operations	**113,881**	149,318
Income taxes paid	**(25,589)**	(29,134)
Interest paid	**(4,555)**	(4,771)
Net cash from operating activities	**83,737**	115,413

13. Cash flow information (continued)

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

	2012 £'000	2011 £'000
Net decrease in cash and cash equivalents	**(8,331)**	(25,207)
Cash outflow/(inflow) from decrease in debt and finance leasing	**8,899**	(37,224)
Change in net debt arising from cash flows	**568**	(62,431)
Loan syndication costs	**903**	771
Amortisation of finance costs of debt	**(551)**	(670)
Translation differences	**2,228**	(1,643)
Movement in net debt in the year	**3,148**	(63,973)
Net (debt)/cash at start of year	**(46,148)**	17,825
Net debt at end of year	**(43,000)**	(46,148)

Net debt comprised the following:

	2012 £'000	2011 £'000
Cash and cash equivalents	**30,840**	41,051
Borrowings	**(73,753)**	(87,060)
Obligations under finance leases included in current liabilities	**(37)**	(63)
Obligations under finance leases included in non-current liabilities	**(50)**	(76)
	(43,000)	(46,148)

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 13 January 2013 the Group initiated the new £100 million banking facility, as signed in December 2012, which is provided by a small club of banks. This facility replaces the £120 million facility and provides revolving credit over a five year period. It is denominated in Sterling, US Dollars, Canadian Dollars, Euros or Australian Dollars. This facility is in addition to the Group's existing £90 million revolving credit facility and a £15 million overdraft facility for funding short-term working capital requirements.

15. Five-year review

	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m
Revenue					
Aircraft & Vehicle Systems	150.3	180.0	174.1	166.1	**147.0**
Information & Power Systems	141.3	193.5	224.0	257.0	**315.8**
Tactical & Sonar Systems	223.7	277.5	311.9	308.6	**298.0**
Total revenue	515.3	651.0	710.0	731.7	**760.8**
Underlying operating profit(1)					
Aircraft & Vehicle Systems	22.0	22.6	23.4	31.1	**30.8**
Information & Power Systems	19.9	23.6	27.5	30.5	**45.0**
Tactical & Sonar Systems	35.2	51.1	59.4	60.5	**46.4**
Total underlying operating profit(1)	77.1	97.3	110.3	122.1	**122.2**
Margin(1)	15.0%	15.0%	15.5%	16.7%	**16.1%**
Profit/(loss) before tax	(2.9)	107.9	91.3	91.2	**82.8**
Profit after tax	1.8	78.5	66.3	66.2	**63.6**
Operating cash flow(2)	79.0	111.6	106.4	133.7	**89.6**
Free cash before dividends, acquisitions and financing(3)	54.7	93.3	83.4	100.1	**58.8**
Net (debt)/cash at year-end(4)	(63.9)	(28.7)	17.8	(46.1)	**(43.0)**
Underlying earnings per share (p)(5)	80.1	96.4	107.9	120.2	**124.5**
Dividends per share (p)	26.0	31.2	34.6	38.5	**40.0**
Average employee numbers	3,582	3,961	4,006	4,206	**4,430**

Notes:

1. Before acquisition-related costs and 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 and dividends from associates, 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. Loans and overdrafts less cash and cash equivalents.
5. Before acquisition-related costs, amortisation of intangibles arising on acquisition, fair value movement on derivatives, profit on disposal of property, plant and equipment net of property – related provisions, loss on closing out foreign currency hedging contracts and unwinding of discount on provisions.

16. The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2012 or 2011, but is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the company's annual general meeting. The auditor has 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.

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 2012. The company expects to publish full financial statements on 26 March 2013.

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.