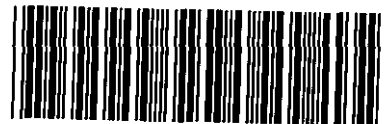


REGISTRATION NUMBER - 870199

**Northrop Grumman Properties Limited
(Formerly Lucas Aerospace Limited)**

Annual Report and Financial Statements 2006

WEDNESDAY



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Northrop Grumman Properties Limited

Report of the Directors

The directors present their report and accounts for the year ended 31 December 2006.

Principal activities and review of business

The company is a property holding company, and will remain in this capacity for the foreseeable future. During the year the company entered into a lease on an industrial property and subsequently the company has subleased it to a third party.

The loss for the year principally results from the costs of granting a lease to the sub-tenant, including stamp duty land tax. On an ongoing basis the company is expected to earn a small margin on this rental agreement.

Change of Company Name

On 26 February 2007 the company changed its name from Lucas Aerospace Limited to Northrop Grumman Properties Limited.

Results and dividends

The loss for the year after taxation amounted to £122,000 (December 2005: loss - £21,000).

Directors and Directors' interests

The Directors of the company during the year were as follows:

| | |
|-----------------|------------------------------|
| Gary McKenzie | |
| Kathleen Salmas | (Appointed 14 December 2006) |
| James Sanford | (Appointed 30 April 2006) |
| John H Mullan | (Resigned 14 December 2006) |
| Albert F Myers | (Resigned 30 April 2006) |

None of the directors had any beneficial interest in the shares of the company.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General Meeting.

On behalf of the Board



GW McKenzie
Director

26 October 2007

Northrop Grumman Properties Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORTHROP GRUMMAN PROPERTIES LIMITED

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 12. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

In addition we report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
Birmingham
Date
29 October 2007

Northrop Grumman Properties Limited

Profit and Loss Account

For the year ended 31 December 2006

| | | 2006 | 2005 |
|--|-------|--------------|-------------|
| | NOTES | £000 | £000 |
| Turnover | 2 | 474 | - |
| Other operating charges | 3,4 | (603) | (21) |
| Operating (loss) | | (129) | (21) |
| Bank Interest Receivable | | 7 | - |
| Loss on ordinary activities before and after taxation | 5,10 | (122) | (21) |

There is no difference between the current year loss and the historic cost loss.

There are no recognised gains and losses other than the loss for the current year and loss in the previous year.

Northrop Grumman Properties Limited

Balance Sheet

At 31 December 2006

| | NOTES | 2006 £000 | 2005 £000 |
|---|-------|--------------|--------------|
| Fixed assets: | | | |
| Tangible Assets | 6 | 450 | 450 |
| Current assets: | | | |
| Debtors | 7 | 299 | - |
| Cash | | 260 | - |
| | | 489 | - |
| Current liabilities: | | | |
| Trade and other creditors | 8 | (95) | (34) |
| Net current assets / (liabilities) | | 394 | (34) |
| Net assets | | 844 | 416 |
| Capital and reserves: | | | |
| Called up share capital | 9,10 | 1 | 1 |
| Share premium account | 10 | 4,138 | 4,138 |
| Capital Contribution | 10 | 550 | - |
| Revaluation reserve | 10 | 200 | 200 |
| Profit and loss account - (deficit) | 10 | (4,045) | (3,923) |
| Shareholders' funds | 10 | 844 | 416 |

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


GW McKenzie
Director

26 October 2007

Northrop Grumman Properties Limited

Notes to the Financial Statements

At 31 December 2006

1 Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Tangible fixed assets

Under the transitional provisions of FRS15 - Tangible Fixed Assets, fixed assets are included at their 1999 valuations. From 2000 it is the company's policy not to revalue fixed assets.

Following the adoption of FRS 15 in the year 2000, depreciation is provided to write-off the cost or valuation of all other fixed assets over their useful lives to their estimated residual values and is calculated by the straight-line method at the following rates:

| | |
|-----------|------------------|
| Land | nil |
| Buildings | 2%-10% per annum |

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Related party transactions

As the company is a wholly owned subsidiary of Northrop Grumman Corporation it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with other subsidiary undertakings that form part of the Northrop Grumman group, and associated undertakings of Northrop Grumman group.

Cash flow

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Deferred taxation

Provision is made for deferred tax in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Northrop Grumman Properties Limited

Notes to the Financial Statements

At 31 December 2006

1 Accounting policies (continued)

Rentals receivable

Credit is taken for rent earned in the year on an accruals basis over the lease term.

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

2. Turnover

Turnover, which is stated net of value added tax, represents rent receivable. All turnover arises in the UK.

3. Operating loss

This is stated after charging:

| | 2006 £000 | 2005 £000 |
|--|--------------|--------------|
| Operating lease charges – land and buildings | 474 | - |

4 Information regarding directors, employees and auditors

The company had no employees during the year (December 2005 - nil). The directors did not receive any emoluments from the company (December 2005 - nil). The auditors received no remuneration from the company in the year (December 2005 - nil). Directors' remuneration and auditors' fees were paid by other group undertakings.

5 Taxation on profit on ordinary activities

There is no tax charge or credit (December 2005: nil) arising on ordinary activities during the year.

| Tax reconciliation | 2006 £000 | 2005 £000 |
|--|--------------|--------------|
| Loss on ordinary activities before taxation | (122) | (21) |
| Normal tax credit at UK corporation tax rate 30% | (37) | (6) |
| Non – deductible expenditure | 28 | - |
| Unutilised losses | 9 | 6 |
| | - | - |

The company has an unrecognised deferred tax asset of £200,000 (December 2005: £191,000) relating to tax losses which are not recognised.

Northrop Grumman Properties Limited

Notes to the Financial Statements

At 31 December 2006

6 Tangible fixed assets

FREEHOLD
LAND AND
BUILDINGS
£000

| | |
|--|------------|
| Cost or valuation: | |
| At 1 January 2006 and 31 December 2006 | 618 |
| Depreciation: | |
| At 1 January 2006 and 31 December 2006 | 168 |
| Net book values - 1 January 2006 and 31 December 2006 | 450 |

The net book value of £450,000 at 31 December 2006 consists of land (December 2005 - £450,000). The company's buildings, having a cost of £ 168,000 have been fully depreciated.

The figures for fixed assets after eliminating the effect of revaluations were as follows:

| | 2006 | 2005 |
|---------------|-------|-------|
| | £000 | £000 |
| Original cost | 418 | 418 |
| Depreciation | (168) | (168) |
| | 250 | 250 |

7 Debtors

| | 2006 | 2005 |
|----------------|------|------|
| | £000 | £000 |
| Accrued income | 17 | - |
| Prepayments | 178 | - |
| Other debtor | 34 | - |
| | 299 | - |

8 Trade and other creditors

| | 2006 | 2005 |
|-----------------------------------|------|------|
| | £000 | £000 |
| Amount owed to group undertakings | 94 | 34 |
| Accruals | 1 | - |
| | 95 | 34 |

9 Share capital

| | 2006 | | 2005 | |
|---|------|------------|------|------------|
| | No. | £ | No. | £ |
| Authorised: | | | | |
| Ordinary shares (£1 each) | 450 | 450 | 450 | 450 |
| 7% redeemable participating preference shares (£1 each) | 150 | 150 | 150 | 150 |
| At 31 December 2006 | | 600 | | 600 |
| Allotted, called up and fully paid: | | | | |
| Ordinary shares (£1 each) | 352 | 352 | 352 | 352 |
| 7% redeemable participating preference shares (£1 each) | 150 | 150 | 150 | 150 |

Northrop Grumman Properties Limited

Notes to the Financial Statements

At 31 December 2006

At 31 December 2006

502

502

9 Share capital (continued)

The preference shares are redeemable at any time at the company's option at par on one month's notice by the company. The holders of preference shares rank in priority to the ordinary shareholders in the event of a winding-up to the extent of amounts paid-up plus any arrears of dividends. Preference shareholders may only vote in general meeting if the company is being wound-up or if it is proposed that their rights be waived. The shareholders of the 7% redeemable participating preference shares have irrecoverably waived their rights to receive any future dividends to be declared and to any accumulated past dividends

10 Reconciliation of shareholders' funds and movement on reserves

| | SHARE CAPITAL | SHARE PREMIUM ACCOUNT | CAPITAL CONTRIBUTION | REVALUATION RESERVE | PROFIT AND LOSS ACCOUNT | TOTAL |
|----------------------|------------------|-----------------------------|-------------------------|------------------------|-------------------------------|-------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| At 31 December 2004 | 1 | 4,138 | - | 200 | (3,902) | 437 |
| Retained loss | - | - | - | - | (21) | (21) |
| At 31 December 2005 | 1 | 4,138 | - | 200 | (3,923) | 416 |
| Capital Contribution | - | - | 550 | - | - | 550 |
| Retained loss | - | - | - | - | (122) | (122) |
| At 31 December 2006 | 1 | 4,138 | 550 | 200 | (4,045) | 844 |

The Capital Contribution for £550,000 was made from Northrop Grumman Space & Mission Systems Corporation on June 19, 2006. Initial funds were deposited in Lloyd TSB London to be used for payment of expenses.

11 Commitments

The company is committed to the following rental payments for the next year in respect of operating leases:

| | Land and buildings | |
|----------------------------|--------------------|-------|
| | 2006 | 2005 |
| | £'000 | £'000 |
| Lease which expire: | | |
| After more than five years | 781 | - |

12 Ultimate parent company

The only group in which the company is consolidated is that headed by Northrop Grumman Corporation, the ultimate parent undertaking and controlling party incorporated in California in the USA and located at 1840 Century Park East, Los Angeles, CA 90067, USA. The consolidated accounts of this company may be viewed at the company website which is www.northropgrumman.com. In addition, the Securities Exchange Commission also maintains a web site at www.sec.gov that contains reports, proxy statements and other information regarding SEC registrants, including Northrop Grumman.