

Company registration number 00896823 (England and Wales)

CHELTON LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2024



CHELTON LIMITED

COMPANY INFORMATION

Directors

S L Wynne
J Burke
H Bridgeman

Secretary

G Arthur

Company number

00896823

Registered office

The Chelton Centre
Fourth Avenue
Marlow
England
SL7 1TF

Auditor

Ernst & Young LLP
R+ Building
2 Blagrove Street
Reading
RG1 1AZ

CHELTON LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 7
Directors' responsibilities statement	8
Independent auditor's report	9 - 11
Income statement	12
Statement of financial position	13 - 14
Statement of changes in equity	15
Notes to the financial statements	16 - 35

CHELTON LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2024

The directors present the strategic report for the year ended 30 September 2024.

Business review and key performance indicators

The results for the period and financial position at the period end are set out in the Income Statement and the Statement of Financial Position.

The Company continues to be one of the world's leading suppliers of robust, high performance equipment and solutions that enable reliable connectivity anywhere, anytime, in the most demanding environments. Our solutions give our customers a competitive edge in aerospace, avionics, satellite and radio, wireless and mobile connectivity markets.

The Company is a subsidiary undertaking of Transdigm European Holdings Limited, a UK holding company wholly owned by Transdigm Group Incorporated. The Company's business operations are arranged across three business units: Antennas, Avionics and Land, a structure which aims to drive focus and performance.

The directors assess the performance of the business using key performance indicators, including:

	Year to 30 September 2024	Year to 30 September 2023
Year on year organic revenue growth	19.6%	15.0%
Gross profit margin	56.1%	54.2%
Operating profit margin	34.5%	31.9%

Revenue increased from the prior year. The Company benefitted from increased volumes of product shipments in all three business units, offsetting a decrease in major programme revenue.

The improvement in both Gross Profit and Operating Profit was driven by the favourable Revenue mix impact noted above, as well as realised cost improvement projects during the comparative period and new measures enacted in year.

In line with the parent company, the business enacts a value driven operating strategy which consists of three core value drivers; profitable new business, cost improvements and providing value-add product to customers. As a result, the Company achieved its budget set for the year ended 30 September 2024 on all key financial metrics, resulting in year on year increases in both Revenue and Operating Profit. The directors continue to take steps to control costs, safeguard cash and manage working capital.

Future developments

The directors are confident that the business will continue to be profitable in 2025 based on the strong order book backlog, forward looking customer forecasts and increasing investment in defence budgets globally that will provide further opportunities for growth.

The conflict in the Middle East, which commenced during this financial year, is not expected to have any material impact on the operations of the Company in the foreseeable future.

Research and development

The Company is committed to research and development that allows the Company to build positions where it has technical differentiation and has invested £5,301,000 in activities during the period (2023: £4,983,000). The Company will capitalise development expenditure where IAS 38 conditions for capitalisation are met. The Company capitalised £nil during the year (2023: £nil).

CHELTON LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to competition from other suppliers in similar geographical and technological markets, market characteristics, macroeconomic and contracting environment, recruitment and retention of key personnel, major operational problems, not meeting customer expectations of service, quality and innovation, and poor execution or failure to complete key programmes and projects.

Financial risk

The Company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign currency exchange rate risk. Exposures to these risks are monitored, reported and mitigated according to policies and procedures set by the ultimate parent company.

Price risk

The Company is exposed to price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing exposure to price risk exceed any potential benefits. The Company has no exposure to equity securities price risks as it holds no listed or other equity investments.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before contracts are signed and sales are made. The Company also monitors existing customer accounts on an ongoing basis and takes appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

Liquidity risk

The Company retains sufficient cash to ensure it has available funds for operations. The Company also has access to longer term funding from its ultimate parent undertaking if required.

Interest rate cash flow risk

In order to ensure stability of cash outflows and hence manage interest rate risk, the Company has access to fixed interest rate loans from its ultimate parent undertaking.

Foreign currency exchange rate risk

The Company has a policy to minimise foreign currency exchange rate risk through the regular monitoring of foreign currency flows.

Section 172 Statement

The directors of the Company have acted in a way they considered, in good faith, to be most likely to promote the success of the Company for the benefit of the members as a whole, and in doing so had regard, amongst other things to:

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

The directors have sought to balance the needs of its members with the Section 172 matters throughout the period, for example in the policies and practices which run through the Company, ensuring that the Company's reputation for high standards of conduct are maintained and the Company engages regularly with its employees.

The directors of the Company have a duty to promote the success of the Company, and it relies on smooth operations and the support and joint efforts of stakeholders. Thus, effective communication and interaction are indispensable in the Company's business operations. Chelton Limited is aware of the importance of stakeholder opinions and understands and responds to relevant stakeholders and their concerns.

CHELTON LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

Section 172 Statement (continued)

Employees

As noted in the Directors' report the Company recognises the importance of regularly engaging with employees which supports cultural change and helps attract and retain talented employees which is critical to future growth. Employment surveys are conducted to gauge employee satisfaction and there is an employee working group to voice matters that are important to employees.

The Company provides access to a wellbeing and employee assistance program aimed at supporting employees in their work and personal lives.

Suppliers

The Company has a dedicated procurement team that maintains strong relationships with suppliers to ensure delivery of high quality products and services in its supply chain. It is committed to fair treatment and endeavours to pay all suppliers within agreed payment terms.

Customers

As noted in the Directors' report the Company continues to prioritise fostering close relationships with customers at all levels and aims to work with its customers to ensure products are designed and engineered to meet their current and future requirements.

On behalf of the board

H Bridgeman

H Bridgeman

Director

Date: *26 JUNE 2025*

CHELTON LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2024

The directors present their annual report and financial statements for the year ended 30 September 2024.

Results and dividends

The results for the year are set out on page 12.

Ordinary dividends were declared and paid amounting to £24,331,000 (2023: £15,000,000). The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S L Wynne	
J Burke	(Appointed 20 June 2024)
J M Abbott	(Resigned 20 June 2024)
N Garner	(Resigned 1 November 2024)
H Bridgeman	(Appointed 10 March 2025)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Stakeholder engagement

The company defines stakeholders as people and groups who influence or have an interest in the business. Using past stakeholder communication, the most important stakeholders are identified. We contact these stakeholders through regular and ad hoc channels to ensure comprehensive communication.

The stakeholder group and their relevant issues are summarised below. Details of employee engagement are shown below.

Customers

One of the company's key priorities during the year has been to continue to foster closer relationships with customers at all levels.

Customer feedback influences product and service delivery. The company engages on issues such as technological innovation, quality, cost and delivery, through life costs, ethics and supply chain management including social and environmental risks and opportunities.

This helps the company provide value for money and high performance technical solutions for customers' most pressing needs. This can take the form of close partnering or collaborative engagement in technology development and production. The company actively engages with its customers to exchange technology roadmaps to closely align research and development and engineering resources with customers' technology and market objectives. Presentations have been made to key customers to increase awareness of the full range of the company's capabilities across the organisation and to improve understanding of the customers' needs.

Regulators

The company recognises that its operations and activities have social, economic and environmental impacts. These impacts are becoming the focus of legislation in countries in which we operate, and we will continue to ensure legal compliance.

CHELTON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

Governments

National governments are some of the largest end users of the company's products and services and there is regular engagement through government affairs teams and industry memberships to ensure their priorities are understood. Future military spending, contribution to local communities and contribution to technological innovation are all important engagement issues.

Local communities

The company is committed to helping strengthen the communities where it operates by fundraising and donating time, expertise and products.

Employees

The company recognises that its employees are one of its most valuable assets. Succession planning and the development, attraction and retention of employees is critical to the company's ongoing success. It has a proud history and has many long serving employees which is rewarded and celebrated.

The company recognises the importance of regularly engaging with employees which supports cultural change, helps attract and retain talented employees which is critical to future growth.

Engagement occurs in different ways and at different levels. The company holds regular 'all hands' meetings with employees to instil a sense of common purpose, to update on relevant news and developments and to respond to questions.

All employees have access to the company intranet site, where they can find news, policies and procedures and a range of other materials of interest. In addition, digital displays are used to communicate employee information.

The company is committed to high ethical standards and encourages equal employment opportunities regardless of race, religion, gender, age, disability, marital status, gender identity or expression, sexual orientation, physical or mental disability. With regard to employees who become disabled during their employment, the company takes all reasonable steps, including retraining, to enable them to continue their employment and career development within the company.

Auditor

The auditor, Ernst & Young LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

CHELTON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

Energy and carbon report

	2024	2023
<i>Energy consumption</i>		
Aggregate of energy consumption in the year		
- Electricity purchased (kWh)	1,732,773	1,768,452
- Fuel consumed for transport (miles)	1,079,428	1,361,094
	2024	2023
<i>Emissions of CO2 equivalent</i>		
	metric tonnes	metric tonnes
Scope 1 - direct emissions		
- Fuel consumed for transport	357.00	414.00
	357.00	414.00
Scope 2 - indirect emissions		
- Electricity purchased	359.00	366.00
	716.00	780.00
Total gross emissions	716.00	780.00
<i>Intensity ratio</i>		
Tonnes CO2e per employee	1.73	1.91

Quantification and reporting methodology

We have followed the HM Government "Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting guidance". We have also used the GHG Reporting Protocol - Corporate Standard and have used the 2024 UK Government's Conversion Factors for company reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per employee, the recommended ratio for the sector.

Measures taken to improve energy efficiency

Total energy use covers our sites at Marlow, Redhill and Newmarket and all UK employees. Buildings' energy consumption (above includes Marlow & Newmarket) decreased from FY23 to FY24, with the energy efficiency programs this year focusing on the installation of a solar panel array with a design minimising full life cycle environmental impacts. Direct energy usage rather than battery storage negates the short life disposal of batteries, substantially reducing the installation's waste footprint. A secondary program of end of life LED lighting across the site saw 1,500 lights replaced with a modern energy pack.

Business miles travelled decreased in FY24, with a significant reduction in Long Haul flights. Car mileage relates to leased cars only which are used by field engineers and as pool cars.

The estimated energy use and emissions for individuals working from home has not been measured.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

CHELTON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 1 to 3.

The company is well positioned to ensure its ongoing success; it has long-term contracts and trading relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The directors have considered the impact of the conflict and related sanctions in Ukraine, Russia, Belarus and the conflict in the Middle East and the risk it poses to the company. The company's activities in these regions is immaterial resulting in minimal impact.

The company meets its day to day working capital and operating cash requirements from its own resources. At year ended 30 September 2024 it had £25,683,000 of cash and cash equivalents after paying a dividend to its immediate parent of £24,331,000 during the year.

The directors have considered the robustness of the company's financial forecasts and projections, factoring in potential downside scenarios in trading performance and related cash flow generation. As such the directors have a reasonable expectation that the company has sufficient resources to continue in operation until 30 September 2026. This includes the directors' consideration of any developments since the balance sheet date that would adversely affect that conclusion.

On this basis, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Matters covered in the Strategic Report

The company has chosen in accordance with Companies Act 2006, s. 414C to set out in the company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of future developments, research and development costs and financial risk management.

On behalf of the board

H Bridgeman

H Bridgeman
Director

Date: *20 JUNE 2025*

CHELTON LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2024

The directors are responsible for preparing the Strategic Report, the Directors' 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 and applicable law), including Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101").

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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements.
- make judgements and accounting estimates that are reasonable and prudent; 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 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 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.

On behalf of the board

H Bridgeman

H Bridgeman
Director

Date: *26 JUNE 2025*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHELTON LIMITED

Opinion

We have audited the financial statements of Chelton Limited for the year ended 30 September 2024 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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 until 30 September 2026.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHELTON LIMITED (CONTINUED)

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006, and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, employees and GDPR.

We understood how Chelton Limited is complying with those frameworks by designing our audit procedures to identify non-compliance with these laws and regulations and to respond to the assessed risks. Our procedures included verifying that material transactions are recorded in compliance with United Kingdom Generally Accepted Accounting Practice and, where appropriate, the Companies Act 2006. Compliance with other operational laws and regulations was covered through inquiry with management and the Directors and reading of board minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through internal team conversations and meetings with management and those charged with governance to understand where they considered there was a susceptibility to fraud. We identified fraud risks relating to the overstatement of revenue arising from early recognition on long-term contracts and a cut off risk around period end. Our procedures to address this involved;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHELTON LIMITED (CONTINUED)

- Understanding the revenue recognition policy and how it has been applied;
- Performing contract reviews on the most significant long-term contracts determined by the relative value of revenue recognised and the associated balance sheet position. This included challenging the costs to complete and the estimated at completion margin percentage;
- For point in time sales, we have performed cut off testing by selecting samples before and after the year end and checking that the revenue was recognised in the appropriate period based on the incoterms and the supporting evidence;
- Testing journal entries with a focus on items recorded in revenue during the last two weeks of the year.

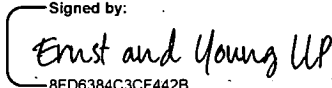
Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved entity level controls assessment, inquiries of management, those charged with governance and those responsible for legal and compliance and review of board minutes. Procedures were also performed to identify any reported incidents of non-compliance including review of board minutes and inquiries of management.

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

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.

Signed by:


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Makombe Chinodyaruswa (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

27 June 2025

CHELTON LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2024

	Notes	2024 £'000	2023 £'000
Revenue	3	140,460	117,436
Cost of sales		(61,685)	(53,776)
Gross profit		78,775	63,660
Distribution costs		(5,000)	(4,839)
Administrative expenses		(25,339)	(21,322)
Operating profit	7	48,436	37,499
Finance income	8	-	3
Finance costs	9	(1,854)	(1,992)
Profit before taxation		46,582	35,510
Tax on profit	10	(4,594)	(8,017)
Profit and total comprehensive income for the financial year		41,988	27,493

The notes on pages 16 to 35 form part of these financial statements.

All the Company's activities are classed as continuing in the current and prior year.

The Company has no recognised gains or losses other than the profit for the financial years as shown above and therefore a separate statement of comprehensive income is not presented.

CHELTON LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 30 SEPTEMBER 2024**

	Notes	2024 £'000	£'000	2023 £'000	£'000
Non-current assets					
Intangible assets	12		6,887		6,881
Property, plant and equipment	13		28,988		28,341
Deferred taxation	20		2,015		874
			<u>37,890</u>		<u>36,096</u>
Current assets					
Inventories	15	21,836		20,144	
Contract assets	16	17,986		15,172	
Trade and other receivables	17	31,061		22,329	
Cash and cash equivalents		25,683		19,605	
		<u>96,566</u>		<u>77,250</u>	
Current liabilities					
Trade and other payables	18	20,473		18,967	
Contract liabilities	16	16,507		11,940	
Current tax liabilities		-		771	
Other taxation and social security	18	612		878	
Lease liabilities	19	1,329		1,365	
		<u>38,921</u>		<u>33,921</u>	
Net current assets			<u>57,645</u>		<u>43,329</u>
Total assets less current liabilities			<u>95,535</u>		<u>79,425</u>
Non-current liabilities					
Lease liabilities	19		(28,480)		(28,760)
Provisions for liabilities					
Other provisions	21		(25,583)		(30,050)
Net assets			<u>41,472</u>		<u>20,615</u>
Equity					
Called up share capital	23		-		-
Other reserve	25		4,406		1,765
Retained earnings	25		37,066		18,850
Total equity			<u>41,472</u>		<u>20,615</u>

The notes on pages 16 to 35 form part of these financial statements.

CHELTON LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 SEPTEMBER 2024

The financial statements were approved by the board of directors and authorised for issue on 26 JUNE 2025 and are signed on its behalf by:

H Bridgeman

H Bridgeman

Director

CHELTON LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2024

	Notes	Share capital £'000	Other reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2022		-	999	5,964	6,963
Year ended 30 September 2023:					
Profit and total comprehensive income for the year		-	-	27,493	27,493
Share based payments	6	-	716	-	716
Dividends paid	11	-	-	(15,000)	(15,000)
Transfer to other reserve on exercise of share options	6	-	(53)	53	-
Deferred tax on share-based payment transactions	20	-	103	-	103
Capital contribution	25	-	-	340	340
Balance at 30 September 2023		-	1,765	18,850	20,615
Year ended 30 September 2024:					
Profit and total comprehensive income for the year		-	-	41,988	41,988
Share based payments	6	-	916	-	916
Dividends paid	11	-	-	(24,331)	(24,331)
Transfer to other reserve on exercise of share options	6	-	(96)	96	-
Deferred tax on share-based payment transactions		-	1,821	-	1,821
Capital contribution	25	-	-	463	463
Balance at 30 September 2024		-	4,406	37,066	41,472

The notes on pages 16 to 35 form part of these financial statements.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2024

1 Accounting policies

Company information

Chelton Limited is a private company limited by shares incorporated in England and Wales. The registered office is The Chelton Centre, Fourth Avenue, Marlow, England, SL7 1TF. The company's principal activities and nature of its operations are disclosed in the strategic report.

Accounting convention

There have been no changes in the accounting policies during the year and the policies are consistent with the previous year.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the going concern basis.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- a cash flow statement and related notes (IAS 7, Statement of Cash Flows and paragraphs 10(d) and 111 of IAS 1, Presentation of Financial Statements);
- Paragraph 38 of IAS 1, Presentation of Financial Statements comparative period reconciliations in respect of
 - i. paragraph 79(a) (iv) of IAS 1 (number of shares outstanding);
 - ii. paragraph 73(e) of IAS 16, Property, plant and equipment; and
 - iii. paragraph 118(e) of IAS 38, Intangible assets;
- additional comparative information as required by paragraphs 38A to 38D of IAS 1, Presentation of Financial Statements;
- capital management disclosures required by paragraphs 134 to 136 of IAS 1;
- the requirements of paragraphs 30 and 31 of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors concerning the effects of new but not yet effective IFRSs;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119 (a) - (c), 120-127 and 129 of IFRS 15, Revenue from Contracts with Customers;
- the requirements of paragraphs 52 and 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- details of compensation of key management personnel required by paragraph 17 and 18A of IAS 24, Related Party Disclosures; and
- the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group.

In addition, as the consolidated financial statements of Transdigm Group Incorporated include the equivalent disclosures, the following exemptions under FRS 101 have also been taken:

- Financial instrument information required by IFRS 7, Financial Instruments: Disclosures and paragraphs 91 to 99 of IFRS 13, Fair value measurement except those which are relevant for the financial instruments which are held at fair value and are held neither as part of a trading portfolio or derivatives; and
- Share based payment disclosures under paragraphs 45(b) and 46 to 52 of IFRS 2, Share Based Payment in respect of group settled share based payments.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

1 Accounting policies (Continued)

Accounting convention (continued)

The financial statements contain information about Chelton Limited as an individual company and do not contain consolidated financial information as the parent undertaking of a group. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it, and its subsidiary undertakings, are included by full consolidation in the consolidated financial statements of Transdigm Group Incorporated (see note 27).

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 1 to 3.

The company is well positioned to ensure its ongoing success; it has long-term contracts and trading relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The directors have considered the impact of the conflict and related sanctions in Ukraine, Russia, Belarus and the conflict in the Middle East and the risk it poses to the company. The company's activities in these regions is immaterial resulting in minimal impact.

The company meets its day to day working capital and operating cash requirements from its own resources. At year ended 30 September 2024 it had £25,683,000 of cash and cash equivalents after paying a dividend to its immediate parent of £24,331,000 during the year.

The directors have considered the robustness of the company's financial forecasts and projections, factoring in potential downside scenarios in trading performance and related cash flow generation. As such the directors have a reasonable expectation that the company has sufficient resources to continue in operation until 30 September 2026. This includes the directors' consideration of any developments since the balance sheet date that would adversely affect that conclusion.

On this basis, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Principle accounting policies

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Revenue

Revenue is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers. A five-step process must be applied before revenue can be recognised:

1. Identify contracts with customers;
2. Identify the separate performance obligations;
3. Determine the transaction price of the contract;
4. Allocate the transaction price to each of the separate performance obligations; and
5. Recognise the revenue as each performance obligation is satisfied.

The transaction price is measured based on the consideration specified in a contract with a customer and, where applicable, the best estimate of any consideration related to modifications to the contract which has yet to be agreed. Any amounts expected to be paid to the customer, such as penalties for late delivery, are deducted from the consideration. Where a transaction price has to be allocated between multiple performance obligations, this is generally achieved through allocating a proportion of total price against each using either standard list sales prices or an estimated costs methodology.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

1 Accounting policies (Continued)

Revenue (continued)

Revenue related to the sale of short-cycle catalogue items is recognised when control of the product passes to the customer. This may be on delivery or on dispatch depending on the specific terms of the contract. The company generally has a low level of returns and therefore no returns provision is recorded.

The company has a number of long term development programmes. For the majority of these contracts, revenue is recognised over time on a percentage of completion basis. This is where a portion of the contract revenue is recognised based on contract costs incurred to date compared with total estimated costs at completion. This method is considered to most faithfully depict the transfer of goods and services to the customer over the life of the performance obligation. As these products come out of the development phase and into full rate production, revenue is recognised at a point in time where there is an alternative use. For some programme specific products, markets may not be sufficiently mature to offer an alternative use and in these circumstances, where there is also a right to payment of work in progress at all times, revenue is recognised over time based on a percentage of completion basis using costs as the measure of progress. For development and production contracts where there is not considered to be a right to payment at all times through the contract, these are accounted for at a point in time, with revenue recognised when control transfers to the customer, typically on delivery of the production units.

The timing of payment from customers is generally aligned to revenue recognition, subject to agreed invoice terms. The majority of development programmes have payment terms based on contractual milestones, which are not necessarily aligned to when revenue is recognised, particularly for those contracts recognised over time using percentage of completion methodology. This generally leads to recognition of revenue in advance of customer billings, for which a contract asset is recognised.

Where cash is received from the customer in advance of recognising revenue under a contract, a contract liability is recorded (advance payments from customers).

Where incremental costs of obtaining a contract are incurred, such as sales commissions, the company has taken advantage of the practical expedient to recognise these costs as an expense when incurred rather than capitalising them as an asset, on the basis that the amortisation period would typically be one year or less. Other costs to obtain a contract, such as bid costs that would have been incurred regardless of whether the contract was awarded, are expensed as incurred as they are not recoverable from the customer in the event of an unsuccessful bid.

Goodwill

Goodwill arises on business combinations and represents the excess of the fair value of consideration transferred over the fair value of the company's share of the identifiable net assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the period and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

Goodwill is tested for impairment annually or whenever there is an indication that the asset may be impaired. An impairment loss is recognised when the recoverable amount of the goodwill is lower than its carrying amount, where the recoverable amount is the higher of fair value less costs of disposal and value in use. All impairment losses are recognised in administrative expenses in the income statement.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

1 Accounting policies (Continued)

Intangible assets other than goodwill

Other intangible assets such as licences and patents are stated at cost less accumulated amortisation and impairment losses. Such assets are amortised on a straight-line basis over the estimated useful economic life of the assets concerned up to 8 years. The only internally generated intangible asset is development costs which are capitalised as described below and amortised over customer product sales to which the asset relates.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Amortisation of intangible assets is included within cost of sales and administrative expenses in the income statement.

Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

All property plant and equipment, other than freehold land and assets under construction is depreciated on a straight-line basis to the estimated residual values over estimated useful lives. These lives are as follows:

Freehold land and buildings	50 years
Leasehold land and buildings	Over the term of the lease
Plant and machinery (including vehicles)	3 to 10 years
Fixtures, fittings, tools and equipment	3 to 10 years

Estimated residual values and estimated useful lives are reviewed annually and adjusted where necessary.

Freehold land is not depreciated, but is reviewed for impairment at least annually. Assets under construction are held at cost and transferred to the appropriate category of property, plant and equipment once construction is complete and they enter into service. They are depreciated from this point in accordance with the policies described above.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

Non-current investments

Investments are stated at cost, less any provision for impairment in value. As the investments are held at nominal value only, no review of impairment indicators is considered necessary.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cost is calculated using the first-in, first-out method.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

A provision is made where necessary for obsolete, slow moving and defective items.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

1 Accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, Financial Instruments and are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value at trade date. All financial assets and liabilities are classified as current or non-current dependent upon the maturity date of the instruments. Financial assets and liabilities are presented on an offset basis when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

Financial assets

On initial recognition, financial assets are classified as being subsequently measured at either amortised cost or fair value dependent upon the company's business model for managing the asset and its cash flow characteristics. Financial assets are not reclassified following initial recognition unless the company changes its business model for managing financial assets.

Trade and other receivables are stated at their amortised cost, net of impairment loss allowances. Where there is clear evidence that the receivables will not be recovered, and generally where receivables are in excess of 12 months old, the balance is written off in full.

Financial assets are deemed to be held under one of three business models:

1. Hold to collect - where the business objective is to hold the asset to collect the contractual cash flows;
2. Hold to collect and sell - where the business objective is to hold the asset to collect the contractual cash flows and to sell the financial assets; and
3. Other

Financial assets held at amortised cost

Unless specifically designated to be held at fair value through profit or loss, a financial asset is measured at amortised cost if it is held within a hold to collect business model and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The company does not have any financial assets held within a hold to collect and sell business model.

All other financial assets, including derivative financial instruments, are held at fair value through profit or loss.

Amortised cost is measured using the effective interest method. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Impairment of financial assets

The company recognises the lifetime expected credit losses at the point of initial recognition for trade receivables and contract assets (under IFRS 15). These are assessed with reference to past default rates, also reflecting forward looking information such as local economic or market conditions and a provision matrix where appropriate.

For other financial assets, a loss allowance is recognised for expected credit losses taking into account changes in the level of credit risk. Where credit risk is considered to be low, the loss allowance is limited to expected losses arising from default events that are possible within 12 months from the balance sheet date.

Impairments are charged to administrative expenses in the income statement.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

1 Accounting policies (Continued)

Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'at amortised cost using the effective interest method'.

Trade payables do not carry any interest and are stated at their nominal value.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

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

Current tax

The tax currently 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 reporting end date.

Deferred tax

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 balance sheet 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 goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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 the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Contract loss provisions are recognised for onerous contracts when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Differences between contributions payable in the year and contributions actually paid are shown as accruals.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes-Merton model. 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. A corresponding adjustment is made to equity.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Leases

Lease obligations are recognised at lease inception equal to the discounted lease payments under the lease. The lease payments also include extension options, where reasonably certain to be exercised by the company. The lease obligation is subsequently measured using the effective interest method, with the liability increasing to reflect the accretion of interest and reduced by lease payments made, with interest charged to finance costs. In addition, the carrying amount of lease obligations is re-measured if there is a modification, for example a change in the lease term or non-fixed lease payments. The option not to apply IFRS 16 to leases with a term of 12 months or less and low value leases has been taken.

Right of use assets are reported within property, plant and equipment on the balance sheet.

The initial cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, expected asset restoration costs and lease payments made at or before the commencement date, less any lease incentives received. The right of use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful economic life of the asset. The right of use asset is tested for impairment where appropriate.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

1 Accounting policies (Continued)

Foreign exchange

Transactions denominated in currencies other than the functional currency are translated at an average monthly rate of exchange which approximates to the actual daily rate throughout the period.

Monetary assets and liabilities denominated in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date. All exchange differences are dealt with in administrative expenses in the income statement.

Non-monetary items that are measured in terms of historical cost in a non-functional currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency (such as some derivative financial instruments) are translated using the exchange rate at the date when the fair value was determined.

Foreign exchange contracts have previously been used to reduce exposure to the financial risks of changes in foreign currency exchange rates. The company does not use derivative financial instruments for speculative purposes.

Research and development

The company undertakes research and development activities either on its own behalf or on behalf of customers. Company funded expenditure on research activities is written off as incurred and charged to the income statement.

Development costs are capitalised when it can be demonstrated that the conditions for capitalisation as described in IAS 38, Intangible Assets are met, paying particular attention to the requirements for the product to be technically feasible and capable of generating a financial return. At that point, further costs are capitalised as an intangible asset until the intangible asset is readily available for use and is then amortised as described above. All development costs not capitalised are written off as incurred together with all research costs.

The company claims the Research and Development expenditure credit (RDEC) each year and recognises this credit within administrative expenses.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Key areas of judgement

There were no significant judgements, apart from those involving estimations, that the directors made in the process of applying the company's accounting policies which require separate disclosure in these financial statements.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

2 Critical accounting estimates and judgements (Continued)

Key sources of estimation uncertainty

The directors consider that there are a number of assumptions concerning the future and other major sources of estimation uncertainty at the balance sheet date, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Those key assumptions and estimation uncertainties are as follows:

Revenue recognition

Recognition and measurement of revenue on long term contracts, associated contract assets and liabilities and contract loss provisions requires estimation of the costs to complete the contracts including some contingencies for the risks identified, the final costs of technical solutions, the outcome of negotiations with customers (including modifications and any potential damages) and the amounts recoverable under these contracts.

Impairment of goodwill and intangible assets

Determination of the value in use of Cash Generating Units (CGUs) as assessed in relation to the annual review of goodwill and any subsequent impairment of goodwill and intangible assets, or reversal of previously impaired intangible assets.

Inventory provisions

Recognition and measurement of provisions for obsolete, slow moving and defective items of inventory.

3 Revenue

The company has elected not to disclose the split of revenue by class of business.

The company has also elected not to disclose the analysis of revenue by geographical area, in accordance with the provisions of FRS 101, as the directors consider that such disclosure would be seriously prejudicial to the interests of the company.

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2024 Number	2023 Number
Manufacturing	202	192
Engineering	147	153
Sales and marketing	33	33
Management and administration	32	31
	<hr/>	<hr/>
Total	414	409
	<hr/> <hr/>	<hr/> <hr/>

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2024

4 Employees (Continued)

Their aggregate remuneration comprised:

	2024 £'000	2023 £'000
Wages and salaries	23,309	23,100
Share based payments	916	716
Social security costs	2,512	2,381
Pension costs	1,275	1,167
Capital contribution	708	463
	<u>28,720</u>	<u>27,827</u>

5 Directors' remuneration

	2024 £'000	2023 £'000
Remuneration for qualifying services	1,078	779
Company pension contributions to defined contribution schemes	12	8
	<u>1,090</u>	<u>787</u>

During the year 1 (2023: 1) director was employed by Transdigm Group and no recharges are made for their salary.

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2023: 2).

The number of directors who exercised share options during the year was 1 (2023: 2).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 3 (2023: 3).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2024 £'000	2023 £'000
Remuneration for qualifying services	<u>864</u>	<u>650</u>

The highest paid director has exercised share options during the year.

The highest paid director has been entitled to receive shares under a long term incentive scheme during the year.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

6 Share-based payments

Certain employees of the company participate in the Transdigm Group 2006 Stock Incentive Plan. This is a US dollar denominated equity-settled share option scheme operated by the Transdigm Group Incorporated (NYSE: TDG). Options are exercisable at a price equal to the fair market value of the parent company's shares on the date of grant. The vesting period is five years. Options are vested upon achievements of predefined, incremental levels of operating profit in each business. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the group before the options vest.

Charges for share based payments of £916,000 (2023: £716,000) are included within employee costs. During the year, £96,000 (2023: £53,000) has been reclassified from the share option reserve to retained earnings relating to options exercised in the year.

7 Operating profit

	2024	2023
	£'000	£'000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	3,157	1,230
Research and development	5,301	4,983
Fees payable to the company's auditor for the audit of the company's financial statements	293	265
Depreciation - owned assets	1,174	1,361
(Profit)/loss on disposal of property, plant and equipment	-	9
Depreciation of right of use assets	1,471	1,492
Amortisation of intangible assets (included within administrative expenses and cost of sales)	131	173
Materials cost included within cost of sales	41,920	33,116
Write downs of inventories to net realisable value	611	(39)
Share-based payments	916	716
	<u> </u>	<u> </u>

Fees paid to the Company's auditors, Ernst & Young LLP and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated group financial statements of Transdigm Group Incorporated for the year ended 30 September 2024 disclose the non-audit fees on a consolidated basis.

8 Finance income

	2024	2023
	£'000	£'000
Interest income		
Bank interest receivable	-	3
	<u> </u>	<u> </u>

9 Finance costs

	2024	2023
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	-	176
Interest on lease liabilities	1,854	1,816
	<u> </u>	<u> </u>
	<u>1,854</u>	<u>1,992</u>

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

10 Taxation

	2024	2023
	£'000	£'000
Current tax		
UK corporation tax on profits for the current period	5,437	4,593
Adjustments in respect of prior periods	(1,523)	(374)
Total UK current tax	<u>3,914</u>	<u>4,219</u>
Deferred tax		
Origination and reversal of temporary differences	604	3,130
Changes in tax rates	76	21
Adjustment in respect of prior periods	-	647
	<u>680</u>	<u>3,798</u>
Total tax charge	<u>4,594</u>	<u>8,017</u>

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2024	2023
	£'000	£'000
Profit before taxation	46,582	35,510
Expected tax charge based on a corporation tax rate of 25.00% (2023: 22.01%)	11,646	7,816
Effect of expenses not deductible in determining taxable profit	(96)	(93)
Income not taxable	(240)	-
Adjustment in respect of prior years	(1,447)	273
Group relief	(5,437)	-
Effect of change in tax rate	-	21
Share options	168	-
Taxation charge for the year	<u>4,594</u>	<u>8,017</u>

In addition to the amount charged to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	2024	2023
	£'000	£'000
Deferred tax:		
Timing differences relating to share based payments	1,821	103
Total tax recognised directly in equity	<u>1,821</u>	<u>103</u>

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

10 Taxation (Continued)

In the Spring Budget 2021, the UK Government announced that the standard rate of corporation tax in the UK would increase from 19% to 25% with effect from April 2023. This new law was substantively enacted in May 2021. Deferred tax relevant to UK operations has been calculated at 25% which was the tax rate substantively enacted at the reporting date.

11 Dividends

Amounts recognised as distributions:	2024 per share £'000	2023 per share £'000	2024 Total £'000	2023 Total £'000
Ordinary shares				
Interim dividend paid	243.31	150.00	24,331	15,000

12 Intangible fixed assets

	Goodwill £'000	Software £'000	R&D Costs £'000	Total £'000
Cost				
At 30 September 2023	6,592	3,093	559	10,244
Additions	-	137	-	137
Disposals	-	(2)	-	(2)
At 30 September 2024	6,592	3,228	559	10,379
Amortisation and impairment				
At 30 September 2023	-	2,804	559	3,363
Charge for the year	-	131	-	131
Disposals	-	(2)	-	(2)
At 30 September 2024	-	2,933	559	3,492
Carrying amount				
At 30 September 2024	6,592	295	-	6,887
At 30 September 2023	6,592	289	-	6,881

Goodwill arose on the acquisition of businesses in 2015 and 2019 and is allocated to the operating reporting unit which includes the company. The recoverable amount has been determined based on a value in use calculation using cashflow forecasts for the following five years, prepared as part of Transdigm Group's annual strategic planning process and approved by management.

Amortisation is recognised within cost of sales and administrative expenses within the Income Statement.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

13 Property, plant and equipment

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery (including vehicles)	Fixtures, fittings, tools and equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 October 2023	686	38,871	9,704	3,601	895	53,757
Additions	-	46	2,099	735	412	3,292
Disposals	-	(301)	(84)	(597)	-	(982)
At 30 September 2024	686	38,616	11,719	3,739	1,307	56,067
Accumulated depreciation and impairment						
At 1 October 2023	155	15,572	7,022	2,667	-	25,416
Charge for the year	18	1,681	591	355	-	2,645
Disposals	-	(301)	(84)	(597)	-	(982)
At 30 September 2024	173	16,952	7,529	2,425	-	27,079
Carrying amount						
At 30 September 2024	513	21,664	4,190	1,314	1,307	28,988
At 30 September 2023	531	23,299	2,682	934	895	28,341

Property, plant and equipment includes right of use assets, as follows:

	Land and buildings	Plant and machinery (including vehicles)	Fixtures, fittings, tools and equipment	Total
	£'000	£'000	£'000	£'000
Net carrying value at 30 September 2023	22,031	35	105	22,171
Additions	-	91	1	92
Disposals	(301)	(69)	-	(370)
Depreciation charge	(1,395)	(38)	(38)	(1,471)
Depreciation charge eliminated on disposal	301	69	-	370
Net carrying value at 30 September 2024	20,636	88	68	20,792

Right of use assets comprise leased property at the company's main site in Marlow, together with other lease properties, vehicles and office equipment.

Depreciation is recognised within cost of sales and administrative expenses within the Income Statement.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2024

14 Subsidiaries

Details of the company's subsidiaries at 30 September 2024 are as follows:

Name of undertaking	Address	Principal activities	Class of shares held	% Held Direct
Chelton Defence Communications Limited	*	Non trading	Ordinary	100.00
Chelton CTS Limited	*	Dormant	Ordinary	100.00
European Antennas Limited	*	Dormant	Ordinary	100.00

* The Chelton Centre, Fourth Avenue, Marlow, Buckinghamshire, SL7 1TF

Subsidiaries are held at £nil value for the current and prior year.

15 Inventories

	2024 £'000	2023 £'000
Raw materials	9,566	8,847
Work in progress	8,275	6,060
Finished goods	3,995	5,237
	<u>21,836</u>	<u>20,144</u>

There is no significant difference between the replacement cost of work in progress, finished goods and goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £5,337,000 (2023: £4,726,000).

16 Contracts with customers

	2024 £'000	2023 £'000
Contracts in progress		
Contract assets	17,986	15,172
Contract liabilities	(16,507)	(11,940)
	<u>1,479</u>	<u>3,232</u>

Contract assets and liabilities are presented separately on the Statement of Financial Position, unless there is a contractual right to offset these and there is an intention to settle on a net basis.

Contract assets

Unbilled amounts related to goods and services transferred are included in contract balances until they become unconditional, at which point they are transferred to trade receivables. Unbilled amounts arise when revenue is recognised prior to an invoice being raised to the customer; this typically arises when revenue is recognised over time as contracts often have conditional milestone payments.

During the year £911,000 (2023: £5,025,000) of the opening contract asset was transferred to trade receivables; additional amounts of £3,725,000 were recognised as a contract asset during the period (2023: £1,298,000) as a result of changes in the measure of progress of the satisfaction of performance obligations.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

16 Contracts with customers (Continued)

Contract liabilities

Contract liabilities reflect advance payments from customers. These are amounts received prior to transferring goods and services to the customer. During the year, £7,517,000 (2023: £1,482,000) of the opening contract liability has been recognised in revenue. Advance payments of £12,084,000 (2023: £4,818,000) have been received during the period and are included in the balance sheet.

17 Trade and other receivables

	2024 £'000	2023 £'000
Trade receivables	25,655	18,634
Provision for bad and doubtful debts	(96)	(90)
	<u>25,559</u>	<u>18,544</u>
Corporation tax recoverable	2,517	1,060
Other receivables	1,068	325
Prepayments and accrued income	1,917	2,400
	<u>31,061</u>	<u>22,329</u>
	<u>31,061</u>	<u>22,329</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Included within corporation tax recoverable is a research and development expenditure credit of £2,016,000 (2023: £1,060,000) for the period from 1 October 2021 to 30 September 2024. This credit represents amounts receivable in relation to eligible research and development activities undertaken during the specified period.

18 Trade and other payables

	2024 £'000	2023 £'000
Trade payables	8,566	6,660
Amounts owed to fellow group undertakings	1,496	1,353
Accruals and deferred income	10,411	10,954
Other taxation and social security	612	878
Current tax liabilities	-	771
Lease liabilities	1,329	1,365
	<u>22,414</u>	<u>21,981</u>
	<u>22,414</u>	<u>21,981</u>

Amounts owed to group undertakings due in less than one year include trade payables of £1,496,000 (2023: £1,353,000). These amounts are interest free, unsecured and not subject to any fixed repayment date.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

19 Lease liabilities

	2024	2023
	£'000	£'000
Maturity analysis		
Within one year	2,345	2,275
Over one year but within five years	9,559	9,380
After five years	43,602	46,014
	<u>55,506</u>	<u>57,669</u>
Total undiscounted liabilities	55,506	57,669
Future finance charges	(25,697)	(27,544)
	<u>29,809</u>	<u>30,125</u>
Lease liabilities in the financial statements	<u>29,809</u>	<u>30,125</u>

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2024	2023
	£'000	£'000
Current liabilities	1,329	1,365
Non-current liabilities	28,480	28,760
	<u>29,809</u>	<u>30,125</u>

	2024	2023
	£'000	£'000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	1,854	1,816

As shown in note 13 above, the company has recognised right of use assets which comprise leased property at the company's main site in Marlow, together with other leased properties, vehicles and office equipment. The lease for Marlow was extended during the prior year for a further 10 years and expires in 2046, with rent reviews every 5 years from 2036. Leases for other properties are for terms of between 3 and 99 years and expire between 2025 and 2066. Leases for vehicles and office equipment have an average term of 4 years and expire between 2024 and 2029.

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

20 Deferred taxation

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

	Property, plant and equipment £'000	Tax losses £'000	Share based payments £'000	Other timing differences £'000	Total £'000
At 1 October 2022	1,580	2,783	123	83	4,569
Deferred tax movements in prior year					
Charge/(credit) to profit or loss	(1,263)	(2,783)	309	(61)	(3,798)
Charge/(credit) to equity	-	-	103	-	103
At 30 September 2023	317	-	535	22	874
Deferred tax movements in current year					
Charge/(credit) to profit or loss	(807)	-	137	(10)	(680)
Charge/(credit) to equity	-	-	1,821	-	1,821
At 30 September 2024	(490)	-	2,493	12	2,015

21 Provisions for liabilities

	2024 £'000	2023 £'000
Current provisions	12,851	11,169
Non-current provisions	12,732	18,881
	<u>25,583</u>	<u>30,050</u>
	2024 £'000	2023 £'000
Contract loss provisions	25,073	29,663
Dilapidation provisions	150	252
Warranty provisions	360	135
	<u>25,583</u>	<u>30,050</u>

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2024

21 Provisions for liabilities (Continued)

Movements on provisions:	Contract loss provisions £'000	Dilapidation provisions £'000	Warranty provisions £'000	Total £'000
At 30 September 2023	29,663	252	135	30,050
Charged/(credited) to the income statement	2,005	(76)	417	2,346
Utilisation during the period	(6,595)	(26)	(192)	(6,813)
At 30 September 2024	<u>25,073</u>	<u>150</u>	<u>360</u>	<u>25,583</u>

Contract loss provisions are recognised for onerous contracts when the benefit to be derived by the company from a contract are lower than the unavoidable cost of meeting the obligations under the contract and are expected to be utilised within four years.

Dilapidations provisions relate to obligations arising from the disposal by the Cobham group of a fellow subsidiary undertaking in the year ended 31 December 2018. They are expected to be utilised within the next 12 months.

Warranty provisions are anticipated to be utilised or released within the next 12 months.

22 Retirement benefit schemes

	2024 £'000	2023 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>1,275</u>	<u>1,167</u>

The above figures include £12,000 (2023: £8,000) for Directors.

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

At the year end £nil (2023: £2,000) contributions were outstanding.

23 Share capital

	2024 Number	2023 Number	2024 £'000	2023 £'000
Ordinary share capital				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	-	-
	<u>100</u>	<u>100</u>	-	-

The Ordinary shares have attached to them full voting rights, dividend rights of an equal share of any surplus following the priority payments and capital distribution (including on winding up); they do not confer any rights of redemption.

24 Contingent liabilities

The company has performance, advance payment and third party bank guarantees as at 30 September 2024 of £961,000 (2023: £1,662,000).

CHELTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2024

25 Retained earnings

Retained earnings

Cumulative profit and loss net of distributions to owners.

Other reserve

The other reserve relates to share based payments awarded to certain employees of the company by Transdigm Group Incorporated.

26 Capital commitments

	2024	2023
	£'000	£'000
At 30 September 2024 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	2,515	1,715
	<u>2,515</u>	<u>1,715</u>

27 Controlling party

The immediate parent undertaking is Transdigm European Holdings Limited.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Transdigm Group Incorporated. Copies of the Transdigm Group Incorporated consolidated financial statements can be obtained from the Company Secretary at US Bank Centre, 1350 Euclid Avenue, Suite 1600, Cleveland, Ohio 44115, USA.