press release

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Ultra Electronics Holdings plc

(“Ultra” or “the Group”)

Preliminary Results for the Year Ended 31 December 2014

FINANCIAL HIGHLIGHTS

	Year ended 31 Dec 2014	Year ended 31 Dec 2013	**Change**	Year ended 31 Dec 2014 (excluding Oman)[3]	Year ended 31 Dec 2013 (excluding Oman)[3]	Change
Revenue	**£713.7m**	£745.2m	**-4.2%**	£702.0m	£703.5m	-0.2%
Underlying operating profit*[1]	**£118.1m**	£121.7m	**-3.0%**	£118.1m	£117.5m	+0.5%
Underlying profit before tax*[2]	**£112.0m**	£116.8m	**-4.1%**	£112.0m	£112.6m	-0.5%
IFRS profit before tax	**£21.5m**	£49.3m	**-56.4%**	£68.4m	£45.1m	+51.7%
Underlying earnings per share[2]	**123.1p**	127.1p	**-3.1%**			
Dividend per share - final	**31.1p**	29.5p	**+5.4%**			
- total	**44.3p**	42.2p	**+5.0%**			

- Excluding the effect of the early termination of the Oman Airport IT contract, 2014 results are broadly in line with the prior year
- Underlying order intake* is up by 21% to £760.0m
- Underlying earnings performance is in line with expectations
- Underlying operating margin[1] of 16.5% slightly higher than normal range
- Cash conversion up at 70%
- Investment to support future growth maintained
  - over 5% of revenue reinvested by Ultra in new products and business development
  - acquisition spend of £107.5m on four specialist businesses
- Strong balance sheet provides firepower to fund further acquisitions
- Refinancing preserves investment capacity at advantageous rates

Rakesh Sharma, Chief Executive, commented:

In 2014 Group order intake increased significantly, reflecting demand across our market segments for Ultra’s specialist capabilities. Market conditions, specifically government spending pressures in the US and UK, continued to frustrate revenues in 2014, although excluding Oman the second half performance showed an improvement on the first half. Within the Group, good progress has been made in implementing market facing initiatives whilst continuing prudent cost management. The events that culminated in the early termination of our Oman Airport IT contract provided an unwelcome distraction, although this will allow us to bring to a head what is a unique and increasingly difficult commercial contract. The Group intends to vigorously pursue all options towards a satisfactory settlement.

Performance for 2015 will benefit from acquisitions made in 2014 and from foreign exchange translation at current rates. However, set against the current market backdrop of uncertainty over the timing and feasibility of proposed US DoD budgets, together with election activity in both the US and UK, overall Ultra expects 2015 performance to be broadly stable. We will continue to balance investment for future growth with focus on efficiencies and managing our costs to support profitability.

Looking further ahead our optimism improves as market growth drivers present revenue opportunities for our businesses and the expected pace of order book execution ticks up as a result of recent contract awards. Further growth is expected as the Group identifies and completes acquisitions. Internally, following on from our cost management actions, we are launching a group-wide initiative to standardise our systems and some of our processes. This will enable us to go beyond individual businesses efficiencies, whilst retaining Ultra’s critical success factors of autonomy and agility. The Board acknowledges the short-term headwinds but judges that the actions being taken should enable the Group to achieve an improved performance from 2016.

(1) before Oman Airport IT contract termination costs, amortisation of intangibles arising on acquisitions, impairment of goodwill and adjustments to deferred consideration net of acquisition related costs. IFRS operating profit was £39.5m (2013: £57.4m). See Note 2 for reconciliation.

(2) before Oman Airport IT contract termination costs, amortisation of intangibles arising on acquisitions, impairment of goodwill, fair value movements on derivatives, unwinding of discount on provisions, defined benefit pension interest charges and adjustments to deferred consideration net of acquisition related costs and, in the case of underlying earnings per share, before related taxation. Basic EPS 29.8p (2013: 54.8p). See Note 2 for reconciliation.

(3) the Oman results include revenue of £11.7m (2013: £41.7m), operating profit of £nil (2013: £4.2m) and exceptional non-underlying termination costs of £46.9m (2013:£nil)

*see notes on page 2

FINANCIAL RESULTS

	Year ended 31 December 2014 £m	Year ended 31 December 2013† £m	Growth
Order book			
- Aircraft & Vehicle Systems	**160.2**	163.8	-2.2%
- Information & Power Systems	**175.9**	275.3	-36.1%
- Tactical & Sonar Systems	**451.2**	342.1	+31.9%
Total order book	**787.3**	781.2	+0.8%
Revenue			
- Aircraft & Vehicle Systems	**140.3**	140.9	-0.4%
- Information & Power Systems	**204.0**	276.8	-26.3%
- Tactical & Sonar Systems	**369.4**	327.5	+12.8%
Total revenue	**713.7**	745.2	-4.2%
Organic underlying revenue movement at constant currencies			-10.5%
Underlying operating profit*			
- Aircraft & Vehicle Systems	**24.6**	34.8	-29.3%
- Information & Power Systems	**29.2**	37.3	-21.7%
- Tactical & Sonar Systems	**64.3**	49.6	+29.6%
Total underlying operating profit*	**118.1**	121.7	-3.0%
Organic underlying operating profit movement at constant currencies			-8.7%
Underlying operating margin*			
- Aircraft & Vehicle Systems	**17.5%**	24.7%	
- Information & Power Systems	**14.3%**	13.5%	
- Tactical & Sonar Systems	**17.4%**	15.1%	
Total underlying operating margin*	**16.5%**	16.3%	
Finance charges*	**(6.1)**	(4.9)	+24.5%
Underlying profit before tax	**112.0**	116.8	-4.1%
Underlying operating cash flow*	**83.1**	79.0	
Operating cash conversion*	**70%**	65%	
Net debt/EBITDA	**1.0x**	0.3x	
Net debt* at year-end	**129.5**	42.2	
Bank interest cover*	**19.6x**	24.8x	
Underlying earnings per share	**123.1p**	127.1p	-3.1%

† *During 2014 the Command & Controls business moved from the Group's Information & Power Systems division into the Tactical & Sonar Systems division and the AMI and MSI businesses moved from the Aircraft & Vehicle Systems division into the Information & Power Systems division and Tactical & Sonar Systems division respectively. The prior year segmental analysis has been restated to reflect these changes.*

**** see notes below***

underlying operating profit *before Oman Airport IT contract termination costs, amortisation of intangibles arising on acquisition, impairment of goodwill and adjustments to deferred consideration net of acquisition related costs. IFRS operating profit was £39.5m (2013: £57.4m). See Note 2 for reconciliation.*
organic growth *(of revenue or profit) is the annual rate of increase in revenue or profit that was achieved, assuming that acquisitions made during the prior year were only included for the same proportion of the current year at constant currencies.*
underlying operating margin *is the underlying operating profit as a percentage of revenue.*
finance charges *exclude fair value movements on derivatives, defined benefit pension interest charges and discount on provisions.*
underlying profit before tax *before Oman Airport IT contract termination costs, amortisation of intangibles arising on acquisition, impairment of goodwill, fair value movements on derivatives, unwinding of discount on provisions, defined benefit pension interest charges and adjustments to deferred consideration net of acquisition related costs. Basic EPS 29.8p (2013: 54.8p). See Note 2 for reconciliation.*
underlying tax *is the tax charge on underlying profit before tax. The underlying tax rate is underlying tax expressed as a percentage of underlying profit before tax.*
underlying operating cash flow *is cash generated by operations and dividends from associates, less net capital expenditure, R&D and LTIP share purchases.*
operating cash conversion *is underlying operating cash flow as a percentage of underlying operating profit*
EBITDA *is the statutory profit before tax for the 12 months ended 31 December before Oman Airport IT contract termination costs, finance costs, investment revenue, amortisation and depreciation, excluding adjustments to deferred consideration net of acquisition related costs.*
net debt *comprises loans and overdrafts less cash and cash equivalents.*
bank interest cover *is the ratio of underlying operating profit to finance costs associated with borrowings.*
underlying order intake *excludes the removal of the Oman order book in 2014 and includes orders from acquisitions since acquisition date*
underlying order book growth *excludes the impact of foreign exchange, the Oman IT Airport contract and the order book arising on acquisition*

The order book at the end of 2014 was £787.3m compared to £781.2m in the prior year, despite a £96.9m reduction relating to the removal of the Oman contract from the 2014 order book. Excluding Oman, order intake of £760.0m in the period (2013: £630.0m) led to underlying order book growth* of 7.2% with additional growth from acquisitions of 6.7% and a foreign exchange benefit of 1.1%.

Revenue for 2014 was £713.7m (2013: £745.2m). The organic revenue decline at constant currencies was 10.5% of which 4% or £30m related to the Oman Airport IT contract. Following termination of the contract on 9 February 2015, the total revenue recognised from the contract is £114m, as reported for the half year to 30 June 2014. Had the Oman revenue been excluded from both 2013 and 2014, revenue would have been in line at just over £700m. The four acquisitions made in the period, together with the impact of 2013 acquisitions increased revenue by 9%; however foreign exchange reduced revenue by 3%.

In the year, Ultra maintained its internal investment in the development of new capabilities and products at 5.8% of revenue or £41.2m (2013: £43.3m).

Underlying operating profit* was £118.1m (2013: £121.7m). Acquisition growth contributed 7.8% which was offset by a negative foreign exchange impact of 2.2% and an organic decline of 8.6%. The Group's businesses maintained their focus on restructuring their cost bases which sustained an underlying operating margin of 16.5% (2013: 16.3%). There was no underlying profit recognised on the Oman contract in 2014. As announced in the RNS on 25 February 2015, an exceptional non-underlying charge of £47m relating to the contract termination has been recognised in the 2014 reported operating profit, comprising a bad debt provision of £37m and other termination provisions of £10m.

Underlying profit before tax* was £112.0m (2013: £116.8m), after net financing charges* of £6.1m (2013: £4.9m).

The Group's underlying tax rate* in the year was 23.2% (2013: 24.3%) and underlying earnings per share was 123.1p (2013: 127.1p).

Reported (IFRS) profit before tax was £21.5m (2013: £49.3m) and reflected the combined effects of the elements detailed below:

All £m	**2014**	2013
Underlying profit before tax	**112.0**	116.8
Oman contract termination charge	**(46.9)**	-
Amortisation of intangibles arising on acquisition	**(28.8)**	(29.1)
Net interest charge on defined benefit pensions	**(3.6)**	(3.4)
(Loss)/profit on fair value movements on derivatives	**(7.2)**	1.5
Adjustments to contingent consideration net of acquisition costs	**4.5**	9.0
Unwinding of discount on provisions	**(1.2)**	(1.3)
Impairment of goodwill	**(7.3)**	(44.2)
Reported profit before tax	**21.5**	49.3

The Group's balance sheet remains strong, with net debt/EBITDA of 1.0x and net interest payable on borrowings covered around 20 times by underlying operating profit. Operating cash flow* in the year was £83.1m (2013: £79.0m), leading to a cash conversion of 70% (2013: 65%). Ultra had net debt* at the end of the year of £129.5m compared to £42.2m at the end of 2013. Net cash expenditure on acquisitions in the year was £107.5m (2013: £24.7m) including retention payments in respect of acquisitions.

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

The proposed final dividend is 31.1p, bringing the total dividend for the year to 44.3p (2013: 42.2p). This represents an annual increase of 5.0%, with the dividend being covered 2.8 times (2013: 3.0 times) by underlying earnings per share. If approved, the dividend will be paid on 6 May 2015 to shareholders on the register on 10 April 2015.

* see notes on page 2

INVESTING FOR GROWTH

Ultra continued its programme of investment to position for long-term growth, with total spending in 2014 of £148.7m (2013: £68.0m), comprising £107.5m (2013: £24.7m) on acquisitions and £41.2m (2013: £43.3m) on new capabilities. In addition, customer-funding for new product development was £115.9m (2013: £87.1m).

Ultra made four acquisitions in the period:

- February 2014 - 3 Phoenix Inc (3Pi), based in the US is a leading supplier of specialist sonar, radar intelligence, surveillance and reconnaissance products and solutions. 3Pi forms part of Ultra's Tactical & Sonar Systems division where there are many internal and external synergies. Since the acquisition it has won over $21m in US Navy contracts.

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

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

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

OPERATIONAL REVIEW

Aircraft & Vehicle Systems

- Revenue was in line with last year at £140.3m (2013: £140.9m†)
- Underlying operating profit was down by 29.3% to £24.6m (2013:£34.8m†)
- Order book reduced by 2.2% to £160.2m (2013: £163.8m†)

Revenues from the division's aerospace businesses increased with further sales of specialist ice protection systems, and from the Airbus A400M cargo handling system. However 2013's comparisons include the award and delivery of an £8m Urgent Operational Requirement for EW radios at higher than average margins and there were lower sales in the year of accessories and spares.

Following the securing of a number of new orders to develop products for the aerospace sector, the divisional profit has been impacted by increased R&D investment and lower margins in the engineering phases of certain projects including Embraer KC390 and MRJ. This was partially offset by the impact of overhead savings. The acquisitions of Varisys, during the first half of 2013 and ICE Corporation during the first half of 2014, provided a positive contribution to both revenue and profits whilst foreign exchange partially offset this. The resulting divisional margin was 17.5% (2013: 24.7%).

The change in the order book reflects increased orders for commercial aerospace products and services, offset by the trading of the Lockheed Martin Warrior contract.

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

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

† see note on page 2

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

- Contract award from Gulfstream to provide the landing gear control computer, the steering control computer and the electric main entry door control computer on the newly announced G500 and G600 aircraft. Based on forecast sales of these aircraft, revenue is anticipated to be in excess of £45m over a multi-year contract.

Information & Power Systems

- Revenue fell by 26.3% to £204.0m (2013: £276.8m†)
- Underlying operating profit reduced by 21.7% to £29.2m (2013: £37.3m†)
- Order book reduced by 36.1% to £175.9m (2013: £275.3m†)

Sales from the Oman Airport IT programme during the first half of the year were down reflecting the prolongation of the overall contract. Following notice of the termination of the programme we have taken a prudent approach in the year, recognising only £12m revenue in the first half of the year, and no profit. In 2013, the division's results included £42m of revenue and £4m underlying operating profit from Oman.

This division is the one most impacted by delays in the US defence and security contract placement process with reduced demand for both high margin law enforcement and security products, particularly legal intercept, and also communication systems.

There was also a reduction in revenue from our rail power management business recognising the maturity of the commuter power market as the focus in the UK moves on to high speed rail. Our nuclear business in the UK was impacted by reductions in reactor control and instrumentation revenue following the Heysham reactor partial shutdown and the extended decision making process on Hinckley Point C. This was partially offset by increased revenues from nuclear temperature sensors in the US and also from sales into the Virginia Class submarine programme.

Although the acquisition of Lab Impex Systems contributed to the divisional revenues and profits, this was offset by the negative effect of foreign exchange across the division.

Profits declined in the division as a result of these factors. However the cost savings implemented during the period and the reduction in the dilutive effect of the Oman Airport IT contract resulted in a slightly increased divisional margin of 14.3%.

The order book change reflected the removal of the Oman Airport IT contract, but benefited from a major contract award from EDF Energy and the acquisition of Lab Impex Systems.

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

- Continuing Ultra's strategic relationship with EDF, a contract for £13m was awarded for the supply and support of specialist instrumentation for use in the current UK nuclear power stations.

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

- Contract award worth £8.4 million for the provision of main-static converters for Royal Navy submarines.

† see note on page 2

Tactical & Sonar Systems

- Revenue in Tactical & Sonar Systems increased by 12.8% to £369.4m (2013: £327.5m†)
- Underlying operating profit increased by 29.6% to £64.3m (2013: £49.6m†)
- Order book increased by 31.9% to £451.2m (2013: £342.1m†)

Revenue from US and international Anti-Submarine Warfare (ASW) was strong, and there was an increase in sales on the Fatahillah corvette upgrade programme and other international command and control programmes. This increase was partially offset by reduced sales of Litening Pods, and fewer radios spares sales together with the impact of US budget uncertainty and contract delays. The two larger acquisitions made in 2014, 3 Phoenix and Forensic Technology have been integrated into this division.

Profit rose by 29.6% reflecting increased volume and margins on sonobuoys together with savings from the prior year restructuring at Ultra's TCS radio business. Further benefit was derived from overhead cost savings across the division.

The acquisitions also made a significant contribution to profit, although this was partially offset by the impact of foreign exchange translation. As a result divisional margin rose to 17.4%.

The order book increase included the first year's order from the IDIQ sonobuoy award from the US Navy, as well as the Litening Pod CLS extension. This was supplemented by the acquisitions of 3 Phoenix and Forensic Technologies and by the effect of foreign exchange.

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

- A contract extension of £64.4m for the in-service support of the UK MoD's Litening Pods.

- The award of a £27m contract for the Royal Navy's Sonar 2050 Technology Refresh (S2050TR) Programme for the Royal Navy's eight Type-23 frigates.

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

MARKET ENVIRONMENT

Defence (56% of Group revenue)

In Ultra's core defence markets in the UK and the US future spending plans continue to favour maritime, air and special forces programmes. This is predominantly owing to a change in emphasis towards force presence and air surveillance as opposed to the long, land focused campaigns we have experienced. Government fiscal pressures continue to add to uncertainty in defence programming and, together with reduced customer funded research, leads to a greater emphasis on legacy equipment upgrades and phased contract awards.

In the US, the President's FY2016 baseline defence budget submission of $534bn exceeds limits set under the Budget Control Act (sequestration) by $35bn. A Republican controlled Congress now has the difficult task of balancing a reluctance to raise taxes with the recognition of the increased number of threats (from Russia, ISIL, Ebola and rising China) and gradual erosion of US technical superiority. Intelligence, surveillance and reconnaissance (ISR) continue to be prioritised, along with systems that project power and counter maritime area-denial/anti-access systems.

In the UK, expected fiscal pressures following a general election will place further pressure on defence spending, threatening planned modest growth in equipment procurement. Such cost pressures are already evident in the delivery of major programmes, as primes pass funding challenges down the supply chain. The MOD's major programmes budget remains in balance but

† see note on page 2

any new programmes, such as addressing the increasingly visible maritime patrol aircraft capability gap, will require significant funding cuts in other areas of defence.

In the Middle East regional security, terrorism threats and border security concerns are driving a strong growth in defence and security spending of 4% annually but sharply reduced oil revenues may moderate future spending. The Indian defence market has benefited from the recent change in government, allowing greater access by high technology foreign providers to this large and growing market. Turkey has become more problematic as an export market as it develops an indigenous capability, reflected in a 23% increase in its own defence exports. Australia remains focused on its strategic relationship with the US. Competition in this area will mainly be at the prime contractor level with US interoperability a key requirement.

Security & Cyber (25% of Group revenue)

Security and intelligence budgets are increasing, particularly in nations that face terrorism, border control issues, internal threats and IT infrastructure dependencies. The Group's specialist portfolio approach and ability to partner to deliver a tailored solution is well regarded in this sector. Border security and critical national infrastructure protection opportunities are increasing in regions such as the Middle East and Central America. The demand for communications intelligence remains high but is tempered by continuing Snowden leaks and political sensitivities. Cyber protection remains a fragmented and difficult market but an area of growing expenditure in core markets and those with ambitions for "safe city" status.

Transport & Energy (19% of Group revenue)

While prolonged low oil prices may moderate demand for new-build aircraft, record order books will help to cushion any short term impact. Fierce competition for passenger revenue will see an increase in fleet size through extension of legacy aircraft and a continued focus on systems that reduce operating costs. The Group's portfolio of aerospace control capabilities is well positioned to exploit this market. The airport infrastructure and IT sectors are becoming highly competitive with a focus on tailored solutions over individual products. Rail investment remains a significant growth area, both for nation building and legacy infrastructure upgrade. While reduced oil prices will impact on nuclear investment, the sector remains an important component of many national balanced energy strategies, with opportunities in both life extension and new build programmes.

RISKS AND UNCERTAINTIES

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance in 2015 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 (listed below) and uncertainties have changed substantially since the publication of the Group's Annual Report for 2013. An explanation of the risks detailed below, and the robust business strategies that Ultra uses to manage and mitigate those risks and uncertainties, can be found in the annual report which is available for download at www.ultra-electronics.com/investors.

In the defence sector, which contributes around 56% of Ultra's revenue, there is continuing pressure on US and UK defence budgets which is likely to be compounded by forthcoming elections. In the US, there is concern over the timing and feasibility of the proposed US DoD budget, which exceeds the Budget Control Act. It is anticipated that this will increase the time taken to agree and allocate funding to programmes and hence for it to flow down into contract action. 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.

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.

Risks are identified, collated, assessed and managed at the most appropriate level of the business (Board, Executive or Business level). Risks are reviewed regularly to ensure judgments and assumptions are unchanged, that appropriate mitigations are in place and that emerging risks are captured. Key risks identified by the Board include:

- Cyber-attack
- Changing market environment
- Execution of major contracts
- Pensions
- Business Control (e.g. US Proxy Board)
- Currency fluctuations
- Major geopolitical crisis
- Sustaining product differentiation
- Material legal /regulatory breach
- Staff retention

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

PERFORMANCE & PROSPECTS

Performance for 2015 will benefit from acquisitions made in 2014 and from foreign exchange translation at current rates. However, set against the current market backdrop of uncertainty over the timing and feasibility of proposed US DoD budgets, together with election activity in both the US and UK, overall Ultra expects 2015 performance to be broadly stable. We will continue to balance investment for future growth with focus on efficiencies and managing our costs to support profitability.

Looking further ahead our optimism improves as market growth drivers present revenue opportunities for our businesses and the expected pace of order book execution ticks up as a result of recent contract awards. Further growth is expected as the Group identifies and completes acquisitions. Internally, following on from our cost management actions, we are launching a group-wide initiative to standardise our systems and some of our processes. This will enable us to go beyond individual businesses efficiencies, whilst retaining Ultra’s critical success factors of autonomy and agility. The Board acknowledges the short-term headwinds but judges that the actions being taken should enable the Group to achieve an improved performance from 2016.

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NATURE OF ANNOUNCEMENT

This preliminary announcement of Ultra's audited results for the year ended 31 December 2014 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 a group of businesses which manage a portfolio of specialist capabilities, generating highly differentiated solutions and products in the defence & aerospace, security & cyber, transport and energy markets by applying electronic and software technologies in demanding and critical environments to meet customer needs

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

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

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

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

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

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

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

Ultra Electronics Holdings plc
Results for the Year Ended 31 December 2014
Consolidated Income Statement

	Note	**2014 £'000**	2013 £'000
Revenue	1	**713,741**	745,154
Cost of sales		**(494,294)**	(523,687)
Gross profit		**219,447**	221,467
Other operating income		**4,748**	497
Distribution costs		**(1,893)**	(1,883)
Administrative expenses		**(137,698)**	(126,371)
Share of profit from associate		**1,957**	1,424
Other operating expenses		**(1,149)**	(2,860)
Contingent consideration release		**8,364**	9,363
Impairment of goodwill	8	**(7,355)**	(44,239)
Oman contract termination costs		**(46,878)**	-
Operating profit		**39,543**	57,398
Investment revenue	3	**108**	1,606
Finance costs	4	**(18,189)**	(9,723)
Profit before tax	1	**21,462**	49,281
Tax	5	**(14,964)**	(11,124)
Profit for the year		**6,498**	38,157
Attributable to:			
Owners of the Company		**20,799**	38,157
Non-controlling interests		**(14,301)**	-
Earnings per ordinary share (pence)			
- basic	7	**29.8**	54.8
- diluted	7	**29.7**	54.7

Ultra Electronics Holdings plc
Results for the Year Ended 31 December 2014
Consolidated Statement of Comprehensive Income

	2014 £'000	2013 £'000
Profit for the year	**6,498**	38,157
Items that will not be reclassified to profit or loss:		
Actuarial loss on defined benefit pension schemes	**(5,704)**	(5,677)
Tax relating to items that will not be reclassified	**1,299**	(1,321)
Total items that will not be reclassified to profit or loss	**(4,405)**	(6,998)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**10,974**	(4,896)
(Loss)/gain on net investment hedges	**(4,161)**	810
Tax relating to items that may be reclassified	**(804)**	748
Total Items that may be reclassified to profit or loss	**6,009**	(3,338)
Other comprehensive income for the year	**1,604**	(10,336)
Total comprehensive income for the year	**8,102**	27,821
Attributable to:		
Owners of the Company	**22,407**	27,821
Non-controlling interests	**(14,305)**	-

Ultra Electronics Holdings plc
Results for the Year Ended 31 December 2014
Consolidated Balance Sheet

	Note	**2014 £'000**	2013 £'000
Non-current assets			
Goodwill	8	**298,960**	252,115
Other intangible assets		**162,512**	125,445
Property, plant and equipment		**62,569**	59,146
Interest in associate		**8,105**	7,317
Deferred tax assets		**4,494**	5,147
Derivative financial instruments		**1,117**	4,226
Trade and other receivables	10	**4,694**	9,622
		542,451	463,018
Current assets			
Inventories	9	**73,745**	57,774
Trade and other receivables	10	**190,186**	239,916
Tax assets		**1,814**	2,454
Cash and cash equivalents		**41,259**	30,570
Derivative financial instruments		**1,725**	3,307
		308,729	334,021
Total assets		**851,180**	797,039
Current liabilities			
Trade and other payables	11	**(231,954)**	(269,907)
Tax liabilities		**(7,166)**	(16,927)
Derivative financial instruments		**(1,920)**	(777)
Obligations under finance leases		**-**	(44)
Short-term provisions	12	**(27,105)**	(18,140)
		(268,145)	(305,795)
Non-current liabilities			
Retirement benefit obligations	13	**(87,263)**	(86,078)
Other payables	11	**(9,512)**	(4,773)
Deferred tax liabilities		**(6,192)**	(222)
Derivative financial instruments		**(1,678)**	(269)
Obligations under finance leases		**-**	(19)
Borrowings		**(170,754)**	(72,664)
Long-term provisions	12	**(4,190)**	(6,040)
		(279,589)	(170,065)
Total liabilities		**(547,734)**	(475,860)
Net assets		**303,446**	321,179
Equity			
Share capital		**3,498**	3,490
Share premium account		**56,131**	53,908
Own shares		**(2,581)**	(2,581)
Hedging reserve		**(13,330)**	(9,169)
Translation reserve		**27,219**	16,240
Retained earnings		**246,132**	258,609
Equity attributable to owners of the Company		**317,069**	320,497
Non-controlling interest		**(13,623)**	682
Total equity		**303,446**	321,179

Ultra Electronics Holdings plc
Results for the Year Ended 31 December 2014
Consolidated Cash Flow Statement

	Note	**2014** **£'000**	2013 £'000
Net cash flow from operating activities	14	**68,717**	63,932
Investing activities			
Interest received		**108**	136
Dividends received from equity accounted investments		**1,619**	2,825
Purchase of property, plant and equipment		**(8,362)**	(13,857)
Proceeds from disposal of property, plant and equipment		**55**	1,280
Expenditure on product development and other intangibles		**(9,289)**	(7,657)
Acquisition of subsidiary undertakings		**(111,285)**	(26,374)
Net cash acquired with subsidiary undertakings		**6,737**	4,623
Net cash used in investing activities		**(120,417)**	(39,024)
Financing activities			
Issue of share capital		**2,231**	5,176
Dividends paid		**(29,722)**	(28,071)
Funding from government loans		**687**	1,282
Loan syndication costs		**(1,495)**	(181)
Repayments of borrowings		**(68,331)**	(64,939)
Proceeds from borrowings		**161,700**	62,622
Increase in loan to associate		**(1,654)**	-
Repayment of obligations under finance leases		**(63)**	(24)
Net cash from/(used in) financing activities		**63,353**	(24,135)
Net increase in cash and cash equivalents		**11,653**	773
Cash and cash equivalents at beginning of year		**30,570**	30,840
Effect of foreign exchange rate changes		**(964)**	(1,043)
Cash and cash equivalents at end of year		**41,259**	30,570

Ultra Electronics Holdings plc

Results for the Year Ended 31 December 2014
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 2014	**3,490**	**53,908**	**(2,581)**	**(9,169)**	**16,240**	**258,609**	**682**	**321,179**
Profit for the year	-	-	-	-	-	20,799	(14,301)	6,498
Other comprehensive income for the year	-	-	-	(4,161)	10,979	(5,210)	(4)	1,604
Total comprehensive income for the year	**-**	**-**	**-**	**(4,161)**	**10,979**	**15,589**	**(14,305)**	**8,102**
Equity-settled employee share schemes	8	2,223	-	-	-	1,783	-	4,014
Dividend to shareholders	-	-	-	-	-	(29,722)	-	(29,722)
Tax on share-based payment transactions	-	-	-	-	-	(127)	-	(127)
Balance at 31 December 2014	**3,498**	**56,131**	**(2,581)**	**(13,330)**	**27,219**	**246,132**	**(13,623)**	**303,446**
Balance at 1 January 2013	**3,470**	**48,752**	**(2,581)**	**(9,979)**	**21,119**	**252,745**	**699**	**314,225**
Profit for the year	-	-	-	-	-	38,157	-	38,157
Other comprehensive income for the year	-	-	-	810	(4,879)	(6,250)	(17)	(10,336)
Total comprehensive income for the year	**-**	**-**	**-**	**810**	**(4,879)**	**31,907**	**(17)**	27,821
Equity-settled employee share schemes	20	5,156	-	-	-	1,859	-	7,035
Dividend to shareholders	-	-	-	-	-	(28,071)	-	(28,071)
Tax on share-based payment transactions	-	-	-	-	-	169	-	169
Balance at 31 December 2013	**3,490**	**53,908**	**(2,581)**	**(9,169)**	**16,240**	**258,609**	**682**	**321,179**

1. Segment information

(a) Revenue by segment

	2014			2013 As restated*		
	External revenue £'000	**Inter segment £'000**	**Total £'000**	External revenue £'000	Inter segment £'000	Total £'000
Aircraft & Vehicle Systems	**140,266**	**14,436**	**154,702**	140,910	19,077	159,987
Information & Power Systems	**204,043**	**6,487**	**210,530**	276,764	8,837	285,601
Tactical & Sonar Systems	**369,432**	**14,468**	**383,900**	327,480	19,247	346,727
Eliminations	**-**	**(35,391)**	**(35,391)**	-	(47,161)	(47,161)
Consolidated revenue	**713,741**	**-**	**713,741**	745,154	-	745,154

(b) Profit by segment

	2014			
	Aircraft & Vehicle Systems £'000	**Information & Power Systems £'000**	**Tactical & Sonar Systems £'000**	**Total £'000**
Underlying operating profit	**24,642**	**29,158**	**64,266**	**118,066**
Amortisation of intangibles arising on acquisition	**(3,071)**	**(7,415)**	**(18,305)**	**(28,791)**
Adjustments to deferred consideration net of acquisition costs†	**(223)**	**(183)**	**4,907**	**4,501**
Oman contract termination costs	**-**	**(46,878)**	**-**	**(46,878)**
Impairment of goodwill	**(7,355)**	**-**	**-**	**(7,355)**
Operating profit/(loss)	**13,993**	**(25,318)**	**50,868**	**39,543**
Investment revenue				**108**
Finance costs				**(18,189)**
Profit before tax				**21,462**
Tax				**(14,964)**
Profit after tax				**6,498**

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

	2013 As restated*			
	Aircraft & Vehicle Systems £'000	Information & Power Systems £'000	Tactical & Sonar Systems £'000	Total £'000
Underlying operating profit	34,779	37,335	49,603	121,717
Amortisation of intangibles arising on acquisition	(3,555)	(9,042)	(16,486)	(29,083)
Adjustments to deferred consideration net of acquisition costs †	(274)	(36)	9,313	9,003
Impairment of goodwill	-	(44,239)	-	(44,239)
Operating profit	30,950	(15,982)	42,430	57,398
Investment revenue				1,606
Finance costs				(9,723)
Profit before tax				49,281
Tax				(11,124)
Profit after tax				38,157

1. Segment information (continued)

* During 2014 the Command & Control business was moved from the Group's Information & Power Systems division into the Tactical & Sonar Systems division and the AMI and MSI businesses moved from the Aircraft & Vehicle Systems division into the Information & Power Systems division and Tactical & Sonar Systems division respectively. The prior year segmental analysis has been restated to reflect this change.

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

	Capital expenditure and additions to intangibles (excluding goodwill and acquired intangibles)		Depreciation and amortisation	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
		As restated*		As restated*
Aircraft & Vehicle Systems	**7,069**	10,016	**5,867**	5,660
Information & Power Systems	**3,492**	5,574	**12,141**	15,146
Tactical & Sonar Systems	**7,090**	5,924	**25,021**	22,526
Total	**17,651**	21,514	**43,029**	43,332

The 2014 depreciation and amortisation expense includes £32,202,000 of amortisation charges (2013: £31,967,000) and £10,827,000 of property, plant and equipment depreciation charges (2013: £11,365,000).

(d) Total assets by segment

	2014	2013
	£'000	£'000
		As restated*
Aircraft & Vehicle Systems	**165,069**	154,928
Information & Power Systems	**205,821**	251,812
Tactical & Sonar Systems	**429,881**	344,595
	800,771	751,335
Unallocated	**50,409**	45,704
Consolidated total assets	**851,180**	797,039

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

(e) Total liabilities by segment

	2014	2013
	£'000	£'000
		As restated*
Aircraft & Vehicle Systems	**41,292**	35,737
Information & Power Systems	**92,660**	124,933
Tactical & Sonar Systems	**144,537**	142,589
	278,489	303,259
Unallocated	**269,245**	172,601
Consolidated total liabilities	**547,734**	475,860

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

(f) Revenue by destination

	2014	2013
	£'000	£'000
United Kingdom	**227,419**	243,650
Continental Europe	**70,186**	61,860
Canada	**15,051**	17,130
USA	**296,736**	313,352
Rest of World	**104,349**	109,162
	713,741	745,154

(g) Other information (by geographic location)

	Non current assets		**Total assets**		**Additions to property, plant & equipment and intangible assets (excluding acquisitions)**	
	2014	2013	**2014**	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
United Kingdom	**221,461**	221,362	**376,744**	375,315	**9,876**	14,607
USA	**215,030**	159,927	**291,203**	229,563	**4,805**	3,852
Canada	**88,205**	47,960	**113,856**	62,983	**2,537**	2,719
Rest of World	**12,144**	24,396	**18,968**	83,474	**433**	336
	536,840	453,645	**800,771**	751,335	**17,651**	21,514
Unallocated	**5,611**	9,373	**50,409**	45,704	**-**	-
	542,451	463,018	**851,180**	797,039	**17,651**	21,514

2. Additional non-statutory performance measures

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

	2014	2013
	£'000	£'000
Operating profit	**39,543**	57,398
Amortisation of intangibles arising on acquisition	**28,791**	29,083
Impairment of goodwill	**7,355**	44,239
Adjustments to contingent consideration net of acquisition related costs	**(4,501)**	(9,003)
Oman contract termination costs	**46,878**	-
Underlying operating profit	**118,066**	121,717
Profit before tax	**21,462**	49,281
Amortisation of intangibles arising on acquisition	**28,791**	29,083
Impairment of goodwill	**7,355**	44,239
Adjustments to contingent consideration net of acquisition related costs	**(4,501)**	(9,003)
Unwinding of discount on provisions	**1,172**	1,268
Loss/(profit) on fair value movements of derivatives	**7,243**	(1,470)
Net interest charge on defined benefit pensions	**3,634**	3,408
Oman contract termination costs	**46,878**	-
Underlying profit before tax	**112,034**	116,806
Cash generated by operations	**96,067**	93,476
Purchase of property, plant and equipment	**(8,362)**	(13,857)
Proceeds on disposal of property, plant and equipment	**55**	1,280
Expenditure on product development and other intangibles	**(9,289)**	(7,657)
Dividend from equity accounted investment	**1,619**	2,825
Acquisition related payments	**2,982**	2,973
Underlying operating cash flow	**83,072**	79,040

2. Additional performance measures (continued)

The above analysis of the Group's operating results, earnings per share and cash flows, is presented to provide readers with additional performance indicators that are prepared on a non-statutory basis. This presentation is regularly reviewed by management to identify items that are unusual and other items relevant to an understanding of the Group's performance and long-term trends with reference to their materiality and nature. This additional information is not uniformly defined by all Companies and may not be comparable with similarly titled measures and disclosures by other organisations. The non-statutory disclosures should not be viewed in isolation or as an alternative to the equivalent statutory measure. Information for separate presentation is considered as follows:

- Contract losses arising in the ordinary course of trading are not separately presented, however losses (and subsequent reversals) are separately disclosed in situations of a material dispute which are expected to lead to arbitration or legal proceedings.
- Material costs or reversals arising from a significant restructuring of the group's operations are presented separately.
- The amortisation of intangible assets arising on acquisitions and impairment of goodwill are presented separately.
- Other matters arising due to the Group's acquisitions such as adjustments to contingent consideration, payment of retention bonuses, acquisition costs and fair value adjustments for acquired inventory made in accordance with IFRS 13 are separately disclosed in aggregate.
- Furthermore, 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, this discount unwind is presented separately when the provision relates to acquisition contingent consideration.
- Derivative instruments used to manage the Group's foreign exchange exposures are 'fair valued' in accordance with IAS 39. This creates volatility in the valuation of the outstanding instruments as exchange rates move over time. This has minimal impact on profit over the full term of the instruments, but can cause significant volatility on particular balance sheet dates, consequently the gain or loss is presented separately.
- The defined benefit pension net interest charge arising in accordance with IAS 19 is presented separately.
- 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, the Group 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. Management believes that using cash generated by operations, with the exclusion of net expenditure on property, plant and equipment and outflows for capitalised product development and other intangibles, would result in an under-reporting of the true cash cost of sustaining a growing business.

3. Investment revenue

	2014 £'000	2013 £'000
Bank interest	**108**	136
Fair value movement on derivatives	**-**	1,470
	108	1,606

4. Finance costs

	2014 £'000	2013 £'000
Amortisation of finance costs of debt	**662**	616
Interest payable on bank loans, overdrafts and other loans	**5,478**	4,431
Total borrowing costs	**6,140**	5,047
Retirement benefit scheme finance cost	**3,634**	3,408
Unwinding of discount on provisions	**1,172**	1,268
Fair value movement on derivatives	**7,243**	-
	18,189	9,723

5. Tax

	2014	2013
	£'000	£'000
Current tax		
United Kingdom	**8,423**	17,306
Overseas	**7,498**	7,652
	15,921	24,958
Deferred tax		
United Kingdom	**(776)**	(3,711)
Overseas	**(181)**	(10,123)
	(957)	(13,834)
Total	**14,964**	11,124

6. Dividends

	2014	2013
	£'000	£'000
Final dividend for the year ended 31 December 2013 of 29.5p (2012: 27.8p) per share	**20,528**	19,259
Interim dividend for the year ended 31 December 2014 of 13.2p (2013:12.7) per share	**9,194**	8,812
	29,722	28,071
Proposed final dividend for the year ended 31 December 2014 of 31.1p (2013: 29.5p) per share	**21,685**	20,523

The 2014 proposed final dividend of 31.1p per share is proposed to be paid on 6 May 2015 to shareholders on the register at 10 April 2015. It was approved by the Board after 31 December 2014 and has not been included as a liability as at 31 December 2014.

7. Earnings per share

	2014 Pence	2013 Pence
Basic underlying (see below)	**123.1**	127.1
Diluted underlying (see below)	**122.8**	126.7
Basic	**29.8**	54.8
Diluted	**29.7**	54.7

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

	2014 £'000	2013 £'000
Earnings		
Earnings for the purposes of earnings per share being profit for the year	**20,799**	38,157
Underlying earnings		
Profit for the year	**20,799**	38,157
Loss/(profit) on fair value movements on derivatives (net of tax)	**5,794**	(1,322)
Amortisation of intangibles arising on acquisition (net of tax)	**20,417**	20,727
Unwinding of discount on provisions (net of tax)	**1,172**	973
Acquisition related costs net of contingent consideration (net of tax)	**(4,960)**	(9,061)
Net interest charge on defined benefit pensions (net of tax)	**2,851**	2,609
Impairment of goodwill (net of tax)	**7,355**	36,394
Oman contract termination costs (net of tax)	**46,878**	-
Elimination of non-underlying non-controlling interest	**(14,301)**	-
Earnings for the purposes of underlying earnings per share	**86,005**	88,477

The adjustments to profit are explained in note 2.

	2014 Number of shares	2013 Number of shares
The weighted average number of shares is given below:		
Number of shares used for basic earnings per share	**69,864,755**	69,588,526
Effect of dilutive potential ordinary shares – share options	**158,862**	218,397
Number of shares used for fully diluted earnings per share	**70,023,617**	69,806,923

	2014 £'000	2013 £'000
Underlying profit before tax	**112,034**	116,806
Tax rate applied for the purposes of underlying earnings per share	**23.23%**	24.25%

8. Goodwill

	2014	2013
	£'000	£'000
Cost		
At 1 January	**293,988**	291,824
Exchange differences	**6,471**	(3,670)
Recognised on acquisition of subsidiaries	**47,601**	9,790
Other changes	**538**	(3,956)
At 31 December	**348,598**	293,988
Accumulated impairment loss		
At 1 January	**(41,873)**	-
Exchange differences	**(410)**	2,366
Impairment of goodwill	**(7,355)**	(44,239)
Carrying amount at 31 December	**298,960**	252,115

Other changes in 2014 relate to a deferred consideration release relating to a 2006 acquisition and a fair value adjustment relating to a 2013 acquisition.

Goodwill acquired in a business combination is allocated, at acquisition, to the Cash-Generating Units (CGUs) that are expected to benefit from that business combination. These consist of the Group's operating businesses. Goodwill has been allocated to CGUs as set out below:

	2014 Discount rate	2013 Discount rate	**2014 £'000**	2013 £'000 As restated*
Blue Sky Group	10.8%	12.3%	**-**	7,333
Controls	10.8%	12.3%	**10,085**	7,876
Precision Air & Land Systems	10.8%	12.3%	**10,317**	10,317
Other	10.8-11.8%	12.3-13.3%	**13,074**	13,074
Aircraft & Vehicle Systems			**33,476**	38,600
Airport Systems	11.8%	13.3%	**27,942**	28,064
EMS	10.8%	13.3%	**20,129**	2,356
NSPI	11.8%	13.3%	**11,138**	10,518
SOTECH	10.8%	12.3%	**9,161**	8,652
Other	10.8-11.8%	12.3-13.3%	**11,478**	11,457
Information & Power Systems			**79,848**	61,047
3eTI	10.8%	12.3%	**19,927**	18,817
3Phoenix	13.7%	-	**15,885**	-
AEP	11.8%	13.3%	**24,908**	24,908
Command & Control Systems	10.8%	12.3%	**5,827**	5,827
Flightline	10.8%	12.3%	**10,080**	9,519
Forensic Technology	12.5%	-	**24,707**	-
GigaSat	11.8%	13.3%	**9,544**	9,544
Security & Surveillance Systems	10.8%	12.3%	**9,851**	9,851
Tactical Communication Systems	10.8%	12.3%	**19,398**	36,054
UnderSea Sensor Systems Inc	10.8%	12.3%	**26,040**	24,487
Other	10.8%	12.3%	**19,469**	13,461
Tactical & Sonar Systems			**185,636**	152,468
Total – Ultra Electronics			**298,960**	252,115

* During the year the Command & Controls business moved from the Information & Power Systems division into the Tactical & Sonar Systems division and split into two units, Command & Control Systems and Security & Surveillance Systems. The MSI and AMI businesses moved from the Aircraft & Vehicle Systems division into the Information & Power Systems division and Tactical & Sonar Systems divisions respectively. Prior year comparators have been restated. Goodwill relating to the legacy DNE business has been reallocated between the Tactical Communication Systems and EMS businesses during 2014.

8. Goodwill (continued)

The recoverable amounts of CGUs are determined from value-in-use calculations. In determining the value-in-use for each CGU, the Group prepares cash flows derived from the most recent financial budgets and strategic plans, representing the best estimate of future performance. These plans, which have been approved by the Board, include detailed financial forecasts and market analysis covering the expected development of each CGU over the next five years. The cash flows for the following ten years are also included and assume a growth rate of 2.5% per annum. Cash flows beyond that period are not included in the value-in-use calculation.

The key assumptions used in the value-in-use calculations are those regarding the discount rate, future revenues, growth rates and forecast gross margins. Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the Group, being the Weighted Average Cost of Capital (WACC). The WACC is then risk-adjusted to reflect risks specific to each business. The pre-tax discount rate used during 2014 varied between 10.8% and 13.7% (2013: 12.3% to 13.8%). Future revenues are based on orders already received, opportunities that are known and expected at the time of setting the budget and strategic plans and future growth rates. Budget and strategic plan growth rates are based on a combination of historical experience, available government spending data and management and industry expectations of the growth rates that are expected to apply in the major markets in which each CGU operates. Longer-term growth rates, applied for the ten year period after the end of the strategic planning period, are set at 2.5%. Ultra considers the long-term growth rate to be appropriate for the sectors in which it operates. Forecast gross margins reflect past experience, factor in expected efficiencies to counter inflationary pressures, and also reflect likely margins achievable in the shorter-term period of greater defence spending uncertainty.

Within each of the strategic plans a number of assumptions are made about business growth opportunities, contract wins, product development and available markets. A key assumption is that there will be continued demand for Ultra's products and expertise from a number of US government agencies and prime contractors during the strategic plan period.

Sensitivity analysis has been performed on the value-in-use calculations to:
(i) reduce the post-2019 growth assumption from 2.5% to nil
(ii) apply a 10% reduction to forecast operating profits in each year of the modelled cash inflows
(iii) consider specific market factors

Certain of these sensitivity scenarios give rise to potential impairments at SOTECH, Airport Systems, AEP and Tactical Communications Systems. Headroom for these businesses, which represents the value derived from the key growth assumptions in the value-in-use calculations, is as follows: Tactical Communication Systems £32.3m, Airport Systems £4.9m, SOTECH £16.5m and AEP £8.3m. Consideration of specific market factors has identified the following:

(a) in Tactical Communication Systems a material delay in bringing a key programme to market, combined with failure to secure sufficient business with new and existing customers, would result in impairment
(b) following the termination of the Oman Airport IT contract, the Airport Systems CGU is sensitive to the ability of the remaining business to win sufficient new customers over the medium term; and
(c) the SOTECH CGU is sensitive to the ability to successfully expand the business into new geographic areas and market sectors.

Accordingly if assumption (ii) was extended further, the level of reduction to forecast operating profits required to indicate impairment is as follows: Tactical Communication Systems 60%, Airport Systems 14%, SOTECH 43% and AEP: 15%.

Following a review of the performance of our businesses in the Middle East, a potential indicator of impairment was identified for the Blue Sky Group CGU, and an impairment review was undertaken. The value-in-use of the Blue Sky Group CGU was lower than the carrying value of the CGU's net operating assets and consequently an impairment charge of £7.4m has been recorded in the year. The pre-tax discount rate used during this assessment was 10.8%. Following the impairment charge, the carrying value of goodwill for the Blue Sky Group CGU as at 31 December 2014 is £nil.

8. Goodwill (continued)

As set out in note 2, the £7.4m impairment charge has been included as part of the non-underlying operating results of the Group. Blue Sky Group is within the Aircraft & Vehicle Systems operating segment.

For all other CGUs, the value in use calculations exceed the CGU carrying values in the sensitivity scenarios.

The reduction in placement of US service contracts particularly impacted the ProLogic business. During the prior year the value-in-use of the ProLogic CGU was lower than the carrying value of the CGU's net operating assets and consequently an impairment charge of £44.2m was recorded in administrative expenses in 2013. As set out in note 2, the £44.2m prior year impairment charge was included as part of the non-underlying operating results of the Group. ProLogic is within the Information & Power Systems operating segment.

9. Inventories

	2014	2013
	£'000	£'000
Raw materials and consumables	**44,226**	36,888
Work in progress	**18,462**	13,774
Finished goods and goods for resale	**11,057**	7,112
	73,745	57,774

10. Trade and other receivables

	2014	2013
	£'000	£'000
Non-current:		
Trade receivables	**7,279**	5,296
Provision against receivables	**(6,884)**	-
Amounts due from contract customers	**4,299**	4,326
	4,694	9,622

	2014	2013
	£'000	£'000
Current:		
Trade receivables	**92,617**	87,174
Provisions against receivables	**(1,043)**	(1,605)
Net trade receivables	**91,574**	85,569
Amounts due from contract customers	**110,612**	129,042
Provision against amounts due from contract customers	**(32,249)**	-
Net amounts due from contract customers	**78,363**	129,042
Other receivables	**10,547**	17,150
Prepayments and accrued income	**9,702**	8,155
	190,186	239,916

11. Trade and other payables

	2014	2013
	£'000	£'000
Amounts included in current liabilities:		
Trade payables	**92,855**	85,709
Amounts due to contract customers	**69,257**	122,856
Other payables	**23,924**	19,505
Accruals and deferred income	**45,918**	41,837
	231,954	269,907

	2014	2013
	£'000	£'000
Amounts included in non-current liabilities:		
Amounts due to contract customers	**881**	1,266
Other payables	**5,607**	1,174
Accruals and deferred income	**3,024**	2,333
	9,512	4,773

12. Provisions

	Warranties	Contract related provisions	Total
	£'000	£'000	£'000
At 1 January 2014	6,274	17,906	24,180
Created	1,816	22,313	24,129
Reversed	(1,603)	(10,690)	(12,293)
Utilised	(1,929)	(4,545)	(6,474)
Unwinding of discount	-	1,172	1,172
Exchange differences	58	523	581
At 31 December 2014	**4,616**	**26,679**	**31,295**
Included in current liabilities	3,395	23,710	27,105
Included in non-current liabilities	1,221	2,969	4,190
	4,616	**26,679**	**31,295**

13. 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:

	2014	2013
	£'000	£'000
Fair value of scheme assets	**234,486**	194,340
Present value of scheme liabilities	**(321,749)**	(280,418)
Scheme deficit	**(87,263)**	(86,078)
Related deferred tax asset	**17,607**	17,324
Net pension liability	**(69,656)**	(68,754)

14. Cash flow information

	2014	2013
	£'000	£'000
Operating profit	**39,543**	57,398
Adjustments for:		
Depreciation of property, plant and equipment	**10,827**	11,365
Amortisation of intangible assets	**32,202**	31,967
Impairment of goodwill	**7,355**	44,239
Cost of equity-settled employee share schemes	**1,783**	1,859
Adjustment for pension funding	**(8,448)**	(6,103)
(Profit)/loss on disposal of property, plant and equipment	**(3)**	130
Share of profit from associate	**(1,957)**	(1,424)
Increase/(decrease) in provisions	**2,564**	(13,508)
Operating cash flow before movements in working capital	**83,866**	125,923
Increase in inventories	**(4,443)**	(4,197)
Decrease/(increase) in receivables	**73,977**	(43,144)
(Decrease)/increase in payables	**(57,333)**	14,894
Cash generated by operations	**96,067**	93,476
Income taxes paid	**(22,899)**	(25,591)
Interest paid	**(4,451)**	(3,953)
Net cash from operating activities	**68,717**	63,932

14. Cash flow information (continued)

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

	2014 £'000	2013 £'000
Net increase in cash and cash equivalents	**11,653**	773
Cash (inflow)/outflow from movement in debt and finance leasing	**(94,817)**	521
Change in net debt arising from cash flows	**(83,164)**	1,294
Loan syndication costs	**1,495**	-
Amortisation of finance costs of debt	**(662)**	(616)
Translation differences	**(5,007)**	165
Movement in net debt in the year	**(87,338)**	843
Net debt at start of year	**(42,157)**	(43,000)
Net debt at end of year	**(129,495)**	(42,157)

Net debt comprised the following:

	2014 £'000	2013 £'000
Cash and cash equivalents	**41,259**	30,570
Borrowings	**(170,754)**	(72,664)
Obligations under finance leases included in current liabilities	**-**	(44)
Obligations under finance leases included in non-current liabilities	**-**	(19)
	(129,495)	(42,157)

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

15. Post balance sheet events – Oman Airport IT contract termination

Confirmation of the termination of the Oman Airport IT contract was received on 9 February 2015. The termination event related to conditions already in existence at the balance sheet date and consequently the termination is considered to be an adjusting post balance sheet event for 2014 in accordance with IAS 10. There is significant uncertainty regarding the likely outcome of negotiations with the Sultanate of Oman, Ministry of Transport & Communications, over the timing of receipt of any agreed settlement, or whether agreement can be reached without the need to enter a formal arbitration or judicial process. Consequently, a number of significant judgements and estimates are required with respect to matters arising due to the termination event. Revenue has been recognised, in accordance with group policy, to the extent of contract costs incurred that it is probable will be recovered. Trade debtors and amounts recoverable on contracts have been assessed for recoverability and allowances made for estimated irrecoverable amounts. Specific provisions have been booked to cover estimated legal costs and all known liabilities where the group has assessed it is probable that an outflow of economic benefits will be required to settle the obligation. Material items have been disclosed separately within this preliminary statement. Disclosure is provided on the consolidated income statement and in note 2 regarding the £46.9m termination cost, comprising the £37.2m provision charge booked against contract receivables balances (see note 10) and other termination provisions of £9.7m (see note 12).

16. Five-year review

* as restated	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m
Revenue					
Aircraft & Vehicle Systems	154.6	146.4	130.9	140.9	**140.3**
Information & Power Systems	176.2	194.5	297.2	276.8	**204.0**
Tactical & Sonar Systems	379.2	390.8	332.7	327.5	**369.4**
Total revenue	710.0	731.7	760.8	745.2	**713.7**
Underlying operating profit(1)					
Aircraft & Vehicle Systems	20.5	30.2	32.3	34.8	**24.6**
Information & Power Systems	24.7	23.6	41.9	37.3	**29.2**
Tactical & Sonar Systems	64.8	67.9	47.6	49.6	**64.3**
Total underlying operating profit(1)	110.0	121.7	121.8	121.7	**118.1**
Margin(1)	15.5%	16.6%	16.0%	16.3%	**16.5%**
Profit before tax	89.8	89.1	79.8	49.3	**21.5**
Profit after tax	65.2	64.6	61.3	38.2	**6.5**
Operating cash flow(2)	106.4	133.7	89.6	79.0	**83.1**
Free cash before dividends, acquisitions and financing(3)	83.4	100.1	57.4	43.8	**51.2**
Net cash/(debt) at year-end(4)	17.8	(46.1)	(43.0)	(42.2)	**(129.5)**
Underlying earnings per share (p)(5)	108.5	121.1	125.5	127.1	**123.1**
Dividends per share (p)	34.6	38.5	40.0	42.2	**44.3**
Average employee numbers	4,006	4,206	4,430	4,274	**4,787**

Notes:
1. Before acquisition-related costs, amortisation of intangibles arising on acquisition, impairment of goodwill and Oman Airport IT contract termination costs.
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 LTIP 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, impairment of goodwill, fair value movement on derivative financial instruments, defined benefit pension interest charges, unwinding of discount on provisions and Oman Airport IT contract termination costs.

* Comparatives have been restated to reflect the move of the Command & Controls business from the Group's Information & Power Systems division into the Tactical & Sonar Systems division, and the moves of the AMI and MSI businesses from the Aircraft & Vehicle Systems division into the Information & Power Systems division and Tactical & Sonar Systems division respectively.

17. The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2014 or 2013, but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 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 2014. The company expects to publish full financial statements on 24 March 2015.

The following IFRIC interpretations, amendments to existing standards and new standards have been adopted in the current year but have not impacted the reported results or the financial position:

- IAS 27 (Revised) Separate Financial Statements
- IAS 28 (Revised) Investments in Associates and Joint Ventures
- Amendment to IAS 32 Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities

The following standards were also adopted in the current year:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities

Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (“IFRS”), this announcement does not itself contain sufficient information to comply with IFRS.

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.