

Company Registration No. 02830397

ULTRA ELECTRONICS HOLDINGS LIMITED
(formerly Ultra Electronics Holdings plc)

Annual Report and Financial Statements
For the year ended 31 December 2022



ULTRA ELECTRONICS HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

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ULTRA ELECTRONICS HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

M. Barrow (appointed 29 June 2023)
K. Bomba (appointed 1 August 2022, resigned 26 April 2023)
M. Clements (appointed 1 August 2022, resigned 26 April 2023)
G. Gopalan (resigned 1 August 2022)
N. Hine (appointed 18 August 2022, resigned 26 April 2023)
B. Hitt (appointed 1 August 2022, resigned 26 April 2023)
V. Hull (resigned 1 August 2022)
K. Hunzeker (resigned 1 August 2022)
S. Malani (appointed 1 August 2022, resigned 26 April 2023)
M. Marshall (appointed 1 August 2022, resigned 26 April 2023)
S. Pryce (resigned 31 December 2022)
W. Rice (resigned 1 August 2022)
M. Ristaino (appointed 26 April 2023, resigned 29 June 2023)
P. Routila (appointed 18 August 2022, resigned 26 April 2023)
E. Schulz (appointed 1 August 2022, resigned 26 April 2023)
M. Sclater (resigned 31 December 2022)
D. Shook (resigned 1 August 2022)
C. Simao (appointed 18 August 2022, resigned 26 April 2023)
R. Webb (appointed 9 December 2022, resigned 26 April 2023)
D. Whitt JR (appointed 26 April 2023)

COMPANY SECRETARY

G. Kirk (appointed 9 December 2022, resigned 26 April 2023)
B. L. Ruppel (resigned 9 December 2022)

REGISTERED OFFICE

Unit C1 Knaves Beech Business Centre Davies Way
Loudwater
Wooburn Green
High Wycombe
United Kingdom
HP10 9UT

AUDITOR

Deloitte LLP
Statutory Auditor
2 New Street Square
London
EC4A 3BZ

PRINCIPAL BANKERS

The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

ULTRA ELECTRONICS HOLDINGS LIMITED

STRATEGIC REPORT

The directors present their Strategic Report on Ultra Electronics Holdings Limited (“the Company”, “Ultra Electronics” or “Ultra”) for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

The principal activity is that of a holding company. The Company will continue to hold certain investments in subsidiary undertakings in future periods. During the year, the Company had an average of 69 employees.

RESULTS AND PERFORMANCE

On 16 August 2021, the Company announced that it had reached agreement with the Board of Cobham Ultra Acquisitions Limited, a wholly-owned indirect subsidiary of Cobham Group Holdings Limited (“Cobham”), on the terms and conditions of a recommended all cash acquisition of the entire issued, and to be issued, ordinary share capital by Cobham (the “Acquisition”). Cobham Group Holdings Limited is backed by funds managed by Advent International. This offer was subsequently approved by the Company’s shareholders.

On 6 July 2022, the UK Government Business Secretary cleared the acquisition to proceed. The acquisition of the ordinary share capital of the Company by Cobham completed on 1 August 2022 and the Company was de-listed from the London Stock Exchange and renamed Ultra Electronics Holdings Limited.

The results of the Company and its subsidiaries (“the Group”) are consolidated into Cobham Ultra SeniorCo S.à r.l. (“the Parent company”) for the period ended 31 December 2022.

The loss for the year, after taxation, was £66.2m (2021: profit of £22.6m), primarily driven by £71.5m of costs related to the take over and subsequent integration of the business into the new Cobham Ultra group and £26.9m decrease in investment revenues.

At year end, the Company had net assets of £889.2m (2021: £849.1m). The loss for the year after taxation was more than offset by the £107.0m (2021: £8.5m) movement in the equity-settled employee share schemes in the year.

KEY PERFORMANCE INDICATORS

The Company is an intermediary holding company wholly owned by Cobham Ultra Limited (“the Parent company”) and is a wholly owned indirect subsidiary of Cobham Ultra Senior Co S.à r.l, which prepares consolidated accounts. Therefore, the Directors do not believe that key performance indicators are necessary or appropriate for an understanding of the development, performance or position of the business.

SOCIAL, COMMUNITY, HUMAN RIGHTS AND ENVIRONMENT

Social Value is the long-term, sustainable improvement for society that can be gained by promoting positive social, economic, and environmental impact.

A Positive Force

Ultra’s ‘A Positive Force’ framework sets measurable objectives to develop these critical areas.

These include four pillars:

- Protecting our Planet
- Supporting our People
- Giving Back
- Doing the Right Thing

Our investment in local communities across the Company demonstrates our goals of conducting our business in an ethical, safe, and sustainable way.

Our policies on delivering sustainability and Social Value are closely linked to the United Nations Sustainable Development Goals (SDGs) – these address global challenges across environment, social and economic subjects. Volunteering, Matched Funding, Charity engagement and STEM outreach are key components of Social Value activity that engages our employees, clients and suppliers, and builds the Ultra brand.

ULTRA ELECTRONICS HOLDINGS LIMITED

STRATEGIC REPORT (continued)

Forces Charter

An important element of our community commitment is our Forces Charter: ONE Ultra Forces Charter. We at Ultra endeavour in our business dealings to uphold the key principles of our Charter, which are:

- To recognise, respect and show gratitude of Service, by honouring the commitment and sacrifices made by the Forces Community
- To take positive measures to prevent any disadvantage of the Forces community
- To recognise that special treatment may be appropriate, especially for the injured or bereaved.

Human Rights and Bullying

Ultra believes in our obligation to respect core human rights, protect individuals against abuse of human rights and take positive action to facilitate enjoyment of basic human rights. This means respecting and observing equality and human rights legislation and introducing policies that promote rights and freedoms for all. We value and encourage diversity within our workforce and our talent acquisition pipelines support increased representation and inclusion. Ultra has zero-tolerance of bullying, harassment, and discrimination towards workers, including all forms of physical, verbal or psychological abuse and we expect our suppliers to adopt the same stance. We work collaboratively with our suppliers to ensure that like our own employees and contingent workers, theirs are protected from bullying, harassment and discrimination and they and their supply chain can compete fairly and have an equal chance of success.

WORKING WITH OUR STAKEHOLDERS

Our approach

In discharging the Board's s172 responsibilities to promote the success of the company for its members as a whole, the Directors have regard, amongst other matters, to the:

- likely consequences of decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with customers, suppliers and others;
- impact on the Company's operation on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly between shareholders / stakeholders.

This section describes how the Directors have considered the matters set out in section 172(1) of the Companies Act 2006, as amended by the Companies (Miscellaneous Reporting) Regulations 2018, when performing their duty to promote the success of the Company. Further details on key actions regarding Employee Engagement and Business Relationships are also contained within the Directors' Report on pages 5 to 9 and are incorporated into this statement by cross-reference.

The Company is a wholly-owned subsidiary of Cobham Ultra Acquisitions Limited ("Parent"). The Company has 69 employees and is a holding company which is funded by share capital. As such, it is subject to the Group's internal governance arrangements, including its delegated authority matrix, as is usual for a subsidiary entity that is part of a wider group. This matrix affects the decisions required to be taken by the Company with some matters requiring the approval of the Board of the Parent company, others requiring the approval of members of the Executive Team.

Whilst the Company is required to set out how its Board discharges its duties under section 172 of the Companies Act 2006, this statement should be viewed in the context of the Company's position as a subsidiary of a wider Group.

Principal Decisions

As with decisions taken by the Parent Board, depending on the circumstances, and where the Company Board is required to approve a particular matter, as part of the decision-making and approval process, the Board receives information to help it understand the interests and views of relevant stakeholders when making principal decisions which are material to the Company or have a potentially significant impact on any particular stakeholders.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company holds direct investments in its subsidiaries and is therefore exposed to the risk of impairment. The risk is managed through the Group's risk management framework. Annual impairment reviews are conducted at each reporting date, including sensitivity analysis.

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash and bank balances which earn interest at a floating rate. The Company has borrowings at both fixed and floating rates of interest. The Company monitors its exposure to movements in interest rates to bring greater stability and certainty to

ULTRA ELECTRONICS HOLDINGS LIMITED

STRATEGIC REPORT (continued)

its borrowing costs, with the policy being to assess the proportion of borrowings that are fixed and floating in the context of prevailing market conditions. During the period, the Company did not use derivative financial instruments to manage interest rate costs.

The Company does not consider there to be any impact of climate change on its business.

APPROVAL

Approved by the Board of Directors and signed on its behalf by:



D. Whitt JR.
Director
29 September 2023

ULTRA ELECTRONICS HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of Ultra Electronics Holdings Limited ("the Company", "Ultra Electronics" or "Ultra"), together with the financial statements and independent auditor's report for the year ended 31 December 2022.

DIVIDENDS

The Directors do not propose a final dividend (2021 £nil). The directors did not declare an interim dividend during the year (2021: 16.2 pence per share).

DIRECTORS

The Directors, who served during the period and to the date of signing, unless otherwise specified, are listed on page 1.

DIRECTORS' INDEMNITIES

Cobham Ultra SeniorCo S.à r.l. has made qualifying third-party indemnity provisions for the benefit of its Directors, which were made during the period and remain in force at the date of this report. These third party indemnity provisions cover all of the Directors of the Company.

EMPLOYEES

At Ultra our employee goal is to 'create a dynamic, inspiring and inclusive work environment that attracts, develops, engages and retains the best diverse talent. In 2022 we continued to invest in the people agenda whilst also ensuring that we retained and engaged critical talent throughout the lengthy Acquisition process in a buoyant external talent market. We accomplished this through delivering a number of actions within the following six key strategic HR Pillars.

Building the Talent Pipeline

Ensuring we have the right talent in the right place at the right time has been central to our talent acquisition agenda in 2022. We have significantly improved our strategic workforce planning which is reviewed by the executive committee in the quarterly business reviews. We invested in our in-house talent acquisition team and continued to invest in recruitment tools. Additionally, we have improved our on-boarding process and started to work on a virtual on boarding program utilising gamification. We completed an audit of our recruitment process to ensure that it enables us to appeal to the broadest and most diverse talent pools and have also started to put in place accessibility guides for candidates.

Compelling Reward & Recognition

In 2022 we had to be agile in our compensation and benefit programs to ensure we retained and motivated our employees throughout the acquisition process. In August 2022 as a result of the acquisition a number of Ultra employees benefitted from the £35 share purchase through the legacy Ultra long-term incentive program and employee share schemes in place at the time.

In addition to the above, a retention payment program was put in place to retain critical leadership and functional talent through the acquisition process which was paid out 90 days post completion. This proved extremely successful in retaining talent with a very small number of exits in this population over the last year.

We have continued to run our annual bonus program with the majority of employees across the Company being included in a bonus plan. In 2022 we continued our efforts to harmonise the opportunity by levels to enable better mobility of talent. The bonus scheme is based on performance against profit and cash measures (85% of the opportunity) with an individual performance (15% of the opportunity) enabling us to differentiate awards for higher performance. With regards to the individual component, employees are set four to eight specific objectives that are aligned to the 'Objective and Key results' ("OKRs") of the business or function, and these are reviewed throughout the year but with a formal review in June and December. A rating is given for this, which is calibrated and then used in deriving bonus outcomes and as an input to salary increases.

2022 was the second year of our ASPIRE values recognition program which enables peer to peer recognition for performance against our Agile, Sharing, Performing, Innovating, Rewarding and Empowering values.

Building leadership and functional capability

Our Manager fundamentals program aimed at the people managers across the Company continued with modules on recruitment and retention and leadership complexity.

ULTRA ELECTRONICS HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

Mandatory training was allocated and completed by all employees covering Code of Conduct, Anti-bribery, IT / data security and Harassment. Additionally, we increased the number of health and safety training modules that needed to be completed by employees.

As part of our 'Aspirations, Capability and Engagement (ACE)' discussions we identify individual training and development actions for individuals and support them with this training. Additionally, all employees at Ultra have been given access to LinkedIn Learning with the content of thousands of courses being made available through our myHR learning system where in our weekly newsletter we share some of the most popular/useful courses to drive adoption rates.

Succeeding with diversity

In 2022 we published our first Diversity & Equity Index report highlighting all of the work that we are doing in this space. Our focus has been on three areas:

- **Human Moments:** focussed around creating the right conversations across the Company. We have invited external speakers in to engage in discussions with us around different topics and opened this up to all employees to attend the virtual sessions. We have continued to work with our Women and BIPOC (Black Indigenous People of Colour) employee resource groups sharing issues and ideas on what we can do to make Ultra an even better place for these groups to work. In 2022 we continued with the roll out of Neuro-diversity awareness training for our senior leader group.
- **Human Applications:** we introduced our Global DE&I Policy committing to a number of things including equity, diversity and inclusion in the workplace; creating a working environment free of bullying, harassment, victimization and unlawful discrimination; protecting dignity and respect for all; and where individual differences and the contributions of all employees are recognized and valued. We have continued to develop our facilities in our sites so that they are in accessible and usable for all our colleagues and updated our dress code policy to simply 'dress appropriately'. We also continued the work on equity in progression and opportunity looking at how roles are designed, role descriptions and our interview and assessment process. Our successful strategies for success program aimed at senior and high potential women talent at Ultra continued with further modules for existing participants and a new program launched for new participants. This program has retained 94% of the talent and 25% of the talent has been promoted since being on the program. In 2021/22 we also committed to disability confident and signed up to the women in defence charter.
- **Individual humans:** we have increased our analysis of who we are within Ultra with the benefit of our myHR (Workday) platform. As diversity, equity and inclusion encompass so many different dimensions, we selected The Global Diversity & Inclusion Benchmark as a powerful enabler of strategic conversations and an effective planning tool to help us deliver our diversity, equity and inclusion objectives. We have shown strong progress year on year against the baseline in 2020.

Creating a winning culture

Due to the acquisition an employee engagement survey was not completed in 2022. There has therefore not yet been an update on the Ultra 2021 engagement scores which had an increase in overall favourability of +2.4% to 61.6% since the 2019 survey.

We have continued to operate a hybrid working arrangement for applicable roles that with remote employees ideally working two to three days from the office to foster greater connectivity, collaboration, innovation and to assist with *employee wellbeing*. Our values recognition program continues to drive awareness of and behaviour supporting our ASPIRE values and they are also an integral part of our performance management process. Our Employee Assistance programs support employees with wellbeing (health and financial) in addition to all businesses promoting their own wellbeing agendas.

Transform our operating model

In 2022 our focus has been on supporting the organisational changes following the acquisition. This has centred on giving greater day to day autonomy to each business unit. This has now been successfully completed such that each unit now operates on a standalone basis.

Employee Consultation and Involvement with Management

As part of the Acquisition, the Advent team, the Group's senior executives and their advisors embarked on a discovery tour immediately upon taking control of the Group. These meetings enabled the Advent team to get to understand the business through senior leadership team discussions and also to speak to the broader employee population base.

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DIRECTORS' REPORT (continued)

In 2022, prior to completion of the acquisition, Ultra's independent Ethics committee completed a number of visits and their reports were shared with the Ultra senior executive team and twice per year were discussed at the Ultra Electronics Holdings plc Board level.

We continue to support our Speak Up platform which enables employees to confidentially raise issues that they feel should be investigated by management.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The Group falls into the Streamlined Energy and Carbon Reporting (SECR) framework.

We have reported all emission sources under the Companies Act 2006 (Strategic Report and Director's Reports) Regulations 2013 as required. The Group can report figures below, calculated based on the GHG Protocol Corporate Standard using emissions factors from UK government-produced conversion 2022 factor guidance. Reporting corresponds with our financial year and reflect emissions from the leased, owned, and controlled assets for which The Group is responsible.

The Group maintain scope one (1), two (2) and three (3) emissions, which are generated from our offices, manufacturing sites and business owned or controlled vehicles, respectively. We also generate scope 3 emissions from vehicles covered under "grey fleet" (personal cars used for business purposes) and air travel.

We have calculated and reported our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition).

The reporting period is the period from 1 January 2022 to 31 December 2022. The boundaries of the GHG inventory are defined using the operational control approach. In general, the emissions reported are the same as those which would be reported based on a financial control boundary. Emissions for previous years are retrospectively adjusted as and when more accurate data is provided.

Recorded energy consumption during the financial year was 45,998,796 kWh (45,998.8 MWh) (2021: 43,479,318 kWh (43,479.3 MWh)), equating to 9,756 tCO₂e (2021: 12,974 tCO₂e), with a geographical consumption split of 33% UK, 55% USA and 12% in the rest of the world (2021: 26% UK, 65% USA and 9% in the rest of the world).

Year	Scope 1 tCO ₂ e	Scope 2 tCO ₂ e	Scope 3 tCO ₂ e	Total tCO ₂ e
2021	1,855	9,901	1,217	12,973
2022	1,961	6,020	1,775	9,756

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 2 to 4.

At the year end the Company had net current liabilities of £185.2m (2021: £103.0m).

After making appropriate enquiries and considering the recent economic uncertainty, the Board's view is that the Company has sufficient liquidity for the going concern period, being at least 12 months from the date of approval of these financial statements.

The Company's Directors' assessment also considered the appropriateness of existing and future cash resources, including access to credit facilities through the Parent company. Following completion of the acquisition of the Company by Advent on 4 August 2022, Cobham Ultra SeniorCo S.à r.l has entered into new Group facilities which are available to provide access to funding as required.

In applying the going concern basis, the Directors have considered the Group cash flow projections and assessed the robustness of the forecast through sensitivity to model severe but plausible downside scenarios which assume forecast net cash inflows from business operations reduce by 25% for the forecast period to reflect the combined impact of potential changes to key assumptions such as reduced cash conversion, revenue growth rate and gross margin. At the year end, the Group has considerable financial resources with liquidity available on the Consolidated Statement of Financial Position from its cash resources, with \$139.1m cash balances net of overdrafts. As at 15 September 2023, reflecting the most recent data available at the time of approving these financial statements, the Cobham Ultra SeniorCo S.à r.l. Group of which this company forms part, has \$270m of cash in the statement of financial position and \$193m of committed Revolving Credit Facility headroom available.

The Group has a mix of shorter and longer term programmes and a number of leading market positions with customers, including Governments and Primes, across different geographical areas. As a consequence, the Directors believe that the Group is ordinarily well placed to manage its business risks successfully. The Directors have reviewed detailed

ULTRA ELECTRONICS HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

cash flow projections to the end of September 2024 and have applied stress tests on its cash position. These include severe but plausible downside scenarios which assume forecast net cash inflows from business operations are reduced by 25% for the forecast period. In this scenario, the Directors have confirmed that the Group would be able to operate and service the senior debt within the level of its currently available funding over the next 12 months without breaching the covenants in place.

Cobham Ultra SeniorCo S.à r.l. has also provided a letter of support to the Directors of the Company stating that it will continue to provide financial and other support to the Company, if necessary, for the Company to continue to trade and pay its liabilities for a period of at least 12 months from the date of approval of these financial statements given the Company having net current liabilities. The Company also has access to an external revolving credit facility. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Further details on risk management can be found in the risk management framework detailed in the Strategic Report.

BUSINESS RELATIONSHIPS

The Company seeks to foster business relationships with its customers and suppliers through regular engagement and feedback.

Group-wide customer engagement Key Performance Indicators ("KPIs") are reported on a monthly basis to ensure a consistent approach to customer engagement across all Ultra's businesses and to develop opportunities for future engagement.

CUSTOMERS

The Company has no customers and therefore has nothing to report in respect of customer engagement activity during the year.

SUPPLIER PAYMENT POLICY

Operating business units are responsible for agreeing the terms and conditions under which they conduct business transactions with their suppliers. It is Company policy that payments to suppliers are made in accordance with those terms, provided that the supplier is also complying with all relevant terms and conditions.

DISABLED EMPLOYEES

We also give full and fair consideration to applications for employment made by disabled persons and promote the continued employment of employees who have become disabled. We encourage the career development, and training of all our workforce, focusing on diversity as a whole.

FUTURE DEVELOPMENTS AND POST BALANCE SHEET EVENTS

There have been no significant events subsequent to the reporting date which are outside the Company's normal trading activities, other than those disclosed in Note 23 of these financial statements.

The Company will continue with its existing activities for foreseeable future.

AUDITOR

Each of the directors at the date of approval of this report confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has taken all of the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

ULTRA ELECTRONICS HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf by:



D. Whitt JR.
Director
29 September 2023

ULTRA ELECTRONICS HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 101 "Reduced Disclosure Framework", and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and applicable law have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ULTRA ELECTRONICS HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Ultra Electronics Holdings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss and other comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).)

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ULTRA ELECTRONICS HOLDINGS LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ULTRA ELECTRONICS HOLDINGS LIMITED (continued)

- reading minutes of meetings of those charged with governance.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jamie Mander ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

29 September 2023

ULTRA ELECTRONICS HOLDINGS LIMITED**STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME****For the year ended 31 December 2022**

	Note	2022 £m	2021 £m
Operating expenses		(15.0)	(13.8)
Take over and disposal related costs		(71.5)	(12.7)
Operating loss		(86.5)	(26.5)
Investment revenue	6	28.1	55.0
Finance costs	7	(6.4)	(5.3)
(Loss)/profit before taxation		(64.8)	23.2
Tax	8	(1.4)	(0.6)
(Loss)/profit after taxation and total comprehensive (expense)/income for the year		(66.2)	22.6

The accompanying notes are an integral part of these financial statements. All results are derived from continuing operations. The Company has no items of other comprehensive income for the period.

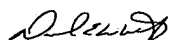
ULTRA ELECTRONICS HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION As at 31 December 2022

	Note	2022 £m	2021* £m
Non-Current Assets			
Intangible assets	10	1.1	1.5
Property, plant and equipment	11	0.2	1.0
Right of use assets	12	-	1.7
Investments in subsidiaries	13	1,079.6	1,076.4
		1,080.9	1,080.6
Current Assets			
Trade and other receivables	14	7.7	9.0
Cash and cash equivalents		0.4	11.1
		8.1	20.1
Total Assets		1,089.0	1,100.7
Current Liabilities			
Trade and other payables	15	(28.3)	(93.1)
Borrowings	16	(165.0)	(27.9)
		(193.3)	(121.0)
Net current liabilities		(185.2)	(103.0)
Total assets less current liabilities		895.7	979.7
Non-Current Liabilities			
Deferred tax liabilities	8	(1.8)	(1.8)
Borrowings	16	-	(122.7)
Provisions	17	(4.7)	(6.1)
		(6.5)	(130.6)
Total Liabilities		(199.8)	(251.6)
Net Assets		889.2	849.1
Equity			
Share capital	19	3.6	3.6
Share premium	19	302.7	208.1
Capital redemption reserve	19	0.4	0.4
Own share reserve	19	-	(0.3)
Retained earnings		582.5	637.3
Equity Attributable to the Owners of the Company		889.2	849.1

* £27.9m of amounts owed to group undertakings within current liabilities has been represented in the prior year between trade and other payables and borrowings.

The financial statements of Ultra Electronics Holdings Limited (registered number 02830397) were approved by the Board of Directors and authorised for issue on 29 September 2023. They were signed on its behalf by:



D. Whitt JR.
Director

ULTRA ELECTRONICS HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Own share reserve £m	Retained earnings £m	Total £m
At 1 January 2021		3.6	205.5	0.4	(1.4)	649.6	857.7
Profit and total comprehensive income for the period		-	-	-	-	22.6	22.6
Disposal of own shares	19	-	-	-	1.1	0.5	1.6
Equity-settled employee share schemes	18	-	-	-	-	5.9	5.9
Tax on share based payments		-	-	-	-	(0.2)	(0.2)
Issue of ordinary share capital	19	-	2.6	-	-	-	2.6
Dividends paid	9	-	-	-	-	(41.1)	(41.1)
As at 31 December 2021		3.6	208.1	0.4	(0.3)	637.3	849.1
Loss and total comprehensive expense for the period		-	-	-	-	(66.2)	(66.2)
Disposal of own shares	19	-	-	-	0.3	(0.3)	-
Equity-settled employee share schemes	18	-	-	-	-	12.4	12.4
Tax on share based payments		-	-	-	-	(0.7)	(0.7)
Issue of ordinary share capital	19	-	94.6	-	-	-	94.6
As at 31 December 2022		3.6	302.7	0.4	-	582.5	889.2

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Ultra Electronics Holdings Limited ("the Company") is a private Company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales.

The nature of the Company's operations and its principal activities are set out in the Strategic report on page 2.

The Company is a subsidiary of Cobham Ultra Acquisitions Limited, which is registered in England and Wales.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements and disclosures under section 401 of the Companies Act 2006, because it is included in the Group financial statements of Cobham Ultra SeniorCo S.à r.l. The Group financial statements of Cobham Ultra SeniorCo S.à r.l. are available to the public and can be obtained as set out in note 21. The registered office address of Cobham Ultra SeniorCo S.à r.l, the largest and smallest company within the Group for which consolidated financial statements have been prepared and include the Company is 2-4 rue Beck, L-1222 Luxembourg (Lëtzebuerg).

2. SIGNIFICANT ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the current and preceding year, is set out below.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006. These financial statements present information about the Company as an individual undertaking and not about its Group.

These financial statements are presented in Pounds Sterling.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of certain disclosure exemptions conferred by FRS 101 and has not provided:

- Additional comparative information as per IAS 1 Presentation of Financial Statements paragraph 38 in respect of:
 - a reconciliation of the number of shares outstanding at the start and end of the prior period; and
 - reconciliations of the carrying amounts of property, plant and equipment and intangibles assets at the start and the end of the prior period.
- A Statement of Cash Flows and related disclosures for cash flows from discontinued activities
- A statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead)
- Additional comparative information for narrative disclosures and information, beyond IFRS requirements
- Disclosures in relation to the objectives, policies and process for managing capital
- Disclosure of the effect of future accounting standards not yet adopted
- The remuneration of key management personnel
- Related party transactions with two or more wholly owned members of the group
- The maturity analysis of lease liabilities, as required by paragraph 58 of IFRS 16 Leases, has not been disclosed separately

In addition, and in accordance with FRS 101, the above disclosure exemptions have been applied because the Company is a qualifying entity and equivalent disclosures are included in the consolidated financial statements of Cobham Ultra SeniorCo S.à r.l. These financial statements do not include certain disclosures in respect of:

- Financial Instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures
- Fair value measurements – details of the valuation techniques and inputs used for fair value measurement of assets and liabilities as per paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised standards

The following Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2022) had no material impact on the Company's financial statements:

- Amendments to IAS 37 (Onerous contracts – cost of fulfilling a contract)
- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use
- IFRS 1 – Subsidiary as a first-time adopter
- IFRS 9 – Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IFRS 16 – Leases – Lease incentives
- Amendments to References to the Conceptual Framework in IFRS 3

Going concern

After making appropriate enquiries and considering the recent economic uncertainty, the Board's view is that the Company has sufficient liquidity for the going concern period, being at least 12 months from the date of approval of these financial statements.

The Company's Directors' assessment also considered the appropriateness of existing and future cash resources, including access to credit facilities through the parent company. Following completion of the acquisition of Ultra Electronics Holdings plc by Advent on 1 August 2022, Cobham Ultra SeniorCo S.à r.l has entered into new Group facilities which are available to provide access to funding as required.

In applying the going concern basis, the Directors have considered the Group cash flow projections and assessed the robustness of the forecast through sensitivity to model severe but plausible downside scenarios which assume forecast net cash inflows from business operations reduce by 25% for the forecast period to reflect the combined impact of potential changes to key assumptions such as reduced cash conversion, revenue growth rate and gross margin. At the year end, the Group has considerable financial resources with liquidity available on the statement of financial position from its cash resources, with \$139.1m cash balances net of overdrafts. As at 15 September 2023, reflecting the most recent data available at the time of approving these financial statements, the Cobham Ultra SeniorCo S.à r.l. Group of which this company forms part, has \$270m of cash on the statement of financial position and \$193m of committed Revolving Credit Facility headroom available.

The Group has a mix of shorter and longer term programmes and a number of leading market positions with customers, including Governments and Primes, across different geographical areas. As a consequence, the Directors believe that the Group is ordinarily well placed to manage its business risks successfully. The Directors have reviewed detailed cash flow projections to the end of September 2024 and have applied stress tests on its cash position. These include severe but plausible downside scenarios which assume forecast net cash inflows from business operations are reduced by 25% for the forecast period. In this scenario, the Directors have confirmed that the Group would be able to operate and service the senior debt within the level of its currently available funding over the next 12 months without breaching the covenants in place.

Cobham Ultra SeniorCo S.à r.l, has also provided a letter of support to the Directors of the Company stating that the current policy is to continue to provide financial and other support to the Company, if necessary, for the Company to continue to trade and pay its liabilities for a period of at least 12 months from the date of approval of these Financial Statements. The Company has no dependency on any external borrowings and creditors are predominantly intragroup. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Impairment of non-financial assets (excluding deferred tax assets)

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, or annually for goodwill. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs').

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised (except for goodwill) is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply. Any impairment of goodwill is not reversed.

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, typically as follows:

Software	3 to 5 years
----------	--------------

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Property, plant and equipment

Property, plant and equipment are shown at original historical cost, net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Short leasehold	over remaining period of lease
Plant and machinery	3 to 20 years

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Financial assets

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

The Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised Cost

These assets arise principally from the provision of goods and services to customers (e.g., trade debtors), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade debtors are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade debtors is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade debtors. For trade debtors, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade debtor will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Amortised Cost (continued)

From time to time, the company elects to renegotiate the terms of trade debtors due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the statement of comprehensive income (operating profit).

The company's financial assets measured at amortised cost comprise trade and other debtors and cash and cash equivalents in the statement of financial position. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within current liabilities on the statement of financial position.

Financial liabilities

The company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The company does not have any liabilities held for trading nor does it voluntarily classify any financial liabilities as being at fair value through profit or loss. The company's accounting policy for each category is as follows:

- Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- Trade creditors and other short-term monetary liabilities, which are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Share capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The company's ordinary shares are classified as equity instruments.

Dividends payable

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders.

Provisions

Provisions, including property-related and contract-related provisions, are recognised when the Company has a legal or constructive obligation as a result of a past event, and where it is probable that an outflow of economic benefits will be required to settle the obligation.

Leases

IFRS 16 requires that all leases and the related rights and obligations should be recognised on the lessee's statement of financial position, unless the lease is less than one year in length or is for a low value asset. Leases that do not meet these criteria are expensed on a straight-line basis.

For each lease, a liability for lease obligations to be incurred in the future must be recognised. Correspondingly, a right-of-use asset is capitalised. The asset and liability are initially measured at the present value of all future lease payments plus directly attributable costs.

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Company's leases relate to real estate, vehicles, printers & copiers and other equipment. Leases are classified in the following categories: Property and Non-property. The Company's property leases range from one year to nine years in length, and non-property leases range from one year to six years.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The asset and liability are initially measured at the present value of all future lease payments plus directly attributable costs. Payments made before the commencement date and incentives (e.g. rent free periods) received from the lessor are also included in the carrying amount of the right-of-use asset. The asset is then amortised from the lease commencement date over the lower of the useful life of the lease or the lease term on a straight-line basis. Further details on the valuation of the right-of-use asset and the lease liability and the discount rate applied in calculating the present value are discussed below.

Interest on the lease liability is expensed within financing charges. The cash impact of the lease is split between the *principal and interest*.

Short-term leases and leases of low-value assets

As permitted under IFRS 16 paragraph 6, the Company has elected not to recognise leases that are less than one year in length or are for a low-value asset (<£3.5k) on the statement of financial position. These leases are expensed on a straight-line basis as short-term leases or leases of low-value assets.

Valuation of lease liabilities and right-of-use assets

IFRS 16 requires the Company to make judgements that impact the initial valuation of the lease liabilities and the right-of-use assets. These judgements include: determining what contracts are in scope of IFRS 16, determining the lease contract term and determining the interest rate used for discounting future cash flows.

The lease term is the non-cancellable period of the lease contract. It can also be impacted by periods covered by an option to extend the lease if the Company is reasonably certain that it will exercise that option. For lease contracts with an indefinite term, the Company estimates the length of the contract to be equal to the economic useful life of the asset or typical market contract term. The lease term is used to determine the depreciation rate of right-of-use assets.

The lease liability is measured at amortised cost using the effective interest method. The present value of the lease payment is determined using the discount rate. The discount rate is determined based on: 1) the risk-free rate on government bonds in the location and currency of the lease over a similar term as the lease; 2) the Group's borrowing rate; and 3) an asset-specific premium. Discount rates remain the same throughout the lease unless the lease term or renewal assumptions change and range between 1.9% and 2.9%.

The lease liability and right-of-use asset are remeasured when there is a change in the future lease payments arising from a change in the expected lease term, or a change in the estimated total cost of the lease.

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies at the statement of financial position date are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under derivative financial instruments).

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The company issues equity settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest and adjusted for the effect of non-market related conditions. Fair value is measured by use of a Black-Scholes model for the share option plans and a stochastic model for awards made under the 2017 Long-Term Incentive Plan. The credits in respect of equity-settled amounts are included in equity.

Taxation

The tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Accounting Judgements

In the course of preparing the financial statements, no judgements have been made in the process of applying the Company's accounting policies, other than those involving estimates, that have had a significant effect on the amounts recognised in the financial statements.

Key Sources of Estimation Uncertainties

There are no major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities within the next financial year.

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

4. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging/(crediting):

	2022 £m	2021 £m
Staff costs (see note 5)	15.1	25.9
Share based payments charge (see note 18)	9.2	3.2
Amortisation of software (see note 10)	0.4	0.1
Depreciation of property, plant and equipment (see note 11)	0.3	0.4
Depreciation of leased assets (see note 12)	0.4	0.4
Impairment of leased assets (see note 12)	1.3	-
Take over and disposal related costs	71.5	12.7
Net foreign exchange losses/(gains)	8.4	(6.9)

Fees payable to Deloitte LLP and their associates for the audit of the Company's financial statements were £40k (2021: £0.6m for the audit of the Group's financial statements).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of Cobham Ultra SeniorCo S.à r.l are required to disclose such fees on a consolidated basis.

5. STAFF NUMBERS AND COSTS

The average monthly number of employees (including executive directors) was 69 (2021: 108). All staff were employed in administrative functions. Costs for these employees were as follows:

	2022 £m	2021 £m
Wages and salaries	13.0	10.5
Social security costs	1.5	2.5
Pension costs	0.6	12.9
	15.1	25.9

Directors' remuneration

Details of the remuneration that they received are set out below:

	2022 £m	2021 £m
Directors' remuneration:		
Emoluments	3.0	3.4
Company contributions to pension schemes (or cash allowance)	0.1	0.1
Gains made on the exercise of share options	4.1	-
Gains made on long term incentive schemes	11.1	-
	18.3	3.5

S Malani and M Marshall are employed by Advent and receive emoluments directly from Advent.

	2022 Number	2021 Number
The number of directors who:		
Are members of a money purchase pension scheme	-	-
Exercised options over shares in Ultra Electronics Holdings plc	3	2
Had awards receivable in the form of shares in Ultra Electronics Holdings plc under a long-term incentive scheme	3	2

The remuneration of the highest paid director was £1.8m (2021: £1.9m), which included gains made on the exercise of share options and long term incentive schemes. The highest paid director was not a member of the Company's defined benefit pension scheme.

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

6. INVESTMENT REVENUE

	2022 £m	2021 £m
Dividends income	28.1	55.0
	28.1	55.0

7. FINANCE COSTS

	2022 £m	2021 £m
Interest on third party loans	5.3	4.5
Amortisation of finance costs of debt	0.9	0.6
Interest payable to Group undertakings	0.2	0.1
Finance charge on leases	-	0.1
	6.4	5.3

8. TAX

	2022 £m	2021 £m
Corporation tax:		
UK corporation tax	-	(0.4)
	-	(0.4)
Deferred tax:		
Origination and reversal of temporary differences	(1.4)	(0.2)
	(1.4)	(0.2)
	(1.4)	(0.6)

Corporation tax in the UK is calculated at 19% (2021: 19%) of the estimated assessable profit for the year. UK deferred tax at the statement of financial position date has been calculated at 25% (2021: 25%) on those temporary differences that are expected to reverse after 1 April 2023. In assessing the probability of recovery, the Directors have reviewed the Group's three year financial plan that underpins the going concern assessment, and the goodwill impairment testing. The Directors believe this detailed plan provides convincing evidence to recognise the amount of deferred tax assets that are forecast to be recovered over this three-year period.

Factors affecting current tax charge

The difference between the total current tax shown above and the amount calculated by applying the standard rate of corporation tax to the profit before tax is as follows:

	2022 £m	2021 £m
(Loss)/profit before tax	(64.8)	23.2
Tax at the UK corporation tax rate of 19% (2021: 19%)	12.3	(4.4)
Non-taxable income	5.6	10.8
Pension contributions	3.2	2.1
Expenses not deductible in determining taxable profit	(7.3)	(3.4)
Capital allowances super-deduction	(0.1)	-
Group relief claimed for no consideration	(5.2)	(5.0)
Losses for which no deferred tax asset has been recognised	(10.9)	0.1
Share based payments	0.8	(0.5)
Overseas withholding tax not eligible for double tax relief	-	(0.4)
Adjustments in respect of prior year	0.2	0.1
	(1.4)	(0.6)

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

8. TAX (CONTINUED)

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting years.

	Share based payments £m	Other £m	Total £m
At 1 January 2021	1.5	(0.8)	0.7
Credit / (charge) to profit or loss	0.8	(1.0)	(0.2)
Charge to equity	(0.2)	-	(0.2)
At 31 December 2021	2.1	(1.8)	0.3
(Charge)/ credit to profit or loss	(1.4)	-	(1.4)
(Charge) / credit to equity	(0.7)	-	(0.7)
At 31 December 2022	-	(1.8)	(1.8)

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

9. DIVIDENDS

	2022 £m	2021 £m
Interim dividend of £nil (2021: 16.2 pence) per share proposed and paid during the year related to the previous year's results	-	20.0
	-	20.0

The Directors do not proposed a final dividend for the year (2021: £nil).

10. INTANGIBLE ASSETS

	Software £m
Cost	
At 1 January 2021	-
Additions	0.9
Reclassification from property, plant and equipment assets	1.5
At 31 December 2021 & 31 December 2022	2.4
Accumulated amortisation	
At 1 January 2021	-
Charge for the year	(0.1)
Reclassification from property, plant and equipment assets	(0.8)
At 31 December 2021	(0.9)
Charge for the year	(0.4)
At 31 December 2022	(1.3)
Carrying Amount	
At 31 December 2022	1.1
At 31 December 2021	1.5

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

11. PROPERTY, PLANT & EQUIPMENT

	Short leasehold £m	Plant & machinery £m	Total £m
Cost			
At 1 January 2022	0.8	0.8	1.6
Disposals	(0.8)	(0.4)	(1.2)
At 31 December 2022	-	0.4	0.4
Accumulated depreciation			
At 1 January 2022	(0.2)	(0.4)	(0.6)
Charge for the year	(0.1)	(0.1)	(0.2)
Disposals	0.3	0.3	0.6
At 31 December 2022	-	(0.2)	(0.2)
Carrying Amount			
At 31 December 2022	-	0.2	0.2
At 31 December 2021	0.6	0.4	1.0

12. RIGHT OF USE ASSETS

The Company's leases relate to real estate.

	£m
Cost	
At 1 January 2022 and 31 December 2022	2.8
Accumulated depreciation	
At 1 January 2022	(1.1)
Charge for the year	(0.4)
Impairment	(1.3)
At 31 December 2022	(2.8)
Carrying Amount	
At 31 December 2022	-
At 31 December 2021	1.7

The finance charge on leases is included in note 7.

13. INVESTMENTS IN SUBSIDIARIES

	2022	2021 £m
At 1 January	1,076.4	1,078.6
Capital contributions for equity-settled share-based payments	3.2	2.7
Disposals	-	(4.9)
At 31 December	1,079.6	1,076.4

A review of the portfolio of investments held by the Company has been undertaken.

In the view of the Directors, the value of investments in subsidiary undertakings at 31 December 2022 is not less than the aggregate amount at which they are shown above. This assessment is based on the value in use with reference to discounted cash flow forecasts prepared by management and reviewed by the Board which cover the period to 31 December 2027. These cash flows are subject to key assumptions including the current and expected economic environment, future demand for product, growth rates and discount rates.

Sensitivity analysis has been performed on the value-in-use calculations to: (i) reduce the post-2027 growth assumption from 2.5% to nil; (ii) increase the discount rates by 2%; (iii) apply a 20% reduction to forecast operating profits in each year of the modelled cash inflows; and (iv) consider specific market factors. Under all these scenarios, no impairment losses would arise.

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Company has the following directly held non-trading subsidiaries:

Name	Registered Office	Share Class	Ownership
AEP Networks Limited*	Century House, Harolds Cross Road, Dublin 6 Ireland	Ordinary	100%
CORVID Holdings Limited	Samia House, Le Truchot, St Peter Port, Guernsey GY1 1GR	Ordinary	95%
DF Group Limited	Guernsey Unit C1 Knaves Beech Business Centre, Davies Way, Loudwater, Wooburn Green, High Wycombe HP10 9UT United Kingdom	Ordinary	100%
Ultra Electronics Australia Pty Limited	12 Douglas Drive Mawson Lakes, South Australia, 5095 Australia	Ordinary	100%
Ultra Electronics Canada Inc.	5990 Côte de Liesse, Montreal QC H4T 1V7 Canada	Ordinary	100%
Ultra Electronics in collaboration with Oman Investment Corporation LLC (in liquidation)	Bawshar, Oman	Ordinary	70%
Ultra Electronics UK Holdings Limited	Unit C1 Knaves Beech Business Centre, Davies Way, Loudwater, Wooburn Green, High Wycombe HP10 9UT United Kingdom	Ordinary	100%

* - This company was dissolved on 18 April 2023.

The Company has the following directly held trading subsidiaries:

Name	Registered Office	Share Class	Ownership
Forensic Technology (Europe) Limited	1 Stokes Place, St Stephens Green, Dublin 2 Ireland	Ordinary	100%
Forensic Technology AEC Thailand Limited	Thanon Si Lom 1, Bang Rak, Bangkok 10500 Thailand	Ordinary	100%
Forensic Technology Inc.	7975 114 th Ave. North, Suite 2500, Largo, FL 33773-5028 United States	Ordinary	100%
Forensic Technology-Tecnologia Forense Ltda	Conj 193/194, 72 Rua Joaquim Floriano, Itaim Bibi, Sao Paulo Brazil	Ordinary	100%
Giga Communications Limited	Unit C1 Knaves Beech Business Centre, Davies Way, Loudwater, Wooburn Green, High Wycombe HP10 9UT United Kingdom	Ordinary	100%
Gigasat, Inc.	441 Defense Hwy Ste A Annapolis, MD, 21401-8911 United States	Ordinary	100%
Gigasat. Asia Pacific Pty Limited	12 Douglas Drive Mawson Lakes, South Australia, 5095 Australia	Ordinary	100%

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Company has the following directly held trading subsidiaries:

Name	Registered Office	Share Class	Ownership
Ultra Electronics Forensic Technology Inc./ Les Technologies Ultra Electronics Forensic Inc.	200-5757 Cavendish Boul, Cote Saint-Luc QC H4W2W8 Canada	Ordinary	100%
Ultra Electronics Hong Kong Holdings Limited	The Landmark Edinburgh Tower 21/F Hong Kong	Ordinary	100%
Ultra Electronics Limited	Unit C1 Knaves Beech Business Centre, Davies Way, Loudwater, Wooburn Green, High Wycombe HP10 9UT United Kingdom	Ordinary	100%
Ultra Electronics TopScientific Aerospace Limited	The Landmark Edinburgh Tower 21/F Hong Kong	Ordinary	50%

The Company has the following indirectly held non-trading subsidiaries:

Name	Registered Office	Share Class	Ownership
Ultra Electronics (USA) Group Inc.	107 Church Hill Road, Unit GL-2, Sandy Hook, CT 06482 United States	Ordinary	100%
Ultra Electronics Aneira Inc.	CT Corporation System, 44000 Easton Comms Way, Suite 125, Columbus OH 43219 United States	Ordinary	100%
Ultra Electronics CEMS Limited	Waverley House, Hampshire Road, Granby Industrial Estate, Weymouth, United Kingdom, DT4 9XD	Ordinary	100%
Ultra Electronics Connecticut LLC	7625 Omnitech Place, Victor, NY 14564 United States	Ordinary	100%
Ultra Electronics Enterprises (USA) LLC	107 Church Hill Road, Unit GL-2, Sandy Hook, CT 06482 United States	Ordinary	100%
Ultra Electronics Inc.	107 Church Hill Road, Unit GL-2, Sandy Hook, CT 06482 United States	Ordinary	100%
Ultra Electronics Investments (USA) LLC	107 Church Hill Road, Unit GL-2, Sandy Hook, CT 06482 United States	Ordinary	100%
Ultra Electronics Pension Trustee Company Limited	Unit C1 Knaves Beech Business Centre, Davies Way, Loudwater, Wooburn Green, High Wycombe HP10 9UT United Kingdom	Ordinary	100%
Ultra PCS Limited	Innovation House, Ferndown Industrial Estate, Wimborne, Dorset, BH21 7SQ United Kingdom	Ordinary	100%
Ultra Electronics Swiss Holdings Company Limited	Unit C1 Knaves Beech Business Centre, Davies Way, Loudwater, Wooburn Green, High Wycombe HP10 9UT United Kingdom	Ordinary	100%

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Company has the following indirectly held trading subsidiaries:

Name	Registered Office	Share Class	Ownership
3e Technologies International Inc.	9715 Key West Avenue, Suite 500, Rockville, MD 20850 United States	Ordinary	100%
CORVID Protect Holdings Limited	Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 1GR Guernsey	Ordinary	95%
DNE Technologies Inc.	50 Barnes Park North Wallingford, CT 06492 United States	Ordinary	100%
EMS Development Corporation	95 Horseblock Road, P.O. Box 640, Yaphank, NY 11980 United States	Ordinary	100%
ERAPSCO	4868 East Park 30 Drive, Columbia City, IN 46725 United States	Ordinary	50%
Flightline Electronics Inc.	7625 Omnitech Place, Victor, NY 14564 United States	Ordinary	100%
Forensic Technology Mexico S. de RL. de C.V	Calle Bosque De Radiatas 10 Interior 302, Bosques De Las Lomas, 05120 Cuajimalpa de Morelos, Mexico City Mexico	Ordinary	100%
Herley Industries Inc.	10 Industry Dr, Lancaster, PA 17603 United States	Ordinary	100%
Herley-CTI Inc.	9 Whippary Rd, Whippary, NJ 07981 United States	Ordinary	100%
Prologic Inc.	9400 Innovation Drive, Manassas, VA 20110 United States	Ordinary	100%
Ultra Cyber Limited	419 Bridport Road, Greenford, Middlesex, UB6 8UA United Kingdom	Ordinary	100%
Ultra Electronics Advanced Tactical Systems Inc.	4101 Smith School Road, Building IV, Suite 100, Austin, TX 78744 United States	Ordinary	100%
Ultra Electronics Aviation Systems Pty Limited	12 Douglas Drive Mawson Lakes, South Australia, 5095 Australia	Ordinary	100%
Ultra Electronics Finance Limited	3rd Floor, 44 Esplanade, St Helier, Jersey JE4 9WG Jersey	Ordinary	100%
Ultra Electronics ICE, Inc.	2700 Amherst Avenue, Manhattan, KS 66502 United States	Ordinary	100%
Ultra Electronics Maritime Systems Inc.	40 Atlantic Street, Dartmouth Nova Scotia B2Y 4N2 Canada	Ordinary	100%

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Company has the following directly held trading subsidiaries:

Name	Registered Office	Share Class	Ownership
Ultra Electronics Measurement Systems Inc.	50 Barnes Park North Suite 102, Wallingford, CT 06492 United States	Ordinary	100%
Ultra Electronics Ocean Systems Inc.	115 Bay State Drive, Braintree, MA 02184 United States	Ordinary	100%
Ultra Electronics Precision Air and Land Systems Inc.	4414 Lottsford Vista Road Lanham, MD 20706 United States	Ordinary	100%
Ultra Electronics Secure Intelligence Systems Inc.	4101 Smith School Rd Austin, TX, 78744-3206 United States	Ordinary	100%
Ultra Electronics TCS Inc.	5990 Côte de Liesse, Montreal QC H4T 1V7 Canada	Ordinary	100%
Ultra I&C Limited	316 Botley Road, Burridge, Southampton, Hampshire, SO31 1BQ United Kingdom	Ordinary	100%
Ultra Nuclear Limited	Innovation House, Ferndown Industrial Estate, Wimborne, Dorset, BH21 7SQ United Kingdom	Ordinary	100%
Ultra PMES Limited	Towers Business Park, Wheelhouse Road, Rugeley, Staffordshire, WS15 1UZ United Kingdom	Ordinary	100%
Ultra Sonar Systems Limited	Knives Beech Business Centre, Davies Way, Loudwater, Wooburn Green, High Wycombe HP10 9UT United Kingdom	Ordinary	100%
UnderSea Sensor Systems Inc.	4868 East Park 30 Drive Columbia City, IN 46725 United States	Ordinary	100%
Weed Instrument Co. Inc.	707 Jeffrey Way Round Rock, TX 78665 United States	Ordinary	100%

The principal activity of the trading subsidiary undertakings is the design, development and manufacture of electronic systems for the international defence and aerospace market.

14. TRADE AND OTHER RECEIVABLES

	2022 £m	2021 £m
Current		
Deferred tax assets (see note 18)	-	2.1
Amounts owed by group undertakings	1.4	4.0
Other receivables	4.9	0.9
Prepayments	1.4	2.0
	7.7	9.0

Amounts owed by group undertakings are unsecured, interest free and receivable on demand.

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

15. TRADE AND OTHER PAYABLES

	2022 £m	2021* £m
Current		
Trade payables	3.1	-
Amounts owed to group undertakings	2.4	75.7
Other payables	0.9	0.8
Accruals	21.9	16.6
	28.3	93.1

* £27.9m of amounts owed to group undertakings within current liabilities has been represented in the prior year between trade and other payables and borrowings.

Amounts owed to group undertakings are unsecured, interest free and payable on demand.

16. BORROWINGS

	2022 £m	2021* £m
Non-current		
Bank loans	-	19.3
Unsecured loan notes	-	101.4
Lease liability	-	2.0
	-	122.7
Current		
Lease liability	1.8	0.4
Amounts owed to group undertakings	163.2	27.5
	165.0	27.9

* £27.9m of amounts owed to group undertakings within current liabilities has been represented in the prior year between trade and other payables and borrowings.

The unsecured loan notes in the prior year represent \$70m of fixed rate debt with Pricoa at an interest rate of 4.54% which were due for repayment in January 2026 and January 2029, and £50m of fixed rate debt with Pricoa at an interest rate of 2.87%, which was due for repayment in October 2025. Following the acquisition of the Company by Cobham, these loan notes were repaid in August 2022.

Amounts owed to group undertakings are unsecured, either repayable in less than one year or on demand and bear interest at interest rates of between 0% of 3%.

17. PROVISIONS

	Contract related provisions and other £m	Total £m
At 1 January 2021	-	-
Additional provision in the year	6.1	6.1
At 31 December 2021	6.1	6.1
Released in year	(1.4)	(1.4)
At 31 December 2022	4.7	4.7
	2022 £m	2021 £m
Current	-	-
Non-current	4.7	6.1
	4.7	6.1

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

17. PROVISIONS (CONTINUED)

Contract related and other provisions comprise provisions relating to contract execution and delivery which are utilised over the period as stated in the contract to which the specific provision relates, and provisions for costs in relation to settlement of legal matters.

18. SHARE-BASED PAYMENTS

The Group previously offered a number of long term incentive schemes which provided a mix of performance based incentives and retention awards as described below. All schemes were equity settled. The equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based upon an estimate of the number of shares that will eventually vest in the company.

As a result of the acquisition of Ultra Electronics Holdings plc by Advent all employee share schemes vested in August 2022 and the schemes ceased. The final vesting proportions were determined by the Ultra Electronics Holdings plc Remuneration Committee in July 2022. In accordance with IFRS 2, the charge that would have been recognised over the remainder of the vesting periods have been accelerated and recognised in the financial statements for the year ended 31 December 2022.

The net share options charge for the year was £9.2m (2021: £3.2m).

The Company operated various share option schemes for employees of the Company and its subsidiaries. Details of the schemes available to employees follow.

A Savings-Related Share Option Scheme ("Share save") provided for a purchase price equal to the average of the daily average market price on the day before grant less 20%. Prior to 2021, the option price discount was 10%. The vesting periods were originally three and five years. If the options remained unexercised after a period of six months from the date of maturity, the options expired. Options were forfeited if the employee left the Company before the options vested.

The Company Share Option Plan ("CSOP") provided share options for nominated employees only. The purchase price is set at a mid-market price on the date of the grant. This is an approved scheme and vesting is unconditional. Options originally had a vesting period of three years and lapsed after ten years from the date of grant.

The Executive Share Option Scheme ("ESOS") provided share options for nominated employees only. The purchase price is set at a mid-market price on the date of the grant. This is an unapproved scheme and vesting is unconditional. Options originally had a vesting period of three years and lapsed after ten years from the date of grant.

The Long Term Incentive Plan ("LTIP") provided share options for nominated employees only. The purchase price is set at a mid-market price on the date of the grant. This is an unapproved scheme and vesting is conditional upon four equally weighted performance conditions: Relative Total Shareholder Return ("TSR"); Return on Invested Capital ("ROIC"); Organic Operating Profit Growth and Organic Revenue Growth.

The number and weighted average exercise price of share options for the Sharesave, CSOP and ESOS share-based payment arrangements are as follows:

	2022		2021	
	£	Number of options	£	Number of options
Beginning of year	16.34	642,147	16.44	717,780
Granted during the year	-	-	16.42	253,087
Exercised during the year	16.33	(628,718)	16.51	(260,057)
Expired during the year	17.03	(13,429)	16.98	(68,663)
Outstanding at the end of the year	-	-	16.34	642,147
Exercisable at the end of the year	-	-	16.96	174,942
	2022		2021	
Range of exercise price of outstanding options (£)	-	-	14.45 - 21.91	-
Weighted average remaining contracted life (years)	-	-	3.29	-
Weighted average fair value of options granted (£)	-	-	5.21	-

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

18. SHARE-BASED PAYMENTS (CONTINUED)

At 31 December 2022, no LTIP awards were outstanding (2021: 1,139,781). A total of 60,581 (2021: 483,353) awards were granted during the year with a fair value of £35.00 (2021: £5.21). The remaining weighted average contractual life of outstanding options was nil (2021: 3.29 years).

19. SHARE CAPITAL

	2022 £m	2021 £m
Authorised:		
90m ordinary shares of 5p each	4.5	4.5
Allotted, called up and fully paid:		
72,993,458 (2021: 71,410,205) ordinary shares of 5p each	3.6	3.6

1,583,253 ordinary shares having a nominal value of £79,163 were allotted during the year under the Group's various share option schemes. The aggregate consideration received was £94.6m.

The share premium account represents the premium arising on the issue of equity shares.

The own shares reserve represents the cost of shares in the Company purchased in the market and held by the Ultra Electronics Employee Trust to satisfy options under the Group's Long Term Incentive Plan (LTIP) share schemes. At 31 December 2022, no own shares were held (2021: 28,045 shares).

The capital redemption reserve is a non-distributable reserve representing paid up share capital.

20. CONTINGENT LIABILITIES

The Company has cross-guarantees with Cobham Ultra SeniorCo S.à r.l. and with certain fellow group companies. The Company is one of the guarantors of the Cobham Ultra SeniorCo S.à r.l.'s loans and revolving credit facilities.

20. CONTINGENT LIABILITIES (CONTINUED)

Cobham Ultra SeniorCo S.à r.l.'s banking facilities amount to £190m in total. The £190m revolving credit facility has an expiry date of February 2029. The facility is denominated in Sterling, US Dollars, Canadian Dollars, Australian Dollars and Euros and is used for balance sheet and operational needs. In 2021, the Company held banking facilities totalling £300m in total.

Cobham Ultra SeniorCo S.à r.l.'s also has loan notes in issue. At 31 December 2022, first lien term loan notes of €450m and \$883.5m with an expiry date of August 2029 (2021: £nil), second lien term loan notes of \$460m with an expiry date of August 2030 and \$440m shareholder loan notes with an expiry date of August 2031 had been issued.

In 2021, the Company had loan notes in issue to Prudential Investment Management Inc. ("Pricoa"). At 31 December 2021, loan notes of £50m with an expiry date of October 2025 and \$70m with an expiry date of January 2026 and January 2029 had been issued. These loans notes were repaid during the year.

The financing facilities are for operational needs, including funding day-to-day working capital requirements. The US Dollar borrowings also represent natural hedges against assets denominated in that currency. At the year end, the total borrowings drawn from the revolving facilities were £148m (2021: £20m), giving headroom of £42m (2021: £280m). In the prior year, £101.4m of Pricoa loan notes had been issued. The Group also held £139.3m of cash for working capital purposes (2021: £138.8m), of which £21.2m was held by the Company (2021: £29.4m).

21. CONTROLLING PARTY

Prior to the completion of the Advent acquisition on 1 August 2022, the Company was listed on the London Stock Exchange. On completion of the Advent acquisition, the Company has a new ultimate controlling party being funds managed by Advent International Corporation, a company incorporated in the United States of America. At the date of signing these accounts, the Company's immediate controlling party is Cobham Ultra Acquisitions Limited.

The largest and smallest group, which includes the Company, for which group accounts were prepared is Cobham Ultra SeniorCo S.à r.l. Copies of the group financial statements of Cobham Ultra SeniorCo S.à r.l. are available from that company's registered office at 2-4 rue Beck, L-1222 Luxembourg (Lëtzebuerg), Luxembourg.

ULTRA ELECTRONICS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

22. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption allowed under FRS 101 “Reduced Disclosure Framework” not to disclose any transactions with wholly owned entities that are included in the consolidated financial statements of Cobham Ultra SeniorCo S.à r.l.

23. POST BALANCE SHEET EVENTS

On 3 March 2023, the Company divested its indirect subsidiary US Specialist RF business (“Herley”) to CAES Systems Holdings LLC, a 100% owned subsidiary of AI Convoy (Luxembourg) S.à r.l., for \$250m on a cash free, debt free basis. No gain or loss has been recognised in the Company as a result of this disposal.

On 26 April 2023, the Company transferred its business, assets (excluding investments in subsidiaries other than its investment in Ultra Electronics Limited) and employees to its direct subsidiary, Ultra Electronics Holdings UK Limited at book value. No gain or loss was recorded as a result of this transaction.

On 1 September 2023, the Company divested its Forensic Technology business to Leadsonline LLC. The Company expects to recognise a gain on its investment of approximately £200m as a result of this disposal. The direct and indirect subsidiaries disposed of are:

- Forensic Technology (Europe) Limited
- Forensic Technology AEC Thailand Limited
- Forensic Technology Inc.
- Ultra Electronics Forensic Technology Inc./ Les Technologies Ultra Electronics Forensic Inc.
- Forensic Technology Mexico S. de RL. de C.V

Following the disposal of the Forensic Technology business, the Directors have declared and paid dividends of 215.8 pence per share totalling £157.5m in September 2023 to the Company’s immediate parent, Cobham Ultra Acquisitions Limited. These are not reflected as a liability in these financial statements.