TransDigm Group INC
Form 10-Q
February 04, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
for the quarterly period ended December 27, 2008.

¨ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from ______ to ______

Commission File Number 001-32833

TransDigm Group Incorporated

(Exact name of registrant as specified in its charter)

Delaware

(State or other Jurisdiction of incorporation or organization)

51-0484716

(I.R.S. Employer Identification No.)

1301 East 9th Street, Suite 3710, Cleveland, Ohio	**44114**
(Address of principal executive offices)	**(Zip Code)**

(216) 706-2939

(Registrants telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

LARGE ACCELERATED FILER	x	NON-ACCELERATED FILER	¨
ACCELERATED FILER	¨	SMALLER REPORTING COMPANY	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

The number of shares outstanding of TransDigm Group Incorporated s common stock, par value $.01 per share, was 48,194,179 as of January 23, 2009.

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share amounts)

(Unaudited)

	December 27, 2008	September 30, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 149,309	$ 159,062
Trade accounts receivable - Net	103,128	96,196
Inventories	154,536	144,114
Deferred income taxes	19,478	19,902
Prepaid expenses and other	3,545	4,160
Total current assets	429,996	423,434
PROPERTY, PLANT AND EQUIPMENT - Net	97,406	96,241
GOODWILL	1,405,464	1,354,774
TRADEMARKS AND TRADE NAMES	173,706	167,626
OTHER INTANGIBLE ASSETS - Net	191,283	188,568
DEBT ISSUE COSTS - Net	18,379	19,309
OTHER	3,577	5,869
TOTAL ASSETS	$ 2,319,811	$ 2,255,821
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 26,067	$ 25,140
Accrued liabilities	93,290	63,362
Total current liabilities	119,357	88,502
LONG-TERM DEBT	1,357,113	1,357,230
DEFERRED INCOME TAXES	154,031	151,672
OTHER NON-CURRENT LIABILITIES	13,489	4,517
Total liabilities	1,643,990	1,601,921
STOCKHOLDERS EQUITY:		
Common stock - $.01 par value; authorized 224,400,000 shares; issued 48,685,463 and 48,600,848 shares at December 27, 2008 and September 30, 2008, respectively	487	486
Additional paid-in capital	367,305	365,224
Retained earnings	327,344	287,745
Accumulated other comprehensive income/(loss)	(7,487)	445
Treasury stock, at cost - 383,600 and -0- shares at December 27, 2008 and September 30, 2008, respectively	(11,828)	

Total stockholders equity	675,821	653,900
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 2,319,811	$ 2,255,821

See notes to condensed consolidated financial statements.

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE THIRTEEN WEEK PERIODS ENDED

DECEMBER 27, 2008 AND DECEMBER 29, 2007

(Amounts in thousands, except per share amounts)

(Unaudited)

	Thirteen Week Periods Ended	
	December 27, 2008	December 29, 2007
NET SALES	$ 181,276	$ 163,136
COST OF SALES	76,988	75,044
GROSS PROFIT	104,288	88,092
OPERATING EXPENSES:		
Selling and administrative	18,176	17,872
Amortization of intangibles	3,224	3,311
Total operating expenses	21,400	21,183
INCOME FROM OPERATIONS	82,888	66,909
INTEREST EXPENSE - Net	21,982	24,507
INCOME BEFORE INCOME TAXES	60,906	42,402
INCOME TAX PROVISION	21,307	15,434
NET INCOME	$ 39,599	$ 26,968
Net earnings per share:		
Basic	$ 0.81	$ 0.57
Diluted	$ 0.78	$ 0.54
Weighted-average shares outstanding:		
Basic	48,603	47,223
Diluted	50,537	49,862

See notes to condensed consolidated financial statements.

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 27, 2008

(Amounts in thousands, except share amounts)

(Unaudited)

	Common Stock Number of Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Treasury Stock Number of Shares	Treasury Stock Value	Total
BALANCE, OCTOBER 1, 2008	48,600,848	$ 486	$ 365,224	$ 287,745	$ 445		$	$ 653,900
Purchase of common shares						(383,600)	(11,828)	(11,828)
Compensation expense recognized for stock options			795					795
Excess tax benefit from exercise of stock options			714					714
Exercise of stock options	84,615	1	559					560
Restricted stock compensation			13					13
Comprehensive income:								
Net income				39,599				39,599
Interest rate swap					(7,905)			(7,905)
Other comprehensive loss					(27)			(27)
Comprehensive income								31,667
BALANCE, DECEMBER 27, 2008	48,685,463	$ 487	$ 367,305	$ 327,344	$ (7,487)	(383,600)	$ (11,828)	$ 675,821

See notes to condensed consolidated financial statements.

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Thirteen Weeks Ended December 27, 2008	Thirteen Weeks Ended December 29, 2007
OPERATING ACTIVITIES:		
Net income	$ 39,599	$ 26,968
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,489	3,182
Amortization of intangibles	3,224	3,311
Amortization of debt issue costs and note premium	813	930
Non-cash equity compensation	808	1,217
Deferred income taxes	2,006	1,088
Changes in assets/liabilities, net of effects from acquisition of businesses:		
Trade accounts receivable	(2,964)	7,815
Inventories	(6,173)	(1,366)
Income taxes receivable/payable	16,259	14,362
Excess tax benefit from exercise of stock options	(714)	(5,017)
Other assets	(787)	1,310
Accounts payable	269	(2,072)
Accrued and other liabilities	10,391	8,500
Net cash provided by operating activities	66,220	60,228
INVESTING ACTIVITIES:		
Capital expenditures	(1,733)	(2,401)
Acquisition of businesses	(66,419)	
Net cash used in investing activities	(68,152)	(2,401)
FINANCING ACTIVITIES:		
Excess tax benefit from exercise of stock options	714	5,017
Proceeds from exercise of stock options	560	1,525
Purchase of treasury stock	(9,095)	
Net cash (used in) provided by financing activities	(7,821)	6,542
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,753)	64,369
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	159,062	105,946
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 149,309	$ 170,315

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for interest	$	11,193	$	14,390
Cash paid (received) during the period for income taxes	$	2,920	$	(780)

See notes to condensed consolidated financial statements.

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TRANSDIGM GROUP INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THIRTEEN WEEK PERIODS ENDED DECEMBER 27, 2008 AND DECEMBER 29, 2007

(UNAUDITED)

1. DESCRIPTION OF THE BUSINESS

Description of the Business TransDigm Group Incorporated (TD Group), through its wholly-owned subsidiary, TransDigm Inc., is a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. TransDigm Inc. (which includes the Adel Wiggins Group), along with TransDigm Inc. s direct and indirect wholly-owned operating subsidiaries, AeroControlex Group, Inc., MarathonNorco Aerospace, Inc., Adams Rite Aerospace, Inc., Champion Aerospace LLC, Avionic Instruments LLC, Skurka Aerospace Inc., CDA InterCorp LLC, Avtech Corporation, Transicoil LLC, Transicoil (Malaysia) Sendirian Berhad, Bruce Aerospace, Inc., CEF Industries, Inc. and Aircraft Parts Corporation (collectively, with TD Group, the Company or TransDigm) offers a broad range of proprietary aerospace components. Major product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include mechanical/electromechanical actuators and controls, ignition systems and components, gear pumps, specialized valves, engineered connectors, power conditioning devices, specialized fluorescent lighting and AC/DC electric motors, aircraft audio systems, engineered latches and cockpit security devices, lavatory hardware and components, hold open rods and locking devices, specialized cockpit displays, elastomers, NiCad batteries/chargers, and starter generators and related components.

Separate Financial Statements Separate financial statements of TransDigm Inc. are not presented since TransDigm Inc. s 7 3/4% senior subordinated notes are fully and unconditionally guaranteed on a senior subordinated basis by TD Group and all existing domestic subsidiaries of TransDigm Inc. and since TD Group has no significant operations or assets separate from its investment in TransDigm Inc.

2. UNAUDITED INTERIM FINANCIAL INFORMATION

The financial information included herein is unaudited; however, the information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company s financial position and results of operations and cash flows for the interim periods presented. These financial statements and notes should be read in conjunction with the financial statements and related notes for the year ended September 30, 2008 included in its Form 10-K dated November 25, 2008. The September 30, 2008 condensed consolidated balance sheet was derived from the TD Group s audited financial statements. The results of operations for the thirteen week period ended December 27, 2008 are not necessarily indicative of the results to be expected for the full year.

3. NEW ACCOUNTING STANDARDS

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. SFAS 159 s objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 is effective as of the beginning of an entity s first fiscal year beginning after November 15, 2007. The adoption of SFAS 159 did not have a material impact on the Company s consolidated financial position or results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2 (FSP 157-2), Effective Date of FASB Statement No. 157, which allows for the deferral of the adoption date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or presented at fair value in the financial statements on a recurring basis to fiscal years beginning after November 15, 2008. The adoption of SFAS 157 for those assets and liabilities within the scope of

FSP 157-2 is not expected to have a material impact on our financial position, results of operations or cash flows. The effective provisions of SFAS 157 are included in Note 10, Fair Value of Financial Instruments. In October 2008, the FASB issued FASB Staff Position FAS 157-3 (FSP 157-3), Determining the Fair Value of a Financial Asset When the Market for

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That Asset Is Not Active, which clarifies the application of SFAS 157 when the market for a financial asset is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP 157-3 became effective immediately upon adoption of SFAS 157. The adoption of SFAS 157 did not have a material impact on the Company s consolidated financial position or results of operations. See Note 10.

4. ACQUISITIONS

APC On December 16, 2008, TransDigm Inc. acquired all of the outstanding capital stock of Aircraft Parts Corporation (APC) for approximately $67.4 million in cash, subject to adjustment based on the level of working capital as of the closing date of the acquisition. APC is a designer and manufacturer of starter generators, generator control units and related components for turbine engines, all of which fit well with TransDigm s overall business direction. The Company expects that the $49.0 million of estimated goodwill recognized for the acquisition will not be deductible for tax purposes.

Unison Product Line On September 26, 2008, TransDigm Inc., through its wholly-owned Champion Aerospace, LLC subsidiary, acquired certain assets related to the magneto and harness product line business of Unison Industries, LLC (Unison product line) for approximately $68.3 million in cash, net of a purchase price adjustment of $1.1 million received in November 2008. The acquired product line includes the highly engineered SLICK™ magnetos, harnesses and components, which are used on substantially all of the world s general aviation piston aircraft. These products fit well with Champion s existing product offerings and TransDigm s overall business direction. The Company expects that the $58.4 million of estimated goodwill recognized for the acquisition will be deductible for tax purposes.

CEF On May 7, 2008, TransDigm Inc. acquired all of the outstanding capital stock of CEF Industries, Inc. (CEF) for approximately $84.4 million in cash, net of a purchase price adjustment of $0.5 million received in January 2009. CEF is a designer and manufacturer of specialized and highly engineered actuators, compressors, pumps and related components for the aerospace market, all of which fit well with TransDigm s overall business direction. The Company expects that the $52.3 million of estimated goodwill recognized for the acquisition will not be deductible for tax purposes.

The Company accounted for the acquisitions of APC, Unison product line, and CEF (collectively, the Acquisitions) as purchases and included the results of operations of the Acquisitions in its consolidated financials statements from the effective date of each acquisition. The Company is in the process of obtaining third-party valuations of certain tangible and intangible assets of the Acquisitions; thus, the values attributed to acquired assets in the consolidated financial statements are subject to adjustment. Pro forma net sales and results of operations for the Acquisitions, had they occurred at the beginning of the thirteen week periods ended December 27, 2008 and December 29, 2007, respectively, are not significant and, accordingly, are not provided.

5. INVENTORIES

Inventories are stated at the lower of cost or market. Cost of inventories is determined by the average cost and the first-in, first-out (FIFO) methods for all locations except CEF, which determines the cost of inventories using the last-in, first-out (LIFO) method. Net inventory for CEF at December 27, 2008 was approximately $15.0 million. Inventories consist of the following (in thousands):

	December 27, 2008	September 30, 2008
Work-in-progress and finished goods	$ 80,602	$ 78,467
Raw materials and purchased component parts	90,563	81,750
Total	171,165	160,217
Reserve for excess and obsolete inventory	(16,388)	(15,862)
LIFO Reserve	(241)	(241)
Inventories - net	$ 154,536	$ 144,114

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6. INTANGIBLE ASSETS

Intangible assets subject to amortization consist of the following (in thousands):

	December 27, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net
Unpatented technology	$ 195,089	$ 29,336	$ 165,753
License agreement	9,373	2,874	6,499
Trade secrets	18,462	3,476	14,986
Patented technology	1,693	939	754
Order backlog	18,840	16,350	2,490
Other	1,600	799	801
Total	$ 245,057	$ 53,774	$ 191,283

	September 30, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net
Unpatented technology	$ 190,493	$ 27,180	$ 163,313
License agreement	9,373	2,741	6,632
Trade secrets	18,462	3,267	15,195
Patented technology	1,670	922	748
Order backlog	17,520	15,698	1,822
Other	1,600	742	858
Total	$ 239,118	$ 50,550	$ 188,568

The total carrying amount of identifiable intangible assets not subject to amortization consists of $173.7 million and $167.6 million of trademarks and trade names at December 27, 2008 and September 30, 2008, respectively.

Intangible assets acquired during the thirteen week period ended December 27, 2008 were as follows (in thousands):

	Cost	Amortization Period
Intangible assets not subject to amortization:		
Goodwill	$ 48,956	
Trademarks and trade names	6,080	
	55,036	
Intangible assets subject to amortization:		
Unpatented technology	4,590	18 years
Order backlog	1,300	1 year
	5,890	14 years
Total	$ 60,926	

The aggregate amortization expense on identifiable intangible assets for the thirteen week periods ended December 27, 2008 and December 29, 2007 was approximately $3.2 million and $3.3 million, respectively. The estimated amortization expense for fiscal 2009 is $13.4 million and for each of the five succeeding years 2010 through 2014 is $10.9 million, $10.5 million, $10.4 million, $10.3 million and $10.3 million, respectively.

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The following is a summary of changes in the carrying value of goodwill from September 30, 2008 through December 27, 2008 (in thousands):

Balance, September 30, 2008	$ 1,354,774
Goodwill acquired during the year	48,956
Other	1,734
Balance, December 27, 2008	$ 1,405,464

7. PRODUCT WARRANTY

The Company provides limited warranties in connection with the sale of its products. The warranty period for products sold varies among the Company s operations, ranging generally from 90 days to six years. A provision for the estimated cost to repair or replace the products is recorded at the time of sale and periodically adjusted to reflect actual experience.

The following table presents a reconciliation of changes in the product warranty liability for the periods indicated below (in thousands):

	Thirteen Week Periods Ended	
	December 27, 2008	**December 29, 2007**
Liability balance at beginning of period	$ 6,255	$ 4,624
Accruals for warranties issued	838	623
Warranty costs incurred	(583)	(431)
Acquisitions	681	
Liability balance at end of period	$ 7,191	$ 4,816

8. INCOME TAXES

At the end of each reporting period, the Company makes an estimate of its annual effective income tax rate. The estimate used in the year-to-date period may change in subsequent periods. The Company recorded an income tax provision of $21.3 million in the thirteen week period ended December 27, 2008 compared to $15.4 million in the prior year period. The effective tax rate for the thirteen week period ended December 27, 2008 was 35.0% compared to 36.4% for the comparable period in the prior year. The lower effective tax rate was primarily due to the retroactive reinstatement of the research and development tax credit. The retroactive benefit for the previously expired period from January 1, 2008 to September 30, 2008 is reflected as a discrete item which lowered the Company s effective tax rate by approximately 1.0%.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction as well as in various state jurisdictions. Effective October 1, 2007, the Company adopted the provisions of FIN 48. In accordance with FIN 48, the Company recognized a cumulative-effect adjustment of $1.7 million increasing its liability for unrecognized tax benefits, interest, and penalties and reducing the October 1, 2007 balance of retained earnings.

At September 30, 2008, the Company had $2.8 million in unrecognized tax benefits, the recognition of which would have an effect of $1.9 million on the effective tax rate. The Company does not believe that the tax positions that comprise the unrecognized tax benefit amount will change significantly over the next 12 months.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. At September 30, 2008, the Company had accrued $0.9 million for the potential payment of interest and penalties.

There were no significant changes to any of these amounts during the first quarter of fiscal 2009.

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As of December 27, 2008, the Company is subject to a U.S. Federal income tax examination for fiscal years 2007 and 2008. In addition, the Company is subject to state and local income tax examinations for fiscal years 2004 through 2008.

9. EARNINGS PER SHARE CALCULATION

The following table sets forth the computation of basic and diluted earnings per share:

(in thousands, except per share data)	Thirteen Week Periods Ended December 27, 2008	December 29, 2007
Basic Earnings Per Share Computation:		
Net income	$ 39,599	$ 26,968
Weighted-average shares outstanding	48,603	47,223
Basic earnings per share	$ 0.81	$ 0.57
Diluted Earnings Per Share Computation:		
Net income	$ 39,599	$ 26,968
Weighted-average shares outstanding	48,603	47,223
Effect of dilutive options outstanding [(1)]	1,934	2,639
Total weighted-average shares outstanding	50,537	49,862
Diluted earnings per share	$ 0.78	$ 0.54

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(1) Stock options totaling 0.3 million outstanding at December 27, 2008 were excluded from the diluted earnings per share computation for the thirteen weeks ended December 27, 2008, due to the anti-dilutive effect of such options. There were no stock options excluded from the diluted earnings per share calculation in the prior year period.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has various financial instruments, including cash and cash equivalents, accounts receivable and payable, accrued liabilities, interest rate swaps and long-term debt. SFAS 157 (See Note 3) establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. A financial asset or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the liabilities carried at fair value measured on a recurring basis as of December 27, 2008 (in thousands):

	Fair Value at December 27, 2008	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Interest Rate Swaps [(1)]	11,702		11,702	

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(1) Included in Accrued liabilities and Other non-current liabilities on the Condensed Consolidated Balance Sheets.

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Interest rate swaps are measured at fair value using quoted market prices for the swap interest rate indexes over the term of the swap discounted to present value versus the fixed rate of the contract. They are classified within Level 2 of the valuation hierarchy.

The carrying value of the Company s cash and cash equivalents, accounts receivable and payable, and accrued liabilities approximates their fair value due to the short-term maturities of these assets and liabilities. The estimated fair value of the Company s term loans approximated $624 million at December 27, 2008 based on information provided by the agent under the Company s Senior Secured Credit Facility. The estimated fair value of the Company s 7/4% Senior Subordinated Notes approximated $463 million at December 27, 2008 based upon quoted market prices.

11. SUPPLEMENTAL GUARANTOR INFORMATION

TransDigm s 7/4 % senior subordinated notes are jointly and severally guaranteed, on a senior subordinated basis, by TD Group and TransDigm Inc. s Domestic Restricted Subsidiaries, as defined therein. The following supplemental consolidating condensed financial information presents the balance sheets of the Company as of December 27, 2008 and September 30, 2008 and its statements of income and cash flows for the thirteen week periods ended December 27, 2008 and December 29, 2007.

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 27, 2008

(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Eliminations	Total Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 1,381	$ 152,754	$ (4,826)	$	$ 149,309
Trade accounts receivable - Net		9,802	93,541	(215)	103,128
Inventories		20,554	134,204	(222)	154,536
Deferred income taxes		19,478			19,478
Prepaid expenses and other		1,382	2,163		3,545
Total current assets	1,381	203,970	225,082	(437)	429,996
INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY BALANCES	675,072	2,070,343	473,741	(3,219,156)	
PROPERTY, PLANT AND EQUIPMENT - Net		14,403	83,003		97,406
GOODWILL		40,240	1,365,224		1,405,464
TRADEMARKS AND TRADE NAMES		19,376	154,330		173,706
OTHER INTANGIBLE ASSETS - Net		10,432	180,851		191,283
DEBT ISSUE COSTS - Net		18,379			18,379
OTHER		2,203	1,374		3,577
TOTAL ASSETS	$ 676,453	$ 2,379,346	$ 2,483,605	$ (3,219,593)	$ 2,319,811
LIABILITIES AND STOCKHOLDERS EQUITY					
CURRENT LIABILITIES:					
Accounts payable	$	$ 6,608	$ 19,674	$ (215)	$ 26,067
Accrued liabilities	6,238	50,869	36,183		93,290
Total current liabilities	6,238	57,477	55,857	(215)	119,357
LONG-TERM DEBT		1,357,113			1,357,113
DEFERRED INCOME TAXES	(5,606)	159,637			154,031
OTHER NON-CURRENT LIABILITIES		12,045	1,444		13,489
Total liabilities	632	1,586,272	57,301	(215)	1,643,990
STOCKHOLDERS EQUITY	675,821	793,074	2,426,304	(3,219,378)	675,821
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 676,453	$ 2,379,346	$ 2,483,605	$ (3,219,593)	$ 2,319,811

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 2008

(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Eliminations	Total Consolidated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents					