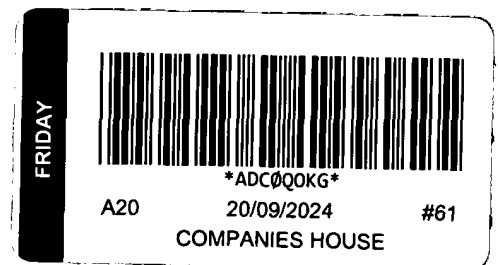


Chelton Limited
Annual report and financial statements
for the year ended 30 September 2023

Registered number 00896823



Chelton Limited

Annual report and financial statements for the year ended 30 September 2023

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Chelton Limited

Directors' report for the year ended 30 September 2023

The directors have pleasure in submitting their report, together with the strategic report and the audited financial statements of Chelton Limited (the Company) for the year ended 30 September 2023. The Company is a private company limited by shares and is incorporated, registered and domiciled in England, number 00896823. The address of the registered office of the Company is The Chelton Centre, Fourth Avenue, Marlow, Buckinghamshire SL7 1TF.

The Company is a wholly owned subsidiary of Transdigm European Holdings Limited and trades under the "Chelton" brand name.

Results and dividends

The Company's results for the year are set out in the income statement on page 12 showing a profit for the financial period after tax of £27,493,000 (2022: £24,040,000). At 30 September 2023, the Company had net assets of £20,615,000 (2022: £6,963,000).

A review of the Company's business during the period and future developments, together with information on the Company's involvement in research and development, risks and uncertainties, financial risk management and events since the balance sheet date are provided in the strategic report on pages 6 to 8.

Dividends of £15,000,000 (2022: £nil) were declared and paid during the year as set out in note 10. After the reporting period, dividends of \$32,000,000 equivalent to £24,340,000 have been declared after assessing available distributable reserves. This has not been provided for as a liability at the reporting period as no such obligation existed at this time.

Directors

The following directors held office during the period and up to the date of signing these financial statements:

S L Wynne
J Burke - appointed 20 June 2024
J M Abbott - resigned 20 June 2024
N Garner – appointed 4 September 2023
D J Waters – resigned 4 September 2023

The directors benefited from a Directors' and Officers' liability insurance policy which was in place during the financial period and at the date of this report.

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 period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101) 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.

Chelton Limited

Directors' report for the year ended 30 September 2023 (continued)

Statement of directors' responsibilities (continued)

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK 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 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.

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, cash flow and foreign currency exchange rate risks are described in the strategic report on pages 6 to 8.

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 and Belarus and the risk they pose to the Company. The Company's activities in these regions are immaterial resulting in minimal impact.

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

The Company meets its day to day working capital and operating cash requirements from its own resources. At 30 September 2023 it had £19,605,000 of cash and cash equivalents after paying a dividend to its immediate parent of £15,000,000 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 2025. 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.

Chelton Limited

Directors' report for the year ended 30 September 2023 (continued)

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.

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.

Chelton Limited

Directors' report for the year ended 30 September 2023 (continued)

Stakeholder engagement (continued)

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. Senior management of the ultimate parent undertaking also undertake 'all hands' meetings when visiting the Company's sites.

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.

Environmental impact

The Company has collected data in the period in line with the Streamlined Energy and Carbon Reporting (SECR) obligations to present the environmental impact of the business. The tables below provide a summary of energy use data and Green-house gas (GHG) emissions for the Company.

Year ended 30 September 2023

Energy / Activity	Used for	Unit	Consumption (original unit)	Carbon (tCO ₂ e)
Electricity	Lighting, heating and equipment	kWh	1,768,452	366
Fuel for transport	Business travel – flights and company vehicles	miles	1,361,094	414
Total energy use			3,129,546	
Total emissions				780
Intensity ratio metric (total emissions per employee)				1.91

Year ended 30 September 2022

Energy / Activity	Used for	Unit	Consumption (original unit)	Carbon (tCO ₂ e)
Electricity	Lighting, heating and equipment	kWh	1,977,882	383
Fuel for transport	Business travel – flights	miles	45,022	12
Total energy use			2,022,904	
Total emissions				395
Intensity ratio metric (total emissions per employee)				0.95

The emissions have been calculated in accordance with the HM Government document "Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting guidance". Data was converted to tonnes of CO₂ equivalent using the UK Government Conversion factors for Company Reporting 2023, applying weighted average conversion factors for business travel.

Chelton Limited

Directors' report for the year ended 30 September 2023 (continued)

Environmental impact (continued)

Total energy use covers our sites at Marlow, Redhill and Newmarket and all UK employees. Buildings' energy consumption (above includes Marlow & Newmarket) decreased from FY22 to FY23 due to efficiencies from investments such as new air conditioning equipment installed at the Chelton Centre in Marlow as well as more proactive use of the Building Management System to turn electricity off in silent hours during quiet times and holiday periods.

Business miles travelled increased significantly in FY23 predominantly due to flights to the US as travel returns to pre-COVID levels. Car mileage relates to leased cars only which are used by field engineers and as pool cars. Business mileage was not included in the FY22 figures above.

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

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are 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.

By order of the board



N Garner

Director

18 September 2024

Chelton Limited

Strategic report for the year ended 30 September 2023

Business review and key performance indicators

The results for the period and financial position at the period end are set out in the directors' report on page 1.

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 2023	Year to 30 September 2022
Year on year organic revenue growth	15.0%	63.0%
Gross profit margin	54.2%	49.6%
Operating profit margin	31.9%	28.5%

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 high growth (63%) shown for 2022 is predominantly due to the change in year end, necessitating a comparison of 12 months' revenue in 2022 with only 9 months' revenue in 2021.

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 2023 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.

During the year, an intercompany loan of £6,000,000 was repaid in full.

Future developments

The directors are confident that the business will continue to be profitable in 2024 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 after the current year end, 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 £4,983,000 in activities during the period (2022: £4,153,000). The Company will capitalise development expenditure where IAS 38 conditions for capitalisation are met. The Company capitalised £nil during the year (2022: £nil).

Chelton Limited

Strategic report for the year ended 30 September 2023 (continued)

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

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only bank balances, all of which earn interest at a floating rate. 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.

Chelton Limited

Strategic report for the year ended 30 September 2023 (continued)

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.

Employees

As noted in the Directors' report 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.

Annual 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.

By order of the board



N Garner
Director

18 September 2024

Independent auditors' report to the members of Chelton Limited

Opinion

We have audited the financial statements of Chelton Limited for the year ended 30 September 2023 which comprise the Income statement, the Balance sheet, the Statement of changes in equity and the related notes 1 to 25, 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 2023 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 2025.

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 auditors' 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 pages 1 and 2, 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.

Our procedures were as follows:

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 verifying that material transactions are recorded in compliance with United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice) and the Companies Act 2006. Compliance with other operational laws and regulations was covered through inquiry with management and the Directors, reading of board minutes and correspondence with relevant authorities with no indication of non-compliance identified.

Independent auditors' report to the members of Chelton Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

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:

- 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.

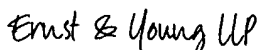
Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved entity level controls assessment, inquiries of management, those charged with governance and those responsible for legal and compliance and review of board minutes.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

18 September 2024

Chelton Limited

Income statement for the year ended 30 September 2023

	Note	2023 £000	2022 £000
Revenue	2	117,436	102,090
Cost of sales		(53,776)	(51,163)
Gross profit		63,660	50,927
Distribution costs		(4,839)	(5,127)
Administrative expenses		(21,322)	(16,672)
Operating profit	3	37,499	29,128
Finance income	4	3	-
Finance costs	5	(1,992)	(1,130)
Profit on ordinary activities before taxation		35,510	27,998
Tax on profit on ordinary activities	6	(8,017)	(3,958)
Profit after taxation for the period		27,493	24,040

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

Balance sheet as at 30 September 2023

	Note	30 September 2023 £000	30 September 2022 £000
Assets			
Non-current assets			
Intangible assets	12	6,881	6,773
Property, plant and equipment	13	28,341	24,184
Deferred taxation	14	874	4,569
		36,096	35,526
Current assets			
Inventories	15	20,144	13,467
Contract assets	16	15,172	18,899
Trade and other receivables	17	22,329	26,160
Cash and cash equivalents		19,605	13,057
		77,250	71,583
Liabilities			
Current liabilities			
Trade and other payables	18	(20,616)	(30,527)
Lease obligations	19	(1,365)	(1,312)
Contract liabilities	20	(11,940)	(8,604)
Provisions	21	(11,169)	(11,241)
		(45,090)	(51,684)
Non-current liabilities			
Lease obligations	19	(28,760)	(24,201)
Provisions	21	(18,881)	(24,261)
		(47,641)	(48,462)
Net assets		20,615	6,963

Chelton Limited

Balance sheet as at 30 September 2023 (continued)

	Note	30 September 2023 £000	30 September 2022 £000
Equity			
Share capital	22	-	-
Other reserve	22	1,765	999
Retained earnings		18,850	5,964
Total equity		20,615	6,963

The financial statements on pages 12 to 35 inclusive were approved by the board on 18 September 2024 and were signed on its behalf by:



N Garner
Director

Chelton Limited

Statement of changes in equity for the year ended 30 September 2023

	Share capital £000	Other reserve £000	Retained earnings £000	Total equity £000
Total equity at 1 October 2021	-	384	(18,076)	(17,692)
Profit and total comprehensive income for the year	-	-	24,040	24,040
Transactions with owners:				
Share based payments (note 9)	-	492	-	492
Tax credit relating to share based payments (note 14)	-	123	-	123
Total equity at 30 September 2022	-	999	5,964	6,963
Profit and total comprehensive income for the year	-	-	27,493	27,493
Transactions with owners:				
Share based payments (note 9)	-	716	-	716
Transfer of other reserve on exercise of share options (note 9)	-	(53)	53	-
Tax credit relating to share based payments (note 14)	-	103	-	103
Capital contribution (note 22)	-	-	340	340
Dividends paid (note 10)	-	-	(15,000)	(15,000)
Total equity at 30 September 2023	-	1,765	18,850	20,615

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023

1. Statement of accounting policies

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 on the going concern basis, under the historical cost convention unless as otherwise stated and in accordance with the Companies Act 2006 as applicable to companies applying FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed 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 for the year ended 30 September 2023 (continued)

1. Statement of accounting policies (continued)

Basis of preparation (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 25).

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, cash flow and foreign currency exchange rate risks are described in the strategic report on pages 6 to 8.

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 and Belarus and the risk they pose to the Company. The Company's activities in these regions are immaterial resulting in minimal impact.

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

The Company meets its day to day working capital and operating cash requirements from its own resources. At 30 September 2023 it had £19,605,000 of cash and cash equivalents after paying a dividend to its immediate parent of £15,000,000 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 2025. 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.

Management judgement and estimation uncertainty

The preparation of financial statements requires the use of judgements and estimates that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses.

These judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The current economic conditions have been considered when evaluating accounting judgements and estimates, including the application of the going concern basis of preparation. Although estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Significant judgements in applying accounting policies

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 for the year ended 30 September 2023 (continued)

1. Statement of accounting policies (continued)

Management judgement and estimation uncertainty (continued)

Assumptions and estimation uncertainties

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:

a. Revenue recognition (note 1), contract assets and liabilities (notes 16 and 20) and onerous contract provisions (note 21)

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;

b. Impairment of goodwill and intangible assets (note 12)

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; and

c. Inventory provisions (note 15)

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

Principal accounting policies

The principal accounting policies, which have been applied consistently throughout the period 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.

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.

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

1. Statement of accounting policies (continued)

Revenue (continued)

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 (advanced 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 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.

Current and deferred taxation

The tax expense is the sum of current tax and deferred tax. Tax is charged or credited to the income statement except when it relates to items recognised in other comprehensive income (OCI) or directly in equity, in which case the tax is also recognised in OCI or directly in equity respectively.

Current tax is provided at the amounts expected to be paid using rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. It is calculated using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and that are expected to apply in the period in which the asset is realised, or liability is settled.

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. The carrying amount of deferred tax assets is reviewed at each balance sheet 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 assets to be recovered.

Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

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.

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

1. Statement of accounting policies (continued)

Intangible assets – 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.

Intangible assets – other intangible assets

Other intangible assets such as licences, patents and know-how 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 and depreciation

Property, plant and equipment is stated at historic cost, less accumulated depreciation and any recognised impairment losses. Cost comprises the purchase price and any costs directly attributable to the asset.

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 buildings	50 years
Leasehold properties	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 the 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 or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

1. Statement of accounting policies (continued)

Right of use assets

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. 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 represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made where necessary for obsolete, slow moving and defective items.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and where the amount can be reliably measured.

No provision is recognised where the existence of an obligation is possible but will only be confirmed by uncertain future events.

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.

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.

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

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.

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

1. Statement of accounting policies (continued)

Financial instruments (continued)

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.

Trade and other receivables (note 17)

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

Financial liabilities

Subsequent to initial recognition, financial liabilities are classified as measured at fair value through profit or loss, or at amortised cost using the effective interest method.

Trade payables (note 18)

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

Foreign currencies

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.

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

1. Statement of accounting policies (continued)

Lease obligations

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.

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.

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 to the income statement on a straight-line basis over the vesting period, based on management's best estimate of the number of awards that will eventually vest. A corresponding adjustment is made to equity in other reserves.

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.

2. Revenue

No analysis of sales by geographical area has been disclosed since the directors consider that such disclosure would be seriously prejudicial to the interests of the Company.

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

3. Operating profit

Operating profit is stated after charging/(crediting):

	2023	2022
	£000	£000
Materials cost included in cost of sales	33,116	46,360
Write down of inventories to net realisable value	39	555
Depreciation – owned assets	1,361	1,025
Depreciation – right-of-use assets	1,492	1,629
Amortisation of software, R&D, licences, patents and know-how	173	265
Research and development	4,983	4,153
Loss on disposal of property, plant and equipment	9	(76)
Exchange differences	1,230	1,844
Auditors' remuneration for the audit of the Company's financial statements	265	675

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 2023 disclose the non-audit fees on a consolidated basis.

4. Finance income

	2023	2022
	£000	£000
Bank interest receivable	3	-

5. Finance costs

	2023	2022
	£000	£000
Interest on lease obligations	1,816	846
Interest payable to fellow subsidiary undertakings	176	284
	1,992	1,130

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

6. Tax on profit on ordinary activities

Tax credited in the income statement:

	2023 £000	2022 £000
Current tax:		
UK corporation tax on profit for the period	4,593	2,066
Adjustment in respect of previous years	(374)	360
Total current tax	4,219	2,426
Deferred tax:		
Charge for the period	3,130	3,107
Effect of change in tax rate	21	-
Adjustment in respect of previous years	647	(1,575)
Total deferred tax (note 14)	3,798	1,532
Tax on profit on ordinary activities	8,017	3,958

Deferred tax expense included in equity:

	2023 £000	2022 £000
Timing differences relating to share based payments	103	123

The tax on profit on ordinary activities can be reconciled to the accounting profit as follows:

	2023 £000	2022 £000
Profit on ordinary activities before taxation	35,510	27,998
Profit on ordinary activities multiplied by the standard rate in the UK of 22.01% (2022: 19.00%)	7,816	5,320
Effects of:		
Expenses not deductible and income not taxable for tax purposes	(93)	(570)
Effect of change in tax rate	21	423
Adjustments in respect of previous years	273	(1,215)
Total tax on profit on ordinary activities	8,017	3,958

The rate of UK Corporation tax increased to 25% from 1 April 2023, resulting in a blended rate for the year ended 30 September 2023 of 22.01%.

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

7. Directors' emoluments

The emoluments of the directors employed by the Company are:

	2023	2022
	£000	£000
Aggregate emoluments	779	836
Aggregate amounts paid in respect of money purchase pension schemes	8	10
Amounts paid to directors for loss of office	-	-
	787	846

One director is employed by Transdigm Group Inc and no recharges are made for their salary.

Retirement benefits are accruing to two directors (2022: two directors) under money purchase pension schemes. During the year, one of the directors exercised options (2022: 1 (restated)) and 3 (2022: 3) directors were entitled to receive shares under long term incentive plans.

Highest paid director

	2023	2022
	£000	£000
Total emoluments including amounts accruing under long-term incentive schemes	650	703

The highest paid director also exercised share options during the current year and received shares under long term incentive plans during the current and previous years.

8. Employee costs

	2023	2022
	£000	£000
Wages and salaries	23,100	21,683
Share based payments (note 9)	716	492
Social security costs	2,381	2,173
Pension costs	1,167	1,257
	27,364	25,605

Pension costs relate to the Company's participation in the Chelton Pension Plan, a defined contribution scheme whose assets are held separately from those of the Company in independently administered funds. The pension cost charged represents contributions payable by the Company to the fund. At 30 September 2023, there were no contributions outstanding (2022: £nil).

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

8. Employee Costs (continued)

The average monthly number of employees (including executive directors) employed by the Company during the year was:

By activity	2023	2022
	£000	£000
Manufacturing	192	166
Engineering	153	184
Sales and marketing	33	38
Management and administration	31	27
	409	415

9. 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 £716,000 (2022: £492,000) are included within employee costs in note 8. During the year, £53,000 (2022: £nil) has been reclassified from the share option reserve to retained earnings relating to options exercised in the year.

10. Dividends

	2023	2022
	£000	£000
Interim dividend for current year of £150,000 (2022: £nil) per share	15,000	-

After the reporting period, dividends of \$32,000,000 equivalent to £24,340,000 have been declared after assessing available distributable reserves. This has not been provided for as a liability at the reporting period as no such obligation existed at this time.

11. Investments

At 30 September 2023, the Company owned 100% of the ordinary share capital of Chelton Defence Communications Limited, Chelton CTS Limited and European Antennas Limited. These companies are all dormant or have ceased trading, and have the same registered office address as the Company as disclosed in the Directors' report on page 1. These investments are held at nil value.

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

12. Intangible assets

	Software £000	R&D Costs £000	Goodwill £000	Total £000
Cost				
At 1 October 2022	2,821	559	6,592	9,972
Additions	281	-	-	281
Disposal	(9)	-	-	(9)
At 30 September 2023	3,093	559	6,592	10,244
Accumulated amortisation				
At 1 October 2022	2,640	559	-	3,199
Charge for the year	173	-	-	173
Disposal	(9)	-	-	(9)
At 30 September 2023	2,804	559	-	3,363
Carrying amount				
At 30 September 2023	289	-	6,592	6,881
At 30 September 2022	181	-	6,592	6,773

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 cash flow forecasts for the following five years, prepared as part of Transdigm Group's annual strategic planning process and approved by management.

13. Property, plant and equipment

	2023 £000	2022 £000
Owned property, plant and equipment	6,170	5,553
Right-of-use assets	22,171	18,631
	28,341	24,184

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

13. Property, plant and equipment (continued)

Owned property, plant and equipment

	Freehold land and buildings £000	Leasehold land and buildings (long lease) £000	Leasehold land and buildings (short lease) £000	Plant and machinery (including vehicles) £000	Fixtures fittings, tools and equipment £000	Assets under construction £000	Total £000
Cost							
At 1 October 2022	686	250	6,526	8,491	2,930	871	19,754
Additions	-	-	308	1,147	519	24	1,998
Disposals	-	-	(45)	(138)	(78)	-	(261)
At 30 September 2023	686	250	6,789	9,500	3,371	895	21,491
Accumulated depreciation							
At 1 October 2022	137	71	5,064	6,638	2,291	-	14,201
Charge for the year	18	4	668	343	328	-	1,361
Disposals	-	-	(36)	(128)	(77)	-	(241)
At 30 September 2023	155	75	5,696	6,853	2,542	-	15,321
Carrying amount							
At 30 September 2023	531	175	1,093	2,647	829	895	6,170
At 30 September 2022	549	179	1,462	1,853	639	871	5,553

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

13. Property, plant and equipment (continued)

Right of use assets

	Property £000	Plant and machinery (including vehicles) £000	Fixtures fittings, tools and equipment £000	Total £000
Cost				
At 1 October 2022	26,822	229	238	27,289
Additions	5,010	22	-	5,032
Disposals	-	(47)	(8)	(55)
At 30 September 2023	31,832	204	230	32,266
Accumulated depreciation				
At 1 October 2022	8,380	229	49	8,658
Reclassification	-	(41)	41	-
Charge for the year	1,421	28	43	1,492
Disposals	-	(47)	(8)	(55)
At 30 September 2023	9,801	169	125	10,095
Carrying amount				
At 30 September 2023	22,031	35	105	22,171
At 30 September 2022	18,442	-	189	18,631

Right of use assets comprise leased property at the Company's main site in Marlow which was extended in the year, together with other leased properties, vehicles and office equipment. Further details of the leases and related lease obligations can be found in note 19.

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

14. Deferred taxation

The following are the major deferred tax assets and liabilities recognised by the Company, and the movements thereon:

	Property, plant and equipment £000	Tax losses £000	Share based payments £000	Other timing differences £000	Total £000
At 1 October 2021	645	5,248	-	85	5,978
Charged to the income statement	935	(2,465)	-	(2)	(1,532)
Credited to equity	-	-	123	-	123
At 30 September 2022	1,580	2,783	123	83	4,569
Charged to the income statement	(1,263)	(2,783)	309	(61)	(3,798)
Credited to equity	-	-	103	-	103
At 30 September 2023	317	-	535	22	874

A deferred tax asset has been recognised based on the expectation of available future taxable profits at the future tax rate.

15. Inventories

	2023 £000	2022 £000
Raw materials and consumables	8,847	5,857
Work in progress	6,060	4,271
Finished goods and goods for resale	5,237	3,339
	20,144	13,467

There is no significant difference between the replacement cost and the value of inventories shown.

Inventories are stated after provision for impairment of £4,726,000 (2022: £4,765,000).

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

16. Contract assets

	2023 £000	2022 £000
Unbilled amounts related to goods and services transferred	15,172	18,899

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 payments often have milestone payments conditional on customer acceptances on progress. During the year £5,025,000 (2022: £839,000) of the opening contract asset was transferred to trade receivables; additional amounts of £1,298,000 were recognised as a contract asset during the period (2022: £12,691,000) as a result of changes in the measure of progress of the satisfaction of performance obligations.

17. Trade and other receivables

	2023 £000	2022 £000
Trade receivables	18,544	18,643
Amounts owed by fellow subsidiary undertakings	-	173
Other receivables	1,385	3,765
Prepayments	2,400	3,579
	22,329	26,160

Trade receivables are stated after provision for impairment of £90,000 (2022: £85,000).

Amounts owed by fellow subsidiary undertakings at the prior year end were unsecured, interest free and repayable on demand.

Included within other receivables is a research and development expenditure credit of £1,060,000 (2022: £2,596,000) which relates to the period 1 October 2021 to 30 September 2023.

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

18. Current liabilities: Trade and other payables

	2023 £000	2022 £000
Trade payables	6,660	9,154
Amounts owed to fellow subsidiary undertakings	1,353	9,944
Corporation tax	771	2,426
Other tax and social security	878	555
Accruals	10,954	8,448
	20,616	30,527

Amounts owed to fellow subsidiary undertakings at the year end include interest free trade payables of £1,353,000 (2022: £3,944,000). The balance at the prior year end included a loan of £6,000,000 on which interest was charged at 6.125% which was repaid in full in March 2023. All amounts are unsecured and are repayable on demand.

19. Lease obligations

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 year for a further 10 years and now 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 2028.

At 30 September 2023, as a lessee, the Company had the following lease obligations:

	2023 £000	2022 £000
Current	1,365	1,312
Non-current	28,760	24,201
	30,125	25,513

Contractual undiscounted cash flows:

	2023 £000	2022 £000
Within one year	2,275	2,219
In the second to fifth years inclusive	9,380	9,207
After five years	46,014	20,612
	57,669	32,038
Less future finance charges	(27,544)	(6,525)
	30,125	25,513

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

20. Contract liabilities

Contract liabilities of £11,940,000 (2022: £8,604,000) reflect advance payments from customers. These are amounts received prior to transferring goods and services to the customer. During the year, £1,482,000 (2022: £1,766,000) of the opening contract liability has been recognised in revenue. Advance payments of £4,818,000 (2022: £431,000) have been received during the period and are included in the balance sheet.

21. Provisions

At 30 September 2023, the Company had the following provisions:

	2023 £000	2022 £000
Current	11,169	11,241
Non-current	18,881	24,261
	30,050	35,502

	Contract provisions £000	Dilapidations provisions £000	Warranty provisions £000	Total £000
At 30 September 2022	35,188	276	38	35,502
Charged to the income statement	90	-	167	257
Utilised during the period	(5,615)	(24)	(70)	(5,709)
At 30 September 2023	29,663	252	135	30,050

Contract 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 2020. They are expected to be utilised or released by 30 September 2024. Warranty provisions are anticipated to be utilised or released in 2024.

22. Share capital and reserves

Share capital – allotted, called up and fully paid

	2023 £000	2022 £000
100 Ordinary shares of £1 each	-	-

Other reserve

The other reserve relates to share based payments awarded to certain employees of the Company by Transdigm Group Incorporated (note 9).

Capital contribution

A capital contribution was received during the year related to staff bonuses paid by the ultimate parent undertaking.

Chelton Limited

Notes to the financial statements for the year ended 30 September 2023 (continued)

23. Contingent liabilities

The Company has performance, advance payment and third party bank guarantees as at 30 September 2023 of £1,662,448 (2022: £1,732,448).

24. Capital and other commitments

The Company had capital commitments for the purchase of property, plant and equipment contracted for but not provided of £1,715,000 as at 30 September 2023 (2022: £633,000).

25. Immediate and ultimate parent undertakings

At the balance sheet date, the Company's immediate parent undertaking was Transdigm European Holdings Limited.

The ultimate parent undertaking and controlling party at the balance sheet date was Transdigm Group Incorporated, a company registered in the USA. This is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Transdigm Group Incorporated can be obtained from US Bank Centre, 1350 Euclid Avenue, Suite 1600, Cleveland, Ohio 44115, USA.