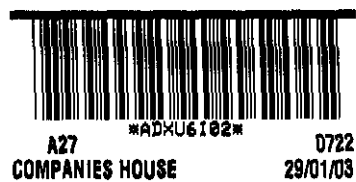


**TEC ELECTRICAL COMPONENTS
LIMITED**

Report and Financial Statements

17 months ended 31 December 2001

**Deloitte & Touche
St Albans
United Kingdom**



REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

JH Mullan
WB Terry
AF Myers
W J Kumberg

SECRETARY

D R Stanning

REGISTERED OFFICE

BP Collins
Collins House
32-38 Station Road
Gerrards Cross
Buckinghamshire
SL9 8EL

AUDITORS

Deloitte & Touche
St Albans

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 17 month period ended 31 December 2001.

ACTIVITIES

The principal activity of the company is the sale and manufacture of professional electrical components, including connectors, integrally lit display panels, switches, lighting components and coated plastic materials.

The company has established a strategy of focussing upon its core connector business. To this end it entered final negotiations with one bidder for the divestiture of its non-core production lines.

Additionally, TEC established a programme of technology transfer, which has resulted in the qualification of VEAM's Connecticut office as a MIL-C-38999 assembly distributor, and the first phases of redeployment of manufacturing resources to VEAM in Scotland and Italy have taken place.

The firm is well positioned on several major UK defence related programmes and the acquisition noted below has added the balance of full sales and manufacturing responsibility for four new connector product lines specific to the commercial industry sector.

REVIEW OF DEVELOPMENTS

On 31 July 2001 the company acquired the business assets and liabilities of Litton Products Connector Operations Ltd, located in Glenrothes, Scotland for consideration equal to the net asset value and fair value.

DIVIDENDS

No dividend has been paid or proposed (2000 : nil)

DIRECTORS AND THEIR INTERESTS

The directors who served during the period are set out below.

No director serving at the end of the period had any interests in the share capital of the company or any other UK group company.

L Brickner	- resigned 3 April 2001
J E Preston	- resigned 4 April 2001
W J Von Kumberg	
D M Steuert	- resigned 18 May 2001
J H Mullan	- appointed 3 April 2001
W B Terry	- appointed 3 April 2001
A Myers	- appointed 3 April 2001

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

Director

J H Mullan 20013

20-1-03

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company 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; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TEC ELECTRICAL COMPONENTS LIMITED**

We have audited the financial statements of TEC Electrical Components Limited for 17 months ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

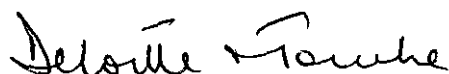
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 judgements 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 of the state of the company's affairs as at 31 December 2001 and of its loss for the 17 month period then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors
St Albans

27 January 2003

**PROFIT AND LOSS ACCOUNT
17 months ended 31 December 2001**

	Note	Period ended 31 December 2001 £	Period ended 31 December 2001 £	Period ended 31 July 2000 £
TURNOVER	2			
- acquired operations		1,362,895		
- continuing operations		<u>7,298,546</u>	8,661,441	691,029
Cost of sales				
- acquired operations		(1,006,973)		
- continuing operations		<u>(6,251,388)</u>	<u>(7,258,361)</u>	<u>(525,780)</u>
Gross profit				
- acquired operations		355,922		
- continuing operations		<u>1,047,158</u>	<u>1,403,080</u>	<u>165,249</u>
Distribution costs				
- acquired operations		(88,105)		
- continuing operations		<u>(798,010)</u>	<u>(886,115)</u>	<u>(156,341)</u>
Administrative expenses				
- acquired operations		(272,083)		
- continuing operations		<u>(2,030,418)</u>	<u>(2,302,501)</u>	<u>(313,907)</u>
OPERATING LOSS	4			
- acquired operations		(4,266)		
- continuing operations		<u>(1,781,270)</u>	<u>(1,785,536)</u>	<u>(304,999)</u>
Other interest receivable and similar income			1,360	-
Interest payable and similar charges	5		<u>(280,145)</u>	<u>(25,753)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			<u>(2,064,321)</u>	<u>(330,752)</u>
Tax on loss on ordinary activities	6		-	33,000
RETAINED LOSS FOR THE FINANCIAL PERIOD	15		<u><u>(2,064,321)</u></u>	<u><u>(297,752)</u></u>

There were no other recognised gains or losses for either financial period other than those stated above.

BALANCE SHEET
31 December 2001

	Note	31 December 2001 £	31 July 2000 £
FIXED ASSETS			
Tangible assets	7	<u>528,271</u>	<u>1,165,556</u>
CURRENT ASSETS			
Stocks	8	1,588,182	1,134,818
Debtors	9	2,504,261	905,520
Cash at bank and in hand		-	3,470
		<u>4,092,443</u>	<u>2,043,808</u>
CREDITORS: amounts falling due within one year	10	<u>(2,014,100)</u>	<u>(1,768,076)</u>
NET CURRENT ASSETS		<u>2,078,343</u>	<u>275,732</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,606,614</u>	<u>1,441,288</u>
CREDITORS: amounts falling due after more than one year	11	<u>(4,886,180)</u>	<u>(1,643,991)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(82,407)</u>	<u>(94,949)</u>
		<u>(2,361,973)</u>	<u>(297,652)</u>
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account	14	<u>(2,362,073)</u>	<u>(297,752)</u>
EQUITY SHAREHOLDERS' DEFICIT	15	<u>(2,361,973)</u>	<u>(297,652)</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

Director
J H Mullen

20-1-03

~~2002~~

NOTES TO THE ACCOUNTS

17 month period ended 31 December 2001

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover consists of the invoiced value (excluding VAT) for goods and services supplied in the year.

Tangible fixed assets and depreciation

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Plant and machinery	12.5%
Fixtures, fittings, tools and equipment	20%
Motor vehicles	25%

Leased assets

Assets held under finance leases are included in the balance sheet at cost less depreciation in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Warranties

Specific provisions are raised against significant warranty claims received; all others are charged to the profit and loss account in the year that they occur.

Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the period end. Exchange differences are taken to the profit and loss account.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

NOTES TO THE ACCOUNTS

17 month period ended 31 December 2001

1. ACCOUNTING POLICIES (CONTINUED)

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are invested and managed independently of the finances of the company. The pension cost charge represents contributions payable in the year.

Cashflow

The company is exempt from the preparation of a cashflow statement by virtue of being included in the group accounts of Northrop Grumman Systems Corporation.

2. TURNOVER

	Period ended 31 December 2001 £	Period ended 31 July 2000 £
United Kingdom	6,588,632	580,641
Europe	483,177	21,869
North America	751,655	44,016
Rest of World	837,977	44,503
	<u>8,661,441</u>	<u>691,029</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No directors received any remuneration nor are members of the company pension scheme

Average number of persons employed	No.	No.
Production	86	10
Sales	13	1
Engineering	8	1
Administration	9	1
	<u>116</u>	<u>13</u>
	£	£
Staff costs during the period (including directors)		
Wages and salaries	2,781,290	282,649
Social security costs	241,740	23,746
Pension costs	143,067	4,872
	<u>3,166,097</u>	<u>311,267</u>

NOTES TO THE ACCOUNTS
17 month period ended 31 December 2001

4. OPERATING LOSS

	Period ended 31 December 2001 £	Period ended 31 July 2000 £
Operating loss is after charging:		
Depreciation of tangible fixed assets		
Leased assets	76,249	3,579
Owned assets	824,804	38,811
Auditors remuneration	19,250	19,000
Operating lease rentals	215,161	27,274
Stock provision	350,994	-

The exceptional charge in respect of the stock provision is a specific provision made as a result of the changes to the business detailed in the Directors' report. Also included within depreciation is a charge of £511,775 relating to this same event.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 31 December 2001 £	Period ended 31 July 2000 £
Interest on group loan	242,735	18,183
Interest on leased assets	-	5,332
Interest on overdrafts and loans	37,410	2,238
	<u>280,145</u>	<u>25,753</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	Period ended 31 December 2001 £	Period ended 31 July 2000 £
United Kingdom corporation tax at 30%		
(2000 - 30%) based on the loss for the period	-	-
Deferred taxation	-	(33,000)

There is no tax credit for the period due to the carry forward of tax losses for which no deferred tax asset has been provided.

NOTES TO THE ACCOUNTS
17 month period ended 31 December 2001

7. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures, fittings, tools and equipment £	Motor vehicles £	Total £
Cost				
At 1 August 2000	4,318,489	1,127,655	185,434	5,631,578
Transfer from group company	393,716	-	-	393,716
Additions	89,773	43,714	103,024	236,511
Disposals	(182,879)	-	(32,490)	(215,369)
At 31 December 2001	<u>4,619,099</u>	<u>1,171,369</u>	<u>255,968</u>	<u>6,046,436</u>
Accumulated depreciation				
At 1 August 2000	3,339,366	1,014,686	111,970	4,466,022
Transfer from group company	287,902	-	-	287,902
Disposals	(120,293)	-	(16,519)	(136,812)
Charge for the period	720,511	124,883	55,659	901,053
At 31 December 2001	<u>4,227,486</u>	<u>1,139,569</u>	<u>151,110</u>	<u>5,518,165</u>
Net book value				
At 31 December 2001	<u>391,613</u>	<u>31,800</u>	<u>104,858</u>	<u>528,271</u>
At 31 July 2000	<u>979,123</u>	<u>112,969</u>	<u>73,464</u>	<u>1,165,556</u>

The net book value of the tangible fixed assets includes £278,591 (2000: £345,103) in respect of assets held under finance leases. Depreciation charged in the period on those assets amounted to £66,512 (2000: £12,443).

8. STOCKS

	31 December 2001 £	31 July 2000 £
Raw materials and consumables	1,322,728	878,702
Work-in-progress	265,454	256,116
	<u>1,588,182</u>	<u>1,134,818</u>

NOTES TO THE ACCOUNTS
17 month period ended 31 December 2001

9. DEBTORS

	31 December 2001 £	31 July 2000 £
Trade debtors	1,853,294	697,455
Amounts owed by group companies	368,448	17,651
Other debtors	-	25,275
Prepayment and accrued income	188,683	157,194
Recoverable from group company	93,836	7,945
	<u>2,504,261</u>	<u>905,520</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Amounts owed to group companies	668,122	493,612
Bank overdraft	30,011	50,245
Obligations under hire purchase agreements	65,439	72,785
Debt due within one year	763,572	616,642
Trade creditors	923,811	827,660
Amounts owed to group companies	-	22,611
Corporation tax	10,356	10,356
Other taxation and social security	137,311	51,355
Accruals and deferred income	179,050	239,452
	<u>2,014,100</u>	<u>1,768,076</u>

The overdraft is secured on the assets of the company. The hire purchase agreements are secured on their related assets.

NOTES TO THE ACCOUNTS

17 month period ended 31 December 2001

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2001 £	31 July 2000 £
Amounts due to group companies	4,788,180	1,481,700
Obligations under hire purchase agreements	98,000	162,291
	<u>4,886,180</u>	<u>1,643,991</u>
Hire purchase payments due after more than one year, repayable		
Between one and two years	98,000	77,422
Between two and five years	-	84,869
	<u>98,000</u>	<u>162,291</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Dilapida- tions £	Deferred Tax £	Total £
At 1 August 2000	94,949	-	94,949
Applied during the period	(12,542)	-	(12,542)
Balance at 31 December 2001	<u>82,407</u>	<u>-</u>	<u>82,407</u>

The dilapidations provision represents the best estimate of amounts likely to be incurred as a legal obligation to make good repairs under the lease on the company's operating premises.

Deferred tax

	Provided 31 December 2001 £	Provided 31 July 2000 £	Not Provided 31 December 2001 £	Not Provided 31 July 2000 £
Capital allowances in advance of depreciation	-	-	(25,175)	163,794
Other timing differences	-	-	-	-
Losses	-	-	(655,388)	(292,713)
	<u>-</u>	<u>-</u>	<u>(680,563)</u>	<u>(128,919)</u>

NOTES TO THE ACCOUNTS
17 month period ended 31 December 2001

13. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised		
100 ordinary shares of £1 each	100	100
Called up, allotted and fully paid		
100 ordinary shares of £1 each	100	100

14. RESERVES

	Profit And loss Account £
At 1 August 2000	(297,752)
Retained loss for the financial period	(2,064,321)
At 31 December 2001	(2,362,073)

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	31 December 2001 £	31 July 2000 £
Loss for the financial period	(2,064,321)	(297,752)
Opening shareholders' funds	(297,652)	100
Closing shareholders' deficit	(2,361,973)	(297,652)

16. FINANCIAL COMMITMENTS

Operating lease commitments

The payment which the company is committed to make in the next year under operating leases are as follows:

	2001 £	2000 £
Land and buildings, leases expiring Between one and five years	126,500	130,000
Plant and machinery, leases expiring Between one and five years	-	-

NOTES TO THE ACCOUNTS

17 month period ended 31 December 2001

17. ACQUISITION

On 31 July 2001 the company acquired the business assets and liabilities of Litton Products Connector Operations Ltd, located in Glenrothes, Scotland for consideration equal to the net asset value and fair value

	Transfer value and fair value £000
Net Assets acquired:	
Fixed assets	106
Stock	838
Other current assets	802
Liabilities	(1,674)
	<hr/>
Consideration and fair value of net assets acquired	72
	<hr/> <hr/>

18. IMMEDIATE AND ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate holding company is TEC Electrical Components Group Ltd, which is incorporated in England and Wales.

The ultimate parent company and controlling party is Northrop Grumman Systems Corporation which is incorporated in the United States of America. Copies of the group financial statements which represent the accounts of both the smallest and largest group in which this company is consolidated are available from the corporate offices at 1840 Century Park East, California 90067-2199.

The company, under paragraph 3(c) of FRS 8 is exempt from disclosing the details of transactions with certain other group companies as it is a wholly owned subsidiary.